 Office of Credit Unions Policies and Procedures	POLICY NUMBER
	10470
INVESTMENTS	EFFECTIVE DATE
	11/01/2018
SUBJECT	REVISION DATE
	11/01/2018
Stocks (CUSO, FHLB, IPO, Other)	PAGE(S)
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I. PURPOSE


Investments in stocks are reviewed to determine compliance with state and federal regulations, the adequacy of the credit union's investment policies, procedures and controls and Management's ability to manage the risks in the investment portfolio while diversifying investments to balance safety, liquidity and yield.

II. PRIMARY REFERENCES

1. Michigan Credit Union Act:
 - a. [Section 401\(2\)\(bb\)](#): Ownership in systems used for payment systems etc.
 - b. [Section 401\(2\)\(ii\)](#): Stock for the purpose of land and building
 - c. [Section 401\(2\)\(ss\)](#): Investments for Deferred Compensation Plans
 - d. [Section 410\(1\)](#): Stock for the purpose of safety deposit services
 - e. [Section 431\(3\)](#): Stock impermissible; exceptions; requirement to divest within one year
2. [Office of Credit Unions Letter 2007-CU-06](#): Stock in Visa, Inc.

III. MINIMUM PROCEDURES

1. **Verify Compliance with the Michigan Credit Union Act (MCUA):** [Section 431\(3\)](#) of the MCUA states a domestic credit union cannot invest in or hold common stock except as provided in [Section 401\(2\)](#), [410\(1\)](#), or bank and bank holding stock legally acquired before December 19, 1986.
 - a. If a credit union acquires capital stock or another equity investment as a result of a loan default, the MCUA requires the credit union to divest within one year, unless a longer time frame is approved by the Director.
 - b. Section [401\(2\)\(bb\)](#) of the MCUA allows stock ownership in entities providing payment systems, loan servicing systems etc.
 - c. Section [401\(2\)\(ii\)](#) of the MCUA allows a credit union to purchase stock in a corporation that owns land and buildings used to provide a facility under section (hh) but ownership of the stock is an investment in the land and buildings for all purposes under (hh). If a domestic credit union owns less than 100% of the stock in a corporation described in this section then the investment is a joint agreement that requires the approval of the Director.

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- d. Section [401\(2\)\(ss\)](#) of the MCUA permits purchasing stock to fund deferred compensation arrangements for employees; if the deferred compensation arrangement does not provide a risk to the safety and soundness of the domestic credit union, then the purchase of the stock is not subject to the limitations of the MCUA.
 - e. Section [410\(1\)](#) of the MCUA authorizes a credit union, after approval by its Board, to invest in the stock of not more than one safe and deposit collateral company.
- 2. Review of Stock:** The review of stock(s) should determine the following:
- a. Management possesses sufficient documentation to evidence the credit union's ownership of and value of the stock.
 - b. The stock investment(s) comply with the relevant provisions of the MCUA.
 - c. The stock investment(s) level of credit risk, relative to the credit union's net worth position.
 - d. Management sufficiently understands and manages the risks related to the stock investment(s).
 - e. Management has performed adequate due diligence prior to acquisition of the stock, and ongoing.