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

Re: **Comments on Proposed Interpretive Ruling and Policy Statement No. 05-1, Sales of Non-Deposit Investment Products**

Dear Ms. Rupp:

Linsco/ Private Ledger ("LPL") is the nation's largest independent broker-dealer, with over 6,000 associated Registered Representatives. LPL is an active provider of third-party networking arrangements ("Programs") to financial institutions. Currently, LPL has Programs with almost 400 institutions, including more than 150 credit unions, throughout the United States. We appreciate the opportunity to provide comments on the proposed Interpretive Ruling and Policy Statement No. 05-1 ("IRPS").

As you know, LPL and other broker-dealers who provide such Programs are regulated by the SEC, the NASD, and state securities regulators under a comprehensive set of laws and regulations. The financial institutions with which we offer Programs are likewise heavily regulated in their core businesses. While we believe that there is great benefit in having clear guidance regarding the operation of these Programs, the IRPS as proposed would extend the duties and responsibilities that are clearly imposed by on the broker/dealer to the credit unions.

The IRPS would in fact make these Programs unworkable in many cases. It also blurs the line between the role of the credit union and the role of broker-dealer. This could give rise to the very thing that NCUA is looking to mitigate -- potential liability to the credit union. We do not believe the use of dual employees increases credit unions' liability in the operation of a nondeposit investment program and we do not feel there is any authority to support such a finding. As other commentators have indicated, we do not believe this to be true.

The following are our comments to provisions contained in the IRPS:

1. The proposed requirement contained in the IRPS for credits to perform detailed account level compliance analysis is overly burdensome. This is something that falls within the area of responsibility of the broker-dealer and most credit unions do not have the personnel or experience to conduct such a review. The training, supervision, and experience requirements for the personnel that a credit union must employ or retain to perform adequate due diligence on the accounts as proposed in the IRPS would unduly burden credit unions, regardless of their asset base. To put this burden in perspective, most broker-dealers employ a significant number of compliance professionals whose full-time jobs are to ensure that the sales force is in compliance with applicable laws, regulations, and firm policies. There is also a significant and ongoing investment in technology to assist in this effort. It would not be possible for credit unions to have either the expertise or resources to review accounts for compliance in the manner as proposed.

2. Requiring credit unions to contact members that have purchased nondeposit investments to ensure they receive and understood the required disclosures is also overly burdensome as well as intrusive. The NASD requires that all broker/dealers keep signed acknowledgement forms in customer files. A simple review of the files would quickly and easily reveal if the acknowledgement forms were completed. If NCUA is concerned about members not understanding whom they purchase nondeposit investment products from or whether or not members understand the uninsured nature of such products, it would be more appropriate for NCUA and the banking and securities regulators to develop a different scheme to accomplish these goals under the auspices of interagency guidance.

3. Requiring credit union compliance personnel to look for accounts with complex investments that may be unsuitable for the particular member is overly burdensome and beyond the scope of what should be expected of credit union compliance personnel. This function should be the purview of the broker-dealer's responsibilities, as determining the suitability of particular investments is clearly something the broker-dealer is required by law to do. The experience, knowledge, and training to make these kinds of determinations can only efficiently be borne by an institution that deals with such products on a day-to-day basis.

4. The prohibition against a dual employee's contact with members that might also purchase non-deposit investments is an extremely burdensome and costly requirement. Dual employees may perform functions for both the credit union and the broker/dealer. Any member may conceivably be a nondeposit investment program customer. Rather than prevent such contact, ensuring the current disclosure requirements are met is a more reasonable approach to take.

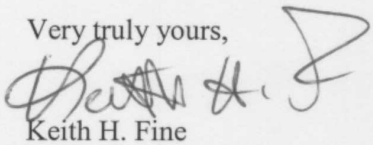
5. Prohibiting dual employees from having management or policy-setting responsibilities within the credit union related to nondeposit investments would cut off the people most capable of developing a compliant and well run Program. This would force the people with the most knowledge of the Program and broker-dealer to not manage the Program or set its policies. Not permitting the licensed person to participate in the Program evolution would greatly hinder the Program and potentially invite liability for misguided policies.

6. The requirement for an employment agreement between the dual employee and the credit union is burdensome and should be left to the discretion of the organizations. A credit union should not be mandated to enter into an employment agreement with an employee and risk exposure to contractual related claims in an employment dispute matter. Likewise, although broker-dealers typically have agreements with their registered representatives, many broker-dealers within the third party networking arena use an independent contractor model for the non-securities aspect of their relationship with the registered representative. A requirement for an employment agreement would also force the broker-dealers into untenable positions with regard to their sales force.

7. The additional required disclosures also will be burdensome to some institutions. In addition to requiring these disclosures of the broker-dealer, including these disclosures in prospectuses and other documents will involve significant changes to established practices.

We appreciate the opportunity to comment on the proposed the IRPS and hope our comments are helpful in your efforts. We would welcome any opportunity to discuss in greater detail the proposed IRPS. Please do not hesitate to contact me if you have any questions.

Very truly yours,



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