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P.O. Box 10018 Manhattan Beach, CA 90267

July 22, 2005

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

Re: Sales of Nondeposit Instruments (IRPS No. 05-01)

Dear Ms. Rupp:

On behalf of our 120,000 member-owners throughout the U.S. who have entrusted us with \$1 billion in assets, Western Federal Credit Union (Western) appreciates the opportunity to comment on the Agency's proposed interpretive Ruling and Policy Statement (No. 05-01) dealing with the sale of nondeposit instruments/products within federal credit union branches. Western can support most of the proposal but has concerns about the responsibilities of federal credit unions monitoring and performing compliance reviews of the contract broker-dealer.

We appreciate the Agency's efforts to update existing guidelines that were written more than 10 years ago. Much has changed in the financial services world within the last decade. Credit unions should not be subject to antiquated guidance that places them at a competitive disadvantage.

As a credit union with an agreement with a registered broker-dealer to provide financial services products unavailable through the credit union, we understand the difficulties the Agency has when many of the legal/regulatory requirements fall under the purview of other federal agencies and other independent organizations. Western appreciates the Agency's stated intent to make appropriate changes to the IRPS when the Securities and Exchange Commission (SEC) finalizes changes to its Regulation B (dealing with the authority of credit unions to participate in third party brokerage arrangements without having to register as a broker-dealer).

Referral Fees

We strongly support the IRPS provision that would allow credit unions to compensate its employees for referral of qualified members to the broker-dealer. The ability to give a nominal one-time fee (the greater of \$25 or one hour's pay) for providing information about a member who requests additional information about nondeposit investments will be a positive motivational factor for credit union employees, without being so high as to encourage improper behavior.

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Compliance Review

Western does not support the requirement within the proposed IRPS to impose additional and unnecessary requirements on credit unions to perform compliance functions towards its contracted broker-dealer. The legal and regulatory requirements for broker-dealers are unique to their business with a completely different set of regulatory agencies (SEC, National Association of Securities Dealers) that are not consistent with the compliance demands of credit unions and other financial institutions.

While we agree that some aspects of monitoring the performance of the broker-dealers should be done by credit unions (member complaints, disclosures about lack of NCUSIF coverage, etc.), the majority of the regulatory compliance aspects should be between the broker-dealer and its regulatory agencies. The credit union should, as a matter within the contract, demand full regulatory compliance. Should that compliance be lacking (as determined by the regulatory agencies), that failure should be a cause to terminate the contract between the credit union and the broker-dealer.

This type of compliance review is not an Agency requirement when a credit union contracts with another financial institution (credit union, bank, etc) to provide a service for the credit union's member-owners. It is a contractual issue. It should be a similar requirement between a credit union and a broker-dealer.

Conclusion

If I can be of any assistance to you in this matter, please feel free to contact me at 310.536.5330.

Sincerely,



Greg Badovinac
Compliance Officer