



March 15, 2011

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

Dear Ms. Rupp:

On behalf of the National Association of Credit Union Service Organizations ("NACUSO") and our credit union and credit union service organization members, we want to convey our thoughts and concerns regarding the National Credit Union Administration's (the "NCUA") proposed rule on Incentive Based Compensation Arrangements approved on February 17, 2011 (the "Proposed Rule").

Section 956 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act") tasked the NCUA, along with other federal regulators, to prescribe regulations requiring disclosure of certain incentive based compensation arrangements for executives, directors, employees or principal shareholders of a covered financial institution, and a covered financial institution includes any insured credit union as defined under the Section 101 of the Federal Credit Union Act or any credit union eligible to become insured under section 201 of the Federal Credit Union Act. This would include nearly all state and federally chartered credit unions. However, this does not include credit union service organizations ("CUSO").

The Proposed Rule asks for comment on whether CUSOs in general should be considered covered financial institutions. Although the Act gives broad authority for the federal regulators to include other financial institutions, it is extremely unlikely that CUSOs in general would be considered financial institutions in either the letter of, or the spirit of, the Act and therefore the Proposed Rule. The Act only delineates institutions directly regulated by the federal regulators and the Proposed Rule only adds foreign depository institutions because these institutions are subject to the Federal Deposit Insurance Act. CUSOs do not generally fit the definition of regulated financial institution and they are not regulated by the NCUA nor are their activities insured by the share insurance fund. Furthermore, the reporting provisions of the Proposed Rule highlight the importance of a covered financial institution that is already being supervised and/or subject to examination by one of the federal regulators. CUSOs are not directly supervised by the NCUA, nor examined by the agency. Therefore, it is not at all clear that the Proposed Rule should be appropriately considered or could be rightly implemented to apply to CUSOs.

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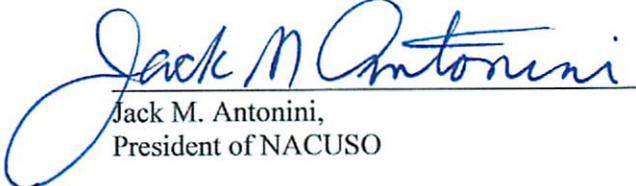
Finally, CUSOs in general are not operating in the same business activities as the covered institutions and most should not be placed at a competitive disadvantage by being treated as a financial institution when much of their competition is not. CUSOs provide financial services primarily to credit unions and credit union members on a fee basis. CUSOs are not depository institutions. The mere fact that a credit union has an ownership interest in a CUSO is not the nexus for the regulation of a CUSO for purposes of the Act and Proposed Rule. If a company were not owned by a credit union and provided the same services, the Act and the Proposed Rule would certainly not apply to that company. For example, many CUSOs offer IT services for credit unions. If these CUSOs were subject to this rule then it would mean that all financial technology services companies would have to be covered. In our view, this is not and never was the intent of the Act or the Proposed Rule.

This does not exclude CUSOs from the Proposed Rule completely because there are some CUSOs that are also covered financial institutions under the Act without any expansion of the definition of covered financial institution. For instance, there are some CUSOs that are broker-dealers or investment advisors which would fall under the purview of the Securities and Exchange Commission and their implementing regulations regarding Dodd-Frank. However, we strongly believe that there is no need to include CUSOs, in general, in the definition of covered financial institution. Those entities providing services that meet the definition of a covered financial institution will already be covered through their entity of regulation and the CUSO providing technology, marketing, consulting, janitorial or other types of services will rightfully be excluded.

We are also concerned about the specificity of the "evasion" provision of the Proposed Rule. As I have discussed above, a CUSO may provide many different financial services primarily to credit unions and credit union members. One of the greatest benefits to using a CUSO is the collaborative approach to providing services. In this instance, several credit unions will aggregate their efforts to gain scale in the market place. This approach allows the individual credit unions to cut costs and often provide equal if not better quality of service. Our concern with the evasion provision is that these collaborative CUSOs are often staffed with former employees of the credit unions. Under the Proposed Rule this arrangement may look as though the credit union is attempting to evade the Proposed Rule, but in truth the credit unions are all simply trying to maximize the aggregate expertise of their staff to gain scale and better quality of service. We ask that this provision specify that use of a CUSO to provide services formerly provided by the credit union is not considered evasion.

Thank you for the opportunity to comment on the proposed Rule.

Very truly yours,


Jack M. Antonini,
President of NACUSO

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