



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

Office of General Counsel

GC/HMU:bhs
89-0613
SSIC 3500

July 31, 1989

Ms. Paula J. Garten
Director of Member Relations
Bank Fund Staff Federal Credit Union
1818 H Street, NW
Washington, DC 20433

Re: Foreign Currency Deposits (Mr. Osius'
June 7, 1989, Letter)

Dear Ms. Garten:

You asked whether a Federal credit union (FCU) may accept shares in foreign currencies and, if legally accepted, how such shares would be insured and regulated. It is our opinion that the acceptance of shares in a foreign currency would not violate the FCU Act or NCUA Rules and Regulations. However, the maintenance of such shares in foreign currencies presents risk to credit unions accepting such deposits and to the National Credit Union Share Insurance Fund. Therefore, FCUs may not maintain deposits denominated in foreign currencies.

Your letter asked whether an FCU could accept shares in foreign currencies. In subsequent telephone conversations, you informed us that the shares would be maintained in the foreign currencies. Neither the FCU Act nor the NCUA Rules and Regulations addresses the acceptance and/or maintenance of shares in foreign currencies. It is our opinion that an FCU can accept shares in foreign currencies pursuant to its authority to accept shares (see Section 107(6) of the FCU Act (12 U.S.C. 1757(6))). The shares cannot be maintained in foreign currencies due to the high risk associated with the fluctuating foreign exchange rates. The FCU's involved, and

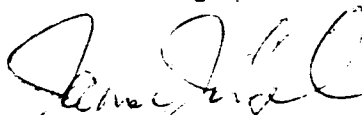
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ultimately the NCUSIF, would be subject to such risk. Please contact our Office of Examination and Insurance if you have additional questions.

Sincerely,



HATTIE M. ULAN
Assistant General Counsel

cc: Director, Office of Examination and Insurance