

An OSJ Perspective On Pending IRPS (Office of Supervisory Jurisdiction)

NCUA, I respect what you are trying to accomplish and ask before you implement IRPS please review insight from the field.

1. Redundant regulation: As an OSJ, I am currently responsible for satisfying regulatory compliance requirements established by the National Association of Security Dealers and The Securities Exchange Commissions. It is fair to say the "sales for non-deposit investment products" is currently a heavy regulated industry.

We can agree that the SEC and NASD have done a good job of regulating their industry and creating regulatory requirements. With all due respect, I do not believe added regulation, guidance, or requirements from NCUA would help protect members or insulate credit unions from predatory practices or unprofessional registered representatives.

Would NCUA's suggested new regulation, guidance and/or requirements have stopped a third party broker from recommending an unsophisticated bank customer take a loan to make an investment? No. The fact is additional NCUA requirements will not prevent fraud, improper sales practices or improper advice from registered representatives. You will never be able to regulate what goes on behind closed doors.

I've been in the securities industries since 1983 and affiliated with the credit union industry for 10 years. I appreciate NCUA's attempt to protect credit union members and credit union themselves, but I can honestly say redundant or additional layers of requirements would do more harm than good.

The key to credit union success is in the security business, is and has been in creating a credible alternative to national firms and independent advisors. Your effort should focus on best practice only, not additional requirements. Give credit unions the opportunity to adopt what works for their members. The last thing I want to do on a daily basis is to invest time and money to comply with additional requirements when I could be helping a member or educating myself on ways to better serve the member.

2. Helping Credit Unions or Providing Guidance: As consolidation continues in the financial service industry, how is NCUA helping credit unions stay competitive? Are you helping by dictating product offerings that the broker can offer? How does that help protect credit unions or its members? Should I be offended as a professional to be told what solutions I should provide to the member? That is what I am paid to do.

I have a degree in finance, I'm a chartered financial consultant, an accredited asset management specialist, take additional courses every year to fulfill educational requirements and hold several licenses. But the credit union is going to provide qualitative analysis of what products they will permit brokers to offer members, without fully understanding the member's financial situation? If you limit solutions, you will drive members to banks, national firms and independent advisors.

Credit unions have always provided a choice or an alternative solution to people. How can we honestly do that if we don't have full access to products necessary to do our job?

The Firm I work with has been in business since 1989 and our focus has been providing unbiased, educational need-based advice to our members. We believe that is what the member wants and how we can compete against national and local firms. If we are limited in what we can offer to the member how can we honestly say we are looking out for their best interest?

3. Oversight and interest in the sale of non deposit products is Important: I do believe Credit Unions should have a compliance function that monitors member's complaints. Random surveys would not only be appropriate but I think that it would be good business. This would demonstrate the Credit Union stewardship role without being involved with Compliance of non-deposit sales program on a daily basis.

The other recommendations mentioned in IRPS are redundant and non-productive. Currently, an OSJ or non-deposit sales program manager is required to:

- Review trade-blotters on a daily basis for suitability and other issues.
- Review member's statements to confirm churning or other practices by the rep.
- Sign of daily on new account forms completed by the member to determine suitability.

In Summary:

1. Overlap of regulation will create additional expense and will sap time and energy from the real solution in helping members and protecting credit unions; the education of members and registered representatives. Credit unions should monitor satisfaction not compliance.

2. Limiting the products we can offer to members based on perceived accepted levels of complexity is offensive to the members and producing professional. This will substantially hurt credit union's competitive position in the market and literally drive members to alternative solutions.

3. The compliance steps recommended in IRPS (Interpreted Ruling Policy Statement) are already being executed on a daily basis by a sales manager or OSJ based on current regulation.

The credit union movement's survival depends on the ability to offer competitive alternatives to banks, national brokerage firms, and independent advisory firms. (Did you know today's independent advisory firms can offer clients bill pay, credit cards, and mortgages? CU's are rapidly losing members to these alternative choices.)

When evaluating the role of NCUA, in light of pending SEC regulation B and the competitive landscape today versus 1993 when letter 150 was issued, please attempt to consider the NCUA's role in broader terms.

- Big picture VS. Daily Operation
- Stewardship VS. Practitioner
- Best practices VS. Mandate

As credit unions get squeezed from big banks, local banks, National Firms and Independents, we need more freedom NOT stricter regulation and additional requirements.

AS the NCUA pushes for more freedoms with **Regulatory Relief (H.R. 1375/ "CURIA"(H.R. 3579)** for credit unions as a whole, I find it interesting we are looking to ADD restrictions to the Nondeposit sales programs. Please do not restrict non traditional services CU's can offer, right when we have developed Nondeposit sale programs that compete at a national level.

It took credit unions over ten years to earn respect with their members and within the industry, as it pertains to Non Traditional products and services, let's not move backwards.

I want to thank NCUA for their role as steward and I truly appreciate your efforts to protect the member and Credit Unions them selves. All I ask is that you listen to and incorporate perspective provided by the professionals delivering the products and services to the member every day.