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August 23, 2006

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

*Sent via email*

**Re: PCUA Comments on Part 748 Proposed Rule, Suspicious Activity Reports**

Dear Ms. Rupp:

The Pennsylvania Credit Union Association (PCUA) appreciates this opportunity to provide comments on the notice of proposed rulemaking published by the National Credit Union Administration (NCUA) related to the requirements for reporting and filing Suspicious Activity Reports (SARs).

As noted in the proposed rule, NCUA proposed to amend its current rule to provide greater detail on the thresholds and procedures for filing SARs.

The PCUA is a statewide trade association that represents almost eighty-five percent (85%) of the approximately six-hundred-twenty-nine (629) credit unions located within the Commonwealth of Pennsylvania. To respond to this request for comments, the PCUA consulted with its Regulatory Review Committee. The Committee consists of twelve (12) credit union CEOs who lead the management teams of Pennsylvania federal and state-chartered credit unions. Members of the Committees also represent credit unions of all asset sizes. The comments contained in this letter reflect the comments of the Committee and the PCUA staff.

***General Comments:***

We appreciate NCUA's efforts to clarify this complex rule that has been an increasing source of frustration and uncertainty for our members over the past several years. We recognize and understand that the governments, both Federal and State, are being held accountable by the general public to protect our nation from the threat of terrorism and money laundering. Credit union management recognizes its role in helping the government to fulfill its responsibility and acknowledges that pressure on government has steadily increased over the past several years. However, the government's strategy to respond to the threat of terrorism and money laundering is ever evolving. Because of this fact, credit union officials are finding it ever more difficult to satisfy the subjective compliance expectations of NCUA examiners, who also appear to be uncertain as to what is necessary to be in compliance with the *Bank Secrecy Act* and its implementing regulations. Almost all of our group's comments and suggestions led to a need for consistency by NCUA and its field examiners in the enforcement of this area.

While not specifically addressed in the proposed rule, one of the areas of much confusion is the requirement that credit unions implement tracking, monitoring, detection and suspicious activity reports related to possible money

laundering and terrorism financing. Credit union management has generally expressed frustration in determining what criteria should be applied and what information should be collected and included in the reports to satisfy this somewhat elusive requirement. Our credit unions have received different advice and instruction that has been dependent upon the individual field officer/ examiner assigned to review the credit union's operations and policies.

NCUA may need to establish different criteria and rules based upon the size or product and service offerings of particular credit unions. Our members request that the rules be less subjective and more objective in establishing the type and form of information that NCUA expects credit unions to collect and report. We realize this is not an easy task. However, the nature of enforcing subjective requirements has led to inconsistency at the examiner level and has resulted in anxiety and frustration for credit union officials who are using their best efforts to provide the reports necessary to support NCUA in its responsibilities.

***Prompt Notification of Board Members:***

The proposed rule requires management of a credit union to "promptly" notify its board of directors, or a committee designated by the board of directors to receive such notice, of any SAR filed.

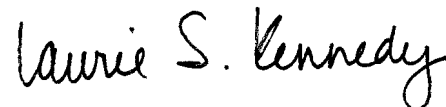
This proposed rule does not provide sufficient clarification to credit union management as to what is expected under this requirement, which could become overly burdensome. We recommend that NCUA clarify when reports must be made to the board and what type of information must be contained in those reports.

Our members agreed that an annual report to the board is sufficient to provide the board with notification of the SARs filed by the credit union. More frequent reporting would have less of an impact on the board and could become overly burdensome to credit unions with limited administrative support.

In addition, our group suggests that the reports to the credit union boards contain the nature and substance of the SARs filed (rather than just a report of the number of SARs submitted) and that the reports not be required to contain specific or confidential information related to individuals. Any requirement to include specific or confidential information related to individuals in a board report seems to be contrary to the overall objective of the law and could result in unintended consequences such as damage to reputation or credibility to the individual and/or credit union.

Thank you again for this opportunity to comment on behalf of Pennsylvania credit unions. Please feel free to contact me or any of the PCUA staff at 1-800-932-0661 if you have any questions or if you would like to discuss our comments.

Sincerely,



Laurie S. Kennedy  
Associate Counsel

LSK:llb

cc: Association Board  
Regulatory Review Committee  
J. McCormack  
R. Wargo  
J. Kilduff  
M. Dunn, CUNA