



September 1, 2004

Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Re: Regulation B (File Number S7-26-04)

Dear Mr. Katz:

Thank you for the opportunity to comment on the Commission's proposed changes to its Regulation B dealing with broker-dealer exemptions allowed for financial institutions. The California and Nevada Credit Union Leagues (the League) support the changes impacting credit unions and encourage the Commission to expand that authority to the greatest extent possible within applicable law.

Credit unions are becoming more important in the retail consumer financial services industry. In many communities in California and Nevada, credit unions are the largest financial institutions and/or rank in the top three of locally controlled institutions. The League sees this trend increasing as more local community banks are sold to larger in-state and out-of-state banks. We encourage the Commission to take a long-term view of the marketplace when considering its final rule.

Networking; Sweep Accounts; Investment, Trustee, and Fiduciary Transactions

We support the proposed changes in these areas. These changes will be good for credit union members and provide an alternative for consumers.



Scope of Credit Union Exemption

The League encourages the Commission to provide the credit union exemption to all credit unions, regardless of charter or type of share insurance. Both the California Department of Financial Institutions and the Nevada Financial Institutions Division hold all of their licensees to the same standards of safety and soundness, regardless of share insurer. Both regulatory agencies have fiduciary responsibilities to monitor and examine any share insurer (federal or private) in addition to their overall responsibility that the institutions they oversee are safe and sound depositories for their respective state's consumers.

Additional Exemptions for Credit Unions

Like banks, credit unions should be given additional authority to perform safekeeping and custody services without meeting the "broker" requirements. As stated earlier, credit unions are emerging as major locally controlled financial institutions in many California and Nevada communities. They will be called upon in a short period of time to provide these services as the local community banks are sold to non-local large banks.

There are a number of credit unions that already perform these services in conjunction with consumer loans made using securities as collateral. These credit unions have created and maintained safeguards for the certificates held that are owned by their member-owners. The League is not aware of any credit union members who have incurred losses because their credit union held onto stock certificates or other securities.

Conclusion

If you have any questions or if the League can be of assistance, please feel free to contact Greg Badovinac, League Regulatory Analyst, at 909.581.3229.

Sincerely,

David L. Chatfield
President/CEO