RIN: 2590-AA42
Incentive - based compensation based arrangements
May 31, 2011

Dear Mrs. Rupp:

On behalf of the Credit Union Association of New York I would like to take this opportunity to comment on the proposal mandated by section 956 of the Dodd- Frank Act. Generally, these regulations seek to prohibit financial institutions with 1 Billion dollars or more in assets from agreeing to compensation packages that incentivize executives to take material risks in the management of financial institutions they oversee. In addition, those credit unions with more than 10 billion in assets would have specific deferred compensation arrangements imposed on them.

There are steps that the NCUA should take to better implement the goals of the statute. The Dodd-Frank Act requires regulators to prescribe "regulations or guidelines" for institutions with more than 1 billion dollars in assets. These institutions would have to promulgate policies and procedures for greater oversight of compensation packages. These procedures will be periodically reviewed by federal regulators to insure that they do not pose a material risk to the financial institution.

The broad and general language of the statue which prohibits " excessive compensation " as well as policies which could create a material risk to financial institutions, underscores the recognition on the part of its drafters that the policies and procedures developed by this mandate must be unique to each institution's needs and complexity. Consequently regulators should use the example of the Red Flags regulations as well as the authority granted to them under the statute and publish guidelines as opposed to specific regulatory mandates An accompanying Guidance could specify what issues will be examined when assessing compliance with Section 956. This approach recognizes that the credit unions affected by this legislation are by definition among the largest, most successful, and most sophisticated credit unions, they know best how to achieve the goals outlined by the statue.

The Association is also opposed to triggering mandatory deferred compensation requirements on credit unions with more than 10 billion dollars in assets as opposed to the $50 billion threshold being used by other regulators. This provision will have no impact on credit unions in New York but it reflects an increasingly common and disturbing trend to split the industry by asset size. Such a trend is not justified by the credit union structure or is necessitated by past experience[i]. As volunteers

1021 WATERVLIET-SHAKER RD., ALBANY, NY 12205 P.O. BOX 15118, ALBANY, NY 12212-5118
MAIN (518) 437-8100 · TOLL-FREE (800) 342-9835 · FAX (518) 437-8500 · WWW.CUANY.ORG

overseeing a not-for-profit cooperative credit unions have always recognized the need to balance compensation-based incentives against the need for prudent financial strategies for long-term growth. This structure is unique to credit unions, regardless if the credit union has 5 million dollars or 25 billion dollars in assets. The NCUA should take the opportunity to ensure that credit unions are not grouped together with financial institutions whose activities brought about greater scrutiny and oversight represented by this statute.

Affected Credit unions should be given maximum flexibility to achieve the end of the statue. Ultimately all institutions should have as a primary goal the implementation of appropriate compensation policies but the means used to accomplish this goal must be unique to every credit union.

Sincerely,

William Mellin
President/ CEO
Credit Union Association of New York