

MAY23'16 AM 7:25 BOARD



May 16, 2016

Mr. Gerard S. Poliquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

Re: Comments on Proposed Rulemaking for Incentive-Based Compensation Arrangements

Dear Mr. Poliquin:

I am the Chairman of the Board of Technology Credit Union (Tech CU), a \$2.1 billion institution headquartered in San Jose, CA. I have served on the credit union's board for over 25 years and as Board Chair since 2006. I am very disappointed to learn that the NCUA has chosen to be the first U.S. financial regulatory agency to issue a proposed rule prohibiting what are deemed to be "risky, incentive based compensation arrangements" for credit union executives. This was done in conjunction with the release of a joint proposal across six regulatory agencies that deal with U.S. financial institutions, as required by Section 956 of the Dodd-Frank Act. This proposed rule is an example of excessive regulation, addressing a phantom problem (excessive risk taking by credit union executives to earn additional compensation) that did not cause the 2008 financial crisis and does not present a realistic risk of creating a repeat of that systemic crisis.

Under the NCUA's proposed rule, Tech CU would be a Level 3 covered institution (average total consolidated assets greater than \$1 billion but less than \$50 billion). Most of the requirements of the proposed rule would apply to Level 1 and Level 2 covered institutions, but the rule nevertheless creates an additional regulatory and compliance burden for us, adding to the exhaustive set of compliance requirements that we already face. We will need to determine those individuals at the credit union who fall into the categories of "senior executive officers and significant risk takers". We will need to ensure that none of our incentive compensations arrangements could possibly be interpreted as "encouraging inappropriate risks ... that could lead to material financial loss to the covered institution." We will need to ensure that adjustments to performance measures take into account "the longer-term risks associated with the business generated" and factor in "risk outcomes over a longer period of time" than a single calendar year. Our incentive-based compensation

arrangements will have to contain certain features mandated by the proposed rule. We will need to maintain detailed records for seven years after each incentive compensation grant and each payment of incentive-based compensation. We will need to be prepared to make a clawback of compensation that is subsequently deemed to have engendered excessive risk-taking. This is a vast amount of intrusive recordkeeping that could also put confidential compensation information at risk of discovery by individuals who do not have a need to know this information. Moreover, the proposed rule will allow the NCUA to require certain Level 3 covered institutions (with at least \$10 billion in total consolidated assets) to comply with some or all of the more rigorous requirements of Level 1 and 2 covered institutions, a determination the affected credit union will likely be powerless to protest. While this springing regulatory burden could not immediately apply to Tech CU, it could reasonably do so in the not-too-distant future.

The proposed incentive-based compensation rule as applied to almost any credit union will have no effect whatsoever on systemic risk to the U.S. financial system. Credit unions did not create the 2008 financial crisis, nor did credit union incentive-based compensation plans contribute to it or magnify it. The NCUA already examines all federally insured credit unions and has the ability to challenge and curtail compensation schemes that it determines are so disproportionate to a credit union's financial performance that they create a safety and soundness risk. We on the Board of Directors of Tech CU take our fiduciary duty to our institution very seriously. We already scrutinize and discuss incentive-based compensation programs before they are enacted and approve the subsequent payout of rewards under these programs. We have done this for all the years I have served on the credit union's board. We do not now need to add on top of our existing fiduciary responsibilities this hugely burdensome layer of rule-following and recordkeeping. Please rescind the proposed rule as it is currently drafted and rethink the requirement for this regulation, particularly for institutions with less than \$50 billion in total assets.

Thank you very much for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Mical Atz Brenzel". The signature is written in a cursive, flowing style.

Mrs. Mical Atz Brenzel  
Chairman of the Board