



NCUA
National Credit Union Administration

NCUA Risk Appetite Statement

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Introduction

The NCUA is the independent federal agency created by the U.S. Congress to regulate, charter, and supervise federal credit unions. With the backing of the full faith and credit of the U.S. Government, the NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of the account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

The NCUA is subject to a variety of risks that relate to its objectives, strategies, operations, reputation, and environment. Through the NCUA's Enterprise Risk Management (ERM) program, the agency proactively manages risks to achieving its mission, as well as seeks to maximize opportunities across the agency. ERM examines the full spectrum of risks related to achieving the NCUA's strategic objectives and provides agency leadership with a portfolio view of risk to help inform decision-making.

ERM within the Federal Government is governed by Office of Management and Budget (OMB) Circular A-123. This Circular establishes guidance for the design and implementation of ERM capabilities and practices including the establishment of Agency level risk appetite. The guidance set out in the Circular is based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM Framework, which was last revised in 2017. The definition of risk appetite per COSO is "the types and amount of risk, on a broad level, an organization is willing to accept" in the pursuit of its objectives.¹ OMB adds an additional aspect for federal agencies, explaining that "[risk appetite] is established by the organization's most senior level leadership and serves as the guidepost to set strategy and select objectives."²

In addition to being a requirement under Circular A-123, effective ERM and a well-articulated risk appetite are good management practices. A thorough risk appetite statement facilitates a robust understanding across management teams that discuss program and resource trade-offs necessary to achieve organizational objectives.

¹ See: <https://www.coso.org/Shared%20Documents/COSO-Guidance-Risk-Appetite-Critical-to-Success.pdf>

² See: https://www.whitehouse.gov/wp-content/uploads/legacy_drupal_files/omb/memoranda/2016/m-16-17.pdf



The NCUA developed this statement through careful consideration and evaluation of the risks the agency faces while focused on achieving several programmatic goals, consistent with its Strategic Plan:

- Enable communication of guidelines on the levels of risk it is willing to accept in pursuit of the agency’s mission and goals.
- Encourage consistency in understanding, measuring, and managing risk across the enterprise while fostering credit union system innovation and growth.
- Support prioritization of responses to risks and decision-making to balance limited time and resources.
- Drive a more risk-aware culture.

The NCUA uses the definitions shown in the table below to articulate its risk appetite level for particular types of risks.

Risk Appetite Level	Definition
Tolerant	The agency is willing to accept significant risks in pursuit of its strategic objectives.
Moderate	The agency is willing to accept medium risks in pursuit of its strategic objectives.
Averse	The agency is willing to accept little to no risk in pursuit of its strategic objectives.

Risk Categories

The NCUA has developed a framework of eight risk categories that together reflect the full spectrum of risk the agency may face in carrying out its mission. The NCUA’s Risk Appetite Statement is organized around these eight risk categories.

For each risk category, the NCUA has identified associated activities it carries out. The agency has defined whether it has an averse, moderate, or tolerant appetite for risks that could impact activities. The activities align to and support the NCUA’s strategic objectives.³ The tables below provide a definition for each risk category and the risk appetite for each category’s associated activities.⁴

³ See: <https://www.ncua.gov/about/budget-strategic-planning/strategic-plans-annual-performance-plans>

⁴ The activities listed as activities within each risk category are intended as a comprehensive, although not exhaustive, list. Activities will be reviewed and updated, as needed.



NCUA Enterprise Risk Appetite Statement

The NCUA is vigilant and has an overall judicious risk appetite. The NCUA’s primary goal is to ensure the safety and soundness of the credit union system and recognizes it is not desirable or practical to avoid all risk. Acceptance of some risk is often necessary to foster innovation and agility. This risk appetite will guide the NCUA’s actions to achieve its strategic objectives in support of protecting the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance.

Risk Category 1: Technology and Information Management Risk

Risk Category Definition: Threats and opportunities associated with the resilience and effectiveness of NCUA’s information technology, both the infrastructure and utilization of technological applications; information management procedures and practices including NCUA’s process and practice of executing major projects and associated risks that may require ongoing management; and NCUA’s collection, management, and protection of knowledge—including intellectual property, personal information, agency information and records, and credit union system data.

The agency has an averse risk appetite for risks to:

- Resilience of the NCUA against cyber threats
- Delivery of secure and reliable technology solutions
- Collection and management of data and information
- Availability of information technology systems and data
- Confidentiality and integrity of data and information

The agency has a moderate risk appetite for risks to:

- Pursuit of innovative technology and data solutions



Risk Category 2: Supervision Risks

Risk Category Definition: Threats and opportunities associated with NCUA’s supervisory processes and its identification and mitigation of significant risks to the credit union system – including design, implementation, and delivery of NCUA’s regulatory and insurance programs. Ensuring credit unions manage their risk, adhere to applicable laws and regulations, treat members fairly, and maintain their ability to evolve and compete effectively through innovation.

The agency has an averse risk appetite for risks to:

- Addressing identified safety and soundness concerns at credit unions
- Ensuring compliance with and enforcement of federal consumer financial protection laws and regulations at credit unions
- Objectivity, critical thinking, and sound judgment executing the supervision program

The agency has a moderate risk appetite for risks to:

- Effective and responsive construction of the regulatory framework for the credit union system
- Implementation of effective and efficient supervision programs
- Interagency collaboration for supervision programs
- Internal collaboration for supervision programs
- Timeliness and clarity of guidance to credit unions
- Implementation of policies and regulations to address emerging and innovative products and technologies that foster credit union system competitiveness, consistent with consumer financial protection



Risk Category 3: Human Capital Risk

Risk Category Definition: Threats and opportunities associated with the availability and level of resources with the knowledge, skills and abilities required to deliver NCUA's mandate and the agency's ability to obtain and manage these resources.

The agency has an averse risk appetite for risks to:

- Recruiting a high-performing and diverse workforce
- Developing a proficient workforce
- Positive workforce morale and engagement
- Maintaining an inclusive and professional environment
- Compliance with workplace safety and human capital laws and relevant labor agreements

The agency has a moderate risk appetite for risks to:

- Effective workforce planning and succession strategies
- Effective performance management and compensation structures

Risk Category 4: Legal and Regulatory Compliance Risk

Risk Category Definition: Threats and opportunities associated with NCUA's management of its legislative, advisory and litigation activities, including the development and renewal of, and compliance with, laws, regulations, interagency agreements and policies.

The agency has an averse risk appetite for risks to:

- Compliance with relevant laws, regulations, directives, and interagency agreements and policies
- Adherence to the highest ethical and professional standards
- Managing legislative, advisory and litigation activities
- Fulfillment of contractual obligations



Risk Category 5: Operational Risk

Risk Category Definition: Threats and opportunities that arise from people, processes, or policies that could impact the effectiveness and efficiency of NCUA’s operations.

The agency has an averse risk appetite for risks to:

- Ensuring employee safety
- Ensuring security of NCUA facilities
- Maintaining robust continuity of operations plans

The agency has a moderate risk appetite for risks to:

- Establishing and using effective and efficient processes and controls
- Pursuit of innovative business solutions
- The alignment of resources with the agency’s mission and strategic goals

Risk Category 6: Governance and Strategic Risk

Risk Category Definition: Threats and opportunities associated with NCUA’s approach to fulfilling our mission, including:

- Significant structural or behavioral change within NCUA related to mandate,
- Strategic direction,
- NCUA’s leadership, management capacity and decision-making—such as the process and practice of executing major projects, and
- The agency’s operating context—such as the culture of communication, transparency and information-sharing both within and outside the agency.
- NCUA’s culture and capacity to adhere to the spirit and intent of the agency’s values and code of ethics for government service.

The agency has an averse risk appetite for risks to:

- Establishment and execution of the agency’s strategic direction
- Effective communications with staff and credit unions
- Sound organizational governance
- Adherence to the agency’s values and code of ethics for government service

The agency has a moderate risk appetite for risks to:

- Increasing access to credit union services
- Effective and efficient decision-making
- Transparency and information-sharing within and outside the agency
- Ability to adapt to changing conditions



Risk Category 7: Financial Management Risk

Risk Category Definition: Threats and opportunities associated with the structures and processes of the agency to ensure sound management of its four permanent funds; sound management of investments, liquidity, liquidated and acquired assets, and other financial resources; prudent execution of NCUA’s role as a fiduciary; as well as compliance with financial management policies and standards.

The agency has an averse risk appetite for risks to:

- Sound financial management, prudent use of agency financial resources
- Reliability of financial reporting
- Prudent execution of NCUA’s role as a fiduciary
- Maintaining the financial soundness of the NCUA’s four permanent funds

Risk Category 8: External Risk

Risk Category Definition: External risks include threats and opportunities associated with the credit union industry’s performance, financial condition, and stability; environmental factors impacting the credit union industry and the agency—such as market risk, credit risk, interest rate risk, climate-related financial risk, cyber threats and disruptive technologies; and other external stakeholder events that affect the agency’s ability to achieve objectives.

The agency has an averse risk appetite for risks to:

- Responding to threats having a direct and material effect on credit unions or NCUA
- Resolving problems in the credit union system to mitigate loss to the Share Insurance Fund

The agency has a moderate risk appetite for risks to:

- Effective monitoring and identification of external risks impacting NCUA operations and the credit union system
- Ability of credit unions to manage emerging opportunities and risks



Conclusion

This risk appetite statement will help the NCUA align risks and opportunities when making decisions and allocating resources to achieve the agency's strategic goals. This risk appetite statement is part of the NCUA's overall risk management approach, shown in **Figure 1**. The NCUA will identify, assess, prioritize, respond to, and monitor risks to an acceptable level.

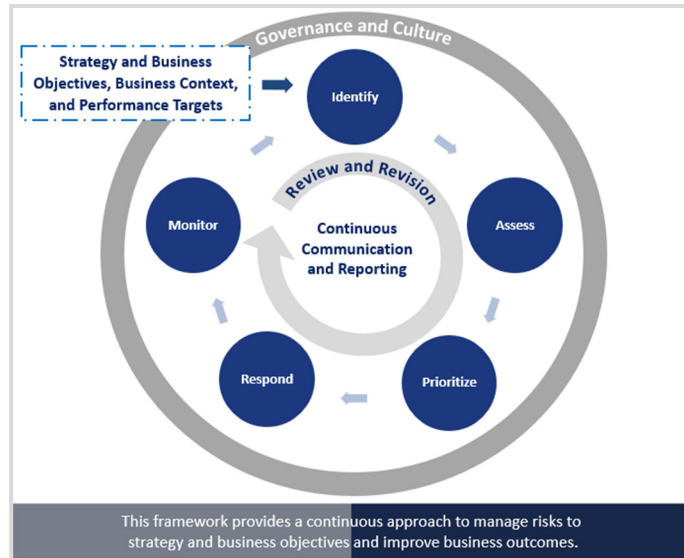


Figure 1: NCUA's Risk Management Approach