



May 9, 2014

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

**REF: Risk-Based Capital: Commenting on Your Future –
Part 8: NCUA RBC – INCOMPARABLE TO OTHER FEDERAL REGULATORS**

Dear Mr. Poliquin:

The NCUA has provided neither clear documentation nor evidence that the proposed RBC rule is appropriate for credit unions – or even necessary. NCUA has provided (The NCUA Report, May, 2013) the following attempt at justification:

"While *not explicitly required* to adopt the Basel Capital Accords, NCUA is required by statute to maintain *capital and other standards* for credit unions that are modern and *comparable to those of other federal regulators.*"

Hopefully you have noted in reviewing the many CU penalty provisions *half-baked* into NCUA's proposed risk-based capital (RBC) rule, that the Agency has a recurring tendency to take substantial liberties with *the axiom: "the truth, the whole truth, and nothing but the truth"*.

Let's take a minute "*to parse*" that simple paragraph a bit...

- 1) First, U.S. credit unions aren't mentioned at all in the Basel Accords - "*the truth, the whole truth, and nothing but the truth*" wording should read: "**NCUA is not required to adopt the Basel Capital Accords.**"
- 2) Second, the phrase "*... is required by statute...*" refers to the Federal Credit Union Act (FCUA) not the Basel Accords, Dodd-Frank or any new or recently enacted law. "*The truth, the whole truth, and nothing but the truth*" is that **NCUA has, since 1998, been** "...required by statute to maintain capital and other standards for credit unions that are modern and comparable...". To meet the requirement for modernity & comparability, *NCUA has since 2000* maintained a system of net worth, prompt corrective action (PCA), and risk-based net worth (RBNW) as required by statute. **The legal, statutory requirements for RBC have not been changed for credit unions** - except for those which NCUA has decided to re-invent on its own!
- 3) And lastly for the younger set, you should be aware that the Basel Accords have been around since 1988! So, either *NCUA* through the use of net worth, PCA, and RBNW **has been**

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maintaining a modern, comparable CU system of capital since 2000 or they have not been telling "*the truth, the whole truth and nothing but the truth*" to Congress, credit unions, and the American public.

If all that seems a bit obscure, ask yourself this:

"Does NCUA's proposed RBC rule meet the standard set in the paragraph... *"comparable to those of other federal regulators."*?"

Sincerely,



James C. Blaine
President

JCB/ji