From:	Richard Swallow
To:	_Regulatory Comments
Subject:	Richard Swallow - Comments on Proposed Rule: Risk-Based Capital
Date:	Monday, April 27, 2015 3:57:51 PM

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April 27, 2015

Mr. Gerard Poliquin

Secretary of the Board

National Credit Union Administration

1775 Duke Street

Alexandria, Virginia 22314-3428

RE: Risk-Based Capital Proposed Rule

RIN 3133-AD77

Dear Mr. Poliquin,

I appreciate the opportunity to submit comments to the National Credit Union Administration on the proposed Prompt Corrective Action and Risk Based Capital proposed rule. In an effort to be brief and to the point, my comments are directed at three (3) major points.

1. Asset Size Should Not Define a Credit Union as Complex
2. Requirements for Capital Adequacy is Unclear
3. Implementation of the Final RBC Rule Should be Beyond 2019

Asset Size Should Not Define a Credit Union as Complex

The Federal Credit Union Act (FCUA) provides that the NCUA may only adopt RBNW rules for "insured credit unions that are complex, as defined by the Board based upon the portfolios of assets and liabilities of credit unions." http://www.ncua.gov/Legal/Documents/fcu_act.pdf (Page 82)

While the increased threshold of $100 million represents progress, it still disregards the composition of assets and liabilities of individual credit unions. A more detailed definition of "**complex**" is warranted.

In addition to the above considerations, I recommend the NCUA increase the proposed asset threshold from $100 million to $1 billion. This threshold should be used in combination with actual operational complexity as measured by the NCUA's Complexity Index. The NCUA discussed a Complexity Index as part of the supplemental information. Thus, it is proposed that all federally insured credit unions with assets under $1 billion be considered non-complex, and that only those credit unions with assets above $1 billion and a Complexity Index value of 20 or higher be required to meet risk-based capital provisions.

Requirements for Capital Adequacy is Unclear

The Proposed Rule requires that "complex" credit unions "must have a process for assessing its overall capital adequacy in relation to its risk profile and a comprehensive written strategy for maintaining an appropriate level of capital" and "the nature of such capital adequacy assessments should be commensurate with the credit union's size, complexity, and risk-profile." **The requirement for credit unions to have a comprehensive written strategy poses excessive regulatory burden to credit unions and the ruling is too vague.** There are no clear guidelines and/or criterions of an NCUA's defined "comprehensive written strategy" for credit unions and NCUA examiners within the proposed regulation. This results in inconsistently applied requirements throughout the NCUA and its regions. Credit unions already have adequate capital adequacy policies, processes and procedures in place, therefore the NCUA should remove the requirement of a written strategy from the RBC rule. Furthermore, this proposed requirement appears to be a strong resemblance to the Capital Planning and Stress Testing rules issued last year for credit unions with assets of $10 billion or more.

Implementation of the Final RBC Rule Should be Beyond 2019

Thank you for recognizing an effective date of eighteen (18) months was not reasonable. The

Proposed Rule has an effective date of 2019, or approximately four (4) years. It is unclear when the NCUA will implement the changes needed on the Call Report system to require information for calculating the RBNW under the final RBC rule. Other Agencies provided seven (7) years with a phase-in requirement. Should the NCUA choose to continue utilizing Other Agencies as a guideline for this Proposed Rule, the final rule should have a similar **seven-year implementation period or beyond**.

The year of the liquidation of the Temporary Corporate Credit Union Stabilization Fund (TCCUSF), which is scheduled to occur in 2021, should be an additional consideration for the NCUA to further delay the implementation of the final RBC rule. The final rule's implementation date should coincide with TCCUSF liquidation to enable this distribution to become part of the calculation in determining a credit union's RBNW.

Thank you for the opportunity to comment on the Proposal. The second RBC proposal is a significant improvement from the first proposal. However, the proposed capital rule is still burdensome to the credit union industry. If you absolutely must have a risk based capital rule, then please minimize the burden by adopting my three (3) recommendations outlined in this letter.

Most Sincerely,

Richard E. Swallow

Northborough, MA

Private Citizen & a Member of Three (3) Credit Unions