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’  
business of raising 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.
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,

Fred R. Becker, Jr.
President/CEO

Cc: Debbie Matz, Chairman, National Credit Union Administration