



Department of Commerce

Division of Financial Institutions
John R. Kasich, Governor
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State of Ohio Department of Commerce Division of Financial Institutions

Administrative Guideline for Credit Unions 11-1

Issued January 21, 2011

Permissible Investments in a Corporate Credit Union

The Ohio Division of Financial Institutions (the "Division") has received numerous requests for information regarding investments in corporate credit unions and specifically how it relates to the current capital offering by Corporate One Federal Credit Union ("Corporate One FCU"). This guideline is intended to provide direction on the required procedures for Ohio state-chartered credit unions to make permissible investments in a corporate credit union.

Ohio state-chartered credit unions' investments are subject to Ohio Revised Code ("O.R.C.") 1733.30 and Ohio Administrative Code ("O.A.C.") 1301:9-2-07 limitations. The permissibility of investments in corporate credit unions is stated in O.R.C. 1733.30(A) "*A credit union may make any investment of any funds not required for the purpose of loan...in the shares of a corporate credit union subject to the regulations of that corporate credit union*". The Division has determined that this unrestricted limit applies to any **share account** in a corporate credit union and any other investment in a corporate credit union would fall within O.A.C. 1301:9-2-07, which limits investments, not expressly authorized in the statute or rule above, to an aggregate of five percent (5%) of shares and undivided earnings, provided that the credit union's investment policy has been approved by the Division. At a minimum, a credit union must provide the Division a board resolution authorizing the investment, the requisite limit for the proposed investment and the proposed investment policy.

The current offering by Corporate One FCU is intended to help raise additional capital and assist the Corporate One FCU to comply with new capital rules and regulations promulgated by the National Credit Union Association. The Corporate One FCU offering consists of two components. The first is a solicitation to convert existing membership accounts to a new form of *perpetual contributed capital* ("PCC"). The Division has determined that PCC is a "prerequisite for membership in the corporate credit union" and therefore is unrestricted under O.R.C. 1733.30(A). The second component of the offering is to solicit investments in a *non-perpetual capital account* ("NCA"). The Division has determined that NCA is an obligation of Corporate One FCU and thus subject to O.A.C. 1301:9-2-07. The NCA investment, as offered, is not defined as a share account, is uninsured, and is not required for membership in the corporate credit union and therefore is subject to the five percent (5%) limitation and the requisite request for Division approval.

The Division respects and understands the function of the corporate credit union system and the role it plays in Ohio's credit union operations. The decision to invest in products solicited by a corporate credit union is solely at the credit union's discretion, subject in part to Division approval. If you have any questions regarding this guidance, please contact the Division's Credit Union Section at 614-644-9574.

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