NASCUS Stateline

FOURTH QUARTER 2012

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

Providing Value to NASCUS Members through Education

NASCUS is more than the state system's voice in Washington, DC. NASCUS also serves its members through training and professional development as well as providing resources for member specific inquiries.

For example, with the help of NISCUE, NASCUS brought training and professional development to three states in response to specific requests from those states this past October.

NASCUS provided the Washington Department of Financial Institutions a day long Consumer Protection Law Update. Washington state regulates BECU which early in 2013 will cross over into the direct jurisdiction of the Consumer Financial Protection Bureau (CFPB). In anticipation of working with the CFPB, the state has been pro-active in refining its examiner awareness and expertise in consumer protection issues. At this event, Frank Drake, Partner at Smith Debnam, LLP provided an update on the recent compliance and enforcement changes to TILA, RESPA, Home Mortgage Disclosure Act, Home Owners Protection Act and Service Members Civil Relief Act. Edwin Chow, CFPB Western Regional Director, also provided an update on Bureau exams and enforcement.

NCUA's Chief Economist John Worth provides NASCUS CU Advisory Council Members an economic update at the NASCUS Annual Summit in September.

In North Carolina, an issue of importance for the Credit Union Division is information technology. At the Division's request NASCUS brought its three day Information Technology Forum to the state. During this event, Tom Schauer of Trust CC provided

See PROVIDING VALUE Page 8

2012 Year-end Regulatory Review

As 2012 ends, NASCUS would like to take this opportunity to provide a briefing of regulatory items of importance to state regulators and state credit unions. It is our practice to summarize NASCUS' position on all regulatory activity as it relates to the state credit union system for the year in the fourth quarter issue of Stateline.

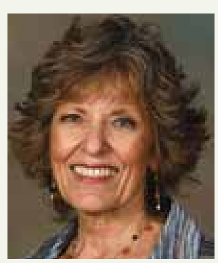
NCUA Activity

In addition to the rulemaking discussed on the following pages, NCUA has to date issued guidance through eleven letters to credit unions, seven legal opinions, and four regulatory alerts. NASCUS summarizes all Letters to Credit Unions, Regulatory

See REGULATORY REVIEW Page 4

As the 2012 ends, we thank the membership and ask for your engagement

By Mary Martha Fortney, NASCUS President and CEO



Mary Martha Fortney

NASCUS leadership met this past year to evaluate and define NASCUS' value proposition to our stakeholders in the state credit union system. Through those discussions it became obvious that NASCUS' value for Credit Union Advisory Council members comes

See PRESIDENTS MESSAGE Page 3

IN THIS ISSUE

NASCUS Accreditation

The NASCUS Accreditation Program, established in 1987, is administered by the NASCUS Performance Standards Committee (PSC). The program supports the NASCUS mission to strengthen state credit union supervision. Nearly 80 percent of state-chartered credit unions and 85 percent of assets in the state-chartered credit union system are supervised by NASCUS-accredited states. The NASCUS accreditation standards and the methodology for measuring agency performance and adherence to standards are recognized nationally and internationally as a model for state credit union regulatory excellence.

Re-accreditation and Annual Reviews

NASCUS Accreditation is valid for five years, subject to annual review. Every five years, the state agency and NASCUS complete a full scope review to evaluate the agency's continued adherence to accreditation standards.

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

Follow NASCUS on Twitter

NASCUS can be found on Twitter as TheNASCUS. Follow us for NASCUS news and announcements. Contact Jenny Champagne at jenny@nascus.org with your questions.

AZ Accreditation Photo

Members of an Accreditation Review Team (ART) with state regulators onsite at a state agency working to complete a reaccreditation review. Left to right, Roger Little (MI-retired), Barbara Pogue (NASCUS), Tami Smull (AZ), Lauren Kingry, (AZ), Pat Murphy (TN) and Tom Candon (VT).

Registry of Accredited States*

- Michigan
- Indiana
- Idaho
- Connecticut
- Missouri
- North Carolina
- Kentucky
- Louisiana
- Utah
- Tennessee
- Kansas
- Vermont
- Massachusetts
- Texas
- Arizona
- Iowa
- Georgia
- Colorado
- Alabama
- California
- Washington
- North Dakota
- Pennsylvania
- Wisconsin
- Ohio
- Virginia
- Florida

**In order of first accreditation*

In 2012, Accreditation Review Teams (ARTs) conducted on-site reviews for re-accreditation in the following states: Iowa, Colorado, North Carolina, Kentucky, and Arizona. NASCUS congratulates all of the 27 NASCUS-accredited states for their commitment to regulatory excellence.

Twenty states completed annual reviews for continued accreditation in 2012. The annual reviews enable the NASCUS PSC to evaluate accredited states' continued adherence to the standards set forth in the program's guidelines. To gain annual approval for continued accreditation, accredited states must demonstrate, by submitting detailed updates, that they continue to maintain the quality level of agency operations required by the NASCUS Accreditation Program. To ensure accredited agencies continue to maintain the standards of the program, the PSC requires all accredited states to notify NASCUS immediately of changes and developments that could have material negative impact on the agency's examination and supervision programs.

Committee Goals and Objectives

Each year, the PSC identifies its goals and objectives for the coming year. The Committee held an organizational meeting in October and adopted several goals for 2013. These goals focus on priorities that will ensure the Committee is effectively administering the program and maintaining the integrity of the Accreditation process. The 2013 goals include two important objectives that the PSC consistently carries forward from the previous year. As in the past, in 2013 the Committee will emphasize enhancing the benefits and value of Accreditation and increasing recognition by the federal regulators, the industry, and others of the significance of Accreditation.

Thanks and Appreciation

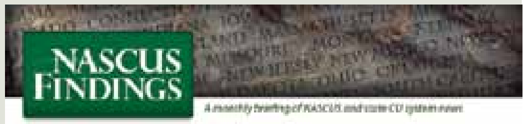
NASCUS thanks the state regulators who support the program by serving on the Performance Standards Committee, the Accreditation Review Teams (ARTs), and the Accreditation Audit Working Group (AAWG). The Accreditation Program is structured around the pear review concept and the hard work and time that these dedicated regulators contribute is critical to the success of the program.

NASCUS Announces New Publications!

As we have mentioned over the last few months, we are revamping our publications and the way we communicate with you, our members and most valuable resource. It's with some sadness but great anticipation for what's to come that we tell you after more than two decades ***"The Facts from Washington"*** is being replaced with two new publications.

Look for our first edition of ***"NASCUS Findings, A monthly briefing of NASCUS and state CU system news"*** in early January. We will publish this newsletter at the beginning of the month and deliver it to the full NASCUS membership by email. This newsletter will have a targeted focus on state credit union system news as well as national content. We're asking for NASCUS Membership's input going forward. If you come across newsworthy happenings at your agency, your credit union or other credit unions in your state about which you think NASCUS members would want to know, please let us know.

Regulators, look for our new confidential newsletter devoted to you as well. The ***"NASCUS Insider, For Regulators Only"***



will be published mid-month by email and will have confidential information for regulators only and again, will include state specific as well as national content. We see this newsletter as another method allowing NASCUS regulators to share information and exchange leading practices and ideas in regulatory operations and credit union supervision. Please send any story ideas regarding innovative practices at your agency and noteworthy press releases to Jenny Champagne at jenny@nascus.org.

President's Message

continued from page 1

from the interactive dialogue between and among our constituencies, state regulators and state credit unions.

Fulfilling the NASCUS mission of protecting, defending and enhancing the state credit union system is better accomplished when regulators and credit unions work together rather than independently.

Leveraging the experience of both state regulators and state credit unions is critical to the work of advancing the state credit union system. NASCUS recognizes that credit union supervision is a balancing act between safeguards that protect members and flexibilities that allow credit unions to run their businesses. We understand that the real world of credit union operation is complex and dialogue between regulators and the industry is essential to effective supervision and regulation. NASCUS has been providing a forum for this dialogue since 1965 through the active engagement of NASCUS member regulators and state credit unions.

In 2013, it will be my priority to expand opportunities for you, our members, to participate in your association. You will notice soon that NASCUS is revamping our publications to improve the way in which we communicate with you and to include more information about the innovative happenings at state agencies and state credit unions across the nation.

NASCUS has joined Twitter as another outlet for communication with stakeholders. Follow us on twitter at @TheNASCUS. I also encourage you to become involved in NASCUS in a way that works for you — by joining a NASCUS committee, by participating in our NASCUS quarterly calls or in our monthly webinars and by attending our NASCUS educational classes. Be sure to make plans now to be in Coeur D'Alene, Idaho from September 18-20 for the 2013 NASCUS State System Summit.

The work we do now to advance system is certainly positive and beneficial to our members. With your help and your participation, we can bring this important work to the level of greatness.

I again express my appreciation for NASCUS member support of our efforts on behalf of the state credit union system. Your support allows us to be successful with our legislative advocacy, regulatory analysis and educational programs for state regulators and state-chartered credit unions. With your input and continued participation, we look forward to another successful year at NASCUS.

Legislative Recap: What to Watch in 2013

NASCUS will continue to work to influence the upcoming NCUA Board appointments, monitor exam fairness and supplemental capital activity, and others into 2013

NCUA Board Appointments

Of critical importance to NASCUS and the state system are the upcoming NCUA Board appointments. With Gigi Hyland leaving this past fall, Board Member Fryzel's term expiring in August, 2013 and Chairman Matz' term expiring in Spring of 2015, President Obama will likely appoint three new NCUA Board members before he leaves office. NASCUS has begun to focus efforts on ensuring that there is a representative of the state system on the NCUA Board. In late 2012, NASCUS' Executive Committee met with the Presidential Personnel Office to discuss this issue. We will continue to focus efforts here in 2013.

Exam Fairness

We are monitoring S. 2160, the Financial Institutions Examination Fairness and Reform Act, with 14 cosponsors, a nearly identical legislation to H.R. 3461, (192 cosponsors) the House version of exam fairness. Though these bills focus on federal exams only and NASCUS has no formal position on them, we are watching closely for issues that might eventually impact the state system.

Supplemental Capital

NASCUS continues to advocate for the legislative changes necessary to allow credit unions to raise supplemental capital. H.R. 3993 (Rep. King, D-NY) is the bill to amend the definition of net worth in the FCUA to allow non-share capital accounts to count toward a natural person's credit union's net worth. It has 43 cosponsors as of December 21, 2012. NASCUS supports this legislation and has expressed its hope to the House Financial Services Committee leadership that any discussions or hearings on capital for financial institutions should include credit unions and discussion of this legislation.

Please continue to check www.nascus.org for legislative updates impacting credit unions and the state system.

Regulatory Review

continued from page 1

Alerts, Legal Opinion Letters, Risk Alerts published by NCUA in 2012 on our website a www.nascus.org for your reference.

Definition of "Small Credit Union" — Proposed Rule

Since 2003, NCUA has defined a small credit union as one with assets less than $10 million. This designation is in response to a federal law that generally requires federal agencies to determine and consider the impact of proposed and final rules on small entities. Prior to 2003, NCUA's small credit union threshold had been $1 million in assets (established in 1981). The significance of the small credit union threshold is that NCUA is required to consider the impact of its rules on small credit unions. In addition, NCUA has recently engaged in rulemaking using a tiered approach to rulemaking that often exempts "small" credit unions.

Now, NCUA is proposing raising the threshold for a small credit union to one with assets less than $30 million. NASCUS filed a comment letter with NCUA on Tuesday, November 20, in response to NCUA's proposed rule to change the definition of "small credit union." The letter was developed after consultation with the Board, Executive Council, and the NASCUS Legislative and Regulatory Affairs Committee.

NASCUS emphasized in the letter that we support meaningful regulatory relief so long as it is done in a safe and sound manner. NASCUS also supports more flexibility in regulation in general. In many cases, a one size fits all approach stifles the system without providing any corresponding safety and soundness benefit. We also encouraged NCUA to utilize its rulemaking to provide as much information and clarity as possible to help ease regulatory burden. For example, there are several NCUA rules that would be unchanged by the proposal because their $10 million thresholds are statutory. Undoubtedly, this will confuse some within the industry. NCUA could easily identify those rules and explain that their statutory underpinnings limit NCUA's ability to make corresponding changes. We believe helping credit unions understand which regulations apply, and why, facilitates compliance.

David J. Brummond, Senior Sanctions Advisor, Office of Foreign Assets Control (OFAC) updates NASCUS members on recent OFAC sanctions.

Troubled Condition — Proposed Rule

In July, the NCUA board voted unanimously to publish a notice of proposed rulemaking to amend the definition of "troubled condition" in §701.14 and elsewhere in NCUA's regulations. For the most part, the proposed rule would affect only federally insured state-chartered credit unions (FISCUs).

NASCUS filed a comment letter with NCUA which can be found here. In the letter, NASCUS states that we are unconvinced that the longstanding protocol between NCUA and state regulators regarding the regulatory classification of a state credit union to be in troubled condition needs to change. NASCUS makes the point that the current protocols relying on the state rating have worked effectively for 22 years, and NCUA had failed to make a convincing case for a need for change. In fact, we point out that NCUA itself acknowledges that disagreement is rare, and that the agency's own monthly report contains a discussion of several FISCUs that were in troubled condition but that the states and NCUA worked together to preserve the institutions and the credit unions had recovered.

Access to Emergency Liquidity — Proposed Rule

NASCUS recently filed a comment letter with NCUA in response to NCUA's proposed emergency liquidity rule. After carefully reviewing the rule, NASCUS questioned the need for the rule in light of the thorough liquidity guidance issued by the Federal Financial Institution Examination Council (FFIEC) in 2010. We noted that state regulators had participated in the development of the FFIEC liquidity guidance (as had NCUA). As for the proposal itself, NASCUS recommended NCUA raise the first tier (requiring a board approved liquidity plan) from $10 million to $30 million. We also urged

See REGULATORY REVIEW Page 6

North Carolina's Jerrie Jay Retiring from State Regulatory Career

Long time NASCUS Board member and Past Chairman retiring year-end 2012

Jerrie K. Jay, Administrator for the North Carolina Credit Union Division will retire effective January 1, 2013. Jay served as Administrator for over 15 years.

Jay served as NASCUS Chairman from 2001-2003. Ms. Jay has testified before committees in the U.S. House and Senate during her involvement with NASCUS. She was an active participant in the NASCUS Accreditation Program, serving on a number of Accreditation Review Teams over the years. Administrator Jay has also served on numerous NASCUS committees, task forces and working groups.

Jerrie Jay

"Jerrie has been a steadfast supporter of state autonomy and she has made significant contributions to NASCUS during her time as a state regulator," said NASCUS President and CEO Mary Martha Fortney. "NASCUS is grateful for Jerrie's support of NASCUS over the years and her commitment to advancing the strength of the state credit union charter. We wish her all the very best in her retirement."

GUEST COLUMN

Information Technology, Regulatory Compliance and the Risk Management Mindset

Tom Schauer, CISA, CISSP, CISM, CRISC, CEH, CTGA
CEO of Trusted Advisory Group Inc., dba TrustCC
Contact the author at tschauer@trustcc.com or 253.468.9750.

Tom Schauer has been in IT security and auditing for over 25 years. Since founding TrustCC twelve years ago, Tom has focused on serving community banks and credit unions. Tom's team has performed over 1550 IT audits and security assessment for over 350 financial institutions. Tom's team has also performed several hundred IS&T examinations while under contract to both state and federal regulatory agencies.

Tom is a faculty member for NASCUS, regularly training examiners to perform IS&T examinations. Tom is a frequent speaker at numerous national and international conferences including those hosted by NASCUS, ACUIA, ISACA, IIA, NCUA, and various technology vendors.

The Gramm-Leach-Bliley Act (GLBA), now 12 years old, was among the first regulatory guidelines to require financial institutions to document a written risk assessment. It requires that financial institutions: a) describe reasonably foreseeable internal and external threats to member information and information systems, b) rate the impact and likelihood of each threat, and c) assess the sufficiency of controls to mitigate risks.

Risk assessment is independent but related to the GLBA requirement to test key controls. The risk assessment process identifies controls and designates some as "key controls". Key controls must then be tested to ensure they are operating effectively. Security assessments and IT audits are examples of tests of key controls. Both risk assessment and test of key controls should be performed at least annually and when significant changes occur.

Today, many examiners believe having a risk assessment is not enough. The "spirit" of the GLBA requirement is increasingly extended to require a risk management mindset.

One NCUA examiner recently stated, "I want IT management to use the risk assessment to help them focus on the right things to answer the question 'What are the top ten or twenty key controls that I should be paying attention to on a regular basis?'"

In a recent exam the IS&T examiner was reviewing the patch management console (WSUS) with credit union personnel. The console showed over 100 Windows systems needing over 400 updates. The examiner asked credit union management if this was acceptable. The manager did not know how to respond - he had never thought to have a benchmark for the quantity, timeliness and significance of missing patches. The examiner cited a finding for not having a process to regularly monitor key controls and cited patch management as a specific example.

One of the most frequently cited exam findings is non-compliance with the need to test controls that protect member information. Specifically, NCUA 12CFR748 Appendix A recommends that each credit union "Regularly test the key controls, systems and procedures of the information security program as determined by the credit union's risk assessment. Tests should be conducted or reviewed by independent third parties or staff independent of those that develop or maintain the security programs."

Key controls can be administrative, technical or physical controls. Too often a credit union will retain services to perform vulnerability and penetration testing with the understanding that this will satisfy the testing of key controls requirement. But in fact, vulnerability and penetration testing tends to focus primarily on technical controls and may not test many key administrative and physical controls. And some security assessments don't test all key technical controls.

For example, during one recent credit union exam the exam team found that a well recognized security company was engaged to perform vulnerability and penetration testing. This company is known for performing remote testing through its "scanning appliance". As expected, the company had performed well and its report was useful in describing vulnerabilities. But when the IS&T examiner asked the credit union for evidence that the firewall was securely configured the credit union could not provide evidence from the security company's report. In fact, an assessment performed through a remote connection to a scanning appliance is not conducive to reviewing controls that can only be reviewed by examination of a configuration file or observation of a technical console. The examiner cited this Credit Union for insufficiently testing all key controls and noted firewall configuration management as an example of an un-tested key control.

What are the common controls that most credit unions should stipulate as key controls? While arguably unique per credit union, many key controls are probably consistent across all credit unions.

Several risk frameworks have emerged to help define key controls. The ***SANs Twenty Critical Security Controls***[1] is a perfect example. The ***SANs Twenty*** purportedly identifies specific technical security controls that are viewed as effective in blocking currently known high-priority attacks as well as those attack types expected in the near future. Now widely sanctioned by many state and federal examiners, several presentations at the 2012 NCUA IS&T SME training in Dallas cited the ***SANs Twenty*** as best practice. And progressive security assessment companies, such as TrustCC[2], are beginning to report on a financial institution's compliance with the ***SANs Twenty*** as a part of a security assessment.

Other more complex frameworks from NIST, COBIT and others are worthy of consideration when defining the key controls of a security program. Some credit unions use the FFIEC IT booklets[3] to source ides for their key controls.

In conclusion, it may no longer be sufficient to simply have a GLBA Member Information Security Risk Assessment. Credit unions need to make the risk assessment a living part of their routine management practices. All credit unions should ensure all identified key controls are regularly tested and all IT managers should establish routine practices for monitoring their key controls.

[1]See http://www.sans.org/critical-security-controls/
[2]See https://trustcc.com
[3]See http://ithandbook.ffiec.gov/it-booklets.aspx

Regulatory Review

continued from page 4

that the third tier (requiring either Central Liquidity Facility (CLF) or discount window access) be raised from $100 million to at least $250 million.

We questioned the CLF's ability to serve as a true source of emergency liquidity in the absence of procedural and statutory changes to ensure it can expediently respond to liquidity emergencies across the system. With respect to the exclusion of the Federal Home Loan Banks (FHLBs) as an accepted mandatory liquidity source for large credit unions, we acknowledged sharing many of NCUA's concerns. However, given the limitations to the CLF we questioned the practicality of the specific requirements for credit unions over $100 million. Finally, we noted the confusion caused by the question of the rule's applicability to corporates and recommended the issue be clarified in any final rule. To see our comment letter, click here.

Interest Rate Risk — Final Rule

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

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

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.

Pending Rulemaking

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 predominately 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. It's unknown whether NCUA will release a new CUSO proposal sometime in 2013.

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.

See REGULATORY REVIEW Page 8

NASCUS' Fortney Participates in Inaugural Ohio Credit Union Day

Ohio Governor declares October 30 Ohio Credit Union Day

On Tuesday, October 30, Mary Martha Fortney joined the Ohio Department of Commerce and Division of Financial Institutions (DFI) as a speaker at the inaugural Ohio Credit Union Day. During Credit Union Day, Ohio credit unions interacted with their regulators while receiving the most up-to-date economic and industry news.

The event featured experts from The Cleveland Federal Reserve Bank, Consumer Financial Protection Bureau and the Financial Crimes Enforcement Network, as well as a luncheon address from Lt. Governor Mary Taylor. The presenters discussed industry trends, the economic environment and Ohio's priorities going forward. Ohio DFI staff also was on hand to provide examination insights.

(Left to right) Guhan Venkatu, Economist, Cleveland Federal Reserve; Thomas Lawler, Compliance Project Officer, FINCen, Michael Wettrich, NASCUS Board member and Deputy Superintendent, Ohio, Mary Martha Fortney and Charles J. Dolezal Superintendent of Financial Institutions, Ohio at inaugural Ohio Credit Union Day in October, 2012. (Photo provided by the Ohio Department of Commerce)

Fortney discussed how NASCUS preserves the integrity of the dual chartering system. In her remarks, Ms. Fortney focused on how NASCUS stands for the principle of leveraging the experience of both the regulator and the regulated to improve the supervision of state chartered credit unions. Interim CFPB Director Rose Pickrum discussed the CFPB's role in the Midwest and Ohio DFI staff provided strategies for reducing risk at credit union annual meetings and board meetings. Ohio DFI staff also discussed what examiners look for during information technology examinations.

NASCUS applauds the Ohio DFI for their work in putting together an extremely valuable day for Ohio's credit unions.

NASCUS Upcoming Educational Events

Email isaida@nascus.org with your questions

Register online for all events at this link.

NASCUS Directors Colleges

- ***Florida***
  Feb. 5, 2013
  CTE Federal Credit Union, Orlando, FL
- ***North Carolina***
  March 13 and 14, 2013
  Greensboro, NC
- ***Illinois***
  Dates TBD
  Springfield, IL
- ***Washington***
  April 2013
  Date and location TBD
- ***Kansas***
  May 7
  Location TBD
- ***Wisconsin***
  June 18, location TBD

NASCUS will continue its Directors College series around the country in 2013. Please save the date for these popular one-day events geared toward enhancing directors' understanding of the critical statutory, fiduciary and regulatory responsibilities of a director. Email isaida@nascus.org with your questions on the NASCUS Directors College series.

NCUA/NASCUS National Regulators Meeting

March 19-20, 2013
San Antonio, Texas
Hotel: Omni San Antonio Hotel at the Colonnade

The Annual NCUA/NASCUS State Regulators' Conference will be held at the Omni San Antonio Hotel at the Colonnade. The hotel is located at 9821 Colonnade Boulevard, San Antonio, TX. The conference dates are all day Tuesday, March 19th and all day Wednesday, March 20th. Monday will be the official travel day. The NASCUS State Programs Coordinator will issue a memorandum with registration instructions and travel information in mid January.

Member Business Lending School

March 26-28, 2013
Dallas, Texas
Hotel: Intercontinental Dallas

The school includes two-and-half-days of sessions on diverse training for state examiners and credit unions officials. The school will focus on identifying credit risk in member business loans and to assess how that risk is mitigated through loan structuring.

The training will focus on understanding the role of credit risk analysis, debt capacity analysis, and loan structuring in the context of a loan review. The training will be centered around case studies and exercises based on actual scenarios such as the following:

- Determine the sources of repayment, and the role of capital structure in the loan.
- Review the role of loan covenants in a loan agreement and their impact on mitigating risk.
- Analyze various types of loan structures.
- Identify risk mitigation strategies associated with various types of lending.
- Identify the appropriate cash flow measurement for the various types of loans.

NASCUS Small Credit Union Roundtable

April 9, 2013
Community Regional Credit Union, Old Forge, PA

One day training event for small credit unions on topics such as: loan officer training, credit committee (how to evaluate credit), supervisory, changes in regulations, IT and compliance. Our focus is on credit unions with less than $30 million.

NASCUS State Regulatory Roundtable

(Formerly the NASCUS Annual School)
May 14-16, 2013
California Credit Union, Glendale, CA

This event is the one NASCUS education event for regulators-only, allowing for open regulator-to-regulator discussion on the most pressing issues and challenges facing state examiners. The school includes two-and-half-days of sessions on diverse training for state examiners.

NASCUS State System Summit

Sept. 18-20, 2013
The Coeur d'Alene
Coeur d'Alene, ID

NASCUS welcomes the state system's leaders, credit union executives, leagues and state regulators to Denver Sept. 18-20, 2013. The Summit will take place at ***The Coeur d'Alene.***

NASCUS/CUNA 2013 Bank Secrecy Act Conference

November 2013
Florida

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

- **Measuring Extension Risks in your Investment Portfolio**
  January 15, 2013, 1 p.m. ET
- **E-Lending Webinar**
  February 14, 1 p.m. ET
- **Remote Deposit Capture (RDC) – Getting Started/Is It Right for My Credit Union?**
  April 11, 2013, 1 p.m. ET

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@nascus.org or visit www.nascus.org.

Providing Value

continued from page 1

the attendees with an in-depth look at information technology (IT) issues for credit unions. We are bringing a similar program to California in April.

In Michigan, the issue was member business lending. At the state's request NASCUS partnered with Jim Devine of Hipereon to bring Michigan's Office of Financial and Insurance Regulation a topnotch Commercial Lending School. NASCUS' Commercial Lending School is one of our most sought after professional development opportunities. We look forward to bringing commercial lending training to Texas in March.

> Since the beginning of the Directors Colleges, NASCUS has provided training to over 2000 credit union directors nationwide.

Of course, NASCUS continued its hugely popular Directors College training series as well. The series continues in 2013 with Directors Colleges already scheduled for Florida, North Carolina, Illinois, Kansas, and Wisconsin. Since the beginning of the Directors Colleges, NASCUS has provided training to over 2,000 credit union directors nationwide.

Since 2005, NASCUS has worked diligently to ensure state regulators and the state system remained prepared to fulfill their obligations under the numerous anti-money laundering, Bank Secrecy Act and Office of Foreign Asset Control statutes. Because there is much "gray" area in terms of BSA/AML compliance, NASCUS determined early on it was important for examiners and credit unions to attend the same training and discuss the issues together. Before the first BSA Exam Manual was published by the Federal Financial Institution Examination Council (FFIEC) in June of 2005, NASCUS discussed a partnership with CUNA to develop a credit union system-wide training for BSA examination and compliance. We have held a joint conference with CUNA annually on the subject ever since.

In December of 2012, over 300 examiners, compliance officers and other credit union system professionals gathered in Dallas, Texas for the 8th Annual NASCUS/CUNA BSA Conference. Attendees heard from state and federal regulators and other experts on the latest in BSA/AML compliance and examination. See our educational calendar on page 7 for our 2013 schedule and check nascus.org often for updates.

Serving as a resource for our members goes beyond training and professional development. NASCUS also serves as a resource on trends in state laws and regulations. Often, members will contact NASCUS to inquire how various states handle various issues. In addition to publishing our popular Profile of State Credit Union Regulatory Agencies, NASCUS has provided members information on trends in field of membership, varying state thresholds in CUSO investments, information on which states allow credit union boards to be compensated, and how the seven states with state specific member business lending rules differ from NCUA Part 723.

NASCUS also outreaches among our members, by attending league and chapter meetings, organizing regional regulator meetings, and meeting with state legislative officials when requested by members in the state. We look forward to continuing this important work in 2013.

Regulatory Review

continued from page 6

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. It is unlikely that NCUA will proceed with final rulemaking until later in 2013.

Other Federal Agency Activity of Note

NASCUS works with a variety of federal agencies in addition to NCUA. This year NASCUS has been engaged with the Consumer Financial Protection Bureau (CFPB), the Federal Trade Commission (FTC), the Financial Crimes Enforcement Network (FinCEN), the Internal Revenue Service (IRS) and the Treasury Department.

NASCUS has worked with the CFPB during its rulemaking to ensure the views of state regulators and the state credit union system were being considered by the Bureau. NASCUS has urged the CFPB to consider the modest size of credit unions in general as well as credit unions' historical pro consumer record in its rulemaking. Specifically, NASCUS has suggested that the CFPB exercise its authority to exempt entities and industries from rules. NASCUS has also pointed out to the CFPB that state credit unions in particular are subject to the full jurisdiction of various state authorities. In the context of consumer protection this is noteworthy because in many cases state authorities and state chartered entities were more responsive to consumer protection concerns than their federal counterparts.

NASCUS has also been working with the CFPB on developing the protocols by which the states and the Bureau will exchange member complaint information.

NASCUS continues a strong working partnership with FINCEN as well. This year FinCEN's mandatory e-filing became effective, a major due diligence rule was proposed, and enforcement actions were stepped up with several hundred million dollar penalties against banks announced.

NASCUS continues to work on a final positive resolution of the unrelated business income tax (UBIT) issue through meetings with Treasury and the UBIT Steering Committee. Two federal courts have found predominantly in favor of state credit unions and IRS audit activity has slowed. However, the issue remains and NASCUS hopes to enshrine the favorable rulings in IRS policy.

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 650
Arlington, VA 22209
(703) 528-8351 • **www.nascus.org**

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

Newsletter Design by Levinson Design:
www.levinsondesign.com

NASCUS