



CREDIT UNION

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September 26, 2012

**Delivered via email to [regcomments@ncua.gov](mailto:regcomments@ncua.gov)**

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

**RE: Proposed Rule on Maintaining Access to Emergency Liquidity**

Dear Ms. Rupp:

Thank you for allowing Salal Credit Union (Salal) to comment on the proposed rule: "*Maintaining Access to Emergency Liquidity*", (the "Proposal"). Salal is a Washington State chartered, \$350 million credit union headquartered in Seattle, Washington. We currently serve over 28,000 members with a full product line. While we agree effective liquidity management is critical for all financial institutions, we believe there are improvements to the proposal.

1. The proposal should include the FHLB as an appropriate source of emergency liquidity. The FHLB is the largest single lender to US financial institutions. Their application process, collateral requirements, and funding process is straight forward, certainly for mid-sized credit unions. Our experience with the FHLB has always been as a cooperative partner. Failure to include the FHLB as an emergency liquidity source further raises the operating costs to many credit unions.
2. We believe proper liquidity management requires financial institutions to hold appropriate levels of highly liquid securities and cash equivalents, and these types of investments should be included in an evaluation of emergency liquidity needs. Boards of Directors and Managements should be able to demonstrate their investment and liquidity policies take into account emergency liquidity needs. While this does put some additional requirements on examination staff, we believe a failure to include investment portfolio assets in an emergency/risk management system allows managements' to actually do less risk management planning, and may lead to an inappropriate investment strategy.
3. If the NCUA is serious about having a true emergency liquidity system, the CLF is certainly a poor alternative. The lengthy credit approval process for a CLF advance does not provide a true emergency liquidity source. CLF funding processes need to be significantly improved before it could reasonably be used as an emergency liquidity source.



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We believe the current Proposal does not go far enough in taking account of a credit unions risk management and investment strategies, and the FHLB, which has provided far more emergency liquidity than any of the sources in the Proposal.

Thank you for allowing us the opportunity to provide our thoughts on this important question.

Best regards,

A handwritten signature in black ink, appearing to read "Russell E. Rosendal", with a long, sweeping horizontal stroke extending to the right.

Russell E. Rosendal  
President and  
Chief Executive Officer