



August 15, 2017

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

RE: Corporate Credit Unions; RIN 3133–AE75

Dear Mr. Poliquin,

The Credit Union Association of the Dakotas (CUAD) represents 67 state and federally chartered credit unions in the states of North Dakota and South Dakota, whose assets total over \$6 billion and who have more than 450,000 members. CUAD appreciates the opportunity to provide comment to the National Credit Union Administration (NCUA) regarding proposed amendments to regulations governing corporate credit unions.

CUAD supports the NCUA's proposed amendments to revise provisions on retained earnings and Tier 1 capital. We applaud the NCUA for taking this common sense approach in revising its regulations regarding corporate credit unions.

12 CFR 704 establishes special rules for all federally insured corporate credit unions. Non-federally insured corporate credit union must also agree to the requirements as a condition of receiving shares or deposits from federally insured credit unions. In 2010, the NCUA revised Part 704 to "provide longer term structural enhancements to the corporate system." 82 FR 30774 These revisions, in addition to other measures taken by the NCUA, were made in response to the financial crisis that occurred in 2007-2009 that took a toll on the corporate credit unions system.

CUAD concurs with the NCUA that the efforts taken by the NCUA stabilized the corporate system and improved the corporates' ability to serve the needs of natural person credit unions.

The NCUA proposes to revise the definition of "retained earnings" under 12 CFR 704.2. As revised, this term would mean, "undivided earnings, regular reserve, reserve for contingencies, supplemental reserves, reserve for losses, GAAP equity acquired in a merger, and other



appropriations from undivided earnings as designated by management or NCUA.” The NCUA proposes this amendment under the belief that, “expressly including such equity acquired in a merger as retained earnings and referencing GAAP will clarify that this capital is available to cover losses, enhance transparency, and reduce ambiguity.” 82 FR 30775 CUAD supports this revision to the definition of “retained earnings” discussed above and the revision to the definition of “Tier 1 capital” to remove redundancy.

The NCUA also proposes to add the term “retained earnings ratio” to this part. As proposed, “*retained earnings ratio*” would be defined to mean, “the corporate credit union’s retained earnings divided by its moving daily average net assets.” 82 FR 30776. The preamble to the proposed amendments explains, that “upon attaining this benchmark, a corporate would be permitted to include all PCC, regardless of source, in its Tier 1 capital. The PCA thresholds will remain at their current limits. Until such time as a corporate achieves a 250 basis points retained earnings ratio, it must deduct the amount of PCC exceeding retained earnings by 200 basis points as an inducement to build retained earnings.” 82 FR 30775 CUAD supports this revision to provide additional clarity.

CUAD supports the NCUA’s proposed amendments to Part 704 regarding corporate credit unions. These changes are necessary and will provide transparency and clarity to a corporate credit union’s capital adequacy. CUAD thanks the NCUA for their faith in corporate credit unions and recognition of their important role in the credit union industry.

Thank you for this opportunity to share our comments.

Respectfully,

A handwritten signature in black ink that reads 'Jeffrey Olson'.

Jeffrey Olson
CEO/President

A handwritten signature in black ink that reads 'Amy Kleinschmit'.

Amy Kleinschmit
VP of Compliance