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NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

February 27, 1989

Office of General Counsel

Mr. Robert W. Bream
Jax Navy Federal Credit Union
Post Office Box 45085
Jacksonville, Florida 32232-5085

Re: Compliance With Part 721 of NCUA's Rules and
Regulations (Your December 29, 1988, Letter)

Dear Mr. Bream:

You have asked for our opinion concerning compliance with Part 721 of the NCUA's Rules and Regulations (12 C.F.R. Part 721). Part 721 authorizes Federal credit unions ("FCU's") to offer outside vendors' products and services to their members. The regulation also addresses reimbursement and potential conflicts of interest when an FCU offers vendor products or services to its membership.

You requested our guidance on the applicability of Part 721 to several different situations. Not enough information was provided for us to make a determination on the situations presented. The following information should assist you in making determinations.

Part 721 only applies when an FCU makes "insurance and group purchasing plans involving outside vendors available to the membership." (See Section 721.1, 12 C.F.R. §721.1.) Benefits to FCU officials are prohibited when offered "in conjunction with any activity under this Part." (See Section 721.2(c).) Part 721 probably does not apply to some of the situations you present. For instance, Part 721 is probably not applicable when a credit union official or management staff attends a conference as a guest speaker with expenses underwritten by the sponsor. Additionally, it does not apply to services offered to the FCU rather than to the membership, e.g., credit card processing. One of the situations you present concerns telecrediting services. Part 721 may be

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inapplicable to that situation, although we do not have enough information to make a determination.

In addition to Part 721, FCU's must also comply with the Bank Bribery Act (18 U.S.C. §215) which may apply to some of the situations you presented.

We recently issued several letters discussing the conflict of interest provisions of Part 721 and the Bank Bribery Act. I believe the guidance in these opinions will assist you in making determinations on situations as they arise in your FCU.

Sincerely,

Hattie M. Ulan

HATTIE M. ULAN
Acting Assistant General Counsel

RD:sg
Enclosures