State Employees' Credit Union

Administrative Offices

May 2, 2014

Mr. Gerard Poliquin
Secretary, NCUA Board
1775 Duke Street
Alexandria, VA 22314-3428

REF: Risk-Based Capital: Commenting on Your Future – Part 4: DISSING THE FED!

Dear Mr. Poliquin:

One might have expected that the folks at NCUA would have issued a proposed risk-based capital (RBC) rule reeking of "near perfection"! Why? Because after over a decade of international debate, negotiation, and polictical *"push and shove"*; the international banking community had agreed, for the most part, on the overall structure of RBC for banks. And, the U.S. banking regulators had subsequently negotiated specific RBC adjustments with U.S. banks to *"tailor"* the international guidelines to the realities of the Amercian financial marketplace. **U.S. banking regulators published and implemented those RBC ("Basel III") standards for U.S. banks way back in early 2013.**

But despite a well "fought out" RBC model staring all of us dead in the eye, NCUA chose not to adopt even the easiest, most basic, fundamental risk rating category approved for the banks – determining a capital risk weight for credit union funds on deposit with The Federal Reserve System (The FED!).

Under bank RBC standards, want to guess the risk weight assigned to overnight deposits at the FED? *(Even a 3-year old could guess this one!)* That's right – 0%!!!

According to the NCUA's RBC proposed standards, **credit unions must use a 20% risk-weight for FED deposits!!!** *(Explain that to a 3-year old!?)*

Make sense to you? If not, then one must ask:

How did NCUA determine that FED deposits on credit union balance sheets are "riskier" than FED deposits from U.S. banks?

All credit unions and many Americans are interested in seeing NCUA's rationale and analysis of why the FED is so risky!

Sincerely,

James C. Blaine
President

JCB/ji

1000 Wade Avenue PO Box 27665 Raleigh, NC 27611-7665 919-839-5000 Fax 919-839-5353
www.ncsecu.org