 Office of Credit Unions Policies and Procedures	POLICY NUMBER
	10150
MANAGEMENT	EFFECTIVE DATE
	11/01/2018
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I. PURPOSE


This policy provides guidance for the examination procedures for nondeposit investment products. A Nondeposit Investment Product (NDIP) is a financial security that is not federally insured. NDIP's include mutual funds, annuities, securities, and self-directed Individual Retirement Accounts that invest in securities. Sales activities for nondeposit investment products should ensure that members are clearly and fully informed of the nature and risks associated with these products.

PRIMARY REFERENCES / RELATED REGULATIONS

1. [Michigan Credit Union Act Section 401\(2\)\(o\)](#): Domestic credit union powers
2. [FFIEC Interagency Statement on Retail Sales of Nondeposit Investment Products](#)

II. MINIMUM PROCEDURES

1. Review the nondeposit investment product policy to ensure it encompasses the following:
 - a. Contains procedures to ensure that members are aware:
 - i The products are not federally insured;
 - ii The products are not deposits or obligations of the credit union;
 - iii The products are subject to investment risk and can result in possible loss of principal invested.
 - b. Compliance procedures.
 - c. Supervision of personnel involved in sales
 - d. Types of products sold.
 - e. Permissible use of member information.
 - f. Designation of employees authorized to sell nondeposit investment products.
2. Review any arrangements with third parties;
 - a. All arrangements should be in writing and approved by the Board of Directors.
 - b. Compliance with these arrangements should be periodically monitored.
 - c. The arrangements should contain the following:

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- i. Describe the duties and responsibilities of each party, including a description of permissible activities by the third party on the credit union's premises, terms as to the use of the credit union's space, personnel, and equipment, compensation arrangements for personnel of the credit union and the third party
 - ii. Specify that the third party will comply with all applicable laws and regulations, and with the provisions relating to member disclosures
 - iii. Authorize the credit union to monitor the third party and periodically review and verify that the third party and its sales representations are complying with its agreement with the credit union
 - iv. Authorize the credit union and regulators to have access to such records of the third party as necessary or appropriate to evaluate such compliance
 - v. Require the third party to indemnify the credit union for potential liability resulting from actions of the third party with regard to the investment product sales program
 - vi. Provide for written employment contracts, satisfactory to the credit union, for personnel who are employees of either the credit union or the third party.
- d. Review compliance documentation to ensure credit union members are aware of the lack of federal insurance on nondeposit investment products.