
Board Action Bulletin



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NCUA BOARD MEETING RESULTS FOR APRIL 21, 2011

April 21, 2011, Alexandria, Va. -- The National Credit Union Administration (NCUA) Board today convened its fourth open meeting in 2011 at the agency's headquarters to consider:

- final amendments to NCUA's corporate credit union (CCU) rule to improve internal controls, transparency and accountability;
- a request to approve certain activities for corporate credit union service organizations (CUSOs); and
- final interpretive guidance on NCUA's Supervisory Review Committee consolidating prior rulings into one document and expanding credit union appeal rights.

The Board unanimously approved all agenda items presented. The Board also received updates on the operations of the National Credit Union Share Insurance Fund (NCUSIF) and the Temporary Corporate Credit Union Stabilization Fund (TCCUSF). The NCUSIF equity ratio remains steady at 1.29 percent. The TCCUSF's total assets grew by about \$6 million in March.

Amendments to CCU Rule Improve Internal Controls, Transparency, and Accountability; Two Proposals Dropped

To enhance internal controls, increase transparency and improve accountability, the Board approved final amendments to NCUA's rule covering CCUs (Part 704).

As adopted, the final amendments differ from the proposed rule in two key ways. Based on numerous comments received and no threat to safety and soundness, NCUA staff recommended against taking action on a proposal to limit a credit union's membership to one CCU at a time. NCUA staff also recommended against approving a proposal to charge non-federally insured entities for TCCUSF expenses.

As a result, the Board approved, in final form, five amendments to NCUA's CCU rule. With some minor revisions, the final amendments reflect the changes in the proposed rule issued in November 2010. The final amendments include:

- Internal control and reporting requirements for CCUs similar to those required for banks under the Federal Deposit Insurance Act and public companies under the Sarbanes-Oxley Act;
- The establishment by CCUs of an enterprise risk management committee staffed with an independent risk-management expert;

- A requirement that all CCU board of director votes be recorded votes and be included in board meeting minutes;
- Disclosure of compensation received from corporate CUSOs for senior CCU executives serving as dual employees; and
- Permitting CCUs to charge reasonable one-time or periodic membership fees to facilitate retained earnings growth.

The Board approved the five amendments by a unanimous vote. The rule changes generally become effective 30 days following publication in the *Federal Register*, but certain provisions have delayed effective dates over the next few years.

List of Preapproved Corporate CUSO Activities Expands

In September 2010, the Board adopted extensive revisions to NCUA's rules governing CCUs (Part 704). Among other things, these rules specified two permissible activities for corporate CUSOs -- brokerage services and investment advisory services. All other corporate CUSO activities required NCUA approval.

The Board voted today to add more services to the list of approved corporate CUSO activities. Permissible activities now include the service categories of information technology and asset liability management. The Board took this action after NCUA staff determined that these corporate CUSO activities pose minimal risks to the NCUSIF.

CCU CUSOs may now engage in the following types of approved activities: brokerage services; investment advisory services; clerical, professional, and management services; data processing services; lending and deposit services; information technology services; and asset liability management services. A comprehensive list of corporate CUSO service categories and the specific approved activities can be found on NCUA's Corporate Credit Union webpage at: <http://www.ncua.gov/Resources/Corps/CCA/Pages/ApprovedCCA.aspx>.

CCUs providing such CUSO services, however, must comply with certain obligations, including regular reporting requirements and ongoing assessments of financial condition.

The Board approved the changes without dissent. NCUA will continue to review and consider whether to approve corporate CUSO activities not contained on the preapproved list.

Supervisory Review Committee Guidance Consolidated; Credit Union Appeal Rights Increased

With the adoption of Interpretive Ruling and Policy Statement (IRPS 11-1) addressing NCUA's Supervisory Review Committee, the Board continued its efforts to consolidate and streamline NCUA's rules and regulations. Consisting of three senior NCUA staff members, the Supervisory Review Committee hears credit union appeals on a variety of issues.

In brief, the new interpretive ruling combines two prior interpretative rulings into one document addressing the operations of the Supervisory Review Committee. The changes also add denials

of technical assistance grant reimbursements to the types of determinations that a credit union may appeal to NCUA's Supervisory Review Committee.

By a 3-0 vote, the Board approved the guidance without any changes. NCUA had previously issued this guidance as interim final interim guidance, which became effective on January 20.

NCUSIF Equity Ratio Remains Steady

The NCUSIF remains steady, ending March with an equity ratio of 1.29 percent for the sixth straight month. The NCUSIF ended the month with a \$1.19 billion reserve balance.

During the first three months of 2011, the NCUSIF had total income of \$57.1 million and total expenses of \$27.5 million, resulting in year-to-date net income of \$29.6 million. Through March, five credit unions have failed in 2011 at a cost of \$34.4 million.

In March, 366 federally insured credit unions, with assets of \$42 billion and shares of \$37.3 billion, had CAMEL code 4 or 5 designations. Additionally, 1,798 CAMEL code 3 credit unions had assets of \$149.4 billion and shares of \$132.2 billion. Overall, CAMEL code 3, 4 or 5 credit unions held approximately 21 percent of all credit union assets, down slightly for the third consecutive month.

The TCCUSF total liabilities and net position stood at \$391 million at the end of March, about \$6 million higher than the end of February.

Financial data reported for both the NCUSIF and the TCCUSF are preliminary and unaudited.

Board Action Memorandums are available online at www.ncua.gov under *Agency Leadership/NCUA Board and Actions/Draft Board Actions*. NCUA rule changes are posted online at www.ncua.gov under *Resources/Regulations, Legal Opinions and Laws*.