



New York State
Credit Union League, Inc.
and Affiliates

"Serving and supporting credit unions since 1917."

October 30, 2007

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

Via: E-Mail

RE: Comments - 12 CFR Parts 703 and 704
RIN 3133-AD34 -Permissible Foreign Currency Investments
For Federal Credit Unions and Corporate Credit Unions (ANPR)

Dear Ms. Rupp:

On behalf of the New York State Credit Union League I would like to take this opportunity to comment on the NCUA's Advance Notice of Proposed Rulemaking, which proposes amending regulations to allow natural person credit unions and corporate federal credit unions (FCUs) to make certain limited investments denominated in foreign currency. This proposal is of particular importance to a small but important segment of the credit unions operating here in New York State and we are writing this letter to support NCUA efforts to expand credit union authority in this area.

The New York State Credit Union League (NYSCUL) is fortunate to represent credit unions such as the UN Federal Credit Union, as well as others representing corporations with a substantial number of employees based in foreign countries. For these credit unions the ability to make investments in foreign denominated currencies represents not only a logical power but an essential one, especially since credit unions are now allowed to accept shares in foreign denominated currencies. More generally, as recent events demonstrate, the United States economy is becoming more, not less, susceptible to foreign exchange markets. Although this proposal is likely to affect only a small number of credit unions in the short term, it is essential for a mature industry in the twenty-first century to be able to invest in foreign currency if only as a hedge against fluctuations in the world economy.

As you go forward with this proposal it is suggested that it be drafted in the context of (1) balancing the legitimate needs of NCUA to ensure that credit unions have both the appropriate sophistication and safeguards against these new types of investment opportunities, (2) while allowing those credit unions with the demonstrated sophistication and need to invest in the wide range of foreign denominated investments.

This proposal suggests permitting FCUs to invest foreign currency deposits in federally insured banks, corporates and government-sponsored enterprises domiciled in the U.S. or its territories. The Board believes that restricting foreign currency investments to these institutions would substantially mitigate exposure to the potential instability of a foreign country. The Board asks whether FCUs or corporate credit unions should be permitted to invest foreign currencies in vehicles other than those listed in the ANPR. The ANPR also requests comments on whether NCUA should regulate the qualifications of employees involved in foreign currency investment activities.

NYSCUL suggests that these twin policy objectives could be combined to address both NCUA's concern about safety and soundness and giving certain credit unions the opportunity of increased investment flexibility. Specifically, by amending 12 CFR 704.5(b) as well as 703.14-a, the NCUA can set up a system analogous to the existing business loan structure.

Under existing regulations, credit unions offering member business loans must utilize someone with at least two years experience to administer the program and are capped in the amount of loans they can make. However, the same regulation provides a mechanism for credit unions to seek waivers of loan limits by appealing to the Regional Director. NYSCUL suggests that the same framework be established for regulations in this area. Credit unions with proven expertise should be allowed to seek expanded investment authority from their regulators.

This proposal represents an important acknowledgment of the need for increased investment authority for credit unions. Properly drafted regulations in this area represent an important step forward and could give credit unions needed flexibility in this area.

I hope these comments have been helpful.

Sincerely,



William J. Mellin
President/CEO