

January 20, 1998

Bruce O. Jolly, Jr., Esq.
Lane & Mittendorf LLP
919 18th St., NW
Washington, DC 20006

Re: Section 703.80, Your letter of September 26, 1997.

Dear Mr. Jolly:

Your question concerns a federal credit union (FCU) purchasing or selling a security based on the recommendation of an investment adviser. You have asked whether the FCU must secure two additional price quotations on the security, under 12 C.F.R. §703.80(a), effective January 1, 1998, if the adviser obtains two quotations and sends them to the FCU. As discussed below, it is not necessary.

Section 703.80 of the National Credit Union Administration (NCUA) Rules and Regulations, effective January 1, 1998, describes valuation requirements for FCUs buying, selling, and holding securities. Section 703.80(a) provides that, before an FCU purchases or sells a security, it must obtain price quotations on the security from either two broker-dealers or one industry-recognized information provider. NCUA added the price quotation requirement to ensure that FCUs are aware of the market prices of securities they buy and sell.

Where an investment adviser obtains two quotations on a security and sends the FCU the quotations and their sources, the FCU need not obtain additional quotations. Those provided by the adviser are sufficient to inform the FCU of the market prices of its securities.

Sincerely,

Sheila A. Albin
Associate General Counsel

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SSIC 3501
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