



August 3, 2017

Mr. Gerard Poliquin  
Secretary to the NCUA Board  
1775 Duke Street  
Alexandria, VA 22314

Dear Mr. Poliquin:

On behalf of Sandia Laboratory Federal Credit Union (SLFCU), the largest credit union in New Mexico with assets in excess of \$2.4 billion and 88,000 members, please accept this comment letter concerning the proposed rule on "Bylaws; Bank Conversions and Mergers; and Voluntary Mergers of Federally Insured Credit Unions": RIN 3133-AE73. The National Credit Union Administration's proposal to amend the rules for voluntary mergers published in the Federal Register on June 8, 2017, is of concern to our management and board.

The impetus for requiring disclosure of potential conflicts of interest in merger transactions is well-founded and beneficial for the maintenance of our not-for-profit and cooperative foundation. Informed member-owners are better able to participate in the democratic process of evolving their financial cooperative consistent with their collective best interests. To support this effort, we offer the following comments and suggestions.

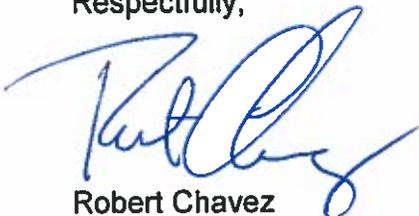
While there is no objection in principle to providing clarity around the intent of to whom disclosures on covered persons should be applied, we believe that disclosure of increased employee compensation, whether resulting from a merger or not, is an unnecessary and undesirable intrusion on individual privacy and a threat to credit union success. The risk to individuals resulting from disclosure of compensation is to be avoided wherever practicable. Designating a number of top paid positions subject to disclosure is arbitrary, as would be designating a percentage increase in merger related compensation (not unlike the existing specification of a handful of job titles). We recommend a financial disclosure reporting the aggregated increase (if any) in merger related compensation and the number of employees benefiting as a percentage of existing payroll the merging credit union staff will receive as a result of the proposed transaction, perhaps broken-out into categories such as "bonuses", "salaries", and "benefits". This would achieve the goal of informing members of the total financial benefit and the concentration of the potential incentives of the proposed transaction without compromising the privacy of individuals. Beyond this, the surviving member-elected credit union board is responsible for ensuring compensation systems are reasonable and within the best interests of the continuing credit union. Credit unions need to pay competitive salaries to retain strategic talent and the proposed rules may curb or prevent mergers of healthy credit unions that are in the best interest of both members and the share insurance fund. Additionally, larger, surviving credit unions are apt to pay more as a matter of course than smaller, absorbed credit unions for similar positions, and thus an arbitrary threshold for reporting "merger-related financial arrangements" may be very deceiving to voting members. The proposed requirement to disclose increases in

compensation or benefits that covered persons receive in the prior 24 months is equally likely to be misleading to voting members since the presumption may be that such increases were related to the proposed merger when it's at least as likely that it was not. If such a rule were implemented as proposed, the need for credit unions to be preemptive against such disclosure for the privacy of covered persons would mean actively altering how credit unions consider and award salary and benefit increases of all kinds; we don't believe this is the intent of the Administration or a good outcome.

Although we support the proposal to allow more time for member notice of a proposed merger, the Administration's proposal to require credit unions to forward member comments about a proposed merger to all other members is untenable. Not only would we expect the cost to be exorbitant but it also isn't reasonable to expect that a member or group of members would be willing to pay that cost, making the rule moot. The potential ramifications of allowing disgruntled or misinformed individuals (or even competitors) to derail a merger that's in the best interest of the members and the share insurance fund cannot be overlooked. Ultimately the cost of facilitating the exchange will be borne by all members and result in an immediate negative impact of the involved credit unions' reputations. This is directly contrary to the Administration's expectations for prudent reputation risk management. This impact can be devastating to an individual credit union and will result in the eventual weakening of the industry's reputation. Although the proposed regulation is patterned after the rules applicable to charter conversions, a voluntary credit union merger doesn't constitute a similar threat to member capital and thus shouldn't be treated as similarly suspect.

We appreciate the opportunity to comment. We hope you will reconsider the proposed regulations to better balance the advantages of transparency with the costs of individual privacy and reputation risk in the merger process. We are available and willing to further discuss our comments at your convenience.

Respectfully,



Robert Chavez  
President/Chief Executive Officer  
Sandia Laboratory Federal Credit Union