



May 4, 2017

*Submitted via Federal eRulemaking Portal: [www.regulations.gov](http://www.regulations.gov)*

Gerard Poliquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314

RE: Advanced Notice of Proposed Rulemaking for Alternative Capital

Dear Mr. Poliquin:

We write to the National Credit Union Administration (NCUA) regarding its Advanced Notice of Proposed Rulemaking for Alternative Capital, and appreciate the opportunity to provide our comments. By way of background, the Minnesota Credit Union Network (MnCUN) represents the interests of Minnesota's 118 credit unions and their more than 1.6 million members.

We strongly support NCUA's efforts in exploring ways to reduce the regulatory burden on credit unions. As you are aware, the primary way in which credit unions build capital is through retained earnings. Expanding the way in which credit unions can build capital, such as through the issuance of alternative capital, would create an environment for stronger more sustainable credit unions. We therefore generally support credit unions having the ability to issue alternative capital and NCUA's issuance of an alternative capital rule.

While we support allowing credit unions to issue alternative capital, we strongly urge NCUA to avoid two major concerns through any final rule: credit unions' tax status and their cooperative, democratic structure.

Any final rule must ensure that the tax status of credit unions is not called into question. As NCUA pointed out, if all credit unions had the ability to issue alternative capital, the tax-exempt status of credit unions could be called into question. As NCUA develops its alternative capital rule, we urge NCUA to be mindful of this and ensure that that our tax status is not called into question.

In addition, we urge NCUA to avoid any consequential changes to the cooperative structure of credit unions. Credit unions, by their nature, are not-for-profit financial cooperatives created to



serve their members, not to make a profit, and are democratically run by their members. Any alternative capital rule should not convey governance rights through the its issuance.

As NCUA continues to develop its alternative capital rule we urge NCUA to provide flexibility to credit unions by outlining less prescriptive requirements, while still addressing safety and soundness concerns and any potential undue risk to the share insurance fund. We understand and agree that some parameters need to be outlined in any rulemaking regarding the issuance of alternative capital, however, we urge NCUA to allow credit unions flexibility in the development of alternative capital instruments.

In the advanced notice of proposed rulemaking, NCUA questioned the potential securities requirements under the Securities Exchange Commission and individual state laws. As NCUA develops its alternative capital rule, we encourage NCUA to fully review any applicable securities requirements, and address those requirements in any final rule to ensure credit unions are aware of the requirements and address them through any alternative capital offering.

We appreciate NCUA's willingness to allow credit unions to issue supplemental capital. Thank you for taking into consideration MnCUN's commentary regarding this advanced notice of proposed rulemaking. If you have any questions about our comments, please do not hesitate to contact us at (651) 288-5170.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Wendland". The signature is fluid and cursive, with a large loop at the end.

John Wendland  
Vice President & General Counsel