



July 20, 2016

Submitted via Federal eRulemaking Portal: [www.regulations.gov](http://www.regulations.gov)

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

**RE: Notice of Proposed Rulemaking for Incentive-based Compensation Arrangements; RIN 3235-AL06**

Dear Mr. Poliquin:

Please accept this correspondence as commentary concerning the recently issued interagency proposed rulemaking implementing section 956 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).

The Minnesota Credit Union Network (MnCUN) appreciates the opportunity to comment on this proposal. By way of background, MnCUN represents the interests of Minnesota's 122 credit unions and their more than 1.6 million members.

From a policy perspective, we support regulation and rulemaking that generally protect our credit unions and credit union members. We also generally support establishment of a level of oversight that protects the credit union industry from the negative reputation that has permeated as the result of some bad actors within other financial institution sectors.

This proposal generally provides two standards; first, a prohibition against incentive-based payment arrangements that encourage inappropriate risk taking by providing excessive compensation that could lead to material loss.

A majority of Minnesota's credit unions will not be subjected to this rule based on the asset threshold created by the tiered categories in the proposed regulation. However, a number of Minnesota's credit unions will be subject to level 3 requirements at the time of the new rule's implementation, or will be subject to the requirements sometime in the not too distant future.



Credit unions, by nature and philosophy, place the needs of their members before profit. Because of this, our credit unions regardless of asset size, by and large already have policies and procedures in place that account for much of the guidelines contained in the proposal. We do, however, urge the NCUA to provide adequate training and support to examination field staff when examining under this guidance or for that matter any other regulation.

Second, the proposal requires covered financial institutions to disclose information concerning incentive-based compensation arrangements to the appropriate federal regulator. It is our understanding in Minnesota that both our state and federal regulators are already asking many of our credit unions for, and those credit unions are already complying with, such requests. It is a sound business practice that any financial institution with an executive compensation plan require board oversight of any such program, as well as require approval of amounts paid under the program.

As part of the consideration for these policy regulations, we would urge some caution regarding the potential unintended consequences that may occur in other financial institution industries shifting incentive-based compensation to larger base salaries in order to avoid compliance with the new guidelines.

Again, we are generally supportive of this rulemaking and the recognition by other financial institution regulators of the need to put people before profits, as is already the credit union industry philosophy. Thank you for taking into consideration MnCUN's commentary regarding this proposed rule. If you have any questions about our comments, please do not hesitate to contact us at (651) 288-5170.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Wendland". The signature is fluid and cursive, with a large initial "J" and "W".

John Wendland  
Vice President & General Counsel