

January 31, 1995

Mr. James A. Phillips
President
Trust Resource Company
479 Main Street
Portland, Connecticut 06480

Re: Federal Credit Unions Offering Trust and Asset Management Services (Your December 29, 1994, Letter)

Dear Mr. Phillips:

You have asked us to describe the regulatory framework that would permit a Federal credit union ("FCU") to offer trust and asset management services to its members. The FCU Act does not authorize FCUs to establish and offer trust and asset management services. An FCU that wishes to offer these services may engage in either of the following: (1) offer the services of an independent vendor to its members pursuant to 12 C.F.R. Part 721; or (2) provide those services by investing in a credit union service organization ("CUSO").

Part 721 of the NCUA Regulations authorizes FCUs to make group purchasing activities, including preexisting trust and asset management services, from an independent vendor available to its members. The service can be provided without the NCUA's prior approval. An FCU may perform administrative functions on behalf of the vendor and have the vendor reimburse the FCU for its costs.

Sections 107(5)(D) and 107(7)(I) of the FCU Act* authorize FCUs to invest in and make loans to CUSOs. A CUSO is either a corporation or limited partnership "established primarily to serve the needs of its member credit unions, and whose business relates to the daily operations of the credit unions they serve." The NCUA Regulations governing a FCU's involvement with a CUSO are set forth at 12 C.F.R. 701.27.

Generally, Section 701.27 prescribes permissible CUSO structures, customer base, services and activities. Section 701.27(d)(5)(ii) contains a list of financial services, including trust services, that a CUSO may provide. Since, you have not provided us with a description of your asset management services, we cannot confirm that a CUSO could provide them. If an activity or service is not authorized by Section 701.27(d)(5)(ii), the NCUA must approve that activity or service before an FCU can invest in or make loans to the CUSO. Mr. James A. Phillips

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If, after review of the enclosed NCUA Regulations, you have any additional questions, please contact Jeffrey S. Mooney, Staff Attorney, at (703) 518-6563.

Sincerely,

Richard S. Schulman
Associate General Counsel

GC/JSM:bh
SSIC 3500
95-0107

Enclosure

* 12 U.S.C. 1757(5)(D) and 107(7)(I).