



National Association of Federal Credit Unions

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September 13, 2006

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

RE: Docket No. R-1262; Regulation D (Bankers' Bank Exception)

Dear Ms. Johnson:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions (FCUs), I am responding to the Board of Governors of the Federal Reserve System's (Board) request for public comment on its proposal to revise its 1980 interpretation of Regulation D setting forth criteria for the "bankers' bank exemption" from reserve requirements.

Section 19(b) of the Federal Reserve Act (Act) imposes reserve requirements on depository institutions but exempts from these requirements any financial institution which (1) is organized solely to do business with other financial institutions; (2) is owned primarily by the financial institutions with which it does business; and (3) does not do business with the general public. *See* 12 USC § 461(b)(9). Regulation D implements section 19(b). In November 1980, the Board issued an interpretation of Regulation D specifying the standards to be used in applying these criteria to a particular institution to determine whether it qualifies for the exemption.

Under the Board's proposal, the interpretation would be amended to authorize the Board to expand the range of customers with which a bankers' bank may permissibly do business while still qualifying for the exemption. Specifically, the proposal would add to the current list of permissible non-depository institutions customers the following language: "and such others as the Board may determine on a case by case basis consistent with the purpose of the Act and the bankers' bank exception."

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NAFCU commends the Board's efforts to bring the regulatory requirements regarding bankers' banks in line with the current realities of today's marketplace. NAFCU strongly believes that financial institutions should be provided with a sufficient degree of regulatory flexibility to allow institutions to adapt to and evolve within a rapidly changing financial services industry. As such, we generally support the Board's proposal. Amending the interpretation to allow for case-by-case determinations of permissible bankers' bank customers will foster the growth and enhancement of services of corporate credit unions and other bankers' banks.

NAFCU would, however, encourage the Board to provide additional guidance on the standards being applied in making its determinations as this process moves forward. The proposal states that "[t]he Board is not proposing at this time to specify any standards under which it would make such case-by-case determinations in order to provide institutions and the Board flexibility in making such determinations." Should the agency's proposal be adopted, NAFCU urges the Board to provide further guidance on the determination process as soon as it becomes prudent to do so.

NAFCU would like to thank you for this opportunity to share its views on this proposed rulemaking. Should you have any questions or require additional information please call me or Pamela Yu, NAFCU's Associate Director of Regulatory Affairs, at (703) 522-4770 or (800) 336-4644 ext. 218.

Sincerely,



Fred R. Becker, Jr.
President/CEO

FRB/py