

NASCUS SUMMIT 2014

NASHVILLE, TN SEPTEMBER 10-12, 2014

NASCUS' 2014 Summit Focuses on Strengthening State Charters, Fostering Innovation, Enhancing Financial Supervision

Annual conference features state system leaders and experts, opportunity for dialogue

More than 150 credit union CEOs, state regulators and industry leaders are converging on Nashville this week for the 2014 NASCUS State System Summit, with topics like cyber security, interest rate risk, credit union service organizations, litigation against credit unions and patent trolls top of mind. NASCUS will be encouraging state system leaders and experts to dialogue about ways to strengthen state charters, foster innovation and enhance financial supervision.

During the opening general session on Wednesday, Sept. 10, NASCUS President and CEO Mary Martha Fortney will focus on national issues. Brian Branch, World Council of Credit Unions President and CEO, is also scheduled to speak during Wednesday's general session.

Breakout sessions will take place on Wednesday afternoon, and will include such topics as "Increasing Profitability by Making Better, Faster Decisions," "Making the Most of Loan Participation

Programs," "Managing Interest Rate Risk Through Hedging With Derivatives," and "TILA/RESPA Integrated Disclosures—It's a Whole New World."

During the Credit Union Advisory Council Issues Briefing on Thursday morning, credit union attendees will hear from Frank Drake, Partner, Smith Debnam Narron Drake Saintsing & Myers, LLP, who will speak on litigation against credit unions. An interest rate risk panel, featuring speakers from ALM

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Pushing Back Against Patent Trolls

One hundred fifty miles east of Dallas, Texas, and 40 miles west of Shreveport, La., lies the town of Marshall, Texas. Marshall is home to slightly more than 24,000 people, an historic pottery industry, multiple colleges, and the Sam B. Hall, Jr., Federal Courthouse. Another feature of Marshall was described by the August 20, 2014, edition of *Forbes* online:

Marshall's most booming industry these days, however, is based in the Baxter Building, an unassuming three-story brick office space in the center of town. Twenty-five businesses fill the space, but don't look for employees — many of the offices are empty... The companies in the Baxter Building are located in Marshall for one reason: the federal courthouse next door.

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The offices are empty because Marshall is home to many of the non-producing entities (NPEs) that have been bedeviling credit unions, banks and other businesses around the country with threats of litigation. NPEs are also known as patent trolls. And they have been busy.

According to an online article by Joe Mullin (arstechnica.com), 6,092 patent lawsuits were filed in 2013 — a 12.4% increase over 2012. Of those 6,000 patent suits, 1,492 were filed in the eastern District of Texas, which includes Marshall and its federal courthouse. That is more patent

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Bright Future Ahead for NASCUS and State Credit Union System

By Mary Martha Fortney, NASCUS President and CEO

The 2014 Summit will be my last as president and CEO of NASCUS, and as I look back on my 22 years with the organization, I see a number of NASCUS accomplishments that should make our members both proud of NASCUS' record and excited for its future.



Mary Martha Fortney

Part of the foundation of NASCUS'

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President's Message

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strength and effectiveness is the dialogue between members, regulators and credit unions. And while credit unions were invited to join NASCUS beginning in 1981, it was in 1992 that NASCUS took the step that would set it on its path to success by creating a leadership body for its credit union members to help the Regulator Board govern the association. This combining and considering the expertise and perspective of both the regulator and regulated at the leadership level is the main reason we have been nimble and forward-thinking as an organization.

As an association, NASCUS was unique. It was especially interesting to watch the interaction among the regulators and credit union CEOs as various and differing views were considered on important issues. One noteworthy event was the credit union members' insistence that NASCUS regulators become involved in its opposition of the "C.U.R.E." bill, legislation introduced in the U.S. Senate in the mid-'90s that would have allowed state credit unions only those powers authorized for federals. The bill was defeated.

In 1997, NASCUS would respond to the frustration felt by many state-chartered credit unions with their limited ability to follow their memberships across state lines by working with state regulators to create the *Nation-wide Interstate Branching Agreement* that was signed in March 1998 by virtually all the state agencies. This marked the beginning of NASCUS' commitment to working with regulators and credit unions to improve the interstate branching opportunities within the state system. As a result, several states that had previously prohibited branching moved to change their laws and regulations to provide for branching for their state credit unions.

In 1998, as the federal credit union side of our system faced its most severe challenge, NASCUS stepped up. We were a determined and unflinching supporter of HR 1151 as the needed, and most immediate, opportunity to reverse the Supreme Court decision that had had the effect of severely limiting federal credit union field of membership opportunities. NASCUS recognized that a strong dual chartering system requires strong and diverse state and federal charters, and worked to pass the federal charter fix even though it contained the unpopular MBL and PCA provisions. NASCUS was successful in having provisions for state-specific MBL rules codified in the statute, which would prove in the later years to have been an essential

2014 NASCUS/CUNA BSA Conference to be held Oct. 26-29 in Las Vegas

NASCUS offering two BSA/AML training opportunities prior to event

Now in its 10th year, NASCUS' annual BSA Conference is the largest credit union system BSA conference in the nation.

The NASCUS/CUNA BSA Conference features nearly three full days of in-depth BSA/AML compliance and examination training, and this year, NASCUS is pleased to offer two BSA/AML training opportunities for examiners and compliance officers.

Among the sessions that will be offered at this year's conference, which will be held Oct. 26-29 at the Caesars Palace hotel in Las Vegas, are "Developing BSA Board & Executive Training," "Introduction to Virtual and Crypto Currency," and "Risk & Reward

with MSBs." The cost to attend this year's Bank Secrecy Act Conference is \$1,095.

Also this year, NASCUS is pleased to announce a special BSA/AML training Oct. 8-9 in Anne Arbor, Mich. This day-and-a-half training is being presented in partnership with the Michigan Office of Credit Unions and CUNA. The program will feature some of the most popular sessions from the November 2013 BSA Conference, as well as an opportunity to test for CUNA's BSA expert certification. The Michigan Office of Credit Unions has brought this condensed version of our popular national training to Michigan in order to have all of their examiners test for the BSA certification. The cost of this event is \$450.

Visit www.nascus.org for more information.

NASCUS Installs New Leaders, Thanks Former Leadership

On Wednesday, Sept. 10, at the NASCUS State System Summit Annual Meeting, NASCUS will welcome Stephen S. Pleger, senior deputy commissioner for the Georgia Department of Banking and Finance, as NASCUS' newest Board chairman, and Linda Childs, president and CEO of TNConnect Credit Union in Knoxville, Tenn., as the NASCUS Credit Union Advisory Council chairman.



Stephen S. Pleger

Pleger replaced former NASCUS Board Chair Mike

Wettrich, who resigned as Board chair in August following his resignation as chief examiner and interim deputy superintendent for credit unions for the Ohio Department of Commerce Division of Financial Institutions, in order to assume the role as CEO of the Westerville, Ohio-based Education First CU.



Linda Childs

Childs replaces Community First Credit Unions President and CEO Catherine Tierney, who has served as NASCUS Advisory Council chairman for the past three years.

element to providing regulatory relief within the state system. Ultimately, NASCUS would work with eight states to promulgate state-specific MBL rules. NCUA itself would borrow concepts from the state-specific rules for its own MBL rule.

Of course, in the late 1990s and to this day, NASCUS has been a leader in the system, working with CUNA, the American Association of Credit Union Leagues, CUNA Mutual and others to resolve the UBIT issue to bring equity and common sense to the Internal Revenue Service's treatment of common financial products and services for state

charters. Of course, there has recently been a positive resolution on crucial unrelated business income tax (UBIT) issues, which opened the door for credit unions to receive refunds of past payments. In March, the IRS issued a memorandum to its field staff, clearing many of the contested credit union income-producing activities from being subject to UBIT.

NASCUS was the leader in the credit union system on reforming credit union capital, seeking passage of legislation for access to supplemental capital for well over a decade.

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National Cyber Security Framework Voluntary, but Necessary

By Tom Schauer, CISA, CISSP, CRISC, CISM, CEH, CTGA

In February of 2014 the National Institute of Standards and Technology (NIST) issued the National Cybersecurity Framework.



Tom Schauer

While the Framework (<http://www.nist.gov/cyberframework/upload/cybersecurity-framework-021214-final.pdf>) was conceived to be voluntary and system/industry-agnostic, some financial institution regulatory agencies have already

stated that compliance is expected. In fact, the FFIEC undertook a significant effort this summer to survey hundreds of banks and credit unions to determine the current state of cyber security.

The Framework is good news for banks and credit unions, as compliance should reduce the risk and consequences of a breach. There is nothing in the Framework that is surprising or unconventional, making compliance relatively straightforward for organizations with a mature information security program.

A very positive, yet unintended outcome of the Framework, should be greater consistency within IT examinations. The Framework provides examiners with contemporary information security practices to examine against rather than examiners selecting inconsistent “best practices” as the basis of their examination.

Much like the SANs 20 Critical Security Controls often advocated by credit union examiners, the Framework core is a set of activities and desired outcomes organized

into categories and subcategories. While very little is “new” within the Framework, most organizations are not accustomed to being evaluated within their regulatory examinations against these controls.

The primary categories within the Framework’s core are:

- **Identify** — Consists of asset management, risk assessment and governance;
- **Protect** — Consists of authentication, access control, and other primary protective measures;
- **Detect** — Consists of event monitoring and detection;
- **Respond** — Consists of response planning, response, analysis and mitigation; and
- **Recover** — Consists of continuity planning, execution and communications.

Frankly, most of the core of the Framework consists of a subset of the controls that may already be evaluated through your organization’s annual IT Audit.

According to the Framework, “The Tiers characterize an organization’s practices over a range, from Partial (Tier 1) to Risk Informed (Tier 2) to Repeatable (Tier 3) to Adaptive (Tier 4). These Tiers reflect a progression from informal, reactive responses to approaches that are agile and risk-informed.” It is unclear how organizations and examiners will use the tiers’ nomenclature in practice.

Lastly, the Framework describes two profiles: Current Profile and Target Profile. To determine the current profile an organiza-

tion should review the core categories and subcategories and measure the effectiveness of these controls. Then, by comparing a current profile with a desired future state, the target profile, an organization can begin prioritizing activities.

Prioritized activities should be evident in governance documents and measurable to achieve the target profile. Organizations should anticipate that examiners will expect board reporting to use the terms “current profile” and “target profile” and the board should understand and approve the prioritized activities necessary to attain the target profile.

Below are some recommendations as your credit union begins to contemplate compliance with this new initiative:

- Become familiar with the Framework so IT, audit and the supervisory committee can speak to it as a component of their overall compliance program.
- Include Cybersecurity Framework compliance planning in your 2014 and 2015 IT Strategic Plans. Ideally an organization can document a current profile and a target profile.
- Ensure their IT audit firm is evaluating for compliance with the core categories and subcategories. This should not incur an additional engagement or significant additional costs. An innovative audit firm will simply take their current methodology and map it to the Cybersecurity Framework for client purposes.

Tom Schauer is the CEO and founder of TrustCC, a provider of IT audit and security assessment services for more than 400 financial institutions. Schauer frequently presents to credit union audiences through NASCUS, the Association of Credit Union Internal Auditors (ACUIA), CUNA, and the NCUA.

President’s Message

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We recognized the importance of this issue long before the recent economic downturn so vividly demonstrated why credit unions must have competitive access to capital on par with almost every other depository institution worldwide.

We led the way on establishing the training and coordination of BSA compliance and examination within the credit union system starting in 2005 with the publication of the FFIEC Examination Manual. Partnering with CUNA, we were the first to bring the new comprehensive protocols to the credit union

system that year in a comprehensive training conference that, in addition to instructing compliance officers and examiners in their responsibilities under the BSA, demonstrated to FinCEN that the credit union movement was up to the challenge. Our partnership with CUNA and that signature event continues today and will celebrate its 10th anniversary this October at the BSA Conference in Las Vegas.

NASCUS has had a significant impact on the federal regulatory landscape for the credit unions system, from inspiring the NCUA expansion of field of membership for federal credit unions in 2002, preserving

CUSO flexibility in 2004, meliorating charter conversion rules in 2008, defending state fiduciary duty rules in 2010, and maintaining state authority for investment powers, loan participations and derivatives rules between 2013 and the present.

In 2011, when a misguided FBI interpretation of its statutes threatened to prevent privately insured credit unions from being able to register under the SAFE Act, it was NASCUS that prepared a briefing memo and met with the FBI to reverse the interpretation, clearing the way for privately insured credit unions to register.

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CU Commentary from Summit Speakers

Editors Note: The following articles are contributions from some of our 2014 State System Summit faculty on hot topics in credit union regulation, operations and compliance issues.

Interagency Dialogues Lead to Progress on Key Issues

By **Debbie Matz**

It's hard to believe that this month marks the final NASCUS Summit with Mary Martha Fortney as president and CEO.

Over the past 10 years, Mary Martha has been an effective advocate on behalf of NASCUS members. While we don't agree on every issue, Mary Martha and I developed a productive working relationship that is respectful and forthright.



Debbie Matz

Working together, NCUA and NASCUS have made tremendous progress in strengthening the regulatory environment, improving examination coordination, and enhancing examiner training—all while helping credit

unions survive the worst financial crisis of our lifetimes.

Mary Martha and I strongly agree on this fundamental issue: The relationship between state regulators and NCUA should be a partnership based on our shared goal of protecting the safety and soundness of our nation's credit unions.

Protecting the increasingly complex and sophisticated credit union system will never be easy. It will never be popular. But it is the job of the regulator. And we do our job best when we work cooperatively.

Quarterly Dialogues

So in advance of this year's NASCUS Summit, I proposed a plan to institute quarterly interagency dialogues:

- During the first quarter of each year, NCUA will continue to host a regulators-only meeting where NCUA reimburses the travel expenses for all state officials who attend. The 2015 conference will be held the week of March 23rd in Orlando, Fla.

- During the second quarter, an NCUA Board member will host an interactive conference call between NCUA senior staff, NASCUS and state regulators.
- During the third quarter, senior officials from NCUA's Central Office and Regional Office will participate in an issues discussion for regulators at the NASCUS Summit.
- Finally, during the fourth quarter, another interactive conference call will be scheduled to ensure that dialogue continues between state and federal regulators.

I took the opportunity to open the quarterly dialogues by hosting the first conference call this year. It was a welcome exchange of perspectives on key issues for regulators as well as credit unions:

Risk-Based Capital

With input from NASCUS, NCUA is making significant changes to our risk-based capital rule. NASCUS' comment letter, in addition to letters from over 2,000 other stakeholders, raised some valid concerns about the proposed rule. During the call with state regulators, I addressed several major concerns:

1) All risk weights are being reviewed, and some will be lowered.

We have already identified five candidates for revised risk weights: investments, mortgages, member business loans, corporates and CUSOs.

2) Examiners will not have authority to raise any single credit union's capital requirement.

Only the NCUA Board retains the authority to raise any individual credit union's capital requirement. This process already exists in NCUA's current risk-based net worth rule. But it has never been used.

Before the NCUA Board would even consider using this authority, an examiner would have to undergo a rigorous process to convince the supervisory examiner and regional director that such an extraordinary action is warranted.

3) The implementation period will be extended well beyond 18 months.

Commenters asked NCUA to collect more granular data in several Call Report fields to obtain more precise measurements of risks. So the implementation period must provide NCUA more time to update the Call Report system and thoroughly train examiners on the revised rule, while allowing affected credit unions the same length of time to adjust their balance sheets.

Interest Rate Risk

Speaking of balance sheets... Just a small increase in long-term interest rates caused unrealized gains on credit unions' balance sheets to become unrealized losses—a negative swing of \$5.1 billion. These unrealized losses could foreshadow actual losses if future rate hikes compress net interest margins.

The Fed Open Market Committee's consensus forecast anticipates the Fed Funds rate rising by 225 basis points by 2016. So examiners are urging credit unions to shock their balance sheets with interest rate hikes up to 300 basis points, and plan well in advance for that contingency.

NCUA's Office of Examination & Insurance is preparing new guidance to update interest rate risk expectations for credit unions. We plan to share this guidance with NASCUS for distribution to state regulators, and post the guidance on our website for all stakeholders.

In the meantime, we've prepared a new Interest Rate Risk Resources page (www.ncua.gov/Resources/Pages/interest-rate-risk-resources.aspx) to help credit unions prepare for changes in interest rates.

Cyber Security

Cyber security is one of NCUA's top supervisory priorities alongside interest rate risk. As part of an initiative organized by the Federal Financial Institutions Examination Council, examiners have been working to determine the capacity of banks and credit unions to protect, detect, and recover from cyber-attacks.

NCUA continues to engage in a nationwide

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effort to protect against cyber-terrorists who are plotting to shut down U.S. financial systems. We're encouraging credit union officials to share best practices and take full advantage of the new Cybersecurity Resources webpage at www.ncua.gov. We've also scheduled a cyber-training conference for the week of Oct. 6, which will include state examiners.

CUSOs

NCUA and state regulators have made progress on a joint working group building the framework for a national CUSO registry. The registry is being designed to increase transparency and strengthen supervision of CUSOs that could pose risks to multiple credit unions.

Member Business Lending

Another federal-state working group is sharing ideas to improve NCUA's rule on member business lending. In particular, we are discussing how to eliminate the process of loan-by-loan waivers while maintaining appropriate safeguards.

Asset Securitization

Also during my conference call with state regulators, I asked for feedback from states that permit credit unions to securitize their own assets. The experiences shared by state regulators helped us in developing NCUA's proposed rule to allow asset securitization.

Fixed Assets

Likewise, when I asked whether the five-percent cap on fixed assets should be eliminated, most of the state regulators indicated that higher fixed asset levels have not caused safety and soundness issues. This informed the revisions to the fixed assets rule proposed at our July board meeting.

Safety & Soundness

As I mentioned at the beginning, NCUA and NASCUS members share the same goal in the end: a safe and sound credit union system. As long as we maintain an open dialogue, we will resolve these key issues and ensure the credit union system grows safely and soundly into the future.

Debbie Matz is chairman of the National Credit Union Administration (NCUA). She can be reached either by phone at (703) 518-6301, or by email at dmatz@ncua.gov.

TILA/RESPA Integrated Disclosure Rule – It's a Whole New World

By Theresa Reinke

Mortgage lending is embarking on a whole new world because of the TILA/RESPA Integrated Disclosure Rule released last November by the Consumer Financial Protection Bureau (CFPB). The Rule completely overhauls the mortgage lending process and will directly affect the people, processes and technology credit unions use to support both first and



Theresa Reinke

closed-end home equity mortgage lending. (Thank goodness the rule does not apply to Home Equity Lines of Credit (HELOCs).)

The Dodd-Frank Act required the combination of Truth-in-Lending Act (TILA)

and Real Estate Settlement Procedures Act (RESPA) disclosures consumers receive when applying and closing on a mortgage loan. The new Loan Estimate replaces the initial TIL Disclosure and the RESPA Good Faith Estimate and is provided three business days after the lender receives an application. The new Closing Disclosure replaces the existing final TIL Disclosure and the HUD-1/1A Settlement Statement and must be received by the consumer three business days before closing.

The Loan Estimate and Closing Disclosure are not merely combining the existing disclosures. There are many unfamiliar data elements, disclosures, calculations and restrictions. And, to complicate a complicated process even more, the disclosures have a dynamic element based on loan type, loan feature and loan purpose. For example, if certain disclosures, fees or services are not required, they cannot show on the documents.

The effective date of the rule is Aug. 1, 2015. Our industry needs every minute until then to be ready. Credit unions ought to take steps now to be fully prepared to implement the disclosures in a compliant and efficient manner. Some of these steps include making and documenting business decisions about which lending programs to offer and which fees and services should change with the revised tolerance restrictions.

Credit unions should be working with their system and form providers to make sure

they are on track. And, procedures should be established to guarantee service providers and settlement agents are walking in step with the credit union to address restrictions and timing limitations.

Implementation of these game-changing requirements will be the key to success. Determine now who is on your team and how your third-party partners can help. Update products, policies and procedures. Test your systems and documents and test them again. Lastly, do not underestimate the amount of staff education and training that will be needed. Train staff on changes to lending products, modified policies and procedures, updated systems and, finally, the Loan Estimate and Closing Disclosure.

Of course, credit unions will implement this while still evaluating compliance with the first six mortgage rules, while meeting mortgage lending goals and while serving members! Whew!

Theresa Reinke is a LOANLINER compliance consultant for CUNA Mutual Group. In this role she is responsible for providing mortgage lending regulatory compliance expertise and operational support to credit unions and credit union partners, as well as CUNA Mutual Group staff.

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And we know our work is not done.

NASCUS expects to further improve the regulatory landscape. One important issue comes to mind: the new Risk-Based Capital Rule. Among other things addressed in our comment letter to NCUA is the need for the agency to include state regulator coordination on individual minimum capital requirements and changes to the provision that allows for a 1,250% risk-weight. We made a number of suggestions in our letter, and we will work diligently to effectuate those changes to make the rule more workable.

NASCUS continues to improve our service to our members and state system internally as well. For example, we've added a new section to the NASCUS website, called "Around the States," which includes an interactive U.S. map that features news stories from throughout the nation. We were also approved this year as a registered sponsor on the National Registry of Continuing Professional Education (CPE) Sponsors. The status affirms NASCUS' commitment to the delivery of high-quality continuing professional education in compliance with the statement of Standards for CPE Programs and the pro-

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NASCUS to hold Credit Union Cyber Security Symposium in Partnership with CUNA

The cyber security preparedness of the U.S. financial system has become a focus for regulators, policymakers, and intelligence and defense officials. Increasingly, cyber-attacks have targeted institutions of all sizes and been launched by a variety of bad actors, from vandals, to criminals, to nation states.

Is your credit union prepared?

NASCUS, in partnership with the Credit Union National Association (CUNA), will hold its inaugural Credit Union Cyber Security Symposium Nov. 13-14, 2014, at the Hyatt Arlington, located at 1325 Wilson Blvd., in Arlington, Va. The symposium will cover a wide range of mission-critical cyber security issues that all credit unions and examiners should understand. Attendees will talk with policymakers and intelligence experts in Washington who have been assessing growing cyber-threats in the finan-

cial system. Other presentations by cyber experts will focus on using the National Institute of Standards and Technology (NIST) framework for risk assessments, exploring the crossroads of cyber and disaster recovery, surveying the critical legal issues related to suffering a breach, and discussing the mitigation of reputational damage. State and federal regulators will discuss supervisory expectations and evolving cyber examination programs. The two-day conference will be emceed by IT security firm TrustCC, which has performed examinations and training on behalf of state and federal regulators as well as hundreds of financial institutions.

Registration for the Credit Union Cyber Security Symposium is \$475/person for NASCUS and CUNA members/affiliates, and \$575/person for non-member/affiliates. For more information, please visit the NASCUS website at www.nascus.org.

NASCUS Summit 2014

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First, c. myers, and NCUA is also scheduled for Thursday, as is a presentation on credit union service organizations (CUSOs) by Guy Messick, of Messick & Lauer, P.C., and NACUSO general counsel.

NASCUS regulators will meet with NCUA for the annual Interagency Dialogue for State and Federal Regulators on Thursday as well. The Summit will conclude on Friday with a presentation by NCUA Board member Rick Metsger. Mark Solomon, a detective with the Connecticut Financial Crimes Task Force, is also scheduled to speak on Friday; he will give a presentation on fraud and security issues.

This will be Fortney's last Summit as president and CEO of NASCUS; she will retire Dec. 31. Her 21-year career with the association will be honored during a reception on Thursday evening, Sept. 11, from 5-6:30 p.m.

"I have been so fortunate to work with such dedicated regulators and credit union system leaders during my tenure with NASCUS, and to watch this organization grow to what it is today," Fortney said. "Leaving will be bittersweet, but change is good for both people and organizations. I am excited about what the next chapter will bring and look forward to NASCUS' continued evolution."

Fortney noted there are important activities happening at NASCUS in the coming months. Of particular note is NASCUS' inaugural Cyber Security Symposium, which will take place Nov. 13-14 at the Hyatt Arlington, in Arlington, Va. The event is being hosted by NASCUS and the Credit Union National Association (CUNA). Credit unions, regulators, and those who work with the financial industry as a whole are invited to attend the event.

NASCUS welcomes all Summit guests to Music City! We hope you'll take advantage of the many opportunities for networking while you're here in Nashville, and also take in some of the sights, which include such famous landmarks as the Ryman Auditorium, where, since 1892, a number of artists, including Jon Bon Jovi and Johnny Cash, have performed; the Grand Ole Opry; the Country Music Hall of Fame and the Musicians Hall of Fame and Museum. And we hope you'll join us again at next year's Summit, Oct. 20-22, 2015, in New Orleans, La., as we celebrate NASCUS' 50th anniversary!

2014 Credit Union Cyber Security Symposium Agenda*

Thursday, November 13

8:30 a.m. - 9:15 a.m.

Registration and Continental Breakfast

9:15 a.m. - 9:30 a.m.

Opening Remarks and Welcome

"What is Cyber Security?"

TrustCC CEO - Tom Schauer

9:30 a.m. - 10:45 a.m.

"Life in the Breach"

Pentagon Federal Credit Union CIO - Ian Harper

10:45 a.m. - 11:00 a.m. Break

11 a.m. - 12 p.m.

The State of Cyber Security

U.S. Department of the Treasury - Invited

12:00 p.m. - 1:30 p.m. Lunch

1:30 p.m. - 2:30 p.m.

"Legal Risk: Protecting the Credit Union"

BakerHostetler - Randall Gainer

2:30 p.m. - 3:15 p.m.

NIST as a Risk Assessment Framework

Massachusetts Division of Banks - Holly Chase

3:15 p.m. - 3:30 p.m. Break

3:30 p.m. - 4:30 p.m.

"Payment Systems Sleeper Risk"

McGovern Smith Advisors - Paul Reymann

4:30 p.m. - 4:45 p.m.

Wrap-up and Day's Adjournment

TrustCC CEO - Tom Schauer

Friday, November 14

8:00 a.m. - 8:30 a.m.

Continental Breakfast

8:30 a.m. - 9:00 a.m.

Opening Remarks

"What is the National Cyber Security Initiative?"

TrustCC CEO - Tom Schauer

9:00 a.m. - 9:45 a.m.

"How to Hack a Bank"

TrustCC CEO - Tom Schauer

9:45 a.m. - 10:00 a.m. Break

10:00 a.m. - 11:00 a.m.

"Cyber Security: The View from Washington"

NCUA - Tim Segerson

11:00 a.m. - 12:00 p.m.

"Protecting a Credit Union's Reputation Before,

During and After a Cyber-attack"

LT Public Relations - Casey Boggs

12:00 p.m. - 1:15 p.m. Lunch

1:15 p.m. - 2:00 p.m.

How Strong are Your Vendors? TSP Exams

2:00 p.m. - 3:00 p.m.

The Intersection of Disaster Recovery and Cyber Security

Speaker from CUNA

OCC invited

3:00 p.m. - 3:15 p.m. Break

3:15 p.m. - 3:45 p.m.

Open Forum with Panel of Experts

3:45 p.m.

Final Wrap Up and Symposium Adjournment

TrustCC CEO - Tom Schauer

* Agenda is subject to change.

NASCUS Upcoming Educational Events

Email isaida@nascus.org with your questions

Register online for all events at www.nascus.org.

NASCUS Board of Directors' Colleges

September 12, 2014, Nashville, Tenn.
November 6, 2014, Georgia
November 10, 2014, Austin, Texas
December 2, 2014, Florida
January 2015, Kentucky

NASCUS is pleased to announce that we are bringing our Directors' Colleges to Nashville, Tenn., on Sept. 12; to Georgia on Nov. 6; to Austin, Texas, on Nov. 10; to Florida on Dec. 2; and to Kentucky in January 2015.

Our Directors Colleges feature such sessions as cyber security, interest rate risk, and examination issues. Registration is \$199 per person for NASCUS members, and \$215 for non-members. If you have any questions, email isaida@nascus.org.

NASCUS Webinars

September 30, 2014, Wire Transfer Fraud
October 2, 2014, Member Business Account Risks

All webinars begin at 1 p.m. Eastern Time, and are \$129 for NASCUS members, and \$159 for non-members. Please email isaida@nascus.org with any questions you may have.

Michigan Industry Day and Michigan NASCUS/CUNA BSA School

October 7-9, 2014
Sheraton Ann Arbor Hotel
Ann Arbor, Mich.

In order to foster greater communication with regulated entities, NASCUS and the Michigan Office of Financial and Insurance Regulation (OFIR) will hold a one-and-a-half-day conference at the Sheraton Ann Arbor Hotel, located at 3200 Boardwalk Street in Ann Arbor. The event will provide an opportunity for dialogue between the regulators and the regulated. The session is open to Michigan credit union directors and executive management, and will begin Oct. 7 at 10 a.m., and end Oct. 8 at noon. The fee for this one-day event is \$99 for NASCUS members and \$129 for non-members.

NEW THIS YEAR in Michigan, NASCUS, in partnership with CUNA, will be bringing a day-and-a-half BSA/AML school to Michigan following the industry day. This event will be open to state and federal

examiners as well as credit union and industry staff. CUNA will be offering its BSA Compliance certification test as part of the school. The cost of registration for the BSA school is \$450/person.

Hotel Information:

Sheraton Ann Arbor Hotel
3200 Boardwalk Street
Ann Arbor, MI 48104

NASCUS/CUNA BSA Conference

October 26-29, 2014
Caesars Palace
Las Vegas, Nev.

CUNA, in partnership with NASCUS brings you the NASCUS/CUNA Bank Secrecy Act Conference. This conference is an opportunity for Bank Secrecy Act (BSA) compliance officers, state and federal examiners, industry experts and regulators to discuss BSA compliance issues. The annual conference covers all of the BSA statutory and regulatory training requirements that compliance professionals need in order to comprehend and comply with the complex federal BSA law.

NASCUS/CUNA Bank Secrecy Act Conference attendees will receive pertinent updates from the Financial Crimes Enforcement Network (FinCEN), the National Credit Union Administration (NCUA) and the Office of Foreign Assets Control (OFAC) agencies. State examiners and attorneys will also be given the opportunity to attend the loaded schedule of sessions and events, creating valuable networking opportunities and exclusive takeaways for credit union professionals. The cost for the conference is \$1,095 (\$1,295 after Aug. 26, 2014).

Hotel Information:

Caesars Palace
3570 Las Vegas Blvd. South
Las Vegas, NV 89109
Reservations: (866) 227-5944
Room Rates: \$199 per night*
Hotel Reservation Deadline: Oct. 6, 2014
*Room rates and availability cannot be guaranteed. Room reservations and fees are the responsibility of the registrant. To claim this room rate, call for reservations and reference "CUNA" or "Credit Union National Association."

Credit Union Cyber Security Symposium

November 13-14, 2014
Hyatt Arlington
Arlington, Va.

NASCUS, in partnership with the Credit Union National Association (CUNA), will hold its inaugural Credit Union Cyber Security Symposium Nov. 13-14, 2014, in Arlington, Va. The symposium will cover a wide range of mission-critical cyber security issues that all credit unions and examiners should understand. Attendees will talk with policymakers and intelligence experts in Washington who have been assessing growing cyber threats in the financial system. Other presentations by cyber experts will focus on using the National Institute of Standards and Technology (NIST) framework for risk assessments, exploring the crossroads of cyber and disaster recovery, surveying the critical legal issues related to suffering a breach, and discussing the mitigation of reputational damage. State and federal regulators will discuss supervisory expectations and the evolving cyber examination programs. Anyone working in the financial industry, including credit union managers, compliance officers, information officers and examiners, is invited to attend.

NASCUS is pleased to partner the Credit Union National Association (CUNA) and TrustCC for this event. Registration is \$475 for regulator members and credit unions. For more information, contact Brian Knight at brian@nascus.org.

NASCUS/NCUA Regulators National Meeting

March 24-25, 2015
Florida Hotel and Conference Center
Orlando, Fla.

NASCUS Summit 2015

October 20-22, 2015
Sheraton New Orleans Hotel
New Orleans, La.

NASCUS 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, allowing NASCUS members the flexibility to access the presentations at times convenient to them. For more information, contact Isaida Woo at isaida@nascus.org.

Patent Trolls

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suits than even Delaware, where many big corporations are domiciled, and far ahead of the California's Central District (the largest judicial district in the country).

Business Dictionary online defines a patent troll as:

A company or person that acquires a lot of patents without the desire to actually develop the products. Instead of making money from the product, the company or individual launches a large amount of patent infringement lawsuits. The sole purpose of a patent troll is to identify infringers and sue them.

Earlier this year, the Supreme Court of the United States (SCOTUS) dealt what many consider to be a blow to patent trolls. In a decision in *Alice Corporation vs. CLS Bank*, the SCOTUS held that an idea alone cannot be patented. That decision, requiring a patent to cover specific ways of implementing an idea, will eliminate some of the patent litigation. This is the latest in a string of decisions by the SCOTUS chipping away at patent trolls. However, much more work remains to be done.

Nearly 1,700 miles northeast of Marshall, in the nation's smallest capital city of Montpelier, Vt., lies the office of Vermont's attorney general, William H. Sorrell.

Vermont was the first state to pursue a patent troll case in court using its consumer protection law. That case continues, and earlier this year Sorrell was successful in federal court having the case removed back to state court in Vermont. Vermont was also one of the first states to pass specific legislation to curb bad faith patent assertion. Currently Maine, Maryland, Virginia, Tennessee, Georgia, Alabama, Louisiana, Oklahoma, Missouri, Wisconsin, South Dakota, Utah,

Idaho and Oregon have all enacted similar legislation. In addition, New Hampshire and Illinois have passed legislation in their state legislatures and are awaiting signature by their respective governors. Another five states have legislation introduced in their general assemblies.

At the federal level, 14 different pieces of legislation have been introduced addressing various aspects of the patent troll issue. Some of the federal legislative efforts have become controversial among patent reform advocates. The Targeting Rogue and Opaque Letters (TROL) Act of 2014 (no House Bill number as of this writing) would explicitly designate that certain elements in patent troll demand letters are unfair and deceptive acts violating the Federal Trade Commission Act (FTCA).

The issue with the TROL Act, as some see it, is that while the threatening assertions included in many patent troll demand letters are problematic, the demand letter assertions are not the primary problem. As these patent reformers see the issue, the problem remains outdated, vague, or spurious patents. Critics of the TROL Act point out that the legislation would do nothing to address the underlying issues of patent abuse. Furthermore, these critics argue that the FTC already has the authority to declare the patent troll demand letter assertions to be unfair and deceptive.

Finally, the critics note the TROL Act contains language specifically preempting state laws. For TROL Act critics, the state laws represent positive steps toward patent reform, and federal legislation that sweeps that aside is met with skepticism. These critics are also concerned that the TROL Act will serve to derail what they see as more meaningful reform efforts.

Dissatisfied by the TROL Act, some patent reformers set the following as benchmarks of meaningful reform legislation:

- **Reform of the Patent Office** — Many patent reformers contend that overbroad and vague software patents are the root cause of the problems in the patent system. To address this base cause, reformers would like to see more review by the Patent Office itself to invalidate specious patents. One method cited is to expand the Covered Business Method (CBM) review. The CBM review was enacted in 2011 for finance-related patents, and is an administrative review carried out by the Patent Office. In addition, reformers would like to see the limitation of patent continuations. Reformers would also like to see more transparency in patent ownership.

- **Roping in Parent Companies** — NPEs and patent trolls are often shell companies with limited assets, but are connected to wealthier parent companies. Reformers would like to see litigation rules make it easier for judicial adversaries to reach the troll's parent/controlling entity.

- **Protection of End Users** — Reformers would like protections put in place for end users of software, particularly those using "off-the-shelf" products.

- **Specificity** — Reformers would like to see entities asserting a patent claim be required to state, with specificity, exactly what patent is being violated by what specific conduct.

A great deal of work remains on the patent troll front. At the state level and in the next Congress, reformers and NPEs will work to shape the future of the patent system to their respective advantage. In the meantime, many eyes are on the ongoing litigation by Sorrell, and the future cases working their way to the SCOTUS.

President's Message

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gram requirements of the National Registry of CPE Sponsors.

Speaking of commitment to strong and effective state agencies, in 1987 the NASCUS Board established the NASCUS Accreditation Program. The program supports the NASCUS mission to strengthen state credit union supervision, and to date, there are 26 NASCUS-accredited state agencies which supervise nearly 85 percent of assets in the state system. The NASCUS Certified Examiner Program is another example of our commitment to provide professional recognition of superior examiner standards.

Over the years, NASCUS has made great strides in defending and advancing a strong state credit union system. We will continue to do so throughout my remaining months as president and CEO of this great Association, and beyond. Advancing and defending state authority are important work that takes time and sometimes happens behind the scenes. We will continue to remind NCUA to defer to state authority wherever possible and to reserve rulemaking for only the most material safety and soundness issues.

We are excited to see all of you here in Nashville and look forward to continuing the advancement of the state credit union system in the days, weeks and months ahead.

National Association of State Credit Union Supervisors

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