



May 25, 2011  
Via Email

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

Re: Notice of Proposed Rule Making, Incentive-based Compensation Arrangements,  
12 CFR Parts 471 and 751

Ms. Rupp –

Alliant Credit Union has reviewed the Board's proposed joint rule on incentive-based compensation arrangements. Alliant appreciates this opportunity to share its comments regarding the proposed rule with the Board. Alliant has comments in six general areas:

First, the rule requires annual reporting to the NCUA to describe the structure of each covered credit union's incentive-based compensation arrangements. The proposed reporting requirements necessitate that a credit union produce a series of "narrative" or "succinct" descriptions of various aspects the credit union's incentive-based plans, policies and procedures. Alliant feels this requirement would create an unnecessary burden on credit unions, and would support one of two alternatives: First, that a credit union simply provides the plans, policies or procedures directly to the regulator for their review. A less favorable alternative to directly providing the plans would be that the NCUA develop a standardized form or questionnaire that the credit union can complete in order to fulfill the reporting requirements. Additionally, Alliant requests that the Board consider specifying that any report, description, policy, procedure or any other materials required to be provided to the NCUA under the rule be kept confidential and exempt from FOIA requests.

Second, Alliant strongly urges the Board to consider two factors regarding the timing of the effective date of the final rule, which the agencies currently propose as six months after publication in the Federal Register. First, the rule should apply only to those annual incentive plan arrangements entered into after the rule's effective date, and allow for any annual incentive-based arrangements in place at the time of the effective date to be honored. Invalidating an arrangement before its completion or requiring an unexpected and extended deferment of funds could have detrimental impact on the personal finances of credit union employees who rely on the income received under these plans. Additionally, the effective date after the final rule's publication should provide credit unions enough time to analyze, plan, and, most importantly, budget for the creation of new, conforming incentive-based plans, if necessary.



Third, Alliant would urge the Board to consider narrowing the definition of “covered persons” to include only those individuals ultimately responsible for the oversight of the credit union’s financial condition, namely the top-level executives and board of directors. Any relevant “inappropriate risks” created by front-line or other subordinate employees are mitigated by the credit union’s appropriate lending, investment, collections, allowance for loan loss, or other critical policies as created and administered by the credit union’s executive leadership or its board of directors. Additionally, Alliant requests that the Board further expands on what is meant by the phrase “head of a major line of business” as found in the definition of “executive officer.”

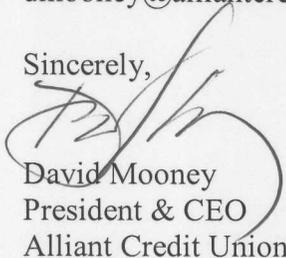
Fourth, while the proposed rule makes an effort to standardize what “excessive compensation” might mean, it is largely silent on those types of activities that may constitute “inappropriate risks” for which incentive-based pay is prohibited. Alliant requests that the Board provide further guidance on the types of activities or job duties that involve risks that might be inappropriate, or what would make an otherwise appropriate risk become an inappropriate one.

Fifth, the proposed rule forbids credit unions “from doing indirectly or through or by any other person, any act or thing” prohibited by the rule. This prohibition is vague in nature and seemingly creates a number of gray areas, particularly regarding outside loan originations or indirect lending. Alliant asks if it’s the Board’s intention for credit unions to begin monitoring the compensation plans of our business partners, or if the intent of this section is to merely prevent third-parties from compensating credit union employees?

Finally, Alliant supports several of the comments already submitted to the Board by our colleagues in the credit union industry regarding this proposed rule, particularly those comments in support of considering the tax liability for deferred payments, the credit union’s ability to invest any deferred funds, and the disposition of deferred funds at separation of employment. Most importantly, Alliant fully supports that the credit union threshold for “large institutions” should be aligned with the \$50 billion asset size set for certain other institutions also covered by the joint rule.

Again, Alliant appreciates the opportunity to provide our feedback on the proposed rule. Should you or any member of the NCUA staff wish to discuss Alliant’s comments further, please do not hesitate to contact me. I can be reached by phone at 800.328.1935, or by email at [dmooney@alliantcreditunion.com](mailto:dmooney@alliantcreditunion.com).

Sincerely,



David Mooney  
President & CEO  
Alliant Credit Union