

July 23, 2005

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

Re: NCUA Proposed IRPS on the Sales of Non-Deposit Investments

Dear Ms. Rupp,

The Georgia Credit Union League (GCUL) appreciates the opportunity to comment on the National Credit Union Administration's proposed Interpretative Ruling and Policy Statement (IRPS) regarding the sales of non-deposit investments. GCUL is the state trade association and one member of the network of state leagues that make up the Credit Union National Association (CUNA). GCUL serves approximately 200 credit unions that have over 1.7 million members. This letter reflects the views of our Regulatory Response Committee, which has been appointed by the GCUL Board to provide input into proposed regulations such as this.

Background:

The NCUA Board has issued a proposed IRPS regarding the sales of non-deposit investments. The term 'non-deposit investments' covers stocks, bonds, mutual funds, and variable annuities. In order to offer certain investments to their members, credit unions may enter into a third party arrangement with a registered and licensed brokerage firm to conduct transactions without having to register with the Securities and Exchange Commission (SEC). The IRPS provides guidance regarding the establishment and operation of these third party brokerage arrangements with credit unions. The IRPS would replace the existing guidance outlined in NCUA's Letter to Credit Unions No. 150, released in 1993.

The IRPS covers the following issues with regard to these types of investments:

- The relationship between the credit union and the brokerage firm that is used to conduct these types of transactions and the responsibilities of each.
- The required separation of the activities of non-deposit sales from the taking of deposits and shares.
- Contacts with members concerning securities sales.
- Compensation and referral fees.
- Use of dual employees (employees who work for both the credit union and broker).
- Sales to nonmembers.

Summary of GCUL's Position:

We agree with the detailed standards outlined in the IRPS regarding the physical separation requirement and the 'clear and conspicuous' disclosure requirements that are placed on the

broker's sales representative...both of which are requirements of the SEC and NASD. It is imperative that all consumers understand the relationship that exists between the credit union and the third party provider. Equally important is the understanding that these instruments are not guaranteed, insured or offered by the credit union.

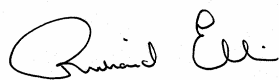
In general, we agree with the list of best practices provided in the IRPS outlining what credit unions need to be concerned with when offering this type of service to their membership. However, some concerns do exist regarding the legal requirement for a credit union to have in place a program to monitor compliance of the brokerage salespeople with applicable laws and regulations. Generally, credit union compliance personnel do not have the expertise or knowledge of the regulations governing sales on non-deposit investments. The credit union should be able to rely on the third party's internal assessment and independent audit of its salespeople for compliance with applicable laws and regulations.

We believe that the NCUA requirements devoted to the sales to nonmembers are overly restrictive. There are many concerns and potential problems due to the limitations proposed in this area. For instance, some broker-dealer's may not be willing to partner with credit unions due to the limitations. There also exists some potential for a lack of accuracy regarding information sharing between the credit union and the broker-dealer. Another problem arises when an existing credit union member opens an account with the broker-dealer and later terminates the relationship with the credit union. How will this affect the sales to non-members? Additionally, concerns arise if the broker-dealer solicits his customer for membership in the credit union. Does the broker-dealer understand credit union field of membership? How would a situation where one broker-dealer is employed by one credit union and serves another credit union be handled? Would these transactions be considered sales to nonmembers? As proposed, the IRPS would severely limit the ability of credit unions to work in partnership with one another to deliver non-deposit investment services to their memberships. We would also propose an exception to these limitations similar to those provided for in loan participations.

One final note on the IRPS deals with consistency in terminology used by NCUA in previously issued letters regarding the sales of non-deposit investments. Our committee noted that in prior letters NCUA has varied in its use of terminology regarding broker-dealers, registered representatives, and sales representatives. The committee encourages consistent use of a single term throughout the IRPS in order to avoid confusion.

Thank you for the opportunity to comment on the proposed IRPS for the sales of non-deposit investments. If you have questions about our comments, please contact Cynthia Connelly or me at (770) 476-9625.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Richard Ellis".

Richard Ellis
Vice President/Credit Union Development
Georgia Credit Union League