

BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: August 17, 2012

FROM: Office of General Counsel

SUBJ: Treasury Inflation Protected Securities - 12 C.F.R. §701.14

ACTION REQUESTED: Board issuance of the attached proposal to include treasury inflation protected securities (TIPS) as a permissible investment for federal credit unions (FCUs).

DATE ACTION REQUESTED: September 20, 2012.

OTHER OFFICES CONSULTED: All Regions, Office of Chief Economist, and Office of Examination and Insurance.

VIEWS OF OTHER OFFICES CONSULTED: Concur.

BUDGET IMPACT, IF ANY: None.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBERS: Frank Kressman, Associate General Counsel, Office of General Counsel and J. Owen Cole Jr., Director, Division of Capital Markets, Office of Examination & Insurance.

SUMMARY: The proposal amends NCUA's investment regulation to allow FCUs to purchase TIPS. The proposed amendment adds TIPS to the list of permissible investments for FCUs in part 703 to provide FCUs with an additional investment portfolio risk management tool that can be useful in an inflationary economic environment.

RECOMMENDED ACTION: Recommend the Board issue the proposed rule with a 60-day comment period.

ATTACHMENT: Proposed rule.