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NCUA Media Release

NCUA Sues Barclay's Capital

Legal Action Is the Agency's Seventh Against Wall Street Investment Firms

ALEXANDRIA, Va. (Sept. 25, 2012) – The National Credit Union Administration (NCUA) today filed suit in Federal District Court in Kansas against Barclay's Capital, Inc.

NCUA's suit alleges Barclay's, the U.S. subsidiary of the British financial services firm, violated federal and state securities laws through misrepresentations in the sale of mortgage-backed securities to U.S. Central Federal Credit Union (US Central) and Western Corporate Federal Credit Union (WesCorp). The price paid for the securities by US Central and WesCorp exceeded $555 million. Both corporate credit unions subsequently failed.

"Trust and accountability are two cornerstones of our financial system," said NCUA Board Chairman Debbie Matz. "As clearly outlined in our complaint, Barclay's violated that trust by issuing faulty disclosures on securities underwritten by the firm. As a result, two corporate credit unions collapsed, and the entire credit union industry experienced a crisis. Since then, NCUA has successfully worked to restore stability to the credit union system. Now we are working to hold Barclay's, and other responsible parties, accountable for their actions."

NCUA's complaint alleges Barclay's made numerous misrepresentations and omissions of material facts in the offering documents of the securities sold to the failed corporate credit unions. The complaint also alleges systemic disregard of the underwriting guidelines stated in the offering documents. These misrepresentations caused US Central and WesCorp to believe the risk of loss was minimal, when in fact the risk was substantial.

NCUA has previously filed similar actions against J.P. Morgan Securities, LLC, RBS Securities, Goldman Sachs, Wachovia and UBS Securities. NCUA has already settled claims worth more than $170 million with Citigroup, Deutsche Bank Securities and HSBC, making it the first federal regulatory agency for depository institutions to recover losses from investments in faulty securities on behalf of failed financial institutions.

As liquidating agent for US Central and WesCorp, NCUA has a statutory duty to seek recoveries from responsible parties in order to minimize the cost of any failure to its insurance funds and the credit union industry. Recoveries from these seven additional legal actions would further reduce the total losses resulting from the failure of the five corporate credit unions. Losses from those failures must be paid from the Temporary Corporate Credit Union Stabilization Fund. Expenditures from this fund must be repaid through assessments against all federally insured credit unions. Thus, any recoveries would help to reduce the amount of future assessments on credit unions.

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Corporate credit unions are wholesale credit unions that provide various services to retail credit unions, which in turn serve consumers, or "natural persons." Retail credit unions rely on corporate credit unions to provide them such services as check clearing, electronic payments, and investments.

The complaint is posted to NCUA's website at:
http://www.ncua.gov/News/Press/NW20120925BarclaysComplaint.pdf.

NCUA is the independent federal agency created by the U.S. Congress to regulate, charter and supervise federal credit unions. With the backing of the full faith and credit of the U.S. Government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 93 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

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