From: Selby, Larry
To: _Regulatory Comments
Subject: Proposed Rule - Derivatives
Date: Friday, August 02, 2013 3:15:17 PM

August 2, 2013

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

Sent via E-mail to: regcomments@ncua.gov

RE: Proposed Rule – Derivatives

Dear Ms. Rupp:

We support the proposed regulation by the NCUA to give authority to credit unions to engage in certain derivatives to help manage and hedge against interest rate risk. We feel this will strengthen the credit union system. We do object to certain parts of the proposal.

Application Costs and Fees
Requiring application costs and fees is contradictory to the reasons the NCUA feels this regulation is necessary. The NCUA should be encouraging not discouraging credit unions to implement derivatives. The NCUA should not be placing additional hurdles for credit unions that have the capability and the need for derivatives.

Eligibility
We believe that the requirement that a credit union have assets of at least $250 million to put on derivatives should be eliminated or lowered to $100 million.

Collateral Requirements
Mortgage backed securities and CMO's backed by government sponsored enterprises(GSE) should be added to the collateral requirements. This type of investment is eligible for borrowings and has no more credit risk that GSE bullets or callables. Appropriate haircuts can be applied to all investments to account for market value changes.

Personnel Requirements
In the proposed regulation the NCUA states that they will only be allowing "plain-vanilla" interest rate swaps and caps. These by definition are not highly complex instruments and would not require the type of requirements in personnel the proposal asks for. The concepts involved in these types of derivatives should be easily understood by someone that is managing the investment portfolio.

Reporting
The Reporting requirements are too burdensome and should be more in line with the reporting requirements of more complex investments. The reporting guidelines should be

more broad and allow each Credit Union Board to have more input on the specific reports they deem necessary.

Internal Controls Audit
The requirement of an audit by an external service provider covering the areas listed in the proposal will add an unnecessary cost and be a hindrance to many credit unions in the implementation of derivatives.

We believe this authority is needed but many of the requirements in the proposal will blunt the effectiveness of the regulation and limit its impact as many credit unions will not apply for derivative authority due to the many costs and constraints that would be placed on them.

Thank you for considering our comments. If you have any questions, please feel free to contact me at selbyl@tinkerfcu.org or via telephone at (405) 319-2229.

Sincerely,

Larry Selby
VP/Investment Officer
Tinker Federal Credit Union