

December 16, 1997

Mark B. Wickard, Senior Vice President - Investments
Credit Union Services Group
PaineWebber Inc.
1500 Abbott Rd., Ste. 200
East Lansing, MI 48823

Re: Securities Safekeeping
Your letter of November 10, 1997

Dear Mr. Wickard:

You have asked whether PaineWebber's securities safekeeping arrangements are permissible for federal credit unions (FCUs) under Section 703.60 of the revised rules governing investment and deposit activities issued by the National Credit Union Administration (NCUA) Board in June 1997. 62 Fed. Reg. 32989 (1997). They are under an interim final rule issued by the NCUA Board on November 24, 1997, which further amended Section 703.60. 62 Fed. Reg. 64146 (1997).

The interim final rule replaced the prohibition against a selling broker-dealer acting as a safekeeper with the requirement, "Any safekeeper you [an FCU] use must be regulated or supervised by either the Securities and Exchange Commission or a federal or state depository institution regulatory agency." PaineWebber deposits book-entry securities with the Depository Trust Corporation (DTC) and holds physical securities itself. Since both DTC and PaineWebber are regulated by the Securities and Exchange Commission, PaineWebber's safekeeping arrangements are permissible for FCUs.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/LH:bhs
SSIC 4660
97-1116