



July 22, 2016

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW., Suite 3E-218, Mail Stop 9W-11
Washington, DC 20219

Docket No. 1536 RIN No. 7100 AE-50

Re: Incentive-Based Compensation Arrangements Proposed Rule for Credit Unions

Office of the Comptroller of the Currency:

On behalf of GECU, the largest locally owned state-chartered credit union in El Paso, TX, this letter is in response to the request for comments regarding the Incentive-Based Compensation Arrangements Proposed Rule (Rule) for credit unions. GECU currently serves a membership of over 348,000 with assets greater than \$2.2 billion. We appreciate the opportunity to comment on the Agencies' proposal and commend the Agencies for their efforts in protecting financial institutions from incurring inappropriate risk by providing excessive compensation that could lead to material financial loss.

Incentive compensation arrangements are important tools utilized to attract and retain talent, drive performance, maintain alignment of compensation expense and financial condition, and deter imprudent risk-taking. GECU's current incentive based compensation plan can be described as ultra-conservative. Based on our decision to be conservative in our approach towards incentive plans, GECU does not consider our plan to be an excessive incentive based program. In light of the impact the Rule would have on these arrangements, we are actively engaged in a careful review and analysis of the Rule.

GECU's current incentive based compensation plan differs from the proposal's guidelines by using a lesser percentage of bonus award based on average survey data. In today's world, goals are set annually by GECU's Senior Management Team. The goals include production and also place limits on charge off amounts by amount reflected in the Net Income. There is a second detractor regulator based on our CAMEL score and our Net Charge-Offs. The complete analysis of these measure prevent excessive risk taking.

§751.2 Definitions

Under §751.2 a covered credit union (CCU) is any credit union with assets of \$1 billion or greater. Under the proposed rule, GECU would be deemed a CCU and based on asset size would be deemed a Level 3. At this level, GECU would be subject to only the basic set of prohibitions and requirements. The proposed asset thresholds do meet the rule's goal of subjecting more complex credit unions to more prohibitions and requirements.

The proposed rule then defines "covered person" as any executive officer, employee, or director who receives incentive based compensation at a CCU. Included in this class of covered persons are significant risk takers and senior executive officers. The proposed rule provides definitions for both significant risk takes and senior executive officers. We are seeking additional clarification regarding what will be considered a senior executive officer based on being the "head of a major business line or control function".

§751.4 Requirements for All CCUs

Under §751.4 the proposal would establish requirements for all covered credit unions to include GECU. Based on the proposal, GECU must not establish or maintain any type of incentive-based compensation arrangement or any feature of any such arrangement, which encourages inappropriate risk, either by providing a covered person with excessive compensation, fees or benefits, or that could lead to a material financial loss to GECU. Additional clarity is requested to ensure complete comprehension of what constitutes a "material financial loss", "appropriate balance of risk and reward", and "excessive compensation". At this time, there are no current changes required to our current plan based on our interpretation of the proposal, however, as clarification is provided of these terms, greater review of our plan would be required.

The proposal places several duties upon board of directors, or a committee of the board of directors. These duties are conducting oversight of the incentive based program, approving incentive based compensation arrangements for senior executive officer, including award amounts and payouts when vested, and approving any material exceptions or adjustments to incentive-based compensation policies or arrangements for senior executive officers. We are concerned with the proposed oversight duties of the board of directors. The oversight duties would require credit unions to obtain additional training and assistance from outside vendors/consultants for their board of directors to be able to make good decisions regarding the executive compensation and incentive based awards as well as formulating a written assessment of the effectiveness of the incentive based awards.

GECU is confident in its belief that the Board should have review and approval of the credit union President/CEO compensation, incentive bonus, and benefits only. The remainder of the Executive team should be the responsibility of the President/CEO and the Board should allow the President/CEO to manage their executive staff.

GECU urges consideration regarding more efficient ways to meet the proposal's goal of curbing excessive risk-taking. While we understand it is the intent of the proposal to protect financial institutions from incurring inappropriate risk by providing excessive compensation that could lead to material financial loss, the proposal could achieve greater efficiency by including only the President/CEO as a covered person. The remainder of the credit union would be the responsibility of the President/CEO to manage. If the review of the President/CEO compensations package is found to be considered excessive risk-taking, the examiners could then look at the executives. The credit union President/CEO should be responsible to the members to be fair and equitable in setting executive compensation, incentive plans, and benefits.

The proposed rule distinguishes between incentive-based compensation and incentive based compensation awarded under a long-term incentive plan, depending on underlying periods. The distinctions discussed depend upon the type of incentive being awarded. If the incentive award is to aid in rewarding executives for raising the performance of the credit union and is to enhance the annual income of the executive to place them in a competitive posture in the market place, the vesting terms of such plans would be a detriment and a recordkeeping hindrance. Long term incentive plans could be utilized different however; we are concerned with the long term plans being challenging to develop in the credit union environment.

Under the proposal, NCUA reserves the right to require a Level 3 CCU to comply with certain provisions discussed above that are otherwise only required for Level 2 and Level 1 CCUs. NCUA would make this determination during routine examinations of a Level 3 CCU. We are concerned with the subjectivity of the determination as part of the examination process and the level of consistency that should be present throughout all examiners. We seek clarification as to what the process will be for a determination to be made during an examination.

In conclusion, consideration should be given to the impact the proposals will have on credit unions specifically the board of directors and executives. We reiterate our concern with the proposed oversight duties of the board of directors, the subjectivity of the determination during routine examinations, and lack of clarification of what constitutes a "material financial loss", "appropriate balance of risk and reward", and "excessive compensation". We commend the Agencies for proposing the Rule, however, as it is written it is difficult to assess the impact of the proposal due to the ambiguity of the proposed language and specific definitions. The definitions are often vague and subject to interpretation; without clarifying and/or specific regulatory guidance determining the effects the proposal will have on the Credit Union is challenging.

We appreciate the opportunity to comment on the proposal. If you have questions regarding our comments, please contact me at (915) 774-8203.

Sincerely,



Crystal Long
President/CEO
CL:dp