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AMERICA'S CREDIT UNIONS™

September 4, 2009

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

Re: Interagency Guidance on Funding & Liquidity Risk Management

Dear Ms. Rupp,

The Georgia Credit Union League (GCUL) appreciates the opportunity to comment on the proposed interagency guidance issued jointly by the National Credit Union Administration (NCUA), Office of the Comptroller of the Currency, Federal Reserve Board, Federal Deposit Insurance Corporation, and Office of Thrift Supervision (the agencies). The proposed guidance is intended to clarify and summarize the principles of sound liquidity risk management previously issued by the agencies. As a matter of background, GCUL is the state trade association and one member of the network of state leagues that make up the Credit Union National Association (CUNA). GCUL serves approximately 169 credit unions that have over 1.79 million members. This letter reflects the views of our Regulatory Response Committee, which has been appointed by the GCUL Board to provide input into proposed regulations such as this.

<u>Summary of GCUL's Views</u>

- GCUL supports ongoing efforts to ensure liquidity risk is managed properly at all credit unions.
- Given the complexity, apparent scope and likely requirement for revised regulation, GCUL strongly opposes the proposed interagency guidance.
- The proposed guidance, while vague in many respects, appears to require the same form of liquidity risk management practices and procedures on all financial institutions, regardless of their size and charter type. We do not believe this is a practical approach and that credit unions should not be lumped together with the larger bank holding companies that require this level of oversight.

- NCUA is currently creating a proposal regarding a potential revision to the corporate credit union structure. It is our opinion that any additional requirements for corporate credit unions be included in the context of that review process.
- NCUA has not provided explanation of why the current Asset Liability Management/Liquidity Risk guidance (found in the NCUA Examiner's Guide) is considered insufficient.
- The Proposal would lead to additional requirements for federal credit unions, which we believe would be onerous and are unnecessary.

<u>Discussion of GCUL's Views</u>

GCUL supports ongoing efforts to ensure liquidity risk is managed properly at all credit unions. While GCUL believes that the proposed Interagency Guidelines may be necessary for larger banking organizations, it is our opinion that the applicability of the Guidance to all credit unions in unwarranted and unnecessary. However, we continue to encourage credit unions of all sizes and complexity to remain vigilant in their commitment to proper liquidity risk management, as they are currently doing. Comprehensive guidelines and policies are a vital component for liquidity risk management programs.

Although lacking details in many respects, the proposed Guidance attempts to require the same form of liquidity risk management practices and procedures on all financial institutions, regardless of their size and charter type. Drawn from suggestions from the Basel Committee, the Senior Supervisors Group and Financial Stability forum, it is evident that the Guidance is designed for larger, more complex institutions. One of the biggest challenges with the proposal is that there is not sufficient guidance on liquidity management as it applies to institutions of different sizes. For example, page 16 of the Interagency Guidance refers to active management of intraday liquidity and collateral. It is clear that the larger, more complex institutions would need to perform this level of management. However, most credit unions will not have the need for this type of review. A similar statement can be said for stress testing. Should the Agency require more thorough testing, additional guidance on how those tests should be designed and carried out is necessary. "Stress" can be defined in a number of ways; interest rate is only one of them.

Corporate credit union issues should be addressed within the context of NCUA's corporate credit union restructuring proposal. Because the Agency is currently undertaking a review and soliciting feedback regarding a possible restructuring of the corporate credit union network, GCUL would encourage the agency to address issues regarding liquidity policies, practices and procedures among the corporate credit unions as part of the agency's overall review of the corporate credit union system, rather than imposing this new guidance on them now.

NCUA has not provided explanation of why the current Asset Liability Management/Liquidity Risk guidance is considered insufficient. All of the key components of the guidance are already addressed sufficiently in the examination procedures, via the Examiner's Guide, including adequate sources of liquidity, contingency planning in the event of liquidity problems, monitoring and reporting on liquidity. Likewise, internal controls, appropriate corporate governance strategies, and stress testing are already important elements of credit union board and management responsibilities. The proposed guidance would impose a number of new requirements on credit unions such as more frequent and detailed liquidity reporting and relevant stress testing, which can be costly and time consuming.

The Proposal would lead to additional requirements for federal credit unions, which we believe would be onerous and are unnecessary. GCUL firmly believes that the current guidance provided by NCUA is adequate in terms of scope and guidance for the vast majority of credit unions. Should additional guidance become necessary, the Agency should issue additional directives via a Letter to Credit Unions, and not by the adoption of a set of guidelines that are clearly designed for other banking institutions.

Thank you for the opportunity to comment on the proposed Interagency Guidance. If you have questions about our comments, please contact Cynthia Connelly or me at (770) 476-9625.

Respectfully submitted,

Richard Ellis
Vice President/Credit Union Development
Georgia Credit Union League