



NCUA Media Advisory

NCUA Board Proposes Landmark Corporate Reforms

New Rule Would Strengthen Corporate Credit Union System

November 19, 2009 Alexandria, Va. – The National Credit Union Administration (NCUA) Board today unanimously issued a proposed rule to reform the corporate credit union system by establishing a comprehensive new framework for safety and soundness. The proposed reforms are intended to enhance NCUA regulatory oversight and address deficiencies in the current rule.

“The future of the corporate system, and the role the new regulatory framework plays in affecting that future, clearly have far-reaching implications,” stated NCUA Chairman Debbie Matz. “Our main objective is to preserve service to 93 million credit union members by preventing the corporate issue from becoming a consumer issue.”

“Given the critical role that corporates play in payment systems, liquidity and investment services,” Chairman Matz explained, “it is essential to properly limit the risks in which corporates can engage.”

The revisions would strengthen four areas of corporate credit union regulation:

- Capital Standards – requiring retained earnings and Prompt Corrective Action
- Asset/Liability Management – preventing mismatches and preserving liquidity
- Risk Concentration Limits – ensuring diverse investment pools and risk mitigation
- Governance – setting board qualifications and increasing transparency

Each reform would directly improve an aspect of current oversight critical to the proper functioning of the corporate system. Lack of adequate capital standards, insufficient asset/liability management tools, and unacceptably high risk concentrations were problems identified by NCUA and stakeholders during development of the proposal.

“Today’s approval of the Proposed Corporate Rule is another significant step in our overall effort to stabilize and reform the corporate system,” Chairman Matz continued. “Through the previous comment period that generated almost 500 responses, to our series of Town Hall meetings and webinars, to the special corporate meeting I convened earlier this month, NCUA has fostered an interactive dialogue on these complex issues. It is vital that we continue to get

broad stakeholder input.”

Chairman Matz plans to host two more Town Hall meetings and another webinar during the upcoming 90-day comment period.

“Notwithstanding all of our efforts, and even with a strong regulatory framework,” Matz concluded, “the future of the corporate system will depend on the needs and support of the credit unions they serve. This proposed rule does not prescribe how many corporates will exist, where they will be located, or what services they will provide. We believe those issues should ultimately be resolved by natural-person credit unions.”

Chairman Matz’ [statement](#) introducing the proposed rule is attached. Link to the proposal online at [click here](#).

NCUA is the independent federal agency that regulates, charters and supervises federal credit unions. With the backing of the full faith and credit of the U.S. government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of nearly 90 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.