

July 11, 1997

Daniel A. Daggett, Treasurer
Bowdoinham Federal Credit Union
P.O. Box 73
Bowdoinham, Maine 04008

Re: Insurance & Brokerage Services, Your letter dated May 5, 1997.

Dear Mr. Daggett:

You have written concerning a proposed credit union service organization (CUSO) agreement between Bowdoinham Federal Credit Union (Bowdoinham FCU) and Northern Capital Securities Corporation (Northern Capital). Under the agreement, Northern Capital would provide insurance and brokerage services to the Bowdoinham FCU members. You have asked for our opinion on proper indemnification documentation as well as for general advice on structuring the agreement and regulatory procedure.

NCUA Rules and Regulations only address indemnification of federal credit union (FCU) officials and employees, not employees of an affiliated CUSO. 12 C.F.R. §701.33. Please be advised that, while the Office of General Counsel provides the public with interpretations of the Federal Credit Union Act (the Act) and NCUA's Rules and Regulations, it does not provide general advice on how to structure an agreement. You should have your own attorney review the proposed CUSO agreement to determine if it is permissible under the Act, NCUA Rules and Regulations, and applicable state law.

You correctly state that an FCU employee may also be an employee of a CUSO. However, if the employee of the FCU is a senior management employee, he or she must comply with the conflict of interest provision in §701.27(d)(6) of NCUA Rules and Regulations. As treasurer of the FCU, you are a senior management employee. 12 C.F.R. §701.27(c)(5). The conflict of interest provision permits the CUSO to reimburse the FCU for your services, but you can not be compensated by the CUSO, either directly or indirectly.

Sincerely,

Sheila A. Albin
Associate General Counsel

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