

NASCUS
An Umbrella Organization

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National Association of State Credit Union Supervisors
NASCUS Credit Union Council
NASCUS Foundation for the Preservation of Dual Chartering
National Institute for State Credit Union Examination

September 1, 2004

Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 5th Street, NW
Washington, DC 20549

57-26-04



Re: SEC Proposed Regulation B Amendments

Dear Mr. Katz:

The National Association of State Credit Union Supervisors (NASCUS) is a nonprofit, professional association representing the forty-eight state and territorial regulatory agencies which supervise the nation's 4,094 state-chartered credit unions. NASCUS has been committed to enhancing state credit union supervision, and advocating for a safe and sound state credit union system since its inception in 1965. NASCUS appreciates the opportunity to submit comments to the Securities and Exchange Commission's (SEC) proposed Regulation B, Federal Register: June 30, 2004 (Volume 69, Number 125).

SEC's proposal would extend the Securities Exchange Act's networking, sweep accounts and trust and fiduciary exemptions to all credit unions. NASCUS supports the extension of these exemptions to all credit unions without regard to their charter or insurance provider. By extending the exemptions, the SEC will level the playing field between credit unions and other financial service providers and allow credit unions to directly offer these services to their members in a safe and sound manner.

NASCUS supports the SEC's proposal, but recommends SEC consider the following comments.

Exemptions should apply equally to all credit unions

NASCUS believes the exemptions must be equally applied to all credit unions, regardless of whether they are state or federally chartered, and regardless of their choice of insurance provider. Just as the SEC's proposal itself will level the playing field between credit unions and other financial service providers, to the benefit of the consumer credit union member, applying the exemptions equally to all credit unions will maintain the level playing field within the credit union system. Furthermore, there is no logical justification for distinguishing between state and federal examination and supervision of credit unions.

State-chartered credit unions are examined and regulated by their state credit union regulator to the same extent of federal credit unions. In fact, in all but one state, state credit union regulators use the identical examination platform, AIREs, as their federal

counterparts. In the one state not using AIRES, state credit union examiners use the FDIC's examination platform. There is absolutely no evidence that state-chartered credit unions present an inherently greater risk than their federal counterparts, or suffer from inferior regulation. To the contrary, we are of the opinion that, upon review, SEC will come to appreciate the fact that many NASCUS state agencies currently regulate both credit union activities but securities as well. At the state level, the agencies that regulate credit union activities are almost always part of the same agency that regulates securities activities. There is no justifiable ground for distinguishing between credit union charters for the purposes of determining the eligibility for exemption under SEC's proposal.

Likewise, the exemptions should apply to all credit unions regardless of their share insurance provider. Just as there is no practical distinction between the quality and nature of state and federal supervision of credit unions, in the eight (8) states where credit union may choose an alternative share insurance provider there is no distinction between the examination and supervision of federally insured or privately insured credit unions. The state examiners use the AIRES examination platform to examine all their institutions to the same extent. Identical standards of safety and soundness exist and are enforced in both federally and privately insured credit unions.

The extent of the exemption of Regulation B should be determined by the nature of the securities transaction and the professionalism of the service provider. The common structure, governance, regulation and examination of state and federal credit unions, regardless of their insurance outweigh drawing abstract distinctions between credit unions for the purpose of Regulation B.

Furthermore, limiting the exemption strictly to federal credit unions will unbalance the dual chartering system that has been fundamental to the credit union movement since 1934.

Safekeeping and custody exemption

SEC's proposal would not extend the safekeeping and custody exemption to credit unions based upon the SEC's perception that credit unions do not generally engage in those activities. NASCUS strongly urges SEC to reconsider and to extend this exemption to credit unions. While it is true, in general, that currently credit unions do not engage in these activities, it is easily foreseeable that credit union may wish to engage in safekeeping for the securities they offer their members in the future. As credit unions meet the SEC's requirements for an exemption, they should be included within SEC's exemption proposal.

Credit union service organizations

NASCUS believes the SEC should allow credit union service organizations (CUSOs) to enter into networking arrangements without registering as a broker-dealer. NASCUS understands SEC's concern regarding the lack of a direct state or federal regulator for

CUSOs. As a regulator's association, NASCUS is sensitive to a regulator's justifiable concern when entities under his or her supervision are heavily engaged with entities over which the regulator exercises no control. However, the relationship between CUSOs and credit unions is different. Credit union regulators do exercise influence over CUSO activities through their ability to require a credit union's divestiture from the CUSO. This a very real and effective tool for credit union regulators. Furthermore, in some states, the regulator has examination authority over the CUSO. At a minimum, SEC should leave the regulatory door open for CUSO exemption if the credit union regulator receives direct regulatory authority over CUSOs in their state.

NASCUS appreciates the opportunity to comment on the SEC's proposed Regulation B. If NASCUS may be of further assistance, or should the SEC wish to discuss the NASCUS comments in depth, please do not hesitate to contact me directly.

Sincerely,

A handwritten signature in cursive script that reads "Mary Martha Fortney". The signature is written in black ink and is positioned to the right of the typed name.

Mary Martha Fortney
President and CEO