



**National Association
of Federal Credit Unions**
3138 10th Street North
Arlington, VA 22201-2149

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October 22, 2012

Jennifer Johnson
Secretary
Board of Governors
of the Federal Reserve System
20th Street and Constitution Ave., N W.
Washington, D.C. 20551

RE: Docket No. 12-1430; RIN No. 7100-AD87; Regulatory Capital Rules:
Regulatory Capital, Implementation of Basel III, Minimum Regulatory
Capital Ratios, Capital Adequacy, Transition Provisions, and Prompt
Corrective Action

Dear Ms. Johnson:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions, I write to you regarding the proposed rules on regulatory capital requirements and implementation of Basel III. While the proposed rule does not apply to credit unions, NAFCU would like to take this opportunity to voice credit unions' concerns about Basel III implementation as the Board of Governors of the Federal Reserve System works with the various federal banking agencies to implement the proposed standards.

Credit unions are not-for-profit, member-owned cooperative entities. Credit unions are chartered for the specific purpose of serving their members. By law, credit unions' ability to raise capital is greatly restricted, and they are prohibited from accessing the capital markets to meet their capital needs. In fact, credit unions' capital generally consists of retained earnings. Further, credit unions have very limited investment powers.

The proposed Basel III requirements and the Federal Credit Union Act's (FCU Act) statutory framework on capital, leverage ratio, liquidity and other matters are simply incompatible. For example, the FCU Act imposes particular capital requirements and leverage ratios as measured by a credit union's net worth and net worth ratios. Net worth is limited to the credit union's undivided earnings and regular reserves, while the net worth ratio is the ratio of a credit union's net worth to its total assets. In regards to the liquidity provisions of the proposal, the concerns that Basel III seeks to address do not apply to the credit union industry.

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NAFCU appreciates the opportunity to comment on this proposed rule. If you have any questions or concerns, please feel free to contact me at (703) 842-2215 or Tessema Tefferi, NAFCU's Regulatory Counsel, at (703) 842-2268 or ttefferi@nafcu.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Fred R. Becker, Jr.", written in a cursive style.

Fred R. Becker, Jr.
President/CEO

Cc: Debbie Matz, Chairman, National Credit Union Administration