



April 28, 2017

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

Dear Mr. Poliquin:

On behalf of Royal Credit Union (Charter #66834), I am writing regarding the National Credit Union Administration's (NCUA) Advanced Notice of Proposed Rulemaking (ANPR) for Supplemental Capital. Royal Credit Union has total assets in excess of \$2 billion representing over 160,000 Members in Minnesota and Wisconsin.

We believe Supplemental Capital, when used for the correct purpose will allow credit unions to further serve their Members. If adopted properly, Supplemental Capital can provide a useful tool in providing stronger and more sustainable credit union while at the same time protect the Share Insurance Fund.

The following are the comments we have on the ANPR:

- The final rule must contain all safe guards necessary for credit unions to retain our federal tax exemption. This tax exemption is based on our Member owned, cooperative structure. The final rule must be perfectly clear that any Members or non-Members that own any type of Supplemental Capital would not be entitled to any special ownership or voting rights beyond those available to ALL Members. As such, the use of Supplemental Capital to fund the balance sheet is no different than the use of borrowing from wholesale sources or the collection of deposits from our Members.
- Any and all required Supplemental Capital disclosures issued to the investor must be very clear that the Supplemental Capital investment is not insured and does not provide any governance rights.
- Since the use of Supplemental Capital is uninsured and does not provide any governance rights, the use of these investments should be allowed by both Members and non-Members.
- The use of Supplemental Capital will increase "strength" of the balance sheet and protect the Share Insurance Fund. As such, the final rule should allow the credit union to use the Supplemental Capital in the Risk Based Net Worth numerator.
- Supplemental Capital should not be allowed to "shore up" a failing or troubled institution. It should be used to help a healthy credit union grow either through mergers and acquisition or organic growth. The final rule could read that only credit union's that are well/adequately capitalized or have a Camel rating of a 1 or a 2 can use Supplemental Capital.
- State Chartered Credit Union use of Supplemental Capital should be authorized and regulated by the governing state, which in our case is the Wisconsin Department of Financial Institutions.

Royal Credit Union greatly appreciates the NCUA's willingness to consider allowing credit unions to accept supplemental capital to count towards the risk-based net worth requirement. If structured properly, not only will this enhance the safety and soundness of credit unions, but it can be accomplished without altering the cooperative, mutual structure of credit unions. If you have further questions or would like to discuss this letter in more detail, please feel free to contact me at 715-833-8135 or [jonh@rcu.org](mailto:jonh@rcu.org).

Thank you for taking the time to read my comments.

Sincerely,



Jon Nehli  
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Royal Credit Union  
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715-833-8135