

From: [John McKenzie](#)
To: [Regulatory Comments](#)
Subject: Indiana Credit Union League's Comments on NCUA's Proposed Rule on Maintaining Access to Emergency Liquidity
Date: Wednesday, September 26, 2012 11:50:30 PM

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

Indiana Credit Union League's Comments on NCUA's Proposed Rule on Maintaining Access to Emergency Liquidity

Dear Ms. Rupp,

The Indiana Credit Union League (ICUL) appreciates the opportunity to comment on the NCUA Proposed Rule on Maintaining Access to Emergency Liquidity. The ICUL member credit unions represent 95% of assets and members of Indiana's credit unions, with those memberships totaling more than two million members.

We understand NCUA's concern that credit unions maintain access to additional sources of emergency liquidity. We do not believe that promulgating additional rules not required by legislation (Dodd Frank Act, etc.) is in the best interest of credit unions. Recent actions by NCUA have been represented as efforts to reduce the compliance burden on credit unions. We encourage NCUA to consider the ever growing impact new regulations are having on credit unions, especially small to medium-sized credit unions. We encourage NCUA to consider this impact, and the expectation of increasing regulations required by other laws whenever any new regulations are considered. We hope that NCUA will continue to focus on reducing the compliance burden, and not proceed with developing a final rule addressing access to emergency liquidity.

We do not believe that NCUA has provided adequate justification for this proposed rule. Should NCUA decide to proceed with this rule, a much more targeted approach is needed that minimizes the number of credit unions impacted. The proposed rule uses asset size to determine the requirements with which a credit union must comply. Asset size alone is not a determinant of the potential need for emergency liquidity. The existing interagency guidance on liquidity is sufficient, with no additional burdensome rule needed.

Should NCUA move forward with a final rule, at a minimum, the revised small credit union definition should be applied. However, we want to emphasize that we do not believe a new rule is warranted.

A major component of the proposed rule is ongoing access to the Central Liquidity Facility (CLF), and the expectation that credit unions would subscribe to CLF stock in

order to have access. We believe that some further clarity on the future structure and funding of the Central Liquidity Facility (CLF) needs to be developed. Decisions need to be made by the various corporate credit unions as to whether or not they plan to serve as an agent member of the CLF, which would provide greater access to credit unions that are members of that agent corporate. The CLF is an important source for liquidity and should continue to exist, but the ongoing structure needs to be finalized to determine the feasibility of this option for credit unions. Also, the process for access to the CLF needs to be streamlined to make it easier to use.

An additional liquidity source proposed is the Federal Reserve Discount Window. This option is not necessarily a viable option for all credit unions. The Federal Reserve Discount Window also has collateral requirements for borrowing. Most credit unions have blanket collateral agreements for existing corporate credit union lines of credit.

We would encourage NCUA to include the Federal Home Loan Bank (FHLB) as a potential source for liquidity. While not all credit unions may qualify for FHLB membership, it is a viable option already in use by credit unions and one we believe meets the intent of NCUA's liquidity sources.

References have been made to applying BASEL III liquidity monitoring requirements to credit unions. We encourage NCUA to not impose these standards on credit unions.

Thank you for the opportunity to comment on NCUA's proposed rule on Maintaining Access to Emergency Liquidity. While it may be well intentioned, the benefits of the rule do not offset the additional cost and regulatory burden credit unions will have to deal with as a result. We encourage NCUA to not go forward with a final rule in this area.

Sincerely,

A handwritten signature in black ink that reads "John McKenzie". The signature is written in a cursive style with a large, prominent "J" and "M".

John McKenzie
President, Indiana Credit Union League