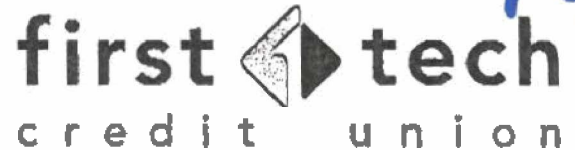


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July 21, 2005

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:

First Tech Credit Union is a state-chartered credit union and has been offering clients nondeposit products for over 15 years, 6 of those years through its current broker/dealer, CUSO Financial Services, L.P. First Tech 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.

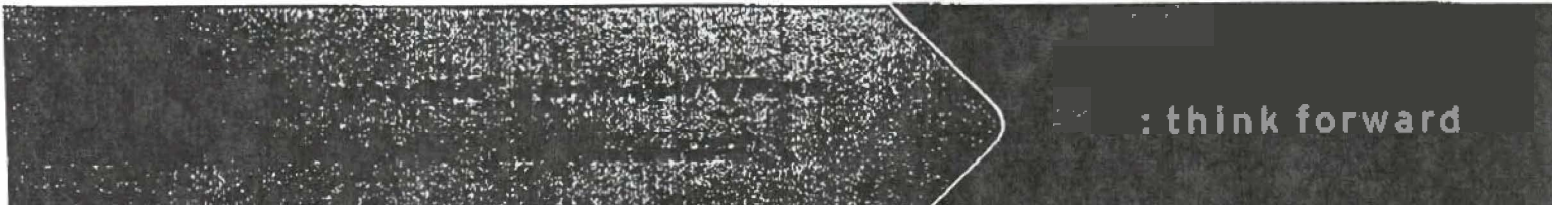
We appreciate the opportunity to provide general comments on the IRPS as follows:

**1. Proposed Contract Provisions**

One of the IRPS provisions requires the credit union to identify and analyze the products the broker may offer. In the past, First Tech followed similar procedures for selecting products as outlined in Letter 150. We found that the credit union unnecessarily limited viable products desired by some clients. Our opinion is the broker/dealer has the expertise to perform the due diligence on the products it will make available, and that the credit union itself, does not have expertise to determine whether or not a product is suitable for an investor. In addition, broker/dealers are required to perform and document an investor suitability analysis before selling an investment to a customer. Product suitability for each customer is reviewed by the dual-employee OSJ with further review by the broker/dealer.

**2. Compliance with the requirements of the IRPS and applicable law and regulation**

The IRPS proposes specific compliance functions to be performed by credit union personnel independent of investment products sales and management. Several of these proposed functions include review of member brokerage accounts to monitor for activity such as churning accounts and suitability. This is a very big mistake. The NASD and SEC insist that the broker/dealer is exclusively responsible for securities law compliance. If responsibility for compliance is shared with the credit union, then the credit union can expect that the liability will also be shared. If the credit unions actually did the compliance oversight that this IRPS requires, credit unions would have to hire additional registered personnel, which would essentially be redundant to the oversight performed by the



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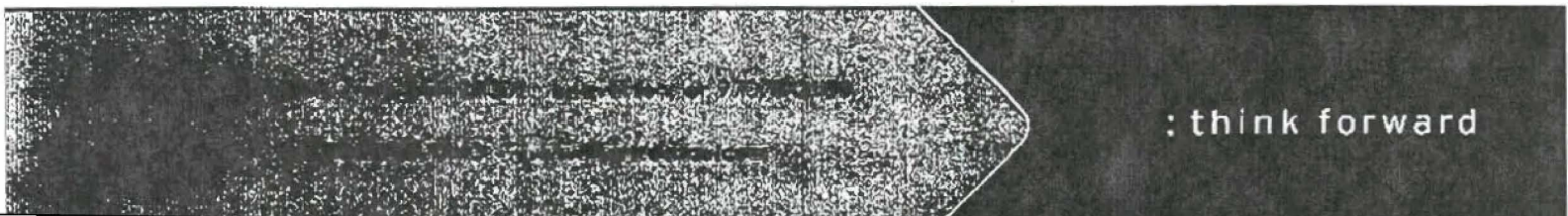
registered principal/investment program manager we currently employ dually with our broker/dealer. First Tech believes the most reasonable solution is to keep the securities supervision and compliance function at the broker/dealer level in the role of a dually employed registered principal, as is the case at First Tech, and their regulators (NASD and SEC) who are far more capable than the credit union to perform these functions. The credit union compliance officer's role would then remain as outlined in NCUA's letter 150. This provides credit unions a 3-tiered level of supervision – the broker/dealer and their regulators, the broker/dealer and their dually employed supervisors (OSJ/registered principals), and the separation of insured and uninsured products and disclosure review, which is reviewed annually by the credit union's compliance officer and reported to the Board.

**3. Dual Employees**

First Tech does not agree with the IRPS provision which states that dual employees should not have management or policy setting responsibilities within the credit union related to nondeposit investments. Dual employees are qualified and licensed by the broker/dealer. This experience and licensing places a dual employee in the best position to provide guidance with respect to investment practices. This IRPS provision is also limiting in that it does not recognize that many credit unions, First Tech included, have a licensed OSJ on-site, who is responsible for management of the credit union's nondeposit investment program. First Tech's opinion is the NCUA should allow the dual employee, who is often times the only qualified and experienced management team member, to continue performing management oversight and policy setting for the uninsured deposit product functions at the credit union.

**4. Non Deposit Sales to Nonmembers**

We understand the need to limit business to credit union members only, but the proposed restrictions would create a costly and time consuming administrative burden on credit unions. In order to facilitate the practical reality of a representative servicing a prior book of business or the reality that members close their accounts at the credit union, while maintaining their investment accounts, we suggest that the NCUA develop a simple and practical solution as follows: the credit union should be allowed to be reimbursed for direct and indirect expenses associated with this non-member business – for example, OSJ and program management oversight, service and support functions, use of office space, systems, and equipment, and more.



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In summary, we believe that increasing the responsibilities of the credit union's independent compliance function is 1) redundant since the brokerage firm is fulfilling this function and 2) burdensome because credit unions will most likely need to hire staff qualified to perform the expanded compliance duties.

We appreciate the effort the NCUA has devoted to developing Proposed Interpretive Ruling and Policy Statement No. 05-1.

Should you have any questions, please contact me at 503.350.3317

Sincerely,

Kelly Corah  
Vice President Investment Services

Tom Sargen  
President / CEO

