



ARIZONA CREDIT UNION
LEAGUE, INC.

A Part of the Arizona Credit Union System

July 25, 2005

VIA E-Mail

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

Re: Request for Comments- IRPS 05-1

Dear Ms. Rupp:

The Arizona Credit Union League, with 62 member credit unions throughout the State of Arizona, appreciates the opportunity to comment on the Board's request for comments regarding Interpretive Ruling and Policy Statement 05-1, Sales of Nondeposit Investments.

As a preliminary matter, the League would like to commend the NCUA on its efforts to continuously review the regulatory burden on federally insured credit unions, with the goal of streamlining and updating regulatory requirements. The League further would like to indicate its support of the comments provided by the Credit Union National Association (CUNA). We also would like to provide our perspective on a few important issues relating to the proposed IRPS.

Nature of Best Practices Guidance

It appears that many of the suggestions relating to contractual terms, usage of dual employees, and contents of policies and procedures are couched in terms of program elements the credit union "should" have. There is a concern that reciting best practices, as the IRPS characterizes such language, may be used by examination staff as regulatory mandates.

Although communicating that certain indemnities "should" be provided by the applicable vendor may be admirable, I am not currently aware of the practicalities of securing such indemnities. Except for those legally mandated provisions, such

as GLB required language, other contractual terms, such as those related to contract termination, may be best suited to discussions between credit union and counsel and negotiated with the vendor. The IRPS suggestion that “[t]he contract should, however, recognize that the credit union has the right to check for compliance and may access member accounts for verification and oversight” may run contrary to the CUSO or broker’s own GLB responsibilities. .

Additionally, guidance suggesting that policies for all nondeposit investment products “should identify specific laws, regulations, and any other limitations or requirements, including qualitative considerations, that will expressly govern the selection and marketing of products a broker may offer” seems excessive considering the credit union is dealing with a finder activity. On the other hand, it may well be appropriate that best practices for policies of any applicable CUSO would have such detail.

Credit Union Internal Compliance Responsibility

In that federal credit unions are providing the sales of nondeposit investments under their “finder activities” incidental powers, the securities law compliance burden placed on credit unions seems excessive, and not required by law. Some of the recommended practices such as the credit union reviewing brokerage account activity to discover any abuses is troubling and would appear to require member/customer permission to do so.

The requirement that the credit union have an in-house securities compliance “expert” seems to limit the offering the product only to the largest credit unions able to financially staff such expertise. Once again, CUSO requirements would differ, depending on the structure of the program.

Dual Employee Issues

The IRPS appears to discourage the creation of dual employee relationship in providing the services contemplated. In smaller credit unions, the dual employee structure may be the only cost effective way to provide the services to these members. The IRPS suggestion that “[t]he duties performed for the credit union should not bring the employee into contact with members that might also purchase nondeposit investments” seems unworkable in all but the largest credit unions.

Additionally, one small rewording matter when discussing the compensation of dual employees should be noted. Using the word “document” instead of “agreement” may be more appropriate to provide credit unions greater latitude in communication of compensation structure.

The League appreciates the Board’s updating and clarifying the requirements mandated by law in this area. Once again, we encourage the Board to continue to strive to increase the ability of credit unions to serve their members.

Please feel free to contact the undersigned for any further information or questions.

Sincerely,

/s/

Paul D. Cruikshank
General Counsel