

COMPARISON CHART: CORPORATE CREDIT UNION REGULATIONS

	Current CCU Regulations: 12 C.F.R. Parts 702, 703, 704, 709, and 747 in Force as of November 2009	Proposed CCU Regulations: Revised 12 C.F.R. Parts 702, 703, 704, 709, and 747 Proposed November 2009	Notes
<p>Capital Structure and Ratios in General</p> <p>12 C.F.R. §§ 704.2, 704.3</p> <p>Notice of Proposed Rule-making (NPR) §§ 704.2, 704.3, part 704 app. C</p>	<ul style="list-style-type: none"> • No risk-based capital requirement • Capital consists of: <ul style="list-style-type: none"> ○ Retained earnings ○ Paid-In-Capital (PIC) (perpetual or 20-year callable) ○ Membership Capital Accounts (MCA) (3-year callable) • 4% minimum capital ratio relative to total 12-month Daily Average Net Assets (DANA), although NCUA can require a higher capital level 	<ul style="list-style-type: none"> • Basel I Risk-Based Capital: <ul style="list-style-type: none"> ○ “core capital” includes: <ul style="list-style-type: none"> ▪ retained earnings; and ▪ Perpetual Contributed Capital (PCC) ○ “supplemental capital” includes: <ul style="list-style-type: none"> ▪ Nonperpetual Capital Accounts (NCA) (5-year callable); ▪ GAAP ALLL up to 1.25% of risk-weighted DANA; and ▪ 45% of net unrealized gains on available-for-sale equity securities (e.g., in CUSOs) under some circumstances • In general, to be “adequately-capitalized,” a CCU will need to achieve the following capital ratios (see the section on “Prompt Corrective Action,” below, for more information on capital ratios): <ul style="list-style-type: none"> ○ Leverage Ratio: 4% “adjusted core capital” (i.e. core capital minus intangible assets, CUSO investments, and capital investments in other CCUs) relative to DANA ○ 4% core capital ratio relative to risk-weighted DANA ○ 8% total capital ratio relative to risk-weighted DANA; and ○ Phased-in retained earnings requirement: <ul style="list-style-type: none"> ▪ 100 bp (in force 6-9 years after final rule) ▪ 200 bp (in force 10 years after final rule) 	<p>Under Basel I, risk-weighted DANA (“X”) is derived using the following equation and discount rates:</p> $X = 0(a) + 0.2(b) + 0.5(c) + d$ <p>Where:</p> <p>a = 0% risk-weight assets (e.g., cash, Treasury securities)</p> <p>b = 20% risk-weight assets (e.g., GSE mortgage-backed securities (MBS), claims on banks and credit unions)</p> <p>c = 50% risk-weight assets (e.g., fully-secured mortgages, private-label MBS)</p> <p>d = 100% risk-weight assets (i.e. no discount; e.g., most non-mortgage loans, equity investments)</p>

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<p>Capital Accounts</p> <p>12 C.F.R. § 704.2</p> <p>NPR § 704.2</p>	<ul style="list-style-type: none"> • PIC: “Paid-in capital means accounts or other interests of a corporate credit union that: are perpetual, non-cumulative dividend accounts; are available to cover losses that exceed retained earnings; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings.” • MCA: “Membership capital means funds contributed by members that: are adjustable balance with a minimum withdrawal notice of 3 years or are term certificates with a minimum term of 3 years; are available to cover losses that exceed retained earnings and paid-in capital; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings.” 	<ul style="list-style-type: none"> • PCC: “Perpetual contributed capital (PCC) means accounts or other interests of a corporate credit union that: are perpetual, non-cumulative dividend accounts; are available to cover losses that exceed retained earnings; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings. In the event the corporate is liquidated, any claims made by the holders of perpetual contributed capital will be subordinate to all other claims (including NCUSIF claims).” • NCA: “Nonperpetual capital means funds contributed by members or nonmembers that: are term certificates with a minimum term of five years or that have an indefinite term (i.e., no maturity) with a minimum withdrawal notice of five years; are available to cover losses that exceed retained earnings and perpetual contributed capital; are not insured by the NCUSIF or other share or deposit insurers; and cannot be pledged against borrowings. In the event the corporate is liquidated, the holders of nonperpetual capital accounts (NCAs) will claim equally. These claims will be subordinate to all other claims (including NCUSIF claims), except that any claims by the holders of perpetual contributed capital (PCC) will be subordinate to the claims of holders of NCAs.” 	<ul style="list-style-type: none"> • Losses: NPR § 704.2 clarifies when losses deplete a CCU’s PCC and NCA: <i>“Available to cover losses that exceed retained earnings”</i> means that the funds are available to cover operating losses realized, in accordance with generally accepted accounting principles (GAAP), by the corporate credit union that exceed retained earnings . . .” • NPR § 704 Appendix A gives CCUs the option to prioritize new PCC and NCA behind existing capital with respect to absorbing losses

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<p>Prompt Corrective Action (PCA)</p> <p>NPR §§ 704.4, 747.3001-747.3005, part 704 app. C</p> <p>Compare with 12 C.F.R. § 704.3(e), (f), (g), (h)</p>	<ul style="list-style-type: none"> • No PCA requirement per se • 12 C.F.R. § 704.3(f), (g), require a CCU to submit a capital restoration plan to NCUA if it fails to maintain the minimum 4% capital ratio relative to DANA • 12 C.F.R. § 704.3(e) allows NCUA to require an individual CCU to have a higher minimum capital ratio than 4% “[w]hen circumstances or events warrant . . .” • 12 C.F.R. § 704.3(h) empowers NCUA to issue “capital directives” if the CCU fails to submit a capital restoration plan, if NCUA deems the plan to be insufficient, or if the CCU fails to follow the plan • Encourages CCUs to achieve and maintain at least 200 bp of retained earnings but does not require CCUs to do so 	<ul style="list-style-type: none"> • Establishes a PCA regime, including remedial actions such as capital directives (also, NCUA can, for cause, require an individual CCU to have higher minimum PCA ratios or can move a CCU into a lower PCA category): <ul style="list-style-type: none"> ○ “Well capitalized:” <ul style="list-style-type: none"> ▪ Leverage ratio of 5% relative to DANA ▪ Core capital ratio of 6% relative to risk-weighted DANA ▪ Total capital ratio of 10% relative to risk-weighted DANA; and ▪ CCU is not subject to a remedial action ○ “Adequately capitalized:” <ul style="list-style-type: none"> ▪ Leverage ratio of 4% ▪ Risk-weighted core capital ratio of 4%; and ▪ Risk-weighted total capital ratio of 8% ○ “Undercapitalized:” CCU fails any of the three “adequately capitalized” requirements ○ “Significantly undercapitalized:” <ul style="list-style-type: none"> ▪ Leverage ratio of less than 3% ▪ Risk-weighted core capital ratio of less than 3%; or ▪ Risk-weighted total capital ratio of less than 6% ○ “Critically undercapitalized:” <ul style="list-style-type: none"> ▪ Leverage ratio of less than 2% ▪ Risk-weighted core capital ratio of less than 2%; or ▪ Risk-weighted total capital ratio of less than 4% 	<p>PCA Phase-in:</p> <ul style="list-style-type: none"> • <u>Years 1 to 3 after final rule:</u> CCUs must comply with the current 4% capital level, the risk-based capital ratios, and an “interim” leverage ratio • <u>After 3 years:</u> the new leverage ratio takes effect <p>Retained Earnings</p> <ul style="list-style-type: none"> • <u>After 6 years:</u> CCUs must have at least 100 bp of retained earnings to be adequately capitalized (150 bp to be well capitalized) • <u>After 10 years:</u> CCUs must have at least 200 bp of retained earnings to be adequately capitalized (250 bp to be well capitalized)

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<p>Regulatory Capital Treatment of Off-Balance Sheet Items</p> <p>NPR part 704 app. C</p> <p>Compare with 12 C.F.R. § 704.3(e)</p>	<ul style="list-style-type: none"> • No express provisions in 12 C.F.R. part 704 relating to regulatory capital treatment of off-balance-sheet items • NCUA has authority to require a CCU to have a higher regulatory capital ratio than 4% on a case-by-case basis, including if NCUA determines that additional capital is necessary because “[s]ignificant exposure exists, unsupported by adequate capital or risk management processes, due to credit, liquidity, market, fiduciary, operational, and similar types of risks . . .” 	<ul style="list-style-type: none"> • Off-balance sheet items are included in a CCU’s Basel risk-based assets capital calculation, but are discounted by the following “credit conversion” schedule before being risk-weighted (in order to create an on-balance sheet “credit equivalent amount”): <ul style="list-style-type: none"> ○ Group A—100% credit conversion (i.e. no discount; e.g., legally binding agreements to purchase assets at a later date) ○ Group B—50% credit conversion (e.g., performance bonds, standby letters of credit, unused portions of many types of credit facility commitments, some revolving underwriting facilities) ○ Group C—20% credit conversion (e.g., commercial letters of credit) ○ Group D—10% credit conversion (e.g., unused portions of asset-backed commercial paper liquidity facilities with an original maturity of less than one year) ○ Group E—0% credit conversion (i.e. item is disregarded; e.g., unused commitments that the CCU can unconditionally cancel) ○ Group F—Off Balance Sheet Contracts; Interest Rate and Forex Rate Contracts: These arrangements are discounted based on the current mark-to-market value of the contract and the contract’s potential future credit exposure 	<p>Off-Balance-Sheet Item Risk-Based Capital Values: The credit conversion and risk-adjusted value of an off-balance-sheet item (“Y”) for risk-based capital purposes can be expressed using the following equation:</p> $Y = r(cc(Z))$ <p>Where:</p> <p>Z = notional value of the item</p> <p>cc = applicable credit conversion discount</p> <p>r = applicable risk-weight discount (see Notes on page 1)</p>

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<p>Investment Powers, In General; a/k/a “Base” Investment Authority</p> <p>12 C.F.R §§ 704.5, 704.6</p> <p>NPR §§ 704.5, 704.6</p>	<ul style="list-style-type: none"> • Authorized Activities and Investments (generally rated AA- or higher by at least one nationally recognized statistical ratings organization (NRSRO), or A- if short-term): <ul style="list-style-type: none"> ○ Securities, deposits, and obligations authorized for all federal credit unions ○ Deposits in, the sale of federal funds to, and debt obligations of CCUs and most types of banks and thrifts ○ Corporate CUSOs ○ Non-convertible corporate debt (i.e. of commercial corporations) ○ Domestic asset-backed securities (ABS) ○ Repurchase agreements (“repos”) ○ Some types of securities lending transactions; and ○ SEC-registered investment companies that invest in CCU-permissible investments • Prohibited Investments: <ul style="list-style-type: none"> ○ Most types of derivatives ○ Securities lending not conducted on a trade date basis ○ Adjusted trading or short sales ○ Purchasing mortgage servicing rights, small business related securities, residual interests in collateralized mortgage obligations (CMOs) and similar residual interest arrangements; and ○ Most types of stripped mortgage backed securities (SMBS) 	<ul style="list-style-type: none"> • Prohibits CDOs and NIMs: Adds collateralized debt obligations (CDOs) and net interest margin securities (NIMs) to the existing list of prohibited CCU investments, except for senior tranches of Re-REMICs • Limits Subordinated Securities: A CCU can generally only invest in non-senior or non-super-senior ABS tranches to the lower of 400% of capital or 20% of assets (and not more than 100% of capital or 5% of assets in any one sector) • Permits CCU Investments in National Bank and Mutual Savings Bank Collective Investment Funds: CCUs may invest in a collective investment fund maintained by a national bank or mutual savings bank so long as the fund only makes CCU-permissible investments • Two Ratings Agencies: 90% of a CCU’s investments must be rated by at least two NRSROs; CCUs must use the lowest available ratings • Nomenclature Change: Eliminates the term “mortgage-related security” from the regulation “because it is unnecessary and potentially confusing” since mortgage-related securities are a subset of ABS (and CCUs are permitted to invest in domestic ABS and, under Part III expanded investment authority, foreign ABS) 	<p>Expanded Investment Authorities: See “Expanded Investment Authorities,” below, for information regarding CCUs’ expanded investment authorities</p>

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<p>Expanded Investment Authorities</p> <p>12 C.F.R. §§ 704.5, 704.6, part 704 app. B</p> <p>NPR §§ 704.5, 704.6, part 704 app. B</p>	<ul style="list-style-type: none"> • Levels of Expanded Investment Authority: CCUs can currently apply for up to 6 levels of expanded investment authority: <ul style="list-style-type: none"> ○ <u>Base-Plus</u>: CCU may operate with a maximum net economic value (NEV) decline of 20% ○ <u>Part I</u>: CCU may invest in long-term investments rated A- or higher (and some short-term investments rated A-2 or higher), engage in some short sales, purchase some types of SMBS, and make dollar roll repos ○ <u>Part II</u>: CCU may invest in Part I investments as well as long-term investments rated BBB or higher and additional A-2 rated short-term investments not authorized by Part I ○ <u>Part III</u>: CCU may invest in foreign sovereign debt, deposit in a debt obligations of foreign banks, marketable foreign corporate debt, and foreign-issued ABS ○ <u>Part IV</u>: CCU may enter into derivatives transactions to create structured products, manage its own balance sheet, and hedge its members' balance sheets ○ <u>Part V</u>: CCU may participate in loans with member natural person credit unions, subject to concentration limits 	<ul style="list-style-type: none"> • Revisions to Expanded Investment Authorities: <ul style="list-style-type: none"> ○ <u>Base-Plus</u>: Adds additional NEV modeling requirements for CCUs to qualify for Base-Plus authority ○ <u>Part I</u>: Adds the requirement that a CCU have a leverage ratio of at least 6% relative to DANA to qualify for Part I expanded investment authority, limits a CCU's aggregate Part I investments to the lower of 500% of capital or 25% of assets, and reduces the maximum dollar value of a Part I CCU's outstanding repo and securities lending agreements to 200% of capital (down from 300%) ○ <u>Part II</u>: Part II expanded authority is repealed; subsequent expanded authority parts are renumbered ○ <u>Part IV (redesignated "Part III")</u>: Modifies the current Part IV "to ensure that corporates do not use derivatives to take on additional risk . . ." 	

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<p>Investment Concentration Limits/ Portfolio Shaping Rules</p> <p>12 C.F.R. § 704.6</p> <p>NPR § 704.6</p>	<ul style="list-style-type: none"> • Single Obligor Concentration Limit: Generally limits a CCUs’ investments in any single obligor to the greater of 50% of capital or \$5 million, with other levels for repos, CUSOs, and investments in other CCUs • No Express Concentration Limits by Sector: A CCU must formulate a credit risk-management policy that addresses “[c]oncentrations of credit risk (e.g., originator of receivables, insurer, industry type, sector type, and geographic) . . .” 	<ul style="list-style-type: none"> • Reduces Single Obligor Concentration Limit: Generally reduces CCUs’ single obligor concentration limit to the greater of 25% of capital or \$5 million, with other levels for repos, CUSOs, and investment companies • Aggregate Sector Concentration Limits: <ul style="list-style-type: none"> ○ Residential MBS: the lower of 500% of capital or 25% of assets ○ Commercial MBS: the lower of 500% of capital or 25% of assets ○ FFELP student loan ABS: the lower of 1000% of capital or 25% of assets ○ Private student loan ABS: the lower of 500% of capital or 25% of assets ○ Credit card ABS: the lower of 500% of capital or 25% of assets ○ All other ABS: the lower of 500% of capital or 25% of assets ○ (Non-CCU) corporate debt obligations: the lower of 1000% of capital or 50% of assets ○ Registered investment companies: the lower of 1000% of capital or 50% of assets (but the company’s investments are aggregated with the CCU’s investments for purposes of the other sector concentration limits) ○ Holdings of all other investments limited to 100% of capital or 5% of assets ○ Sector Concentration Limit Exclusions: Investments in other federally-insured credit unions, bank deposits, and repos 	<p>Exemptions from All Concentration Limits: Fixed assets, individual loans and participations, U.S. government or GSE issued or fully-guaranteed investments, CUSO investments, investments fully insured or guaranteed by the NCUSIF or FDIC</p> <p>Other CCUs:The proposed rule eliminates the single-obligor concentration limit exception for investments in other CCUs; therefore, a CCU could not invest in another CCU in excess of the greater of 25% of its capital or \$5 million</p>

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<p>Corporate CUSOs</p> <p>12 C.F.R. § 704.11</p> <p>NPR § 704.11</p>	<ul style="list-style-type: none"> • Permissible Corporate CUSO Activities: The current version of 12 C.F.R. part 704 does not specify permissible corporate CUSO activities • CCU Limits on Exposure to CUSOs: <ul style="list-style-type: none"> ○ A CCU’s aggregate corporate CUSO investments generally limited to 15% of capital ○ A CCU’s aggregate corporate CUSO loans and investments combined generally limited to 30% of capital • Prohibited Corporate CUSO Activities: a CCU cannot use the corporate CUSO rule to acquire control of another depository financial institution, or to invest in shares, stock, or obligations of an insurance company, trade association, liquidity facility, or similar organization 	<ul style="list-style-type: none"> • Permissible Corporate CUSO Activities: <ul style="list-style-type: none"> ○ Brokerage services ○ Investment advisory services; and ○ Other categories of services as approved in writing by NCUA and published on NCUA’s website • CCU Limits on Exposure to CUSOs: Retains current rule’s limitations on aggregate investments and/or loans to corporate CUSO • Expanded Examiner/Auditor/Director Access: The proposed rule requires corporate CUSOs to agree to permit access to the CUSO’s books and records as well as its “personnel, facilities, equipment . . . and any other documentation that the auditor, directors, or NCUA deem pertinent.” In addition, the CUSO must agree to abide by 12 C.F.R. § 704.11 • Prohibited Corporate CUSO Activities: Retains the exiting prohibition on a CCU using a corporate CUSO to acquire control of another depository institution, etc. 	

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<p>Asset & Liability Mgmt:</p> <p>Measuring Interest Rate Risk and Average-Life Mismatch</p> <p>12. C.F.R. § 704.8</p> <p>NPR § 704.8</p>	<ul style="list-style-type: none"> • Requires CCUs to adopt a written ALM policy that includes modeling for interest rate risk (IRR) sensitivity, affect on NEV, and requires annual assessment on whether the CCU should conduct periodic additional NEV modeling • Interest Rate Sensitivity Analysis: <ul style="list-style-type: none"> ○ CCUs must quarterly measure the impact of a shock in the yield curve of plus and minus 100, 200, and 300 bp on its NEV and NEV ratio ○ The resulting NEV ratio should not decline below 2% and the NEV itself not more than 15% • Does not include any specific requirements relating to the risks of mismatches between asset and liability cash flows 	<ul style="list-style-type: none"> • Limits cash flow mismatches so as not to exceed an acceptable gap between the average-life (AL) of assets and liabilities • AL NEV Testing: Requires AL mismatch NEV modeling/stress testing, in addition to existing IRR NEV modeling <ul style="list-style-type: none"> ○ <u>Primary AL NEV test:</u> includes a 300 bp credit spread widening (as opposed to changes in interest rates) to shock the portfolio and determine if the AL mismatch is excessive for the CCU’s base NEV. The resulting NEV ratio should not decline below 2% and the NEV itself not more than 15% ○ <u>Secondary AL NEV test:</u> includes a 50% slowdown in prepayment speeds to determine if the CCU has excessive AL extension risk. The resulting NEV ratio should not decline below 1% and the NEV itself by more than 25% 	<p>AL NEV Testing: Must include all investments (exc. derivatives/equity), and all borrowings and shares (exc. contributed capital)</p> <p>The tests “are designed to permit greater AL mismatches as a CCU’s base case NEV level moves higher”</p> <p>Secondary AL NEV test is intended to model the effect of extension risk on AL mismatches</p>

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<p>Asset & Liability Mgmt:</p> <p>Asset Maturity and Regulatory Violations</p> <p>12 C.F.R. § 704.8</p> <p>NPR § 704.8</p>	<ul style="list-style-type: none"> • Requires CCUs to charge a market-based penalty on early withdrawals sufficient to cover the replacement cost of the certificate/share redeemed • Regulatory Violations: <ul style="list-style-type: none"> ○ Applicable when testing results in the NEV/NEV ratio declining below established limits ○ If a decline persists for 10 days: must report such information to CCU board, supervisory committee, and NCUA ○ If a decline persists for 30 days: must submit written action plan to NCUA. If plan is unacceptable, CCU must immediately restructure the balance sheet to bring the exposure back within compliance 	<ul style="list-style-type: none"> • Limits a CCU’s ability to pay a market-based redemption price to no more than par, thus eliminating the ability to pay a premium on early withdrawals • Requires quarterly net interest income (NII) modeling that uses multiple interest rate environments extended over at least 2 years • Limits the weighted average life (WAL) of a CCU’s aggregate assets to 2 years <ul style="list-style-type: none"> ○ Must test monthly for compliance • Requires a CCU to calculate the effective duration and spread duration for each of its assets and liabilities where the values of these are affected by changes in interest rates or credit spreads • Limits individual member investment to 10% of the CCU’s moving DANA • Regulatory Violations: includes the same corrective steps required in the current rule <ul style="list-style-type: none"> ○ Additionally, if decline persists for 30 days the CCU is subject to PCA reclassification ○ These regulatory violation provisions will also apply to declines in NEV/NEV ratio resulting from AL NEV tests, as well as to violation of the 2 year WAL limit on assets 	<p>Redemption Price: Limits redemption to the lesser of book value plus accrued dividends or the value based on a market-based penalty that would cover the cost to replace the certificate</p> <p>Limitations on Investments: The 10% limitation provision will be effective 30 months after final rule is adopted</p>

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<p>Liquidity Mgmt.</p> <p>12 C.F.R. § 704.9</p> <p>NPR § 704.9</p>	<ul style="list-style-type: none"> • “A corporate credit union must demonstrate that sufficient contingent sources of liquidity remain available.” • Does not require CCUs to maintain a minimum amount of cash and cash equivalents for liquidity purposes • Limits a CCU’s borrowing to the <u>greater</u> of 10 x capital or 50% of capital and shares • Does not differentiate between secured and unsecured borrowing for liquidity purposes 	<ul style="list-style-type: none"> • A CCU must “[r]egularly monitor and demonstrate accessibility to sources of internal and external liquidity” and “[k]eep a sufficient amount of cash and cash equivalents on hand to support its payment system obligations.” • Borrowing: <ul style="list-style-type: none"> ○ Reduces the aggregate limit for CCU borrowing to the <u>lesser</u> of 10 x capital or 50% of capital and shares ○ Restricts the use of secured borrowing for nonliquidity purposes to CCUs that are well capitalized (those with core capital > 5% of their moving DANA) <ul style="list-style-type: none"> ▪ The amount of such borrowing is limited to the difference between the CCU’s core capital and 5% of its moving DANA • Limits the maturity of secured borrowings for liquidity purposes to 30 days 	<p>The current liquidity management rule does not require CCUs to consider payment system needs when determining adequate levels of liquidity</p> <p>In calculating the borrowing limit, both the NPR and current rule exclude shares created by member reverse repurchase agreements</p>

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<p>Corporate Governance</p> <p>12 C.F.R. § 704.4.</p> <p>NPR §§ 704.14, 704.19, 704.20</p>	<ul style="list-style-type: none"> • “A corporate credit union’s board of directors must approve comprehensive written strategic plans and policies, review them annually, and provide them upon request to the auditors, supervisory committee, and NCUA.” • No minimum director experience or knowledge requirements • No requirement to disclose compensation • No restriction on golden parachutes • No limit on representation of CCU executives and officials on boards of other CCUs 	<ul style="list-style-type: none"> • To be eligible, CCU directors must be current NPCU CEOs, CFOs, or COOs • Term Limits: <ul style="list-style-type: none"> ○ Imposes a limit of 6 consecutive years on the same CCU board ○ Prohibits multiple individuals from a single member NPCU from concurrently serving on the same CCU board ○ Prohibits an individual CCU director from concurrently serving on multiple CCU boards • Requires the majority of CCU directors to be representatives of NPCUs • Compensation Disclosure: <ul style="list-style-type: none"> ○ Must disclose individual senior executive officer and director compensation upon member request or at least annually ○ Must disclose material increases in compensation (> 15% or \$10k) related to mergers ○ Merger plans submitted to NCUA must describe any material increases ○ Merging federal CCUs must disclose material increases to members prior to merger vote 	<p>Term Limits: NPR treats all employees of the one NPCU as the same individual</p> <p>Compensation: Includes all benefits provided by the CCU</p> <p>CCUs may supplement disclosure for context (e.g., CCU salary v. other FIs)</p> <p>“Senior executive officer” will include the CEO, assistant CEO, and CFO, as well as employees hired to perform the functions of the CEO/CFO</p>

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<p>Corporate Gvrnance cont.</p>		<ul style="list-style-type: none"> • Golden Parachutes: generally prohibited <ul style="list-style-type: none"> ○ Defined as: payments to an institution affiliated party (IAP) upon termination that occur when the CCU is troubled, undercapitalized, or insolvent ○ Prohibits payment of an IAP’s expenses incurred in an administrative or civil proceeding instituted by NCUA or a state regulator ○ Golden parachute clauses are allowed: if the CCU is already in trouble when the IAP is hired; for the management of a merging CCU (if unassisted by NCUA); and at NCUA’s discretion • Indemnification Payments: <ul style="list-style-type: none"> ○ Permitted in limited circumstances following a good faith determination by a CCU board that certain criteria are met (e.g., IAP acted in good faith and believed action was in CCU’s best interest) 	<p>Golden Parachutes: Prohibition will apply prospectively; but includes renewed/modified contracts</p>
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