

August 16, 2006

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

Re: Filing Requirements for Suspicious
Activity Reports

Dear Ms. Rupp:

Navy Federal Credit Union submits the following comments on proposed amendments to Part 748 of NCUA's Rules and Regulations concerning the filing requirements for Suspicious Activity Reports (SARs). Navy Federal is the nation's largest natural person credit union with \$25 billion in assets and 2.7 million members.

We believe that it is unnecessary to reiterate reporting, filing, and retention requirements for SARs in Part 748. The Department of the Treasury has already issued regulations applicable to credit unions at 31 CFR 103.18, Reports by Banks of Suspicious Transactions. Although the Office of Thrift Supervision and the Office of the Comptroller of the Currency issued separate regulations at 12 CFR 563.180(d) and 12 CFR 21.11 respectively, we believe that the duplicate regulations are unnecessary and may lead to confusion among credit unions.

We would expect 12 CFR 748.1(c) to include an introductory statement with a cross reference to Treasury's regulation 31 CFR 103.18 similar to that proposed in 12 CFR 748.1(c)(2)(ii). Additionally, Part 748.1(c) should include definitions of the terms "credit union" and "official" as they relate to these regulations, the statement on compliance as proposed in 748.1(c)(2)(iii), and the proposed regulatory requirement to notify the Board of Directors when SARs are filed.

Navy Federal recommends that the National Credit Union Administration (NCUA) revise the proposed opening statement of 12 CFR 748.1(c) to mirror the opening section of 31 CFR 103.18. We believe the regulation should begin as follows: "Every credit union shall file with the Treasury Department, to the extent and in the manner required by 31 CFR 103.18, a report of any suspicious transaction relevant to a possible violation of law or regulation." By including this language in the opening paragraph, NCUA would be consistent with 31 CFR 103.18 and it may allow for more meaningful safe harbor coverage.

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We believe that simply referring to 31 U.S.C. 5318(g)(3) for the safe harbor protection is insufficient protection for credit union officials, employees, and agents. The statute extends safe harbor coverage to the “disclosure of possible violation of law or regulation.” The regulatory agencies have not established that the regulatory requirements of 31 CFR 301.18 to file Suspicious Activity Reports, conduct investigations, and perform due diligence are included in the statutory safe harbor provisions. The regulatory reference to 31 U.S.C. 5318 (g)(3) should be eliminated unless the agencies specify by regulation that financial institutions have safe harbor for collection and disclosure of information required by 31 CFR 103.18. We request that NCUA adopt the following statement for safe harbor protection: “Any credit union, including its officials, employees, and agents, that collects information or discloses suspicious activity required by 31 CFR 103.18, including supporting documentation, are protected from liability for any disclosure to law enforcement and financial institution supervision authorities, or for failure to disclose the existence of the information, or both.”

We appreciate the opportunity to provide comments in response to the National Credit Union Administration’s request for comments on its proposed rule regarding Filing Requirements for Suspicious Activity Reports.

Sincerely,

A handwritten signature in black ink, appearing to read "Cutler Dawson". The signature is fluid and cursive, with the first name "Cutler" and the last name "Dawson" clearly distinguishable.

Cutler Dawson
President/CEO

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