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July 19, 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:

San Mateo 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. Since the proposal indicates the credit union must conduct examinations, it would require a significant investment. Even at our size (over \$500 million in assets), we do not have personnel on staff who are licensed and trained with the necessary knowledge and experience needed to conduct these examinations. In this competitive market, qualified applicants are difficult to find and we often cannot match their salary requirements. Therefore, the proposed policy statement would, in fact, have a significant financial impact on credit unions.

2. Paperwork Reduction Act

According to the NCUA, the IRPS will not increase paperwork requirements. We disagree. The IRPS is proposing that a credit union's independent compliance program contact investment clients, monitor complaints, and review accounts. As with other areas of compliance review at the credit union, it is unlikely this can be accomplished without creating volumes of paperwork to document surveillance, audits, and communication with clients and regulators. The paperwork required would also be duplicated by the brokerage firm's compliance department. Thus, it would not reduce paperwork as proposed.

3. Proposed Contract Provisions

IRPS proposes a provision for contracts between a credit union and a broker/dealer that would require the credit union to identify and analyze the products that the broker may offer. Quite simply, credit unions focus on the deposit and lending needs of their members. San Mateo Credit Union has partnered with CFS because of their years of expertise. Deciding what products they should or should not offer is not in our scope of experience. By requiring credit unions to analyze nondeposit products, we would be doing our members a disservice.

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

IRPS proposes that the compliance staff contact credit union members that have purchased nondeposit investments to ensure that the member received and understood the required disclosures. In order for a credit union employee to be qualified to conduct such follow up, they would need to be licensed. Without a license, they could not fully understand and competently discuss clients' investment inquiries. These reviews are already being conducted by the brokerage firm's Office of Supervisory Jurisdiction (OSJ) and compliance departments, and subject to oversight by the SEC, NASD, Self Regulatory Agencies and the individual state securities regulators. The burden to the credit union to comply with this section far outweighs any benefit since these tasks (being conducted by the brokerage firm) are already in place to protect our members.

5. Dual Employees

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

We disagree with the IRPS provision, which states that the dual employee should not have management or policy setting responsibilities within the credit union related to nondeposit investments. The dual employees are likely the only employees with securities licensing and investment sales experience. Therefore, the dual employees' guidance is critical with respect to investment practices.

IRPS also states that the dual employees should not reference their positions at the credit union when conducting nondeposit investment business. We believe that this is not practical and is onerous, if not impossible, to supervise.

The IRPS also mentions the use of dual employees decreases the risk a credit union may be held liable for abusive sales practices. We disagree. Actually, we believe that the proposed IRPS increases credit union risk. If credit unions are required to perform compliance functions over the investment centers, clients may successfully claim that the credit union failed to meet this obligation.

6. Non Deposit Sales to Nonmembers

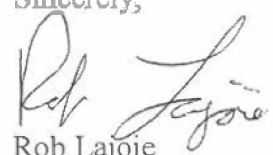
While we agree that credit unions need guidance in this area, we believe only a small percentage (if any) of non-member business is conducted. It would be expensive to ascertain the actual degree to which non-members were served. Our credit union limits business to members only. We market investment services to members only. Therefore, we believe this distinction in IRPS is unnecessary.

In summary, we believe that the proposed IRPS requiring for credit unions to have an independent compliance function is not practical as we do not have the staff expertise, is redundant since this function is already performed by the brokerage firm, is an unnecessary expense that does not serve our members, and will increase credit union liability for investment activities.

We appreciate the effort the NCUA has devoted to supervising federal credit unions. And, we appreciate your consideration on the feedback for the proposed policy.

If you have any questions, please contact me at 650-363-1720.

Sincerely,



Rob Lajoie
Vice President, Member Services