

February 18, 1992

Ian Laurence Renert  
World Financial Advisors, Inc.  
599 Lexington Avenue  
Suite 2300  
New York, N.Y. 10022

Re: Maturity on Banker's Acceptance (Your February 10, 1992, Letter)

Dear Mr. Renert:

You have asked whether a banker's acceptance with a maturity of one year is a permissible investment for a credit union. Part 703 of the NCUA Regulations (12 C.F.R. Part 703) is the regulation governing investments for federal credit unions (FCUs). Section 703.2 of NCUA's Regulations defines a banker's acceptance as "a time draft that is drawn on and accepted by a bank, and that represents an irrevocable obligation of the bank." As you know, Section 703.4(i) of NCUA's Regulations permits an FCU to invest in "banker's acceptances issued by a Section 107(8) institution." A Section 107(8) institution is defined in Section 703.2 of the Regulations. The regulation does not require a banker's acceptance to have any specified maturity limit. Therefore, a banker's acceptance issued by a 107(8) institution with a maturity limit of one year is a permissible investment for a federal credit union. We decline to endorse your draft form for a banker's acceptance. Each FCU purchasing the investment should determine whether such a form is acceptable as well as the suitability of the particular investment.

One additional note. NCUA's authority in regulating credit union investments is limited to federal credit unions. To determine if such an investment is permissible for a state-chartered credit union, contact the appropriate state regulatory authority for a legal determination.

Sincerely,

Hattie M. Ulan  
Associate General Counsel

GC/MM:sg  
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92-0215