VISIONS
FEDERAL CREDIT UNION

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March 26, 2012

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

Re: Advance Notice of Proposed Rulemaking: Derivatives

Dear Ms. Rupp and Members of the NCUA Board:

I am writing on behalf of the Board of Directors and management team of Visions Federal Credit Union which is headquartered in Endicott, New York, and serves 169,000 members in Upstate New York, New Jersey, and northern Pennsylvania.

I would like to comment on the rule by addressing each question brought up in the proposal:

Eligibility of Applicant FCUs for Independent Derivatives Authority –

Question 1:
We agree that an FCU should demonstrate a risk management need before it is granted derivatives authority. However, using a "material IRR exposure" measurement is not clear enough. The Board of Directors and Management of an FCU may deem a risk to be material, but NCUA may not. Materiality should be better defined, such as, a percentage of projected net interest income or as a percentage of net worth.

Question 2:
We believe it is appropriate to require minimum performance levels of an FCU for derivatives authority. We recommend using a Net Worth ratio limit of 8.00%, an overall CAMEL rating of at least '2', Capital CAMEL component rating of at least '2', and Liquidity/ALM CAMEL component rating of at least '2'. The Net Worth ratio should be high enough above the 7.0% PCA limit so that the FCU has enough room to work through earnings or growth challenges without being restricted in using derivatives to assist in its balance sheet management. By using CAMEL component ratings, it allows an FCU to be evaluated on components that are relevant to derivatives.

Question 3:
We agree that an FCU's staff should show the ability to understand and manage derivatives. However, using an arbitrary measurement, such as, "..a minimum of three years transacting derivatives", does not prove staff ability to manage derivatives. Also, not many FCU's have staff that have experience with derivatives, which would require the hiring of experienced people at a significant cost to FCU's. To that end, we believe that FCU's should be able to use the expertise of an outside party to fulfill the experience requirement. The FCU would need to

maintain documentation to support its decision. The NCUA will be responsible for evaluating the FCU's documentation as part of its examination process.

A credit union that meets these criteria should automatically be allowed to invest in qualified derivative investment without the need for an application and approval by NCUA, maintaining any documentation in file for review if needed.

Safety and Soundness Requirements

Question 4:
We believe that initially, authority to invest in interest rate swaps that are limited to pay-fixed/receive-floating and interest rate caps type derivative instruments are sufficient. FCU's with a history of successful and prudent investment in these vehicles should at a later date be allowed to apply for authority to invest in credit derivatives if they can justify the need for the additional investment authority.

Exposure Limits

Question 5:
An FCU's board of directors should set exposure limits as part of their fiduciary responsibility. We support setting limits on the aggregate amount of each type of derivatives instrument and aggregate amount transacted with counterparties. The limits should be a percentage of net worth and should be described in an FCU's Concentration Risk Policy. We support exposure limits based on the notional amount of derivatives in an FCU's portfolio as a percentage of net worth, rather than limits based on mark-to-market losses in excess of specified thresholds.

Counterparty Risk

Question 6:
We also support collateral management standards as proposed to mitigate the counterparty or credit risk of derivatives investments.

Overall, we support efforts by the NCUA to allow credit unions the use of more sophisticated investments so as to keep us more competitive and help us manage our balance sheet. Thank you for the opportunity to comment on this proposed rule.

Sincerely,

Frank E. Berrish
President/CEO
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cc: Fred Becker, President NAFCU
Bill Cheney, President CUNA