

May 27, 2014

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

Re: Comments on Proposed Rule: PCA – Risk-Based Capital

Dear Mr. Poliquin:

I am writing on behalf of Boulder Dam Credit Union (BDCU), which serves the community of Boulder City, Nevada and beyond. We have over 20,000 members and \$500 million in assets. BDCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule regarding Prompt Corrective Action – Risk-Based Capital.

My credit union generally supports risk-based capital principles. However, we feel strongly that the proposed rule, as currently drafted, will severely harm the credit union industry by creating a significant competitive disadvantage in the market place. We respectfully submit the following comments on the proposed rule.

Parity with Banks

Risk-based capital is appropriate, but the requirements for credit unions should not be more restrictive and punitive than they are for U.S. banks and any other financial institution in the world under the Basel III framework. This places credit unions at a competitive disadvantage and will result in a reduced ability for credit unions to serve their members and communities. The attempt to capture the risks is highly inconsistent with the comparable Basel III guidelines and results in individual risk weights that could create negative incentives for appropriate risk taking.

Individual Minimum Capital Requirements

The proposed rule gives NCUA authority to require even higher capital for individual credit unions. This highly subjective element should be stricken from the rule. If it is not eliminated, an independent third-party should be established to mediate any appeal between a credit union and the NCUA; the NCUA should not be the examiner, the regulator, and the “appealed to” entity. We believe that the authority to require additional capital under individual circumstances already exist through the NCUA’s current enforcement processes.

NCUA is exceeding their authority

Congress never intended for NCUA to set up a risk-based capital standard for well-capitalized credit unions. The FCU Act directs NCUA to devise a risk-based requirement, but the risk-based component for the well-capitalized threshold can be no higher than the component for the adequately capitalized level. Under NCUA’s proposal, however, that is not what would happen. This goes against the current FCU Act and system of Prompt Corrective Action.

In conclusion, we would support a sensible, lawful approach to risk-based capital requirements; however, this proposed rule will do more harm than good—creating a huge competitive disadvantage. We do not believe such dramatic and incongruent differences between the capital frameworks for the two industries are justified. We believe the proposal’s attempt to quantify and control a broad range of risks through a singular capital ratio is inherently flawed.

Thank you for the opportunity to comment and for considering our views on the proposed risk-based capital rule.

Sincerely,

Ie-Chen Cheng

Chief Financial Officer