



July 19, 2005

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

Via – E-mail to regcomments@ncua.gov

Re: Teachers Credit Union Comments on Proposed IRPS (Sales of Nondeposit investments)

Dear Ms. Rupp:

Teachers Credit Union respectfully submits the following comments regarding the NCUA Board's proposal to replace its Letter to Credit Unions No. 150 with an IRPS:

Introduction

Letter 150 was introduced in 1993, six years before the enactment of the Gramm-Leach-Bliley Act (GLBA), which modernized the legal structure for the delivery of banking, investment and insurance services. Therefore, we agree with the need to update NCUA guidance on the sale of nondeposit investments, but disagree with the approach taken by the NCUA.

To begin, we agree with those provisions of the IRPS that address marketing disclosures. We agree that all financial institutions that offer nondeposit products should be bound to provide clear and uniform disclosures regarding the investment risks. We disagree, however, with those provisions that imposed upon the Credit Unions compliance or audit oversight responsibilities over affiliated broker-dealers.

Credit Unions, as are all financial institutions, are in the business of managing, risk, be it: interest rate risk, credit risk, transactional risk, vendor risk and competitive risk; as well as legal, reputation and economic risk. On a day-to-day basis we must manage these risks, to ensure we offer a full range of financial services to our membership. As a credit union regulator, the NCUA does have a role in reviewing the soundness of the credit union's operations, through review of audited financial statements and examination reports. This role is analogous to

the role the Federal Reserve Board serves in its role of umbrella supervisor over bank holding companies. However, when the NCUA drafted the Policies, Procedures and Contract section of the IRPS we believe they not only violated the tenants of the GLBA, by failure to comply with the functional supervisory role to be played by the SEC, they have unintentionally extended a promise of federal share insurance to members who purchase nondeposit products.

Teachers Credit Union is engaged in a third party brokerage arrangements with a SEC licensed Broker/Dealer. When the NCUA mandates, in the features of the sales program, that Credit Union personnel analyze the level of complexity and volatility in investments that the credit union will permit the broker/dealer to offer its members it improperly interjects the nonqualified opinion of a credit union employee into a transaction managed by the broker/dealer. When the NCUA mandates, in the description of the relative responsibilities of the credit union and brokerage firm, that the credit union have a role in compliance oversight, it also interjects the nonqualified opinion of a credit union employee into the broker/dealer transactions.

Therefore, we recommend that the NCUA adopt the tenants of the GLBA and leave the functional regulation of the broker/dealer activities, including those offered to credit union members through the third-party brokerage (“Networking”) exception found in 15 U.S.C. 78c(a)(4)(B)(1). Credit Unions, as well as the NCUA, should be able to rely on the SEC’s supervision of registered broker/dealers; and the Credit Union’s IRPS obligations limited to:

- contracting with a registered broker dealers
- making the SEC mandated nondeposit investment disclosures
- compliance with the requirements of SEC Regulation B, to the extent applicable to the credit union and dual employees, and
- monitoring employee complaints about broker/dealers

Sincerely,



Richard D. Nettesheim
President and COO
Teachers Credit Union Service Organizations