



OHIO CREDIT
UNION LEAGUE

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th St. and Constitution Ave., NW
Washington, DC 20551

Re: Docket No. R-1274
Definitions of Terms and Exemptions Relating to the “Broker”
Exceptions for Banks

Dear Ms. Johnson:

The Ohio Credit Union League (“League”), the trade association for credit unions in Ohio, advocating on behalf of Ohio’s 450 credit unions and their 2.7 million members, appreciates the opportunity to provide comments on the proposed Broker-Dealer Rules of the Federal Reserve Board and the Securities and Exchange Commission.

With the passage of the Gramm-Leach-Bliley Act (GLB Act) in 1999, banks and other financial institutions were given a number of functional exceptions to the broker-dealer requirements for certain bank securities activities. In 2001, the SEC subsequently issued an interim final rule to clarify these functional exceptions. In 2004, the SEC issued a proposed rule to extend some of these exceptions to credit unions. However, the rules were never adopted.

The Financial Services Regulatory Relief Act of 2006 (Reg Relief) that was enacted late last year required the SEC to work with the Fed to jointly issue another proposal to clarify these exceptions, which is to replace the interim final rule that was issued in 2001. This provision of Reg Relief extended these exceptions to thrifts, but not to credit unions. Prior to the GLB Act, credit unions and thrifts were not covered under the general exemption that was provided for banks.

Furthermore, in the past, the SEC has issued opinions that permitted thrifts and insurance agencies to offer securities products without registering as a broker-dealer. The National Credit Union Administration in the past has also offered similar guidance for credit unions.

After reviewing these proposed rules, the League respectfully requests that the SEC consider, as in 2004, to provide limited exceptions for credit unions from broker-dealer requirements under the Securities and Exchange Act of 1934. At that time, the League was very appreciative of the SEC approach in applying those exceptions to credit unions thereby assuring that inequities would not arise among different types of financial institutions offering brokerage services.

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The League reiterates its position and respectfully requests that the exception for third party brokerage networking arrangements be adopted for credit unions; and also, respectfully requests that the exception for sweep accounts that would allow credit unions to move funds from consumer accounts to no-load money market funds should also be considered.

In addition, securities transactions that credit unions enter into for investment purposes for themselves and as a trustee or fiduciary should also be permitted without dealer requirements being triggered. It is the League's position that currently there are more than sufficient safeguards in place to provide consumer safeguards for their activities.

Finally, the League also supports credit union authority to offer safekeeping and custodian activities without triggering broker-dealer requirements. As stated previously, it is the League's position that these activities would not raise any concerns of safety and soundness and would also be appropriate exceptions for credit unions.

The Ohio Credit Union League appreciates the opportunity to provide comments on the proposed rule and would be available to provide additional input if requested.

If you have any questions or comments, please do not hesitate to contact me at jkozowski@ohiocul.org or (800) 486-2917 ext. 266. Thank you for the opportunity to provide comments on this proposal.

Sincerely,

A handwritten signature in black ink that reads "John F. Kozlowski".

John F. Kozlowski, General Counsel

cc: Nancy M. Morris (separate letter)
Paul Mercer
Jerry Guy
Mary Dunn
Jeff Bloch



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