

July 22, 2005

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

Re: Proposed Interpretive Ruling and Policy Statement 05-1, Sales of Non-deposit Investment Products

Dear Ms Rupp,

Affiliated broker/dealer programs have offered non-deposit products through credit unions quite effectively, and without major incident, since the late eighties. One of the principal reasons for the successful track record is that credit union management has allowed the NASD-licensed affiliates to operate under the professional oversight of the securities industry. As a result, these broker/dealer programs have been sufficiently regulated, and credit union members have been more than amply protected under a series of clear and comprehensive rules set down by the various regulators.

It is my opinion that the SEC and State Regulators, by and through the NASD, provide the most effective oversight of credit union-affiliated non-deposit programs. The NASD has set forth more than just-adequate directives that are to be adhered-to by affiliated broker/dealer programs. These areas of oversight include: 1) separation of non-deposit and deposit, 2) NASD Manual and Code of Conduct, 3) sales practices, 4) disclosures, 5) commissions/mark-ups, 6) advertising/sales literature, 7) licensing, and 8) continuing education, to name a few.

With more than eighteen years of financial institution broker/dealer management experience, I have difficulty in understanding the rationale behind 05-1. Credit union dual-employee programs are, by far, the most efficiently managed and regulated of all non-deposit business models. The NASD-licensed credit union employee/manager is able to hire, train, and provide direct supervision of the licensed salesperson, while the third-party broker/dealer affiliate answers directly to the regulators (SEC, State, and NASD). Our credit union does not have the expertise to provide any measure of oversight in the daily operations of a non-deposit program. Furthermore, most credit unions do not have anywhere near the resources to allocate toward another layer of supervision.

I appreciate the opportunity to offer comments, and would be willing to make myself available for further discussion of the issues.

Sincerely,

Tom Barbour
President, CEO
Arrowhead Investment Center, LLC