



March 22, 2016

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: EGRPRA Review
Part IV: Rules of Procedure and Safety & Soundness

Dear Mr. Poliquin:

In response to the National Credit Union Administration's (NCUA) voluntary participation in the regulatory review process under the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA), the Ohio Credit Union League offers the following opportunities to reduce regulatory burden while maintaining continued safety and soundness of credit unions. In particular, we will focus our comments on the areas of examinations, which must include a fair appeals process, Bank Secrecy Act, and data security.

Examinations (Part 741.1)

A strong dual-charter system is one of the hallmarks of the U.S. credit union movement. An important part of this system is the role of state supervisory agencies (SSAs) in examining state-chartered credit unions for safety and soundness as well as compliance with state regulations. This is especially important for Ohio, where nearly half of the credit unions are state-charters, primarily due to the strength of the Ohio Credit Union Act and the responsiveness and expertise of the Ohio SSA.

Under Part 741.1, the regulations state: *"To the maximum extent feasible, the NCUA Board will utilize examinations conducted by state regulatory agencies."* We encourage NCUA to improve its efforts in the area of coordinating examinations with SSAs, including the Ohio Division of Financial Institutions, to achieve greater efficiency in the supervisory process. In many cases, examiners from both NCUA and the SSA are on site. Increasing the usage of SSA results will reduce the number of examiners necessary for each credit union examination, eliminating unnecessary and duplicative oversight and reducing regulatory burdens on credit unions.

Uniform Rules of Practice and Procedure (12 CFR 747, Subpart A)

Many of NCUA's existing rules contain a right to appeal the decision of individual examiners or other NCUA staff. However, this right of appeal is not detailed sufficiently, and in some cases, the right is not outlined beyond a statement that such right exists. We urge NCUA to take the opportunity afforded by this regulatory review of its administrative regulations to recognize a need for a consistent standardized appeals process that outlines the rights and responsibilities of all parties, including provisions to



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ensure the neutrality of the person hearing the appeal to the greatest extent possible. A detailed appeals process would provide transparency and clarity for credit unions examined by NCUA.

Bank Secrecy Act Compliance (Part 748.2)

Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) compliance is one of the major on-going regulatory burdens for Ohio credit unions. While recognizing that financial institutions play a crucial role in national security by complying with BSA regulations, we remain concerned about the increasing number of regulations in this area.

Therefore, we encourage NCUA to work with regulators to support meaningful legislative and regulatory changes to minimize the costs and problems financial institutions encounter in meeting BSA/AML requirements. Increasing reporting thresholds would help reduce some of these compliance costs. Investigating and filing Suspicious Activity Reports (SAR) and Currency Transaction Reports (CTR) remain very costly, as doing so requires constant vigilance and reporting by credit union employees. We support increasing the CTR threshold from the \$10,000 level established decades ago to \$20,000 and at least doubling other key thresholds, such as the \$3,000 trigger for reporting wire transfers and \$5,000 threshold for filing a SAR. In addition, credit unions support ways to improve and reduce the reporting of SARs and CTRs that have limited usefulness to law enforcement.

Data Security and Cybersecurity (Part 748, Appendices A & B)

Cybersecurity is of increasing concern among credit unions. However, OCUL remains concerned the potential for the development of complex, overlapping new rules in this area. In that connection, we urge NCUA to continue to coordinate closely with the other regulatory agencies to maximize protection of the U.S. financial system, while recognizing that credit unions and financial institutions are already subject to robust data security requirements and standards and should not be subject to additional regulations.

Another area of credit unions' confusion is in regard to Appendix B of Part 748, which contains NCUA's guidance on credit union response programs for unauthorized access to member information and on disclosure of such access to the credit union's members. Although this section (as currently written) applies only to member information systems in the control of a credit union or its service provider, the rule does not provide clarity as to what actions a credit should take following a merchant data breach that affects credit and debit cards issued to its members. Additional guidance should be added to Appendix B to outline how to handle these situations.

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Cybersecurity Assessment Tool

Last summer, the Federal Financial Institutions Examinations Council (FFIEC) published its Cybersecurity Assessment Tool. In statements since that publication, NCUA has stated that the tool will guide its future IT examinations as a benchmark. While we support the FFIEC's effort in the area of cybersecurity, we believe that this useful tool should remain voluntary. Credit unions should have the flexibility to utilize the tool in the manner they believe is most appropriate for the size and complexity of their operations.

Conclusion

OCUL aggressively seeks a regulatory environment that promotes safety and soundness while allowing Ohio's 308 credit unions to adequately serve their 2.8 million members. We offer these suggestions in an effort to improve the efficiency of NCUA as a prudential regulator and partner for Ohio credit unions in providing affordable financial services safely and soundly. We are available to provide additional comments or information if so requested. If you have any questions, please do not hesitate to contact me at (800)486-2917, ext. 262, or cmccallister@ohiocul.org.

Sincerely,



Carole McCallister
Manager, Research & Analysis

cc: Stan Barnes, OCUL Chair
Barry Shaner, OCUL Government Affairs Committee Chair
Credit Union National Association