

January 05, 2015

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

RE: Comments on Proposed Rule—Corporate Credit Unions

Dear Gerald Poliquin,

I am writing on behalf of the California and Nevada Credit Union Leagues (Leagues), one of the largest state trade associations for credit unions in the United States, representing the interests of approximately 400 credit union members and the 10 million members. The Leagues welcome the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposal to streamline and clarify certain provisions of the Corporate Credit Unions rule.

The Leagues generally support the proposed changes as most are technical in nature and seem to meet the NCUA's goal of streamlining and clarifying the rule. However, we offer the following comments to help further improve the Corporate Credit Unions rule.

Corporate Credit Union Service Organizations (Part 704.11)

The NCUA's proposal adds the requirement that a Corporate CUSO provide to NCUA and, if applicable, the appropriate state supervisory authority, the kinds of informational reports required to be produced and submitted by natural person CUSOs pursuant to the NCUA's 2013 CUSO rule, Part 710.3 (d)(4) and (5).

The Leagues strongly oppose this requirement, as we did with the natural person credit union rule. First, we do not believe the NCUA has the authority to examine the books and records of CUSOs. Congress provided NCUA authority for purposes of Y2K to examine CUSOs, but they allowed these provisions to expire in December 2001. The fact that this authority was not made permanent is a clear indication from Congress that it did not intend the NCUA to regulate CUSOs.

In addition, the information required to be submitted comprise a business' intellectual property and could potentially expose private business secrets to public dissemination through Freedom of Information Act requests. Such risks are not faced by CUSO competitors and could, in fact, be exploited by them. This is a significant concern.

Lastly, the CUSO requirements treat CUSOs differently from other vendors and this places them at a competitive disadvantage. NCUA's vendor due diligence

requirements, which are applicable to CUSOs as well as third parties, are already adequate and CUSOs should not be subject to different requirements.

Enterprise Risk Management (Part 704.21)

Current Part 704.21 requires a Corporate to develop and follow an enterprise risk management (ERM) policy, establish an ERM committee, and include an independent risk management expert on the committee. The NCUA states they recognize the minimum qualifications for the independent expert may be overly restrictive and the Agency proposes to remove the minimum qualifications for the expert and instead require a minimum of five years commensurate experience. The NCUA's Supervisory Letter No. 13-12 states, "Natural person credit unions are encouraged to explore how ERM [enterprise risk management] might benefit their organization, but are not required by regulation or supervisory expectation to implement a formal ERM process."

The Leagues suggest that the current requirements for Corporate Credit Unions to have a formal risk management program are excessive and should be eliminated. Instead, ERM should be addressed through guidance, rather than regulatory requirements, as they are for natural person credit unions.

If the NCUA does not eliminate the requirement for a formal ERM program, the Leagues agree with the proposed change to the independent expert qualifications and believe it will accomplish the goal of making it easier for Corporate Credit Unions to attract and hire qualified individuals.

Conclusion

In conclusion, the Leagues generally support the technical changes meant to streamline and clarify the Corporate Credit Union rule; however, we have significant concern with the Corporate CUSO reporting requirements and recommend they be removed from the proposal. We also recommend that enterprise risk management be addressed through guidance, not as regulation.

We thank you for the opportunity to comment on the proposed rule and for considering our views

Sincerely,

Diana R. Dykstra
President and CEO
California and Nevada Credit Union Leagues

cc: CUNA, CCUL

