



MISSOURI CREDIT UNION ASSOCIATION

May 23, 2011

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

**RE: Michael V. Beall, Esq., Comments on Interest Rate Risk  
12 CFR Part 741, RIN 3133-AD66**

Dear Secretary Rupp:

On behalf of Missouri's 139 credit unions we would like to comment on the Interest Rate Risk Proposed Rule.

A major concern of credit unions in Missouri is the micromanagement of credit union operations by examiners. While we strongly believe that every credit union should have a well thought out business plan supported by research and data that can explain a business case for a credit union's actions, we remain concerned about how examiners will work with credit union management related to enforcement of such required policies. While the "Supplementary Information" says that it is "impossible to establish specific, regulatory requirements for IRR that would be appropriate for all federally insured credit unions," the proposed rule would rely on credit unions' implementation of proposed guidance. We are concerned that the "guidance" would be used by examiners as a requirement and they would stringently enforce it.

#### **Redundancy Concerns/ Separation of Duties**

Most credit unions above \$50 million in assets already have interest rate risk policies in some form, usually included in asset liability management (ALM), investment and liquidity policies and feel that, at best, the additional IRR policy would be redundant. At worse, the weaving of all of these required policies together can create a scenario of conflicting guidance to credit union's staff. Credit unions below \$50 million in assets face considerable new burdens via a requirement of separation of duties. These requirements in the regulation are of concern where credit unions with business approaches and different size staff are forced towards a cookie cutter approach to management. For these reasons we would support raising the threshold for compliance from \$10 million to \$50 million.

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## **Safety and Soundness Concerns**

Missouri credit unions are required by state statute (RSMo 370.362) to be federally insured. Removing federal deposit insurance through NCUA as a result of non-compliance with the regulation could have a far-reaching impact to Missouri credit unions, as well as those in other states. If deposit insurance is revoked for just one credit union, then the safety and soundness of an entire state credit union system could be jeopardized. We believe that NCUA has other enforcement options at hand that allow it to ensure compliance without potentially destabilizing the credit unions in a city or state.

The uniqueness of each individual credit union is often discussed, particularly in regard to meet the needs of their particular membership. We question whether increased entry of the government in the management of credit unions is productive because it takes away the flexibility to meet the individual needs of their members and communities.

In addition, the Agency already has the tools in place to monitor interest rate risk management. It can do this by having examiners review asset liability management policies in place at credit unions. There is no need for a separate rule on interest rate risk.

In summary, MCUA does not support the proposal as issued. If we can provide additional explanation or information, please contact me. Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael V. Beall".

Michael V. Beall, Esq.  
President/CEO