



State of Washington

**DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CREDIT UNIONS**

P.O. Box 41200 • Olympia, Washington • 98504-1200

Courier Address: 150 Israel Rd. SW • Tumwater, WA • 98501-6456

Telephone (360) 902-8701 • TDD (360) 664-8126 • (800) 372-8303 • FAX (877) 330-6870 • <http://www.dfi.wa.gov>

September 5, 2018

Division of Credit Unions Interpretive Letter I-18-03

TO: CEOs of All Washington State Chartered Credit Unions

FROM: Linda Jekel, Director of the Division of Credit Unions

RE: Approval of applications to hold investments that are eligible collateral under RCW 39.58.050 (securities for eligible collateral on uninsured public funds), but are not listed as permissible investments under RCW 31.12.436

Question

Can the Director of the Division of Credit Unions (DCU) use the provisions of WAC 208-436-030 to expedite the approval process for approving future investment waiver applications received from state chartered credit unions to invest in investments that are eligible collateral under RCW 39.58.050 (uninsured public funds collateral), but are not listed as permissible investments under RCW 31.12.436?

Background & Analysis

On August 21, 2018, DCU Director granted approval to a Washington state chartered credit union to make investments that are not listed in RCW 31.12.436, but are eligible to pledge as collateral for holding uninsured public deposits. These approved investments must meet the requirements listed in RCW 39.58.050(5) and (6) and this approval is for eligible investments used only for pledging of collateral to the state treasurer in order to accept uninsured public deposits.

Although the eligible investments listed in RCW 39.58.050(5) and (6) is more expansive (less limiting) than those permissible investments under RCW 31.12.436, DCU believes the list of eligible investments/collateral under RCW 39.58.050(5) and (6) does not pose a material risk to a Washington state chartered credit union that is a public depository. Also be aware that the Public Depository Protection Commission may determine if the security may remain eligible as collateral, see RCW 39.58.505 (8).

In the future, credit unions that are applying for expanded investment authority under RCW 31.12.436(1) to invest in collateral investments for holding uninsured public deposits, should analyze whether these investments are safe and prudent for their credit union. If credit union officials consider these investments to be safe and prudent, then this should be stated in the limited investment application to DCU.

Conclusion

Since the Director of DCU has already approved one credit union to invest in investments that are not listed in RCW 31.12.436 but are eligible to pledge as collateral for holding public deposits, the Director can approve expedited future applications that are the considered the same type of investment request, unless the Director finds these investments are not safe and prudent for the applying credit union.

This Interpretive Letter is applicable to all Washington state-chartered credit unions. If you have any questions, please do not hesitate to contact Linda Jekel, Director of Credit Unions, at linda.jekel@dfi.wa.gov, or (360) 902-8778.

Disclaimer: The Division of Credit Unions does not provide legal advice. This interpretation is based on the facts as presented to Division of Credit Union, provided as general guidance only, and is not a substitute for legal advice to the credit union.

Attachment: Limited application form

Limited Application for the purpose of applying for approval of investments listed in
RCW 39.58.050

Date:

To: Director of Credit Unions
dcu@dfi.wa.gov or
PO Box 41200
Olympia, WA 98504
Main Phone Number: (360) 902-8700
Toll-Free: 1-877-RING DFI (746-4334)

From: Name of applicant credit union:
Address of credit union:
Name of person submitting application:
Contact person's phone number:
Contact person's email address:

Check one of the following:

- We are in the process of applying to the Washington State Treasurer to be approved as a public depository.
- We were approved by the Washington State Treasurer as a public depository, effective (date) .

This application is in accordance with WAC 208-436-030 which authorizes the Director of Credit Unions (Director) to grant approval when the investment(s) requested by the applicant credit union are the same type of investment(s) which one or more state chartered credit unions have previously received permission to make, unless the Director finds the proposed investments would not be sound or prudent practices for the applicant credit union. On August 21, 2018, the Director approved a Washington state chartered credit union to invest in securities that are eligible collateral for uninsured public funds in accordance with RCW 38.58.050.

This application is for purpose of applying for same type of investment authority in RCW 38.58.050. The applicant credit union considers these investments to be safe and prudent and has adequate expertise to manage these investments.

Credit Union Signature