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	10410
INVESTMENTS	EFFECTIVE DATE
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I. PURPOSE

The review of a credit union's investments in certificates of deposit (CDs) and insured deposits should verify compliance with state and federal regulations, the adequacy of investment policies, procedures, and controls as well as management's ability to manage the risk and diversity in the investment portfolio while balancing safety, liquidity, and yield.


II. PRIMARY REFERENCES / RELATED REGULATIONS

1. [Michigan Credit Union Act, Section 342](#): Board Responsibility to Establish Policy
2. [Michigan Credit Union Act, Section 431](#): Permissible Investments and Activities
3. [NCUA Rules and Regulations Part 741.219](#): Investment Requirements
4. ASC 320 – Accounting for Investments

III. MINIMUM PROCEDURES

1. Certificates of Deposit

- a. Review credit union documentation to verify the characteristics of the CDs. (e.g. Review the trade ticket, confirmation receipt, and broker statement, etc.)
- b. Verify the CD is a negotiable instrument or directly placed with the institution (e.g. Verify that the CD is held or registered in the credit union's name).
 - i. Credit unions may use the services of a CD finder or an electronic CD finder program that is not registered with the Securities and Exchange Commission (SEC) or regulated by a federal or state depository institution regulatory agency; however, funds must be transferred directly to the issuing institution.
 - ii. If a broker-dealer is used for CD purchases, management must exercise due diligence to protect against loss. At minimum, management must:
 1. Deal with reputable broker-dealers;
 2. Evaluate the risk(s);
 3. Enter into a written contract; and
 4. Use a custodial agreement.
- c. Verify the issuer and the CD are both insured.

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- d. For Brokered CDs, management must ensure brokerage firms and broker-dealers are registered with the SEC and that safekeepers are registered with the SEC or regulated by a federal or state depository institution regulatory agency.

2. Insured Deposits in Other Financial Institutions

- a. Review the credit union’s documentation of its deposits to verify all the characteristics of the deposits, including the issuer, account number, interest rate, maturity date etc.
- b. Verify deposits/shares are insured.

3. Uninsured Deposits

Ensure management has performed sufficient due diligence to determine and control the credit risk associated with the issuer of any uninsured deposit (i.e. period review of issuer financial statements, net worth position, financial performance etc.)