January 17, 2019

Mr. Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
Via email: regcomments@ncua.gov

RE: Comments on Notice of Proposed Rulemaking – Fidelity Bonds

Dear Mr. Poliquin:

We appreciate the opportunity to comment on the proposed changes to 12 CFR Part 704 Rules and Regulations (Regulation 704) for corporate credit unions. Corporate One Federal Credit Union is one of eleven corporate credit unions. We serve almost 800 member credit unions nationwide and manage approximately $4.7 billion in assets on behalf of our members.

We believe the changes generally will have a negligible increase in regulatory burden and we support the NCUA's effort to protect the share insurance fund; however, there are a few areas of concern that we wanted to highlight. Below are our comments regarding each of the proposed changes impacting corporate credit unions:

1. **Strengthen Board of Directors' Oversight of a Credit Union's Fidelity Bond Coverage**

   The proposed rule would add a new paragraph requiring that a corporate credit union's board of directors and supervisory committee review all applications for the purchase or renewal of its fidelity bond coverage. After review, the corporate credit union's board must pass a resolution approving the purchase or renewal of fidelity bond coverage and delegate one member of the board, who is not an employee of the corporate credit union, to sign the purchase or renewal agreement and all attachments. No board members may be a signatory on consecutive purchase or renewal agreements for the same fidelity bond coverage.

   We understand the rationale behind the proposed change and appreciate the NCUA's efforts to protect the share insurance fund by ensuring fidelity bonds are not voided due to the signatory being aware of fraudulent activities. Our concerns and comments regarding this proposed rule change are detailed below.

   We would request the requirement for the supervisory committee's review of all applications for purchase or renewal of fidelity bond coverage be removed from the *proposed rule. The existing rule already requires a corporate credit union's board to annually review its fidelity bond coverage to ensure it is adequate. Our board already performs an in depth due diligence process and, as a part of the process, engages outside expertise to assist in reviewing and evaluating fidelity bond coverage. Adding a requirement for the supervisory committee to review all applications for the purchase or renewal of fidelity bond coverage essentially duplicates the responsibility and oversight already being provided by the board. The addition of the supervisory committee to the review process would not result in any meaningful increase to the level of review or due diligence applied to the purchase or renewal of fidelity bond coverage. Additionally, our supervisory committee only meets on a quarterly basis, while our board meets monthly. With there often being multiple bids and revisions to bids provided by fidelity bond providers it would be not be possible for our supervisory committee to review all applications for the purchase or renewal of fidelity bond coverage without increasing the frequency of their meetings.*

We also have concerns that including the supervisory committee members in the review process for the purchase or renewal of fidelity bond coverage will expand the population of people who could be perceived to have knowledge of a fraudulent activity. This could result in an increase in the risk of a fidelity bond being voided, which is the primary risk intended to be reduced through the proposed rule change.

While we appreciate that fidelity bonds have been voided due to the signatory having knowledge of fraudulent activities, we are concerned that the addition of this requirement will impact the number of insurers who are willing to provide fidelity bond coverage. Fidelity bond providers could take issue with a board member as a signatory on the fidelity bond who is not an employee with more intimate knowledge of the corporate credit union. We would request that this proposed rule change not be implemented until the potential impact on the availability of fidelity bond coverage can be determined.

2. Ensuring There is an Adequate Period to Discover and File Fidelity Bond Claims Following a Credit Union's Liquidation

The proposed rule would provide the option for the liquidating agent to purchase coverage in the event of an involuntary liquidation that extends the discovery period for a covered loss for at least two years after liquidation. In the case of a voluntary liquidation, fidelity bonds would be required to remain in effect, or provide that the discovery period is extended, for at least four months after the final distribution of assets.

We have no major concerns with this proposed change. We understand the rationale behind the proposed changes and support the NCUA's efforts to protect the share insurance fund by ensuring an adequate discovery period for filing fidelity bond claims. Our only concern would be any potential impact to either the cost or availability of *fidelity bond coverage. The proposed rule change will result in a negligible increase in regulatory burden.*

3. **Clarification of Documents Subject to Board Approval and Requirement That All Bond Forms Receive Board Approval Every Ten Years**

   The proposed rule clarifies the listing of approved bond forms and which fidelity bond and bond documents require Board approval without making any substantive changes to existing rules. The Board proposes to add a new paragraph establishing a sunset of approval on all bond forms ten years after the form is approved.

   We support this proposed change. We understand the rationale behind the proposed changes and support the NCUA's efforts to provide clarity to fidelity bond requirements and provide a sunset provision to ensure fidelity bonds are periodically revaluated to ensure all provisions remain current and relevant. The proposed rule change will result in a negligible increase in regulatory burden.

With the exception of our comments under item #1 above, we feel the overall impact of the proposed rule changes will be negligible. We appreciate the efforts of the NCUA to protect the share insurance fund and the opportunity to comment on the proposed rule changes related to fidelity bonds.

Respectfully,

Melissa A. Ashley

Melissa Ashley
President/CEO
Corporate One Federal Credit Union

CC: Board of Directors, Corporate One Federal Credit Union