



April 23, 2015

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

Re: Comment on the Revised Risk Based Capital Regulation Proposal

Dear Mr. Poliquin,

The Alaska Credit Union League is a volunteer league that represents Alaska's Credit Unions and our members. While we applaud the NCUA for making sweeping changes to the original proposed Risk Based Capital regulation, please accept this letter as our expression of continued concern about some of the remaining provisions.

I will start by stating that I believe that the NCUA began the process of establishing this new regulation with an erroneous premise. The Board seems to interpret the FCUA's mandate to have a risk based capital system that is comparable to that in the banking system to mean that the it should be a virtual mirror of that established for banks. Comparable means to have features in common with something else to permit or suggest comparison. It does not mean to be the same or even consistent. Nonetheless, the Board has chosen to replicate and copy, instead of draft a system of regulation that reasonably reflects the unique nature of Credit Unions.

#### **Eliminate the Additional Capital Requirement**

While we appreciate that the NCUA listened to the overwhelming commentary in opposition to the Individual Minimum Capital Requirement., we find the new Capital Adequacy language to be just as problematic, if not more so. The new provisions give the NCUA supervisory process the authority to treat the capital requirements established in PCA as minimum guidelines, which is not stated anywhere in legislation. The Board justifies this by pointing to the manner in which the FDIC regulations are written, but again, we are not to be regulated by the FDIC and the FCUA does not indicate that our

regulations should mirror theirs. The fact that the Board must justify its authority to take this approach by citing FDIC's authority should point out to you that the laws specific to Credit Unions do not give the same guidance.

In addition, the language within the proposal is vague, and further guidance on how this language will be implemented is to be forthcoming as Supervisory Guidance, to which we have no ability to object or provide commentary. Section 1790(d)(h)(2) of the FCUA states that the NCUA Board "may not delegate its authority to reclassify an insured credit union into a lower net worth category or to treat an insured credit union as if it were in a lower net worth category." However, by empowering individual examiners with the authority to require additional capital, this regulation is effectively doing just that.

Finally, in addition to being outside the scope of the Board's authority, this proposed rule is just bad policy. The examination appeal process is fundamentally flawed, and until an effective process is in place and has the faith of the Credit Union industry, this requirement will lead to an overly conservative approach to capital that will have an adverse impact on Credit Union competitiveness and return to the membership.

#### **Addition of Supplemental Capital**

On the GAC stage this spring, Debbie Matz told us that she supported Supplemental Capital as a way to help meet the requirements of Risk Based Capital, and that a separate rule would be created that would go into effect before the effective date of RBC. I strongly encourage the NCUA to quickly pass such a regulation. In fact, I believe it's wise to not release any new Risk Based Capital regulation until companion regulation on Supplemental Capital is ready for release. Credit Unions will have to start managing their balance sheets with Risk Based Capital in mind well before the date the regulation goes into effect, and they should have similar time to consider and implement Supplemental Capital. Further, if the Board is going to establish a Risk Based Capital regime based upon that in the banking industry, they should give us a power to raise supplemental capital to manage it, or long term the Credit Union industry will be left with a profound competitive disadvantage.

#### **No further rulemaking on Interest Rate Risk**

We salute the NCUA for the removal of Interest Rate Risk from the Risk Based Capital proposal, and agree that this is not the right forum for additional regulatory management of Interest Rate Risk. We discourage the NCUA from pursuing additional regulations on Interest Rate Risk, as the topic is already thoroughly addressed and is a subject of considerable examination scrutiny. The NCUA Board has given the agency plenty of "teeth" when it comes to Interest Rate Risk, and Credit Unions already bear a considerable burden and expense in complying with existing requirements. Further rulemaking would only compound that cost with no additional benefit.

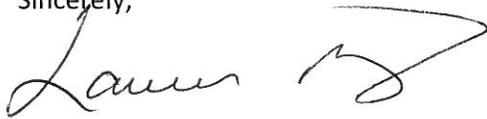
#### **Summary:**

While acknowledging this the revised Risk Based Capital proposal is considerably better than the first, I encourage the NCUA Board to continue to look at this revised proposal with critical eyes. I further

challenge the Board to revisit some of the underlying assumptions in this regulation – that our Risk Based Capital regime must so closely mirror those of the banks and that our PCA capital requirements are minimum capital requirements.

My thanks for your time and attention.

Sincerely,

A handwritten signature in black ink, appearing to read "Lauren" followed by a stylized monogram or initials.

Lauren MacVay

Chair, Alaska Credit Union League