

The Official Publication of the National Association of State Credit Union Supervisors

Mid Year Regulatory Review

As we approach the mid-year point of 2012, NASCUS would like to take this opportunity to provide a briefing of relevant regulatory items of note. As you may recall, NASCUS summarizes all regulatory activity for the year in the fourth quarter issue of *State*line.

NCUA Activity

In addition to the rulemaking discussed below, NCUA has to date issued guidance through five letters to credit unions, three legal opinions, and three regulatory alerts. NASCUS summarizes all Letters to Credit Unions, Regulatory Alerts, Legal Opinion Letters, Risk Alerts published by NCUA in 2012 on our website for your reference.

See MID YEAR REVIEW Page 6

IN THIS ISSUE	
Linda Charity Appointed to NASCUS Board	2
Patty Idol Appointed to CU Executive Council	2
State System Summit 2012 Agenda Preview	4-5
NASCUS Education Calendar	7

REGISTER HERE

See Pages 4-5
for information

NASCUS
SUMMIT 2012
NASCUS STATE SYSTEM SUMMIT
» SEPTEMBER 12-14, 2012
DENVER, COLORADO
GRAND HYATT DENVER

*Special Message from
Mary Martha Fortney
NASCUS President and CEO*

Your Invitation to the NASCUS 2012 State System Summit

This fall, the nation's state credit union regulators and state credit union executives will gather in Denver at NASCUS' State System Summit — the only meeting where credit unions and regulators work together to keep the state system safe and strong.

Partnership opportunities between credit unions and regulators like this Summit have always been essential to an innovative and healthy state credit union system. It's also what makes NASCUS so unique.

Opportunities for dialogue such as our Summit remain especially important

See SUMMIT Page 3

Gary Oakland Honored with Lifetime Honorary NASCUS Membership

In recognition of his contributions to NASCUS and the state system, Oakland presented with NASCUS honor

NASCUS honored Gary Oakland, past President and CEO of BECU and long time state system supporter, with a Lifetime NASCUS Membership at a recent celebration recognizing his 30-year credit union career.

NASCUS President and CEO Mary Martha Fortney presented Oakland with the honor on June 15 in Seattle. Oakland, a staunch state system advocate, was instrumental in the development of NASCUS' Credit Union Advisory Council, serving as its Board Chairman from 1993-1998 and as a Council Board director from 1991-2000. NASCUS recognized Oakland

See GARY OAKLAND Page 3



NASCUS President and CEO Mary Martha Fortney (left) honors Gary Oakland (right), past BECU President and CEO, with a Lifetime NASCUS membership recognizing his contributions to NASCUS and the state CU system.

PHOTO PROVIDED BY BECU

Florida Regulator Linda Charity Appointed to NASCUS Board of Directors

Charity's term on the NASCUS Board will run through Sept. 2013

NASCUS Chairman Orla Beth Peck (UT) has appointed Florida regulator Linda Charity to the NASCUS Board of Directors. Charity is the Interim Commissioner for the Florida Office of Financial Regulation (OFR) and also serves as Director of the OFR's Division of Financial Institutions.



Linda Charity

Charity, with more than 30 years of state regulator experience, has held various senior leadership roles at the Florida agency where she began her career as an examiner. "NASCUS is pleased to welcome Linda to the NASCUS Board of Directors," said NASCUS Chairman Peck, the supervisor of credit unions for the Utah Department of Financial Institutions. "She is a respected veteran of state financial regulation and we are grateful to have her wealth of experience on the

NASCUS Board."

Charity is filling the unexpired term held by Kathy Stewart, previously of the Kentucky Department of Financial Institutions. Charity's term will end September 2013. "NASCUS

expresses its appreciation to Kathy Stewart for her service to NASCUS both as a Board member and during her time as Treasurer. We wish her well in future endeavors and remain grateful for the time and energy she contributed to NASCUS and the state system," said NASCUS President and CEO Mary Martha Fortney.

To view the NASCUS Board of Directors, [follow this link](#).

Patty Idol Appointed to NASCUS Credit Union Executive Council

Representing Council District 2, Idol is filling an unexpired term ending Sept. 2012

Patty Idol, president of Mountain Credit Union, Waynesville, NC, has been appointed to serve as a director on the NASCUS Credit Union Executive Council.

Council Chairman Cathie Tierney, Community First Credit Union, Appleton, WI, appointed Idol to fill the unexpired term of Jim Blaine, State Employees' Credit Union, Raleigh, NC, who is not seeking re-election after more than a decade of service on the NASCUS Credit Union Executive Council.

Idol has been the president of Mountain Credit Union since 1999 and has been active in both NASCUS and the North Carolina Credit Union League (NCCUL) for many years. She is Vice Chairman of the NCCUL Board and serves as Treasurer of the Western Chapter of NCCUL. Idol's term on the NASCUS Council will run until September 2012.

"NASCUS is pleased to welcome Patty to the Credit Union Executive Council," said



Patty Idol

NASCUS and his dedication to the state charter have been especially meaningful to our organization's work over the years. We thank him for his outstanding service to NASCUS."

The NASCUS Credit Union Advisory Council is governed by an Executive Council, a group of 12 directors who are credit union executives from around the country. To view the Executive Council members, [click here](#).

In addition, Fortney expressed deep appreciation for Blaine's commitment to NASCUS and his more than 10 years of service on the Credit Union Executive Council. "Jim's contributions to



Follow NASCUS on Twitter

NASCUS can be found on Twitter as TheNASCUS. Follow us for NASCUS news and announcements. Contact Kate Hartig at kate@nascus.org with your questions.



NASCUS Regional Regulator Meeting, July 17 in San Francisco

NASCUS will continue its regional regulator meeting series to allow our state credit union regulators to meet in small groups to discuss issues of concern with their peers.

The next regional meeting is July 17 in San Francisco at the Federal Deposit Insurance Corporation's (FDIC) office in conjunction with the Conference of State Bank Supervisors (CSBS) and the FDIC Regional Bank Regulators Meeting. The meeting is scheduled from 8:30 a.m. to noon.

NASCUS regulators from across the nation are welcome at the NASCUS regional meeting. To register, or if you have any questions, email Jenny Champagne at jenny@nascus.org.

SAVE THE DATE
2013 NASCUS/NCUA National Meeting

What: NASCUS/NCUA 2013 National Meeting

Who: NASCUS State Regulators and NCUA

When: March 19-20, 2013

Where: San Antonio, Texas

Hotel: Omni San Antonio Hotel at the Colonnade



NASCUS and Credit Union Advisory Council Annual Meeting Notices



NASCUS Chairman Orla Beth Peck (UT) speaks at the 2011 NASCUS Annual Meeting in Chicago, Illinois.

The Annual Meetings of NASCUS and the Credit Union Advisory Council will take place during NASCUS' State System Summit, Sept. 12-14 in Denver, Colorado

The NASCUS regulator membership will gather for its Annual Meeting Breakfast on Sept. 12 at 7:45 a.m. At the meeting, three director seats will be announced for the NASCUS Board of Directors: two 3-year terms and one 1-year appointed term made by the current NASCUS Chairman Orla Beth Peck (UT).

The NASCUS Credit Union Advisory Council will hold its Annual Meeting as luncheon on Sept. 12 at 12:15 p.m. Four

Credit Union Executive Council director seats will also be announced at the meeting: four 3-year terms (one seat in District 1, one seat in District 3 and two seats in District 4) and one 3-year term representing state-chartered corporates appointed by current Council Chairman Catherine Tierney, president and CEO of Community First Credit Union (Appleton, WI).

NASCUS Chairman Peck and Council Chairman Tierney will begin the second year of their respective chairmanships at the 2012 Annual Meetings.

To read more or to register for the State System Summit, [see pages 4-5](#). NASCUS members will also receive notification this summer about available director seats on NASCUS leadership. If you are interested in more information about a leadership role in NASCUS, contact Mary Martha Fortney at marymartha@nascus.org.

Summit

continued from page 1

as we recover from an economic recession and face the challenges of the 21st century financial services landscape.

This is why, I, along with the NASCUS Credit Union Advisory Council members and NASCUS Board of Directors, personally invite you to put your NASCUS membership to work and join us in Denver, September 12-14, 2012. Here are just a few reasons why you should attend:

- Learn the latest on financial regulations impacting your credit union
- Network with your fellow state credit unions and state regulators
- Exchange leading practices that make state credit unions great

- Hear the latest from credit union industry insiders and national policymakers

To date, some speakers and presentation topics include:

- Bob Hoel, Filene Research Institute, on governance issues for credit unions
- Debbie Matz, NCUA Chairman, on priorities for the agency looking into 2013
- Jeff Post, CUNA Mutual President and CEO, on credit union risk in today's environment
- Tom Schauer, President and CEO, Trust CC, on information technology risks facing credit unions

NASCUS has also invited Sen. Mark Udall (D-CO) and Colorado Governor John Hickenlooper to address our attendees. The Summit will also feature Educational Breakouts and many networking opportunities.

We are conscious of the economic environment facing credit unions and state agencies and have worked to make the Summit as accessible as possible. Credit unions can register for the early bird rate of \$795 and bring along another representative from your credit union for half price. First timers to the conference can join us at no cost. State agencies can also take advantage of a special rate or apply for a scholarship by contacting isaida@nascus.org.

To see more about the Summit, [see pages 4-5](#) for more information. I hope to see you in Denver!

Gary Oakland

continued from page 1

with the Pierre Jay Award for his service to the state system and to NASCUS in 1998. Oakland retired as BECU's President and CEO at the end of 2011.

"NASCUS and the Credit Union Advisory Council would not be what it is today without Gary's influence and dedication over the years. His steadfast support of the NASCUS Credit Union Council and state regulators has made a lasting impact on NASCUS as an organization and on the greater credit union system," said Fortney. "NASCUS is pleased that we can recognize Gary with this Lifetime Honorary Membership as an expression of our gratitude for his commitment to our organization and the health and growth of the state credit union charter. NASCUS wishes Gary well in his future endeavors."

Introduction to Prepaid Cards Webinar

July 31, 2012
1 p.m. – 2:30 p.m. ET

[Click here to register](#) and for more information. \$199 for NASCUS regulator and credit union members.

In conjunction with Comptegrity, NASCUS will hold a webinar on July 31 at 1 p.m. ET to provide an introduction to prepaid cards to credit unions and regulators. The session will provide a foundation to understanding the

nuances and complexity of this unique and emerging marketplace. The webinar will address the following questions:

- What is prepaid access?
- What opportunities do prepaid cards offer for credit unions?
- What are the key regulatory and compliance concerns for prepaid access?
- What are the legal and regulatory concerns?

[Visit this link for more information.](#)

Register Today!

NASCUS

SUMMIT 2012

NASCUS STATE SYSTEM SUMMIT

» SEPTEMBER 12–14, 2012

DENVER, COLORADO

GRAND HYATT DENVER

THIS IS A
CONFERENCE YOU
WILL NOT WANT
TO MISS!

This is the only national opportunity for state-chartered credit unions, regulators and system leaders to dialogue on ways to strengthen and advance the state credit union charter. NASCUS invites you to join the system's leaders to address the top challenges confronting state credit unions and regulators at the 2012 NASCUS State System Summit in Denver.

Here are just a few reasons why you should attend:

- Network with your fellow state credit unions and state regulators
- Exchange leading practices that make state credit unions great
- Learn the latest on financial regulations impacting your credit union
- Hear the latest from credit union industry insiders and national policymakers
- And more!

Lodging

The Summit will take place at the Grand Hyatt Denver Downtown Hotel (1750 Welton Street, Denver, CO).

For reservations, dial 1-888-421-1442 and ask for the NASCUS room block at the Grand Hyatt Denver Downtown. The NASCUS rate is \$219. NASCUS regulator members qualify for a reduced rate based on the government per diem currently \$140.

These room rates expire at midnight on August 13, 2012 but may sell out prior to this date — make your reservations early.

Agenda

Please note our program begins at 8:00 a.m. on Wednesday, September 12 and concludes at 12 p.m. on Friday, September 14, 2012. A full schedule of speakers and events will be forthcoming at www.nascus.org.

In addition, on Wednesday, September 12, 2012 attendees are invited to join NASCUS at Coors Field for the Colorado Rockies against the San Francisco Giants. The game is at 6:40 p.m. Tickets are \$10 each. RSVP by emailing isaida@nascus.org.

REGISTER ONLINE

Working Agenda

Monday, September 10 – NASCUS Business Meetings

Noon – 2:30 p.m.	NASCUS Executive Committees Meeting
3 p.m. – 6 p.m.	NASCUS Board/Credit Union Executive Council Meeting

Tuesday, September 11

8 a.m. – 9:30 a.m.	Credit Union Executive Council Meeting
10 a.m. – Noon	NASCUS Board Meeting
1:30 p.m.	NASCUS Committee Briefings · Legislative and Regulatory Affairs Committee · Education Committee

Wednesday, September 12 – Summit Opening Day

8:00 a.m. – 5 p.m.	Registration and Information Desk Open
7:45 a.m. – 8:30 a.m.	NASCUS Regulators Annual Meeting Breakfast
8:45 a.m.	Opening Ceremonies and Welcome Remarks · Mary Martha Fortney, President and CEO, NASCUS · Chris Myklebust, Commissioner, Colorado Division of Financial Institutions
9 a.m. – Noon	General Session · United States Senator Mark Udall (D-CO) (invited) · Colorado Governor John Hickenlooper (invited) · NCUA Priorities for 2013 Debbie Matz, NCUA Chairman · Assessing Credit Union Risks in Today's Economy Jeff Post, President and CEO, CUNA Mutual Group
12:15 p.m. – 1:15 p.m.	Credit Union Advisory Council Annual Meeting Luncheon
12:15 p.m. – 1:15 p.m.	Regulators Networking Luncheon
1:30 p.m. – 3 p.m.	NASCUS Educational Breakouts
3:15 p.m. – 4:45 p.m.	NASCUS Educational Breakouts
5 p.m. – 6 p.m.	Baseball Pre-Game Happy Hour (for all attendees, at hotel)
6:40 p.m.	Colorado Rockies v. San Francisco Giants Baseball Game at Coors Field <i>Contact isaida@nascus.org to reserve your ticket, \$10</i>

Thursday, September 13

8 a.m. – 1 p.m.	Registration and Information Desk Open
8 a.m. – 12 p.m.	Interagency Dialogue for State and Federal Regulators (Regulators Only)
9:30 a.m. – 11:45 a.m.	Credit Union Advisory Council Issues Briefing · Nationwide Economic Update <i>John Worth, Chief Economist, NCUA</i> · U.S. Sanctions Update from OFAC <i>David J. Brummond, Senior Sanctions Advisor, Office of Foreign Assets Control (OFAC)</i>
12 p.m. – 1:30 p.m.	Chairmen's Luncheon (for all attendees) Event honoring current NASCUS leadership Chairman Orla Beth Peck (UT) and Credit Union Advisory Council Chairman Cathie Tierney (Community First CU, WI) · Special Luncheon Presentation: Election Year Political Update – Perspectives from the Left and the Right <i>Geoff Bacino and John McKechnie</i>
2 p.m. – 3:30 p.m.	General Session Governance Insights from Corporate America: What CUs Can Learn from Business Failures and Successes <i>Bob Hoel, Filene Research Institute</i>
8 p.m. – 9 p.m.	President's Dessert Reception (for all attendees)

Friday, September 14

8:30 a.m. – Noon	General Session · CFPB Update <i>Edwin Chow, Regional Director, Consumer Financial Protection Bureau (CFPB)</i> · Information Technology: Are you Driving Technology or Is IT Driving You? <i>Tom Schauer, President and CEO, Trust CC</i> · The M Stands Alone—Reevaluating the Management in CAMEL <i>Bill Haraf, former Commissioner of the California Dept. of Financial Institutions and past state regulatory designee to the Financial Stability Oversight Council</i>
12:00 p.m.	Conference Concludes

REGISTER ONLINE

Registration Fee Summary: Before July 31, 2012 After July 31, 2012

NASCUS Members*	\$795	\$995
First Timer Free	\$0	\$0
Non-Members	\$995	\$1,045
Spouses/Guest Program**	\$300	\$400

*A special state agency rate is available for state regulators. Contact Isaida Woo at isaida@nascus.org for details. Also, Credit Union Advisory Council members can bring a colleague for half price with a paid registrant.

**NASCUS' Spouse/Guest Program includes:

- Breakfast with attendees on September 12-14
- Colorado Rockies v. San Francisco Giants Baseball Game on Sept. 12 (\$10/ticket)
- Chairmen's Luncheon on Sept. 13
- NASCUS President's Dessert Reception on Sept. 13

Cancellation Policy

All refunds/cancellations must be made in writing by September 1, 2012 and are subject to a \$75 administrative fee. No refunds will be accepted after this date. Substitutions are permitted at any time.

Mid Year Review

continued from page 1

Interest Rate Risk - Final Rule NASCUS Summary

Published in January and effective Sept. 30, 2012, this **final rule** revises Part 741.3(b) to require a written interest rate risk (IRR) policy as a requirement for insurance for all federally insured credit unions (FICUs). The final rule establishes a three tier approach.

Tier I - FICUs with assets over \$50 million: *Required to have a written IRR policy.*



Tier II - FICUs with assets \$10 million or more and less than or equal to \$50 million: *Would be required to have a written IRR policy if the total of first mortgage loans held plus total investments with maturities greater than five years is equal to or greater than 100% of its net worth. (FICUs meeting the asset threshold but not the portfolio requirement would not be required to have a written IRR policy).*

Tier III - FICUs less than \$10 million in assets: *Not required to have a written IRR policy regardless of their portfolio thresholds under this rule.*

In its comments on the proposed rule, NASCUS disagreed with NCUA's three tiered approach. NASCUS suggested NCUA take the approach used by federal bank regulators requiring an effective interest rate risk management program that is appropriate for the size and complexity of the credit union.

Troubled Debt Restructuring — Final Rule

NASCUS Summary

In late May, the NCUA **finalized a rule** regarding troubled debt restructuring (TDR). This rule clarifies reporting, requires new policies and requires data collection on modified loans.

The rule allows credit unions to modify performing loans without having to characterize them as delinquent and eliminates manual tracking of all TDRs for six months. Delinquencies on TDR loans will be calculated consistent with the modified contract terms, not the original contract terms.

The rule amends the NCUA's regulations requiring credit unions to maintain written policies to address loan workout arrangements, and nonaccrual standards that include the discontinuance of interest accrual on loans past due by 90 days or more and requirements for returning such loans, including member business loans, to accrual status.

Credit unions will be able to calculate past-due status consistent with the modified loan contract as of June 30, 2012. Credit unions must have its new loan workout and nonaccrual policies in place by Oct. 1, 2012. The effective date for the collection of nonaccrual status data is Dec. 21, 2012.

CUSOs

In June, the NCUA delayed its much anticipated credit union service organization (CUSO) final rule. The proposed rule, issued in July 2011, amends NCUA's CUSO regulation to extend and expand its oversight of federally insured credit unions' CUSO activities. The proposal received a predominantly negative response from the credit union community.

While sharing some of NCUA's concerns regarding potential risk presented by some CUSOs, the rule as proposed is troubling to NASCUS. In particular, NCUA's proposal is overly broad, unnecessarily preempts existing state rules, and fails to properly balance regulatory benefit with the regulatory burden to be imposed.

In formal comments to NCUA, NASCUS recommended NCUA substantially rework the proposed rule to focus supervision on credit unions and due diligence rather than expand NCUA oversight to CUSOs themselves. NASCUS' comment letter is available on the NASCUS **website here**.

Other Items of Note

RegFlex

The NCUA Board approved this final rule eliminating its Regulatory Flexibility Program (RegFlex, §742) and charitable contribution rules for federal credit unions. Previously, the RegFlex rules only applied to certain qualifying FCUs. In accordance with the NCUA's

Regulatory Modernization Initiative, this action is aimed at providing regulatory relief by removing certain regulatory restrictions. It applies to FCU rules regarding eligible obligations, charitable contributions, nonmember deposits, fixed assets, investments, incidental powers and member business loans. NASCUS continues to encourage NCUA to consider regulatory relief for federally insured, state-chartered credit unions, as well. You can see some of our recommendations to the agency here. Following the approval of this final rule, the NCUA Board approved a direct final IRPS to remove appeals of RegFlex designations from the purview of NCUA's supervisory review committee.

A brief summary of NCUA's changes for FCUs may be found **here**.

Expected Final Rules

Loan Participations

While state regulators share some concerns regarding loan participations with the NCUA, NASCUS does not support the NCUA proposal in its current form. In its comment letter, NASCUS communicated that concerns regarding loan participations can be mitigated by focusing on strong underwriting, adequate program contract review and effective third party due diligence.

NASCUS made several recommendations which include that state law and

regulation should continue to govern loan participations for state credit unions and that provisions applicable to state-charters should be incorporation within §741. To view NASCUS' comment letter, follow **this link**.

Access to Emergency Liquidity

NASCUS expects NCUA to finalize the agency's **proposed emergency liquidity** rule before year end 2012. In its advanced notice of proposed rulemaking (ANPR) regarding emergency liquidity, NCUA indicated it was concerned about the ability of FICUs to access emergency liquidity during a systemic crisis. NCUA has suggested that access to liquidity may be demonstrated by a credit union

See MID YEAR REVIEW Page 8

NASCUS Upcoming Educational Events

Email isaida@nascus.org with your questions

Register online
for all events at this link.

NASCUS Directors Colleges

Wichita, Kansas

July 18, 2012

NASCUS continues its Directors College series. Keep a look out for these popular one-day events geared toward enhancing directors' understanding of regulatory issues in your state. NASCUS will be in Kansas in July and other states later this year as announced.

NASCUS State System Summit

Sept. 12-14, 2012

Denver, CO

NASCUS is proud to announce the only annual event for the nation's state credit union system, the NASCUS 2012 State System Summit. We invite you to join the system's leaders to address the top challenges confronting state credit unions and regulators in Denver, Colorado, Sept. 12-14. See [pages 4-5](#) for more information.

NASCUS Information Technology School

October 15-18, 2012

Raleigh, NC

Over more than four days of instruction, this forum will provide attendees with an in-depth look at information technology (IT) issues for credit unions. The school will focus on the following topics:

- **Threats and Regulations:** A look at the current "threatscape," hackers and an intro to Gramm-Leach-Bliley Act (GLBA) and Federal Financial Institutions Examination Council (FFIEC) guidelines
- **Basic Technical Skills:** Discussion of networks and network diagrams, anti-malware, vulnerability and patch management
- **Other IT Compliance Areas:** Vendor management, business continuity planning and disaster recovery and emerging tech including social networking, virtualization and cloud

The early bird rate is \$699 before October 5. This school is open to both credit union and examiners.

NASCUS Michigan Industry Day

October 22, 2012

Ann Arbor, MI

In order to foster greater communication with regulated entities, NASCUS and the Michigan Office of Financial and Insurance Regulation (OFIR) will hold a one-day conference at the Sheraton Ann Arbor Hotel on October 22, 2012. The session will take place from 10 a.m. to 4:30 p.m. and is open to Michigan directors and executive management. The event will provide an opportunity for the industry and examiners to jointly discuss the current Michigan financial environment, changes in credit union regulations as well as industry and examination related issues.

The session will include a luncheon opportunity for networking between the regulator and regulated. The fee for this one day event is \$149 for NASCUS Credit Union Advisory Council members and \$199 for non members.

NASCUS Commercial Lending School

October 23-26, 2012

Ann Arbor, MI

(This event is regulators only)

This forum will provide attendees with an in-depth look at commercial lending. The school will focus on the following topics and questions:

- **Financial Statement Analysis:** What does a good F/S analysis look like, and how do we link that financial analysis to debt service coverage (capacity/predictability to pay back the loan)?
- **Industry Sectors:** What are the differences for each industry sector and how do we best manage them?
- **Develop Financial Projections:** Moving forward, how do we analyze future financial projections to repay?
- **Credit Memorandums:** What needs to be in a proper credit memorandum write up?
- **Commercial R/E:** What should the underwriting process of CRE look like, and what needs to be in CRE appraisals?

The school will also include an interactive workshop allowing attendees to work "hands on" through case studies and much more. The early bird rate is \$699 before October 5.

NASCUS/CUNA 2012 Bank Secrecy Act Conference

Dec. 2-5, 2012

Dallas, TX

NASCUS and CUNA will continue its partnership on this comprehensive BSA training event that brings together BSA compliance officers, examiners and regulators and industry experts for nearly four days of discussion, networking and education on BSA compliance issues.

NASCUS Webinars

Prepaid Access 101

July 31, 2012, 1:00 p.m. ET

NASCUS will hold a 90 minute webinar on July 31 to discuss prepaid card access and related issues. The session will provide a foundation to understanding the nuances and complexity of this unique and emerging marketplace. This webinar is open to examiners and credit unions. For more information or to register, [visit this link](#) for more information or see related story on page 3.

Credit Union Investment Hazards

August 21, 2012, 1:00 p.m. ET

Join Rob Johnson, Executive Vice President from C.Myers for a webinar on Credit Union Investment Hazards. As deposits continue to grow and loans are stagnant, credit union investment portfolios are increasing.

The challenge in this environment is that cost of funds plus NCUSIF expense is higher than the yields that can be acquired on the investments that most credit unions typically purchase. In this webinar we will discuss suitability of investment decisions in relation to a credit union's overall strategy.

Archived Webinars

NASCUS offers previously recorded webinars to credit unions and regulators. Access to each recording costs \$199 for members and is offered on an on-demand basis. For more information on webinars, contact Isaida Woo at Isaida Woo at isaida@nascus.org or visit www.nascus.org.

Mid Year Review

continued from page 6

in one of four ways:

- (1) Becoming a member in good standing of Central Liquidity Facility (CLF) directly
- (2) Becoming a member in good standing of CLF through a corporate credit union
- (3) Obtaining and maintaining demonstrated access to the Federal Reserve's Discount Window
- (4) Maintaining a certain percentage of assets in highly liquid U.S. Treasury securities

NASCUS recommended NCUA consider providing FICUs a full variety of arrangements to demonstrate liquidity. Our comment letter can be read [here](#).

Incentive-Based Compensation

Pursuant to the Dodd-Frank Act, NCUA published a proposed rule last year regulating incentive-based compensation practices at credit unions with \$1 billion or greater in assets. NCUA's rule would apply to all credit unions (including non-federally insured credit unions). The rule would prohibit incentive-based compensation that encourage inappropriate risk taking as well as require covered institutions to report certain incentive-based compensation arrangements to their federal regulator. This is an interagency proposed rule and it is not clear at the time of publication when a final rule will be issued.

Removal of Credit Ratings References

Also pursuant to the Dodd-Frank Act, the NCUA published a proposed rule last year addressing the requirement that federal agencies to review: 1) any regulation that requires the use of an assessment of the creditworthiness of a security or money market instrument; and 2) remove any references to reliance on credit ratings and replace them with such standards of creditworthiness as determined by the respective agencies. The NCUA identified 24 general areas of its regulations that contain references to national recognized statistical rating organization (NRSRO) credit ratings. This interagency rule is still in proposed form and it is unknown at this time when a final rule will be issued.

The NCUA proposed rule takes three approaches to addressing this issue: 1) For investments, the proposal generally replaces the minimum credit rating requirement with a requirement that the credit union do an internal credit analysis of the investment pursuant to a particular narrative standard. 2) For counter party transactions, the proposal generally replaces the minimum credit rating requirement with a requirement that the credit union do an internal credit analysis of the counter party pursuant to an internal standard set by the credit union's board. 3) For ratings usage outside of investment and counter party suitability, the proposal generally removes the ratings reference without requiring some substitute analysis.

Other Federal Agency Activity of Note

Consumer Financial Protection Bureau (CFPB)

The Consumer Financial Protection Bureau (CFPB) recently launched two initiatives of interest — a public Consumer Complaint Database on credit cards and inquiry into elder abuse. The elder abuse inquiry will help the CFPB learn more about the many ways in which older Americans are financially exploited and about the best practices for elder financial management. In regard to the complaint database, by making consumer credit card complaints public, the CFPB hopes to improve the transparency and efficiency of the credit card market.



Financial Crimes Enforcement Network (FinCEN)

On its website, NASCUS also summarizes pertinent guidance and activity from other federal agencies, including the

Financial Crimes Enforcement Network (FinCEN). Of particular interest to financial institutions, FinCEN is mandating electronic filing of Currency Transaction Reports (CTR) and Suspicious Activity Reports (SAR) into FinCEN's BSA E-Filing System effective July 1, 2012. You can read more about the e-filing on our website [here](#). You can [click here](#) to see additional NASCUS summaries regarding FinCEN and other federal agencies.



Office of Foreign Assets Control (OFAC)

On June 12, 2012, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) announced a \$619 million settlement with ING Bank N.V. to settle potential liability for apparent violations of U.S. sanctions. According to the U.S. Treasury, it's the largest OFAC settlement of any kind to date. The settlement resolves OFAC's investigation into ING Bank's intentional manipulation and deletion of information about U.S.-sanctioned parties in more than 20,000 financial and trade transactions routed through third-party banks located in the United States between 2002 and 2007, primarily in apparent violation of the Cuban Assets Control Regulations, 31 C.F.R. part 515 and other sanctions regulations. To read more about this settlement, [follow this link](#). A representative from OFAC is speaking about sanctions activity at the NASCUS State System Summit, Sept. 12-14 in Denver. See pages 4-5 for more information.



If you have any questions about these issues, contact Brian Knight at brian@nascus.org or Jenny Champagne at jenny@nascus.org.

National Association of State Credit Union Supervisors

1655 N. Fort Myer Drive, Suite 300 • Arlington, VA 22209 (703) 528-8351 • www.nascus.org

© NASCUS 2012. All rights reserved.

Contact NASCUS' Communications department by emailing kate@nascus.org.

Newsletter Design by Levinson Design: www.levinsondesign.com

NASCUS