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May 31, 2011

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Proposed Regulation – Incentive-based Compensation Arrangements

Dear Ms. Rupp:

Bellco Credit Union is pleased to submit this comment letter with respect to proposed regulations on incentive-based compensation arrangements. By way of background information, Bellco is a state-chartered credit union with in excess of 190,000 members and approximately $2 billion in assets.

The proposed rule would require the reporting of incentive-based compensation arrangements by a covered financial institution and prohibit incentive-based compensation arrangements at a covered financial institution that provide excessive compensation or that could expose the institution to inappropriate risks that could lead to material financial loss.

As a state-chartered and federally-insured credit union, Bellco is subject to periodic examination by both the Colorado Division of Financial Services and the National Credit Union Administration. Our compensation practices are already subject to strict scrutiny in the risk-focused examination process—which takes into account the size and complexity of the credit union. It appears that credit unions are being painted with the same broad brush as banks in the wake of the financial crisis, particularly with respect to the $1 billion threshold at which general risk prohibitions on incentive-based compensation are applicable to all financial institutions.

However, it is *absolutely unwarranted* that credit unions will be placed on an uneven playing field with respect to deferred compensation rules for larger covered financial institutions. While the proposed deferred compensation rules impose a $50 billion threshold for banks, the NCUA has proposed a $10 billion

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threshold for credit unions without justification. This deviation from the standard is patently unfair and imposes an onerous regulatory burden on credit unions.

While we recognize that inappropriate compensation practices can and have contributed to safety and soundness issues at banks, the credit union structure and philosophy does not encourage excessive risk taking. Credit unions have historically relied on their risk management, internal controls and corporate governance to prudently control risk for their membership.

According to a January 13, 2011, CNBC television interview with FDIC Chairman Shelia Blair, "For risk-takers who bet the ranch, you will see additional requirements for the board to identify who those are and be more involved in their compensation as well." Even the FDIC envisions the threshold for deferred incentive compensation at the $50 billion mark, so since when did the NCUA deem credit unions to have "bet the ranch?" Simply stated, how did credit unions suddenly become five times more risky than banks?

CONCLUSION

Bellco Credit Union appreciates the opportunity to submit these comments regarding proposed Incentive-based Compensation Arrangements. We advocate that the NCUA continue to utilize the examination process to review such arrangements. However, the NCUA should adopt a uniform standard of $50 billion as the appropriate threshold for deferred compensation rules.

Respectfully,

Dan Kampen

Dan Kampen
Executive Vice President & CFO
Bellco Credit Union