

BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: November 12, 2013

FROM: Office of General Counsel and
Office of Examination and Insurance

SUBJ: Final Rule – Credit Union
Service Organizations, Part 712

ACTION REQUESTED: Board approval to issue the attached final rule regarding credit union service organizations (CUSO) as well as approval for budgeted costs necessary to implement the final rule.

DATE ACTION REQUESTED: November 21, 2013.

OTHER OFFICES CONSULTED: Regions, OED, OCIO.

VIEWS OF OTHER OFFICES CONSULTED: Concur.

BUDGET IMPACT, IF ANY: A total of \$750,000 for system development costs in 2014. Costs in 2015 to finalize development, which include system documentation, training, acceptance testing, and other system deployment costs, are estimated to be no more than \$650,000. This estimate will be refined in part based on actual costs and progress of system development in 2014 and considered by the Board as part of the annual budget development process for 2015. Any ongoing maintenance costs will be integrated into the development of future annual budgets. Per Section 203 of the Federal Credit Union Act, actual expenses will be charged to the National Credit Union Share Insurance Fund (NCUSIF).

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBERS: Larry Fazio, Director of Examination and Insurance; Lisa Dolin, Program Officer, Office of Examination and Insurance; and Pamela Yu, Staff Attorney, Office of General Counsel.

SUMMARY: The final rule amends the CUSO regulation to address certain safety and soundness concerns. It expands the requirements of the CUSO regulation that apply to federally insured, state-chartered credit unions (FISCU) to address accounting, financial statements, and audits. The final rule also includes limits on the ability of “less than adequately capitalized” FISCU to recapitalize their CUSOs. In addition, it adds several new requirements that apply to both federal credit unions and FISCU.

Specifically, all CUSOs are required to annually provide basic profile information to NCUA and the appropriate state supervisory authority. CUSOs engaging in certain complex or high-risk activities are required to additionally report more detailed information, including audited financial statements and customer information. The final rule also requires all subsidiary CUSOs to follow applicable laws and regulations.

RECOMMENDED ACTIONS:

1. The Board approve the attached final rule.
2. The Board authorize \$750,000 for system development costs in 2014 to be funded from the NCUSIF.

ATTACHMENT: Final Rule.