NASCUS REPORT
A weekly dispatch of the National Assn. of State Credit Union Supervisors

July 2, 2015

A welcome effort on supplemental capital …

We welcomed comments late last week by NCUA Board Chairman Debbie Matz that the agency will be proposing new rules this fall allowing some forms of supplemental capital for credit unions – which has been a core issue for NASCUS throughout much of our long history. For example, state regulators and state-chartered credit unions pushed aggressively for including supplemental capital in both the risk-based capital proposals 1 and 2. More work needs to be done, of course. Several states have already authorized certain forms of supplemental capital for their non-low income credit unions. But without PCA capital treatment, these tools have not been a cost-effective resource for credit unions to date. We are urging NCUA to consider and incorporate these preapproved forms of capital into the definition of supplemental capital that Chairman Matz articulated. Doing so can both facilitate timely access to this tool for credit unions, and – as NCUA develops its own standards -- provide a roadmap and testing ground (key roles for the state-chartered system).

LINK:

Lucy Ito statement on supplemental capital proposal

… bankers less hospitable (but our comment prevails)

While we applauded the chairman, the banking industry was quick to condemn the proposed supplemental capital changes. In a story carried by the American Banker newspaper (a trade publication, widely read in the financial services industry), banking advocates including retiring ABA President Frank Keating, and already-retired former ABA Economist Keith Leggett (among others) dashed cold water on the idea – saying they were "profoundly disappointed" and found the proposal "very surprising." Actually, what's more surprising is the bankers' reaction. Supplemental capital should be available to credit unions as a tool to better manage risk. A bright spot in the item: Our views of the chairman's proposal were the only comments cited from credit unions. We intend to continue having a voice in this issue.

LINK:
American Banker (subscription required): Supplemental Capital Plan Draws Fire from CU Foes

NCUA budget transparency bill (and OTR) possibly in markup

When Congress returns from its July 4 break (Both the Senate and House are scheduled to be back in session Tuesday, July 7), look for the typical flurry of activity that accompanies the midsummer work session. But this time, credit union legislation may be in the mix. Regulatory relief legislation – which includes the NCUA Budget Transparency Act (H.R. 2287), mandating "notice and comment" on the agency budget – is expected to be marked up by the House Financial Services Committee. This will be a terrific opportunity for the state-chartered system to make its case for NCUA transparency on the overhead transfer rate (OTR). Let your federal lawmakers know of your support for H.R. 2287, especially if your U.S. representatives are Democrats (more sponsors are needed). Tell them: a formal notice and comment requirement for NCUA's budget, including the OTR, provides oversight, accountability and transparency. It's sound public policy, and fosters an equitable playing field for state and federally chartered credit unions.

LINKS:
NASCUS letter in support of H.R. 2287

Talking points for letters, messages to lawmakers

Cybersecurity assessment tool goes live – soon part of exams?

With the anticipation that state regulators and NCUA will incorporate it into their exam processes eventually, the much-anticipated proposed "cybersecurity assessment tool" was released this week by the Federal Financial Institutions Examinations Council (FFIEC). According to the Exam Council, the tool is designed to help credit unions and other financial institutions of any size identify their risks and assess their cybersecurity preparedness through a self-assessment that can "inform their risk-management strategies." We will work closely with state regulators and NCUA to help walk credit unions through the new tool. Our goal: to ensure that the industry is equipped to face the challenges of cyber-preparedness and that supervisory expectations as they relate to cybersecurity moving forward are clear for everyone.

LINK:

FFIEC resources on cybersecurity assessment tool

Assessment tool featured at Cybersecurity Symposium, Aug. 24-25

Timing is everything, of course – and the upcoming NASCUS/CUNA Cybersecurity Symposium (Aug. 24-25) in Denver is impeccably scheduled. At the session, Tim Segerson, NCUA deputy director of the office of examination and insurance (E&I), is scheduled to lead a two-hour session on industry expectations for the adoption of the "voluntary" assessment tool. In fact, the entire symposium is designed to help credit union regulators and leaders better understand the strengths and vulnerabilities of the credit union system's cybersecurity positioning, and help shape the policy of security expectations going forward. For more information, see the link below.

LINKS:
Complete information on Cybersecurity Symposium, Aug. 24-25

Latest agenda for symposium

BRIEFLY: 'Diversity policies' analysis; NC Industry Day Wednesday

Our analysis of NCUA's letter to credit unions (LTCU 15-CU-05) on diversity policies and practices -- released by the agency late last week – is posted on our website (members only). The letter is intended to inform credit unions of an interagency policy statement establishing standards for assessing the diversity policies and practices of federally insured credit unions. ALSO: Wednesday (July 8) is our first "industry day" in North Carolina; looking forward to seeing NC credit union participation.

LINKS:
NASCUS analysis of LTCU 15-CU-05 (members only)

Details for Wednesday, July 8, "industry day" in NC

***** Have a terrific – and safe – July 4 holiday! *****