

GC/LH:sg

SSIC 3000

93-0912

[ ]

FROM: Hattie M. Ulan, Associate General Counsel

SUBJ: Merrill Lynch Profit Sharing (Your Memorandum of September 7, 1993)

DATE: December 13, 1993

[ ] wishes to enter into an agreement with Merrill Lynch under which Merrill Lynch would contribute 5 basis points to the [ ] Scholarship Fund for every \$1 million of business written with [ ] member credit unions. [ ] provides scholarships to volunteers, members, and employees of member credit unions. You have asked about the legality of such a program.

Such a plan is legal but presents potential conflicts of interest. Article XIX, Section 4, of the standard Federal Credit Union Bylaws provides that no director, committee member, officer, agent, or employee of a credit union may participate in the deliberation upon or determination of any question affecting his or her pecuniary interest. Thus, individuals who participate in any way in the investment decisions of the credit union would be ineligible for scholarships. Their dependents would also be ineligible.