From:	Steve Swofford
To:	_Regulatory Comments
Subject:	Comments on Proposed Rule - Derivatives
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Ms. Mary Rupp, Secretary of the Board, NCUA

Thank you for the opportunity to comment on the proposed rule on derivatives. We believe options to mitigate interest rate risk are especially appropriate at this time, and so are very interested in this proposal. After review, while the mere issuance of the regulation for comments is a step in the right direction, we believe that, as written, the opportunity to utilize this new capability is severely limited. Here are the areas we suggest NCUA revisit:

1) The use of participation fees is a serious departure from the norm for a regulator, and we believe sets a dangerous precedent for the future. If this is used for derivatives, why might the agency not later adopt fees to consider FOM expansion, low income designation, etc. We believe that consideration of applications by credit unions to be treated on par with other applications for expanded services or authority.
2) While we are certainly not experts in the use of derivatives, those we have consulted believe the form of derivatives allowed under this regulation to be very limiting. We urge the NCUA to consider additional alternatives in order to expand protection against rising rates.
3) We support the use of CAMEL codes as a basis for authority to enter into derivatives.
4) We are concerned the requirement for a program reviewed by an experienced, securities attorney discourages many small to medium sized credit unions from considering use of this strategy. Between the NCUA and legal fees, the cost may be more than these credit unions can justify. Please revisit this requirement.
5) Also, the restrictions on the use of an “external service provider” mandates employment of a derivatives “expert” on staff, which could be for only a few transactions each year. This should be reconsidered.

Overall, the proposal is a good start, but we believe further work is justified. Thank you for your consideration.

Steve Swofford, President
Alabama Credit Union