

September 23,1997

William Kurdyla, Second Vice President
Gibraltar Securities Co.
25 Hanover Rd.
Florham Park, NJ 07932-1407

Re: 12 C.F.R. §703.60
Your Letter of July 31, 1997

Dear Mr. Kurdyla:

You have asked whether your firm's securities safekeeping arrangements meet the requirements of Section 703.60(c) of the National Credit Union Administration Rules and Regulations, effective January 1, 1998. The answer is yes.

Your company, a broker-dealer, sells securities to federal credit unions (FCUs) and safekeeps them with a third party, Correspondent Services Corporation (CSC). Section 703.60(c) states that an FCU "may not allow the selling broker-dealer to safekeep purchased investments or repurchase collateral." Your firm's custodial arrangement with CSC does not constitute "broker-dealer safekeeping" within the meaning of the regulation. Section 703.60(c) prohibits an FCU from allowing a broker-dealer to serve, itself, as a depository for securities the FCU has purchased from the broker-dealer.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/LH:bhs
SSIC 4660
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