

From: [Michael Engel](#)
To: [Regulatory Comments](#)
Subject: Comments on Proposed Rulemaking (CUSO)
Date: Monday, September 26, 2011 1:57:29 PM

September 26, 2011

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia

RE: Notice of Proposed Rulemaking (CUSO)

Dear Ms. Rupp:

It is difficult to understand the underlying reasons for the proposed modifications to the CUSO so I respectfully ask the Board to withdraw the proposed amendments.

The proposed rule would require all CUSOs to report directly to the National Credit Union Association (NCUA) or to the state supervisory authority (SSA) if the CUSO of a federally-insured state-chartered credit union (FISCU) met specific criteria. This proposal does not take into account the complexity of the CUSO, materiality of the CUSO to the credit union(s) owner(s) or risk to the owner(s).

The proposed requirements for the FISCU CUSO to give NCUA access to financial records, prepare quarterly statement and an annual audit GAAS and follow GAAP go beyond the simply goes beyond what was intended when a CUSO is created. The fact that a SSA may apply for a CUSO exemption is negated when NCUA, at its sole discretion, can determine when it necessary or appropriate to gain direct access to the CUSO records.

I have researched creating several CUSOs and belonged to CUSOs during my career. The regulations modifications as proposed do not provide an inducement to create a CUSO but rather place new impediments to operating existing or new CUSOs.

NCUA currently requires a credit union's management and Board to understand the risks associated with operating a credit union. A CUSO is simply another risk source for a credit union. NCUA presently requires due diligence in vendor reviews and on the surface it would seem the same type logic applied to external vendors could be applied to a CUSO operation.

In summary, present documentation on how the current regulations are not adequate and then propose regulation modifications specifically addressing those inadequacies will enable one to understand the reasoning behind the changes.

Sincerely,

Michael Engel

Chemcel Federal Credit Union

President/CEO

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