CAP COM
Federal Credit Union
Our service says it all!℠
18 Computer Drive East | Albany, NY 12205
(518) 458-2195 | (800) 468-5500 | Fax (518) 458-2261
www.capcomfcu.org

July 29, 2013

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

RE: Proposed Rule on Derivatives

Dear Secretary Rupp;

Thank you for providing Capital Communications Federal Credit Union (Cap Com) with this opportunity to provide our comments regarding the proposed amendments to enable credit unions to engage in limited derivatives activities for the purpose of mitigating interest rate risk.

Cap Com operates primarily in the Capital Region of New York with its headquarters in Albany, NY. Cap Com's balance sheet recently exceeded $1 billion and services nearly $650 million in loans for other investors and manages assets totaling approximately $350 million. It serves over 100,000 members by way of 10 full-service branches, a comprehensive online banking application, a full service call center, an extensive ATM network and our newly introduced mobile banking application.

While Cap Com agrees with the overall intent of the proposed Rule, we do have the following concerns which we request be taken under advisement:

Permissible Types of Derivatives:

At this time, the restrictions on the type of permissible derivatives assist us in improving the Credit Union's interest rate risk (IRR) position but these limits do tie our hands when it comes to optimally managing our IRR effectively. The Credit Union may entertain options for consideration today that relate to the construction of our new corporate headquarters and, in the future, with commercial loans and long-term residential loans that this rule will impact.
The proposed Rule should be modified to incorporate these types of nontraditional activities.

Supervision Fee Proposed for this Service:

Since the purpose of this Rule is to allow credit unions a vehicle that reduces IRR, which in turns improves the Safety and Soundness of these organizations and the Insurance Fund, we question why NCUA would require a significant supervision fee that will in turn establish barriers for credit unions to improve their IRR position. It is our opinion that the NCUA must elevate its examination staff training requirements necessary to gain the expertise to effectively regulate the practices being deployed by larger and more sophisticated credit unions. A supervision fee is counter-productive when, by its definition, derivatives are implemented to mitigate interest rate risk. It should not be the responsibility of the natural person credit unions to carry the financial burden of the NCUA's shortfall as it relates to regulatory governance of limited derivative activities.

Reliance of External Service Providers and the Experience Requirement:

It is our opinion that credit unions should be able to rely on external service providers to a greater extent to meet the experience requirement and expertise than currently proposed. It is critical that a member of the credit union's management staff maintains a comprehensive understanding of the process and associated risk being delegated to the external provider. This can be accomplished by a member of management (i.e. an investment officer) that understands these instruments instead of specific experience with managing derivatives. It is the responsibility of the credit union's management to assess the expertise and experience of the external service provider with these vehicles.

I would like to thank you for providing us with this opportunity to submit comments in relation to the proposed Rule regarding derivatives and we stand ready to further discuss the comments stated in the letter. Should you have any questions please feel free to contact me at (518) 458-2195 extension 3650 or by way of email at djurczynski@capcomfcu.org.

Sincerely,

David J. Jurczynski
Executive Vice President/Chief Financial Officer