

January 25, 2010

Guy A. Messick, Esq.  
Messick & Weber, P.C.  
The Madison Building  
108 Chesley Drive  
Media, PA 19063-1712

Re: Regulatory Compliance Services as a Permissible Credit Union Service Organization (CUSO) Activity.

Dear Mr. Messick:

You have asked if a CUSO can provide regulatory compliance services for credit unions. As described and subject to our comments below, we conclude regulatory compliance services are a permissible CUSO activity under the preapproved category of clerical, professional and management services. 12 C.F.R. §712.5(b).

You have indicated a group of credit unions is considering forming a CUSO to provide regulatory compliance services for credit unions. The CUSO will assist credit unions, particularly smaller credit unions, in complying with consumer protection and other applicable regulations by reviewing a credit union's documents and procedures and providing guidance on meeting compliance obligations. You note the CUSO, in addition to its own employees, might use credit union employees the CUSO hires on a part-time basis.

A federal credit union may only invest in, lend to, or contract with a CUSO that is primarily serving credit unions and engaged in activities and services related to the routine daily operations of credit unions. See 12 C.F.R. Part 712. NCUA's CUSO rule provides a list of preapproved categories of permissible CUSO activities. 12 C.F.R. §712.5. Regulatory compliance services are not specifically identified within a preapproved activity; however, the activities specified within each preapproved category are illustrative and not exhaustive. The category of "clerical, professional, and management services" lists "internal audit for credit unions" and "research services" as preapproved CUSO activities. 12 C.F.R. §712.5(b)(5), (9). To the extent the proposed services would involve compliance audits of credit unions and research, we believe the regulatory compliance services you have described fall within this preapproved category.

We caution you that CUSO staff involved in providing guidance on regulatory compliance services must be careful that they are not providing legal advice that

would require an attorney's license under state law. You have indicated the CUSO is prepared to hire or keep an attorney on retainer as necessary under applicable law to ensure the CUSO's non-lawyer compliance staff is not engaging in the unauthorized practice of law. Finally, because you note the CUSO might employ credit union employees on a part-time basis, CUSO staff need to be mindful to address any conflict of interest issue under §712.8 and considerations of confidentiality of credit union records.

If you have further questions, please feel free to contact Staff Attorney Pamela Yu or me.

Sincerely,

/S/

Sheila A. Albin  
Associate General Counsel

GC/PWY:bhs  
09-1229