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JUL 22 '05 PM 1:22 BOARD

Date: July 18, 2005

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

RE: Proposed Interpretive Ruling and Policy Statement No. 05-1

Dear Ms. Rupp:

SELCO Community Credit Union understands that the National Credit Union Administration ("NCUA") is proposing to adopt an Interpretive Ruling and Policy Statement ("IRPS") regarding Sales of Nondeposit Investments, which will replace the NCUA Letter to Credit Unions No. 150.

We are writing to provide general comments on the IRPS as follows:

1. Regulatory Flexibility Act

According to the NCUA, the IRPS will not have a significant economic impact on the small credit union. We disagree based on the following.

The IRPS states that a credit union's independent compliance program should contact investment clients, monitor customer complaints, review accounts for churning and suitability, and ensure that the broker's supervisory personnel made scheduled examinations. This would require the credit union to train existing, or hire additional staff with the specific knowledge and experience in the area of securities to conduct these compliance functions. It is likely that these individuals would need to be securities licensed and participate in ongoing continuing education to have the necessary knowledge of industry regulations. However, only NASD registered broker-dealers can hold individual securities licenses, not credit unions. The credit unions would be unable to maintain these licenses for their employees.

The cost of competent compliance personnel is higher than ever before, given the current regulatory environment. In addition, there is

significant expense associated with the development and implementation of a compliance program. The monitoring requirements would be extensive in order to conduct the specific reviews proposed in the IRPS. Our brokerage firm already has a multi-regulator reviewed compliance program. Any duplication of these efforts would be an unnecessary expense for the credit unions.

2. Paperwork Reduction Act

According to the NCUA, the IRPS will not increase paperwork requirements. We disagree based on the following.

The IRPS is proposing that the credit union' independent compliance program contact clients, monitor complaints, review accounts for suitability and ensure that the broker's supervisory personnel make scheduled examinations. These activities will add to the paperwork required of a credit union when you consider the surveillance reports, trade reviews, audits, and correspondence reviews for both clients and regulators. Again, these efforts would be duplicated by the broker's compliance department.

3. Proposed Contract Provisions

The below proposed contract provisions may negatively affect and/or are not practical for credit unions as follows.

The IRPS proposes that a credit union would be required to identify and analyze the products the broker may offer. The credit union is not in the best position to do this. The decision on what products to offer should be left with the broker-dealer. They have the experience to conduct a quality due diligence process and determine which investments are appropriate.

It is proposed that the credit union should have the right to access member brokerage accounts, held at the broker-dealer, for oversight. As stated above, we believe the broker-dealer is more qualified to conduct the oversight. In addition, there could be issues with state or individual credit union privacy policies, and we don't believe that was considered in the IRPS.

4. Compliance with the requirements of the IRPS and applicable law and regulation.

The below proposed compliance requirements may negatively affect and/or are not practical for credit unions as follows.

We believe that to have the credit union compliance staff contact members that have purchased non-deposit investments to ensure they received and understood the required disclosures has the potential to confuse the members. We also believe this would blur the required line of distinction between the credit union deposit and non-deposit functions. It is our concern that these interactions would generate investment inquiries from the members that the compliance staff member would be unable to address.

With respect to the IRPS proposal that the credit union compliance staff monitor client complaints, review accounts for churning and suitability and ensure that scheduled examinations are conducted, we see no benefit to this. These functions are already performed by our broker-dealer, and the burden to duplicate these efforts on the credit union side would far outweigh any benefit that would be realized.

5. Dual Employees

The below restrictions on dual employees may negatively affect and/or are not practical for credit unions as follows.

The IRPS proposes that the duties performed by a credit union should not bring a dual employee into contact with members that might also purchase non-deposit investments. Dual employees must perform functions for both the credit union and the brokerage firm. It is not feasible to prevent such employees from coming into contact with members.

We also do not agree with the provision which states that the dual employee should not have management or policy setting responsibilities within the credit union, related to non-deposit investments. These employees are likely the only ones with the securities licensing and investment sales experience. Their guidance is critical if an investment program is to be successful in serving the members.

According to the IRPS, the use of dual employees increases the risk that a credit union may be held liable for abusive sales practices. We disagree. In fact, we believe the IRPS as proposed, increases the risk. With the credit union required to perform the compliance function over the investment program, a client could successfully allege that the credit union, not the broker-dealer failed to meet this obligation.

6. Non Deposit Sales to Nonmembers

We disagree with the IRPS proposal on sales to non members based on the following.

As a credit union, we understand we need guidance in this area. We don't believe the solution to allow the credit union to receive a percentage minimum of the non-member business is the best one. It would be expensive, difficult to manage and not reflective of the actual cost in credit union resources. To be clear, we are in favor of limiting the business to credit union members only. We suggest that the credit union be allowed to receive reimbursement for the credit union's direct and indirect expenses related to this business.

In summary, we believe that the requirement for credit unions to have an independent compliance function is:

- not practical since the credit union may not have the staff qualified for this function,
- redundant since the brokerage firm already has this function,
- an unnecessary additional expense for the credit union,
- likely to increase, and not decrease the credit union's liability for investment activities.

Should you have any questions, please contact me at (541) 686-5339.

Sincerely,



Ava Milosevich
President/CEO