

# CORPORATE CREDIT UNION GUIDANCE LETTER

No. 2004-01

DATE: February 19, 2004

SUBJ: Corporate Credit Unions Investing To Fund Employee Benefit Plans

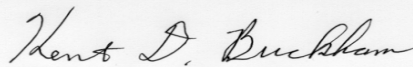
TO: The Corporate Credit Union Addressed

Corporate Credit Union Guidance Letter #2003-05 (Letter #2003-05), dated August 27, 2003, was issued to all federal corporate credit unions to address the application of Section 701.19 of the National Credit Union Administration's (NCUA) Rules and Regulations, Benefits for Employees of Federal Credit Unions, to federal corporate credit unions. Subsequent to that issuance, questions arose as to the applicability of the guidance in Letter #2003-05 to state chartered corporate credit unions. Based on a review of the regulations, it is our position that the guidance in Letter #2003-05 applies to all corporates.

Part 704, which applies to both federal and state-chartered corporate credit unions, restricts the investments corporates may make. Section 701.19(c) of NCUA's Rules and Regulations, however, provides that federal corporate credit unions are not subject to the investment limitations of Part 704 if the investments are directly related to an obligation under an employee benefit plan and meet the conditions in the regulation. NCUA's position is that state chartered corporate credit unions may make investments to support employee benefit plans as long as those investments meet the criteria of either Part 704 or Section 701.19.

A copy of Letter #2003-05 is enclosed for your information. If you have any questions, please contact your district examiner, the Office of Corporate Credit Unions, or, if applicable, your state regulator.

Sincerely,



Kent D. Buckham  
Director  
Office of Corporate Credit Unions

Enclosure

cc: NASCUS  
NAFCU  
ACCU  
State Regulators