

August 29, 1997

Mr. Carlos A. Figueroa  
Shay Financial Services Co.  
888 Brickell Ave., 5th Floor  
Miami, FL 33131

Re: Deposit Brokering  
Your letter dated June 16, 1997

Dear Mr. Figueroa:

You have asked for some clarification of my letter to Mr. Tony Romero, dated April 30, 1997, concerning deposit brokering. A copy of that letter is enclosed. Briefly summarized, it addresses issues related to a federally insured credit union accepting deposits from a custodian who is acting on behalf of other credit unions and the insurance coverage of those deposits by the National Credit Union Share Insurance Fund. The letter notes that, if a credit union issues a certificate registered only "in nominee name" and accepts funds from a nonmember custodian, there would be no insurance. This is because only member funds are insured, and a registration only "in nominee name" provides no insurance to a nonmember nominee. The letter states that, to avoid this problem, the funds from the participating credit unions must be pooled and then the share certificate issued at the time the funds are deposited.

You have asked for a clarification regarding the requirement that funds be pooled prior to issuance of a certificate and, also, whether the credit union issuing a certificate in nominee name must know the identity of the credit unions actually investing in the certificate.

On the first question regarding the pooling of funds, you are basically asking whether it is permissible for a credit union to issue a certificate of deposit at the same time that the custodian is sending that credit union the funds it has collected from the investing credit unions. You describe a scenario in which investing credit unions transmit funds to XYZ Custodian. XYZ transmits the funds to the issuing credit union at the same time that that credit union issues a share certificate. Each investing credit union will own a portion of the certificate. The certificate is titled "XYZ as Custodian for Others." This scenario meets the pooling requirement. We note that it would be preferable for the certificate to be titled "XYZ as Custodian for Other Credit Unions." This will remind the issuing credit union that the certificate represents more than \$100,000 in insured shares.

Regarding your second question, the issuing credit union does not need to know the identities of the investing credit unions. An investing credit union's funds will be insured to \$100,000 as long as it maintains records establishing that it is an owner and the extent of its ownership of the share certificate.

Sincerely,

Sheila A. Albin  
Associate General Counsel

GC/LH:bhs  
SSIC 3500  
97-0642

Enclosure