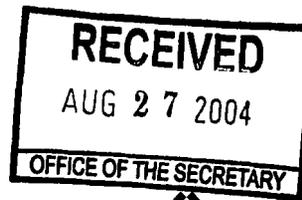*30*

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✹. CUNA MUTUAL GROUP

August 20, 2004

Mr. Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington DC 20549-0609

RE: File No. S7-26-04 Proposed Regulation B

Dear Secretary Katz:

This letter is submitted on behalf of CUNA Mutual Group and CUNA Brokerage Services, Inc. in response to a request for comment by the Securities and Exchange Commission ("Commission") on Regulation B which includes proposals for exemptions from the definition of "broker" under the Section 3(a)(4) of the Securities Exchange Act of 1934. We appreciate the opportunity to provide our comments on this important matter.

Credit Unions created CUNA Mutual in 1935 to provide insurance to credit unions and their members. Over the years we have played a substantial role in supporting the credit union movement. Almost ninety-nine percent of the approximately ten thousand credit unions in the United States have one or more of our products, and we serve approximately thirty million credit union members with a variety of insurance and financial products. We have five thousand employees, company assets of more than $7.6 billion, assets under management of over $12 billion and a tradition of serving small, medium and large financial cooperatives. CUNA Brokerage Services, Inc., one of our subsidiaries, is a registered broker/dealer principally serving the investment needs of credit union customers through third-party brokerage ("networking") arrangements.

We support and applaud the Commission's efforts to consider and include credit unions in the securities regulatory framework. Credit Unions are unique and important financial institutions, especially in the lives of the credit union members. We also appreciate the Commission staff's willingness to spend time to learn about credit unions, their operations, and how they serve their members.

For several years credit unions have participated with registered broker/dealers in offering brokerage services and programs to credit union members. These programs have been structured under "networking arrangements" pursuant to the staff's guidance in the CHUBB no action letter. We support the Commission's efforts and approach to codify the structure of these third party brokerage relationships in the proposed Regulation B. One suggestion we have for clarification of the regulation is to include in the text of regulation that the broker/dealer may

pay the credit union (or bank) transaction based compensation for its participation and activities as long as the other requirements of the regulation are followed. This provision was expressly included in the CHUBB Letter and also appears in the narrative of the Release proposing Regulation B. The Release states "if the bank's networking activities meet the conditions of the exception, it may, without itself being registered as a broker-dealer, receive compensation related to brokerage transactions the broker-dealer effects as a result of the networking arrangement." Adding this to the text of the Regulation may avoid questions or confusion in the future.

Although CUNA Mutual Group does not participate as directly in the credit union sweep accounts and fiduciary activities, we support the Commission's efforts to include credit unions and clarify the regulations that apply to these settings. Finally, we want to encourage the Commission staff to continue its discussions with credit union organizations. We believe these discussions have resulted in the Commission having a greater awareness, understanding and appreciation of the unique role of credit unions in the financial services industry.

Thank you for considering our comments.

Very truly yours,

Kevin S. Thompson
Vice President, Deputy General Counsel

KST/cjl