

Jordan, Sheron

From: _Regulatory Comments
Sent: Monday, June 25, 2007 8:01 AM
To: Jordan, Sheron
Subject: FW: Ohio Credit Union League's Comments on Proposed Rule Part 708b (Disclosure of Merger Related Compensation)

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June 22, 2007

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

RE: Disclosure of Merger Related Compensation Arrangements

Dear Ms. Rupp:

The Ohio Credit Union League, the trade association for credit unions in the State of Ohio advocating on behalf of more than 400 state and federal chartered credit unions and 2.7 million members, appreciates the opportunity to provide comments on the National Credit Union Administration's ("NCUA") proposed rule on Disclosure of Merger Related Compensation Arrangements.

The proposed rule will require the disclosure of any arrangements that provide a material increase in compensation or benefits to senior management officials in connection with a merger transaction. This information would be included in the merger plan submitted to NCUA, and NCUA would also have right to request further details about these arrangements in connection with its review of the merger plan. The rule only imposes disclosure requirements. It does not prohibit the offering of additional compensation to senior management officials that the credit union believes would be appropriate.

A "material" increase in compensation will be defined as an increase of 15% above the official's current compensation of \$10,000, whichever is greater. This proposal is

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designed to cover salary, bonuses, deferred compensation, or other financial awards offered to influence the decision regarding a merger [emphasis added]. A “senior management official” will be defined as the chief executive officer, any assistant chief executive officer, and the chief financial officer.

A member of the FCU will also be entitled to inspect the credit union’s records detailing these compensation arrangements; the inspection would take place at an office of the credit union during regular business hours. The rule does not specify which office that would be and expects the credit union and member to make reasonable arrangements that are mutually acceptable.

In reviewing this proposed rule, the Ohio Credit Union League (“League”) has some concerns not only with the disclosure requirements, but also with the rationale on which it is based.

It appears that the basis for this proposed rule is that it is designed to cover salary, bonuses, deferred compensation or other financial records offered to influence the decision regarding a merger, and provides a mechanism for the members of the credit union to examine records of the credit union detailing the compensation arrangement.

It is the League’s position that if there is an issue or suspicion that compensation or any other material benefit is being used to influence or entice a credit union official to make a choice that was not in the credit union’s best interest than the issue is whether or not the credit union official is following his or her fiduciary duty. If he or she is not following their fiduciary duty, then NCUA should review the actions of the credit union official and make a determination accordingly. The League is concerned that by permitting access to the credit union’s records regarding credit union officials by the members, it would empower the members to determine if a credit union official’s decision-making process has been influenced and would result in the creation of a process that most likely would assure that the merger would not occur.

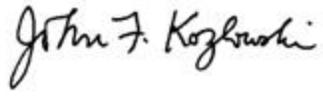
Adoption of the regulation would most likely also have a chilling effect on the merger process which could very well result in fewer mergers to the detriment of the credit union and the credit union membership.

The League further believes that issues regarding merger compensation should be further reviewed to determine if it appears that this is a practice that is growing among credit union officials. In addition, the League further suggests that if compensation or enrichment is an issue, than a determination of what is “material” should be reassessed.

The Ohio Credit Union League appreciates the opportunity to provide comments on the proposed regulations from the NCUA regarding Disclosure of Merger Related Compensation Arrangements and would be willing to provide additional comments and input if so desired.

If you have any questions or if I can be of any additional assistance, please feel free to contact me at (800) 486-2917.

Respectfully submitted,

A handwritten signature in black ink that reads "John F. Kozlowski". The signature is written in a cursive style with a large initial 'J'.

John F. Kozlowski
General Counsel