



August 20, 2012

Delivered to the NCUA Board as an email: regcomments@ncua.gov

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

Re: Charles Bruen Comments on Notice of Proposed Rulemaking for Part 741, Maintaining Access to Emergency Liquidity

Dear Ms. Rupp:

I appreciate the opportunity to provide comments and observations to the National Credit Union Administration Board about the notice of proposed rulemaking concerning the mandate that federally insured credit unions maintain federal sources of emergency liquidity. First Entertainment Credit Union is a \$970 million in assets, 63,000-member federally insured California-chartered credit union located in Hollywood, California. In this letter I reemphasize my comments from the previously filed comment letter about the NCUA Board's initial ANPR on this same topic. These prior comments remain applicable to the NCUA Board's current revised proposal. I also provide new comments addressing the NCUA Board's question about applying Basel III to federally insured credit unions larger than \$500 million in assets.

The previously-made points that I would like to reemphasize include:

- I do not agree that mandating a liquidity backstop from a federal government source must be established by a new NCUA rule. The NCUA Board's adoption of such a rule would be counterproductive.
- The proposed rule is not necessary and is certain to lead to unintended consequences. For example, the rule would in effect mandate that a smaller credit union recapitalize the NCUA-managed Central Liquidity Facility (CLF) at a time when its own net worth ratio is suffering.
- A credit union liquidity policy should not be required to anticipate a financial disaster that might not occur again for many decades, if ever again in our lifetimes. A well-managed credit union should be allowed to determine its own liquidity needs based upon its asset mix and cost-benefit analysis.
- Responsible alternatives to the CLF exist for emergency liquidity for credit unions and for NCUA resolution resources. These alternatives should replace the mixed-ownership government-run CLF bailout fund that unacceptably exposes the United States Treasury, the taxpayers, and the credit union industry to ongoing systemic risk.
- Concurrent with the October 2012 wind down of the U.S. Central Bridge and its ownership of the CLF capital stock, the CLF should also be eliminated. The CLF was created during a different time and under a different set of circumstances that no longer exist.

- Credit unions should be using the Federal Reserve Discount Window for extreme emergency liquidity in addition to maintaining other liquidity sources for more routine circumstances.
- The NCUA Board should find a substitute arrangement with the U.S. Treasury Department for replacing the CLF as a corporate credit union crisis resolution mechanism if the NCUA Board fears such an awful situation could ever arise in the future.
- I would also remind the NCUA Board that the piling on of new rules is no substitute for responsible regulatory supervision and thorough agency examinations of credit unions.
- When it comes to applying Basel III to any credit union of any size, I would advise the NCUA Board to go very, very slowly. Basel III is a complex one-size-fits-all approach that could lead to unintended consequences. Moving too fast on Basel III without first thoroughly analyzing the impact could prove extraordinarily disruptive.

In summary, I urge the NCUA Board to not finalize the mandatory emergency federal liquidity rule as currently proposed. The CLF has outlived its usefulness and should be closed down this October. The Federal Reserve Discount Window is the preferred access to emergency federal liquidity. Any application of Basel III to federally insured credit unions should be thoroughly vetted since the costs are most likely to be found to exceed the benefits.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles Bruen".

Charles Bruen
President & CEO
First Entertainment Credit Union