



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

December 3, 1991

Tobias E. Timm  
McDonald & Company  
Credit Union Asset Management Group  
4660 S. Hagadorn Road, Suite 190  
East Lansing, MI 48823

Re: Bank Notes (Your October 8, 1991, Letter)

Dear Mr. Timm:

You have asked whether bank notes are permissible investments for federal credit unions (FCUs). If the notes constitute "deposits" under the Federal Reserve Board's Regulation D, they are permissible investments.

Analysis

FCU investment and deposit authority is governed by Sections 107(7), (8), and (15) of the FCU Act, 12 U.S.C. §§1757(7), (8), and (15), and Part 703 of the National Credit Union Administration Rules and Regulations, 12 C.F.R. Part 703. Under Section 107(8) of the FCU Act, and FCU may make deposits in national banks and in state banks, trust companies, and mutual savings banks operating in accordance with the laws of the state in which the FCU does business, or in banks or institutions the accounts of which are insured by the Federal Deposit Insurance Corporation.

In determining what constitutes a "deposit" under Section 107(8), we have generally looked to the Federal Reserve Board's Regulation D, 12 C.F.R. Part 204, for guidance. Regulation D sets forth the reserve requirements for depository institutions, including FCUs, and contains a definition of the term "deposit," see 12 C.F.R. §204.2. Even if a bank investment is not considered a "deposit" as that term is generally understood, it may still be considered a

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deposit for Regulation D purposes. If the notes constitute deposits under Regulation D, they are permissible investments for FCUs.

Enclosed, for your information, are two prior opinion letters on the same issue.

Sincerely,

*Hattie M. Ulan*

Hattie M. Ulan  
Associate General Counsel

Enclosures

GC/LH:sg  
SSIC 4660  
91-1016