

## BOARD ACTION MEMORANDUM

**TO:** NCUA Board **DATE:** November 2, 2010  
**FROM:** Office of Corporate Credit Unions **SUBJ:** Technical Corrections,  
Office of General Counsel 12 C.F.R. Part 704

**ACTION REQUESTED:** NCUA Board approval to issue the attached interim final regulation, "Corporate Credit Unions, Technical Corrections," with a 30-day comment period.

**DATE ACTION REQUESTED:** November 18, 2010.

**OTHER OFFICES CONSULTED:** Office of Capital Markets, Office of Examination and Insurance.

**VIEWS OF OTHER OFFICES CONSULTED:** Concur.

**SUBMITTED TO INSPECTOR GENERAL FOR REVIEW:** Yes.

**BUDGET IMPACT, IF ANY:** None.

**RESPONSIBLE STAFF MEMBERS:** Elizabeth Wirick, Staff Attorney, Office of General Counsel; and David Shetler, Deputy Director, Office of Corporate Credit Unions.

### SUMMARY:

At the September 24, 2010 NCUA Board meeting, the Board adopted major revisions to the corporate credit union rule, 12 C.F.R. Part 704. The revised rule was published in the October 20, 2010 Federal Register. 75 FR 64786 (Oct. 20, 2010). NCUA discovered several instances where the rule text is inconsistent with the intent of the rule as expressed in the preamble to the rule. The three technical changes listed below correct the rule text.

First, the rule revises the definition of "collateralized debt obligation," a class of investments now prohibited for corporate credit unions, so that the definition does not encompass instruments the Board intended would be permissible investments. The definition of CDO, as corrected, 1) excludes commercial mortgage-backed securities (i.e., securities collateralized by individual corporate mortgage loans); 2) excludes securities fully guaranteed as to principal and interest by the U.S. Government, government agencies, or government-sponsored enterprises (GSEs); and 3) excludes securities collateralized by other securities that are fully guaranteed as to principal and interest by the U.S. Government, government agencies, or GSEs. Second, the rule clarifies the list of exemptions in §704.6(b) to make clear that mortgage-backed

securities issued by the U.S. Government or its agencies are subject to the sector concentration limits in 704.6(d) but not the single obligor limits and credit risk rating requirements of §704.6. Finally, the rule corrects an instruction on Model Form H to Appendix A to clarify that the form should only be used on or after October 20, 2011. As few comments are likely, staff taff recommends the interim final rule be issued with a 30-day comment period.

**RECOMMENDED ACTION:** That the NCUA Board issue the attached interim final rule with a 30-day comment period.