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January 5, 2015

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Corporate Credit Unions, RIN 3133-AE43

Dear Mr. Poliquin;

The Pennsylvania Credit Union Association (PCUA) is a state-wide advocacy organization that represents a majority of the 470 credit unions located in the Commonwealth of Pennsylvania. PCUA appreciates this opportunity to comment on NCUA's proposed rule that will amend 12 CFR Part 704, corporate credit unions (CCU).

CCUs are a valuable facet of the credit union movement. Like natural-person credit unions, CCUs are nonprofit cooperatives, owned by their members. Most important, CCUs were created to perpetuate the credit union movement, built especially to meet the needs of natural-person credit unions. CCUs provide vital services in connection with liquidity, payments systems, investments, asset-liability management, and similar activities. These solutions represent another unique feature of the credit union movement. Consequently, it is important that CCUs operate within a regulatory framework that enables them to remain relevant and deliver value to their members. In the interests of creating the best possible environment for CCUs, PCUA offers the following comments on the proposed amendments to Part 704 of the NCUA Rules and Regulations.

Definitions, Tier 1 capital

Proposed section 704.2 would amend the definition of Tier 1 capital. Notably, subsection (8), starting on October 20, 2016, and continuing until October 20, 2020, requires a CCU to deduct any amount of perpetual contributed capital (PCC) that causes PCC minus retained earnings, divided by daily net average assets, to exceed two percent. We oppose the discounting of PCC and it should be removed from the proposal. Member credit unions want to see their capital investment in CCUs at work. The proposed treatment of PCC is less than optimal for CCUs and natural-person credit unions.

All parties understand the desirability for CCUs to be adequately capitalized. In the alternative, we would support retained earnings targets for CCUs. The alternative ensures safety and soundness, the growth or retention of capital. Additionally, the alternative approach treats capital as capital, ensuring the equity is working for the CCU and its member credit unions.

704.8 Asset and Liability Management

Section 704.8 establishes asset and liability management (ALM) criteria for CCUs including targets for interest rate sensitivity and the weighted average life (WAL) of assets. Subsection (j) provides a mere ten-day timeframe for a CCU to adjust its balance sheet in the event that testing reveals that the CCU

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cannot meet the tests for interest rate sensitivity or WAL. CCUs must be afforded significantly more time to adjust their balance sheets in order to comply with the ALM rules. The various tests required by the regulations are only a snapshot in time. The management team of a CCU knows its cash flow, the behavior of its members and the duration of its balance sheet. Accordingly the rule should provide an opportunity for retesting and no resulting violation should apply. The rule should also contain an appropriate grace period, at least 60 days, for the CCU to conduct retesting and the appropriate balance sheet adjustments.

704.9 Liquidity Management

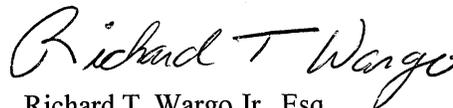
NCUA proposes to amend section 704.9 by creating additional flexibility for CCUs to borrow. The borrowing limit will be increased to 10% of total capital. The rule removes the restriction on borrowing capped at 50% of capital and shares. Also, the proposed rule increases the secured borrowing limit from 30 to 120 days. The changes are welcome improvements to the rule. CCUs will be enabled to better manage cash needs and serve their members.

Conclusions

CCUs are an important component of the credit union movement. They provide ALM, liquidity and payments systems services on the same cooperative basis as retail credit unions. Therefore it is vital that the CCU regulatory scheme enable these institutions the greatest latitude to manage their balance sheets and income statements to deliver maximum value to their members. The adjustments to the proposed CCU rule offered in this letter afford additional management flexibility while maintaining safety and soundness.

Very truly yours,

PENNSYLVANIA CREDIT UNION ASSOCIATION



Richard T. Wargo Jr., Esq.
Executive Vice President/General Counsel

RTW

cc: P.Conway, President & CEO
PCUA Board of Directors
Regulatory Review Committee
State Credit Union Advisory Committee
J.Murray, Mid-Atlantic Corporate FCU
M.Dunn, CUNA