



Illinois Department of Financial and Professional Regulation

Division of Financial Institutions

JB PRITZKER
Governor

DEBORAH HAGAN
Secretary

FRANCISCO MENCHACA
Director
Division of Financial Institutions

February 25, 2021

Alliant Credit Union
Attn: Ken Schaafsma, Vice President of Enterprise Risk Management
kschaafsma@alliantcreditunion.com

Re: Alliant Credit Union Request for Non-Binding Statement

VIA ELECTRONIC MAIL

Non-Binding Statement 2021-01

Dear Mr. Schaafsma:

Alliant Credit Union (“Alliant”) requested a non-binding statement pursuant Title 38, Section 200.310 of the Illinois Administrative Code addressing whether the proposed purchase of obligations from the World Bank is an allowable investment of funds under 205 ILCS 305/59(a)(7) of the Illinois Credit Union Act. Specifically, Alliant requests clarification whether the World Bank qualifies as a “financial institution” pursuant to 205 ILCS 305/59(b).

Please be advised that consistent with governing law, the Department of Financial and Professional Regulation, Division of Financial Institutions (“Division”) does not render formal legal opinions or interpretations and non-binding statements do not have precedent value.

In addition, facts or conditions different than those presented will require different conclusions. Persons other than those requesting the statement should not rely on this statement. The Division has not independently verified any represented facts, and instead has relied upon the statements and representations contained in your correspondence.

FACTS

The World Bank is made up of 189 member countries and it sources financial and technical assistance to developing countries around the world. The World Bank is the largest source of development finance and the world’s largest resource for development expertise and coordination services. The World Bank partners with others to reduce poverty and support development by offering low-interest loans, zero to low-interest credits, and grants in developing countries. The goal of the World Bank is to help members reach their development goals and achieve sustainable improvements in the standards of living for their people.

The United States became a member of the World Bank in 1945 and is the largest shareholder of the World bank with 17% of shares. The U.S. Secretary of the Treasury sits on the World Bank’s Board of Governors.

Alliant seeks to invest in obligations of the World Bank. Alliant represents it would invest funds not used in loans to its members.

APPLICABLE LAW

Section 59 of the Illinois Credit Union Act provides in relevant part:

- (a) Funds not used in loans to members may be invested, pursuant to subsection (7) of Section 30 of this Act, and subject to Departmental rules and regulations: . . . (7) In shares, stocks or obligations of other financial institutions in the total amount not exceeding 5% of the unimpaired capital and surplus of the credit union;
- (b) As used in this Section: . . . "Financial institution" includes any bank, savings bank, savings and loan association, or credit union established under the laws of the United States, this State, or any other state.

ANALYSIS

While the World Bank may be a “financial institution” as the term is commonly used in other statutes, the World Bank is not a “financial institution” as defined by Section 59 of the Illinois Credit Union Act. Specifically, the World Bank is not a bank, savings bank, savings and loan association, or credit union established under the laws of the United States, this State, or any other state; rather, the World Bank is an international organization established by the United Nations pursuant to international law.

Furthermore, the fact that Section 59 of the Illinois Credit Union Act specifically enumerates specific foreign obligations in which credit unions may invest—see, e.g. 205 ILCS 305/59(a)(6) (permitting investments in the obligations of the State of Israel, or obligations fully guaranteed by the State of Israel as to payment of principal and interest) —provides further support that the term “financial institution” as used in Section 59 of the Illinois Credit Union Act only encompasses institutions established pursuant to domestic law. While the United States owns shares of the World Bank, and the United States Secretary of the Treasury sits on the World Bank’s Board of Governors, the World Bank nonetheless is an international organization established pursuant to international law.

CONCLUSION

In light of the information shared and the authority provided for in the Act, the Department has determined that Alliant investing in the obligations of the World Bank **would be** prohibited and could result in an enforcement action if it occurred.

The Division expressly disclaims any obligation to advise you of any changes in the circumstances, laws or events that may occur after this date or otherwise update this response. This non-binding statement does not address the applicability of any law except the Illinois Credit Union Act.

Sincerely,

Francisco Menchaca
Director, Division of Financial Institutions

By,

s/David Berland
David Berland
Deputy General Counsel