



July 29, 2013

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

Re: Notice of Proposed Rulemaking – Derivatives
NCUA RIN 3133 – AD90

Dear Ms. Rupp:

Amplify Federal Credit Union (“Amplify”) is a federal chartered institution serving the communities in and around Austin, Texas since 1967. Amplify is approximately \$630-million in assets and serves over 45,000 members. We are a full-service credit union with a focus on being our members’ primary financial institution by offering an array of products and services.

We appreciate and support the NCUA’s efforts to provide additional tools to manage interest rate risk. We believe the ability to utilize interest rate swaps and caps will only further this endeavor. We would like to take this opportunity to offer comments regarding the proposed requirements that need to be addressed.

- 1) **COST** - There appears to be a substantial monetary cost for those eligible credit unions, like Amplify, interested in applying for the derivatives program. Requiring an exorbitant up-front fee will only deter credit unions from applying.
- 2) **BURDEN** - The imposition of a burdensome ongoing supervision and/or examination fee provides a disincentive to participate. As the derivatives program should actually mitigate risk to the share insurance fund, credit unions should NOT be discouraged due to cost. It does not make sense to deny a credit union the opportunity to mitigate risk, which helps both that credit union and the NCUA, because the credit union can’t or won’t pay the high program dues to its regulator to do so. If the NCUA truly believes in the concept of risk mitigation through its proposed derivative program, then it must do everything it can to make such a program more accessible and affordable for its members.
- 3) **FLEXIBILITY** - As derivatives are a common practice amongst other financial institutions, credit unions should be afforded the ability to make prudent decisions regarding the operations of a safe and sound derivatives program. For example:
 - **Internal control review** – The proposed annual third-party internal control audit appears to be costly, excessive and unnecessary. Credit unions should be allowed to assess the

internal control environment and take necessary measures to confirm such environment, whether that be through a third-party or qualified internal employees.

- Legal review – The proposed legal review is too restrictive and is not necessary. Credit unions should be allowed to follow current internal practices for retaining legal counsel.
- Reporting requirements – The proposed reporting requirement is costly, in particular, the net economic value calculations resulting in an ineffective use of resources. As Amplify reviews a net economic valuation on a semi-annual basis, we should be allowed to continue already established practices for providing meaningful information to our board of directors.
- Limits – Amplify understands the need to establish certain thresholds; however, we encourage the NCUA to provide more flexibility for credit unions to exceed established limits, such as through a waiver process for credit unions with proven derivatives experience as well as other threshold criteria commensurate with the credit union's size, capitalization, loan portfolio, and CAMEL rating

We appreciate the opportunity to comment. As proposed, the rule appears to discourage rather than encourage credit union participation. As interest rates will inevitably rise, the availability of enhanced tools will be essential for credit unions to effectively manage interest rate risk and protect the share insurance fund. Again, we believe each credit union should be allowed to implement and manage a derivatives program on a more affordable and flexible basis.

Thank you for the consideration.

Regards,



Steven J. Manderscheid
AVP - Compliance

Cc: Paul A. Trylko, President/CEO
John Orton, Chief Financial Officer
Suzanne Yashewski, SVP Regulatory Compliance Counsel, Cornerstone Credit Union League