



September 2, 2004

Mr. Jonathon G. Katz, Secretary  
Securities and Exchange Commission  
450 5<sup>th</sup> Street, NW  
Washington, DC 20549

RE: File S7-26-04; Release 34-49879; Proposed Regulation B

Dear Mr. Katz:

On behalf of Evangelical Christian Credit Union ("ECCU"), I would like to first thank you for considering these comments related to the proposed final rules under Regulation B.

After working with the SEC ("Commission") staff, in 2001, ECCU submitted an application for exemption from registration and regulation as a Broker-Dealer for the purpose of offering our member institutions a sweep account service ("sweep account")<sup>1</sup>. In 2002, the Commission submitted and requested comment on our application not only for the purposes of providing this exemption request for ECCU but additionally for all credit unions<sup>2</sup>. The original purpose and intent of our request was to assert the exemption afforded to banks but not to credit unions placed us at a competitive disadvantage in serving our member institutions with a common banking and fundamental cash management service. We appreciate the efforts the Commission has taken to move this most important issue forward and strongly support its approval.

By way of background, ECCU, founded in 1964, currently serves over 3,000 evangelical institutions and over 10,000 Christian workers from all 50 states. As a credit union, individuals and institutions must fit within our field of membership through the sharing of a common bond of association. In ECCU's case, this shared association consists of a common statement of faith and accordingly our member institutions consist of evangelical Christian churches, ministries, schools and other institutions ("member institutions"). Member institutions are commonly structured as corporations and as religious, donor-based non-profit organizations under § 501(c)(3) of the Internal Revenue Code. As a state-chartered credit union, ECCU's primary regulator is the California Department of Financial Institutions. ECCU accounts are insured by the National Credit Union Administration ("NCUA"), a federal

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<sup>1</sup> Original Application: <http://www.sec.gov/rules/other/34-46069app.htm>

<sup>2</sup> Release No. 34-46069; File No. S7-12-01

governmental agency. ECCU currently has \$413 million in member deposits, \$615 million in total assets and \$1.381 billion in total assets under management<sup>3</sup>.

Within our field of membership, non-profit organizations are commonly underserved by the banking community. Within the United States there are reportedly 300,000 churches. However, it is quite uncommon for a bank to have products or personnel dedicated to serve the unique needs of these non-profit organizations. Rather, more often, banks place their focus on more profitable, for-profit organizations or if they do serve non-profits, then only the largest non-profit organizations. Our credit union is dedicated to serving the financial services needs of this underserved marketplace. This is why ECCU, in 2001, requested an exemption for the purposes of offering a sweep account. However, we know that the needs of our marketplace require more than just a sweep account. As we grow to serve our market more fully, other securities products and services currently being offered by banks will be important products and services for our financial institution to offer.

The rationale of providing credit unions with limited exemptions and with additional conditions, as opposed to what is proposed for banks, is problematic and inconsistent with the original intent of Gramm-Leach-Bliley of expanding competition. Credit unions, as not-for-profit, member-owned financial institutions, are driven by an ethic of providing the best services possible to meet the needs of their members and not by incentive to maximize profits. The financial expectations of credit union members are often very similar to bank customers and include an increasing emphasis on securities products and services. For our credit union specifically, even though we currently do not provide trust services, safekeeping or custody services, to arbitrarily deny us the ability to contemplate offering these important services to the underserved non-profit community is short sighted and places thousands of non-profit organizations in a search for a viable option that is economically feasible. Without a financial institution, such as ECCU, these non-profit organizations are then required to maintain other, more costly account relationships, where their unique needs are not well understood or satisfied.

It was the intent of Gramm-Leach-Bliley that "other" banks would broaden marketplace competition. Credit unions have shown great responsibility in ensuring that their members are served well and afforded the necessary protections in the financial services marketplace. Placing unnecessary restrictions on credit unions in offering securities products only creates an environment where many thousands of consumers and organizations are left with unsatisfied needs and limited options. For these reasons, we would encourage the Commission to consider granting the same exemptions being considered for commercial banks to credit unions as well.

The Commission also requested comment on whether privately-insured, state-chartered credit unions should be provided with the same exemptions as federally-

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<sup>3</sup> Figures are as of July 31, 2004.

insured institutions. We strongly support providing these exemptions to privately insured credit unions as well. American Share Insurance ("ASI), a private share insurance company, has provided share insurance to credit unions for 30 years and has an impeccable track record. ASI's insurance equity ratio (book equity to insured funds) for 2003 continued to surpass that of the NCUA and its National Credit Union Share Insurance Fund<sup>4</sup>. ASI continues to attract new credit unions converting from federal insurance, even some of the largest credit unions in the United States. Privately insured credit unions are regulated by state regulatory agencies that actively regulate and monitor these credit unions. There are more than 4,300 state-chartered credit unions within the United States. The National Association of State Credit Union Supervisors, a professional association of state supervisory agencies, works to ensure the state-chartered, state supervised system works to ensure healthy credit unions. Sufficient expertise for supervising credit unions resides in the offices of the state regulator who regulates state-chartered credit unions.

For the reasons stated above, we request that all exemptions being considered for banks also be provided to credit unions. In addition, we support providing these exemptions to privately-insured credit unions. Thank you for the opportunity to provide these comments.

Sincerely,

Mark L. Jones  
Vice President

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<sup>4</sup> ASI's equity ration is 1.32% vs. 1.29% for NCUA; figures for December 31, 2003