



MISSOURI CREDIT UNION ASSOCIATION

July 29, 2013

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street, Alexandria, Virginia 22314-3428
www.regulations.gov

**RE: Don Cohenour - NCUA-2013-0029-0001
Comments on Proposed Derivatives Rule**

Dear Ms. Rupp:

On behalf of the 1.3 million credit union members, the Missouri Credit Union Association (MCUA) would like to take this opportunity to express our views on possible amendments to the National Credit Union Administration's (NCUA's) proposed rule which would allow federally insured credit unions to invest in simple derivatives in order to mitigate interest rate risk (IRR). The proposed rule suggests Level I and Level II derivatives authority if credit unions apply to the NCUA for permission to conduct such transactions. MCUA appreciates the opportunity to respond.

MCUA has concerns that the proposed rule includes too many restrictive limitations on the credit unions which will deter them from using the derivatives approach to mitigating IRR. We strongly oppose requiring application and supervisory fees. Even if the fees are imposed, they are in excess of the amount the NCUA would need to fund the examinations. Credit unions should not consider NCUA's examination costs when considering adding services and products which have been authorized by NCUA itself.

MCUA opposes NCUA placing an asset eligibility threshold for derivative participation. If a credit union qualifies otherwise, it should not be refused to invest in derivatives. The proposal contains ample qualifiers to determine eligibility and an arbitrary threshold amount is unproductive. While all eligible credit unions should be permitted to engage in derivatives to hedge against IRR, state chartered credit unions should not be subject to this rule. Rather, they should be permitted to engage in derivatives activities as authorized by state law implemented by state regulators.

Your Best Resource!

2055 Craigshire Drive • St. Louis, Missouri 63146-4009 • T: 314-542-0555 • F: 314-542-1387
6220 Blue Ridge Cut-Off, Suite 300 • Kansas City, Missouri 64133-3730 • T: 816-313-0005 • F: 816-313-0011
1-800-392-3074 • www.mcua.org

The proposed derivatives rule allows a wholly-owned CUSO to perform functions required by the rule but does not allow a CUSO owned by multiple credit union to provide the same functions. This approach weakens CUSO's and raises expenses for credit unions to use External Service Providers (ESPs). In addition, credit unions should be able to rely on external service providers to a greater extent than the proposal would permit to meet expertise and experience requirements.

Lastly, NCUA should provide for waivers and/or permit Level III derivatives authority which would broaden the scope of investments allowed and create a more flexible approach.

As always, we appreciate the opportunity to respond to this proposed rule. We will be happy to answer any questions regarding these comments.

Sincerely,

A handwritten signature in cursive script that reads "Don Cohenour". The signature is written in black ink and is positioned below the word "Sincerely,".

Don Cohenour
President