TO: NCUA Board

FROM: Office of General Counsel
Office of Examination and Insurance

DATE: July 19, 2018

SUBJ: Supplemental Proposal: Prompt Corrective Action; Risk-Based Capital (Part 702)

ACTION REQUESTED: NCUA Board approval to issue the attached supplemental proposal.

DATE ACTION REQUESTED: August 2, 2018

OTHER OFFICES CONSULTED: Office of the Chief Economist

VIEWS OF OTHER OFFICES CONSULTED: Concur

BUDGET IMPACT, IF ANY: There is no estimated incremental budget impact based on this supplemental proposal. The budgetary impact caused by Risk-Based Capital Rule changes were previously captured in the 2015 Final Risk-Based Capital Rule (2015 Final Rule).

The 2015 Final Rule estimated incremental non-recurring costs to update the Call Report, Automated Integrated Regulatory Examination System (AIRES), risk reports, Financial Performance Report (FPR), and workload and exam management tools. The agency has conducted much of the development work to implement the risk-based capital rule. Remaining implementation activities will occur through 2019 under this proposal, the cost of which has already been accounted for.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: No

RESPONSIBLE STAFF MEMBERS: Larry Fazio, Director Office of Examination and Insurance; Julie Cayse, Director of Risk Management, Office of Examination and Insurance; Kathryn Metzker, Loss/Risk Analyst, Division of Risk Management, Office of Examination and Insurance; Julie Decker, Loss/Risk Analyst, Division of Risk Management, Office of Examination and Insurance; Aaron Langley, Risk Management Officer, Division of Analytics and Surveillance, Office of Examination and Insurance; and John H. Brolin, Staff Attorney, Office of General Counsel.

SUMMARY: The NCUA Board (Board) is seeking comment on a proposed rule that would amend the NCUA’s previously revised regulations regarding prompt corrective action (PCA). The proposal would delay the effective date of the NCUA’s October 29, 2015 final rule regarding risk-based capital (2015 Final Rule) for one year, moving the effective date from January 1, 2019 to January 1, 2020.
During the extended delay period, the NCUA’s current PCA requirements would remain in effect. The proposal would also amend the definition of a “complex” credit union adopted in the 2015 Final Rule for risk-based capital purposes by increasing the threshold level for coverage from $100 million to $500 million. These proposed changes would provide covered credit unions and the NCUA with additional time to prepare for the rule’s implementation. The proposal would exempt an additional 1,026 credit unions (a total of 90 percent of all credit unions based on December 31, 2017 Call Report data) from the rule without subjecting the National Credit Union Share Insurance Fund to undue risk.

**RECOMMENDED ACTION:** NCUA Board issue the proposed supplemental rule for a 30-day comment period.

**ATTACHMENT:** Supplemental Proposal