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July 22, 2016

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration ("NCUA")
1775 Duke Street
Alexandria, VA 22314-3428
regcomments@ncua.gov

RE: Comments on Proposed Joint Rule: Incentive-Based Compensation

Mr. Poliquin:

Oregon Community Credit Union ("OCCU") respectfully submits the following response to the Joint Agencies' proposed rules covering Incentive-Based Compensation; specifically NCUA's proposed new Part 751 Subchapter A. At $1.5 billion, OCCU would be considered a Level 3 credit union per the proposal and subject to those less onerous requirements than proposed for much larger level 1 and Level 2 organizations. *However, because the proposal allows for regulators to determine that, asset size notwithstanding, a credit union otherwise designated as Level 3 may be placed into one of the other two designations and subject to those rules; we address much of the entire proposal below.* We've identified several questions and follow-up considerations we urge the NCUA to consider as it moves towards final rulemaking in this area.

While we applaud the NCUA's continued efforts to ensure a safe and sound industry, we continue to be cautious of burdensome regulations, not unlike the more recent Risk-Based Capital rules, often times promulgated under the auspices of Dodd Frank, that are a direct result of non-credit union, commercial and community bank risk taking that directly led to the financial crisis of 2007. We continue to believe, as do many of our credit union peers, that our demonstrated ability to successfully risk manage our organizations even through the most tumultuous of times should be recognized through a regulatory scheme that recognizes the differences between credit unions and the offending banks. Our comments follow:

1. DEFINITION OF "INCENTIVE"

   Is the definition of "incentive" narrow enough to cover only those risk-taking activities that place a credit union at risk for loss of capital? Section 751.2(r) of the proposed rule defines "incentive-based compensation" as that compensation paid "for performance." Clearly, the intent of the proposed rule is to limit undue and excessive risk taking in order to reap the benefits of incentive compensation tied to such activities. However, not all incentive plans are designed to incentivize performance alone. Some plans are designed to incentivize other behaviors such as retention or longevity. We believe performance-based incentive should be more clearly defined and be narrowly tailored to suit the risk sought to be controlled with this proposed rule.

2. EFFECTIVE DATE

   Is the proposed 18-month compliance time sufficient to allow covered credit unions to implement the changes necessary for compliance with the proposed rule, particularly the development and implementation of policies and procedures? As with any new regulation, enormous internal and external resources are often necessary to achieve compliance in a timely manner; we urge the NCUA to consider whether a twenty-four (24) month effective period might be more practical.

3. EXISTING POLICY & PROCEDURE CHANGES

   What specific changes would be required to bring existing policies and procedures into compliance with the rule? While the proposed rule allows for "grandfathering" of existing incentive plans for performance periods prior to the effective date of the proposed rule, the fact is that even current policies and procedures will likely require extensive provisions to be compliant for all future performance periods, adding to the time and resource concerns expressed in #1 above.

4. COST OF COMPLIANCE – INCLUDING OUTSIDE PROFESSIONAL SERVICES

   Will we have to employ outside consultants to meet the requirements in the proposed rule? How much will this cost? As we've seen with implementation of other "new" regulations, the cost of compliance can be substantial, especially when the complexities of the regulation require that credit unions expend membership resources to ensure compliance. As compliance costs are only increasing, we continue to question the efficacy of such costs in light of the low risk profile posted by credit unions in this and other areas so actively regulated since 2007.

5. PROPOSED ASSET THRESHOLDS

Do the asset thresholds divide covered institutions into appropriate groups based on the competitive marketplace? If asset thresholds are not the appropriate methodology for determining which requirements apply, which other alternative methodologies would be appropriate and why? Asset size is not always indicative of increased risk-taking although it is certainly a factor. The NCUA should consider whether more appropriate methodologies for designation of all credit unions might be considered, explain how the current asset sized based thresholds were established, and consider whether any thresholds at all are necessary to accomplish the intended objectives of the proposed rules.

6. DEFINITION OF SENIOR EXECUTIVE OFFICERS

Are the types of positions identified in the proposed definition of senior executive officer (see section 751.2(gg)) appropriate, should additional positions be included, should any positions be removed, and why? Notice that chief technology officer or similar position is excluded from this definition. Should it be included? We believe the proposed rule encroaches unnecessarily into the discretion of the Chief Executive in two areas; this being one, whereby all "senior executive officer" incentive pay must be board approved. The CEO has been delegated by state law and, in the case of most credit unions, by board policy, to manage the daily affairs of the organization; this includes compensation of its employees. Requiring board approval for compensation of employees, even senior level personnel, should remain the role of the Chief Executive. We believe board oversight of CEO incentive-based compensation is appropriate and more likely than not already occurring in most credit unions.

7. DEFINITION OF SIGNIFICANT RISK TAKER

Is the definition of significant risk-taker in section 751.2(hh) appropriate? As currently defined in the proposal, "significant risk taker" is identified by the % of incentive based pay relative to total compensation of the employee, whether same is in the top 2%-5% percentile of all employee compensation, and whether he or she has the ability to commit or expose 0.5% or more of the capital of the credit union. It may be more relevant to consider the latter factor to the exclusion of the two former to ensure incentivized risk taking regardless of compensation structure is well controlled.

8. RISK MANAGEMENT

A credit union's risk management processes and internal controls would have to reinforce and support the development and maintenance of incentive-based

compensation arrangements that appropriately balance risk and reward. Are the risk management requirements in this section necessary to adequately meet the requirement in section 751.4? Many credit unions, even those at $1 billion and above, are still in the infancy stages of true enterprise risk management, especially in the areas of metrics and measuring risk versus reward. This requirement may result in additional resources and required time to prepare and implement suitable risk management practices.

9. BOARD OVERSIGHT

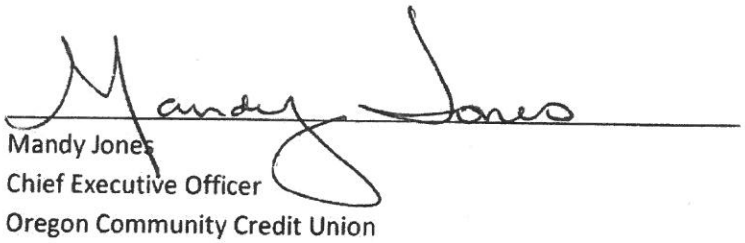
Are the board of directors oversight requirements in section 751.4(e)(1) too onerous for volunteer credit union boards? Certainly for Level 1 and Level 2 thresholds, boards of those credit unions many be challenged by the complexities and responsibilities for oversight of these functions. For Level 1 credit unions, such as OCCU, we believe this proposal reflects the second example of overreaching noted in #6 above. Requiring the board to oversee incentive-based compensation for all employees, regardless of role or amount of incentive pay, again encroaches upon the Chief Executive's role and in a way much more intrusive than that discussed in #6 above. In most financial institutions, including credit unions, some level of sales program is typically implemented to drive loan, deposit and services to members in need of them. These incentives to employees can be very insignificant and immaterial to the organization and reflect no capital at risk. It seems to us that requiring board oversight of these smaller, sales level, non-risk taking activities that result in incentive compensation to even the lowest level of employee is far outside the scope of a board's responsibilities and encroaches upon basic management functions for which the board has vested responsibility in the Chief Executive. We recommend that any board oversight be relegated to only those material plans and, as noted in #6 above, only include incentive pay for the Chief Executive.

10. REGULATOR DISCRETION

Section 751.6 of the proposed rule would allow the appropriate federal regulator to require certain Level 3 covered institutions to comply with some or all of the more rigorous requirements applicable to Level 2. Should examiners have this authority? As with the Risk-Based Capital proposal, allowing examiner discretion on site creates concerns with respect to consistency across all examined credit unions and across all examiners; we believe this proposal should be reconsidered.

Mr. Poliquin, we appreciate the opportunity to be heard on this matter thank you for your continued efforts to support the work we do each day serving our Members.

Sincerely,



Mandy Jones
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Oregon Community Credit Union