



NCUA

National Credit Union Administration

Supplemental Rule Part 702 Risk-Based Capital

Board Briefing
October 18, 2018

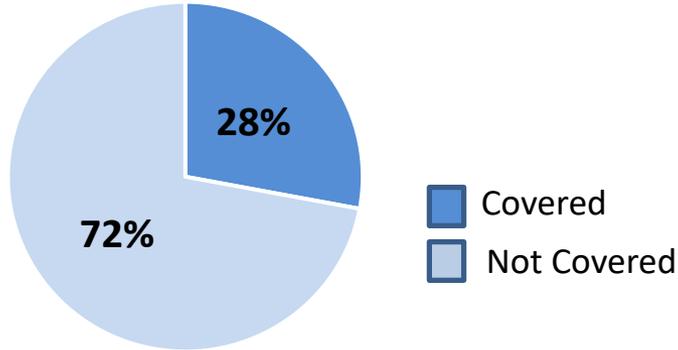
Summary of Changes

- **Delay the effective date of the October 29, 2015 risk-based capital rule by 1 year**
 - Proposed new effective date: **January 1, 2020**
 - Provides additional time for credit unions and NCUA to prepare for risk-based capital requirements
- **Amend the definition of a complex credit union by raising the asset threshold**
 - 2015 Final Rule asset threshold: \$100 million
 - Proposed asset threshold: \$500 million
 - Exempts an additional 1,026 credit unions, for a total of 90% of all credit unions

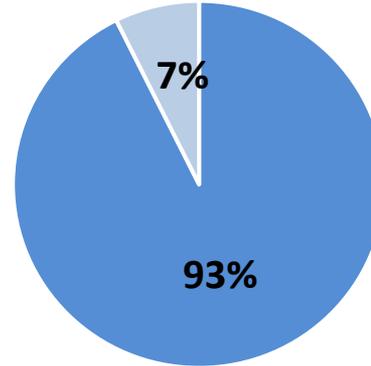
Proposed Threshold of \$500 Million

\$100 Million Threshold

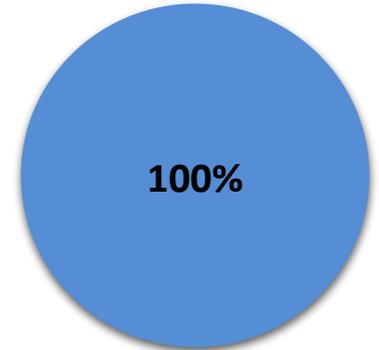
% of Credit Unions Subject to the Rule



% of Assets Subject to the Rule

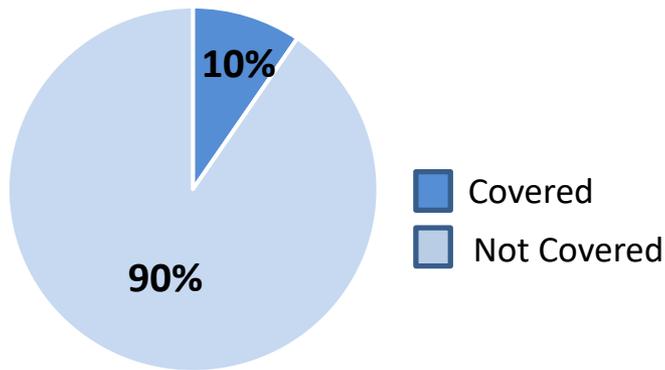


% of Banks Subject to Risk-Based Capital

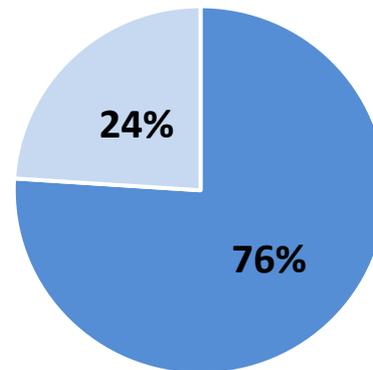


\$500 Million Threshold

% of Credit Unions Subject to the Rule



% of Assets Subject to the Rule



Proposed threshold exempts 1,026 additional credit unions

Comments Received

- **38 comments were received during the 30 day comment period from:**
 - Credit Union Trade Associations
 - Federal Credit Unions
 - Federally-Insured, State Chartered Credit Unions
 - State & Regional Credit Union Leagues
 - Other Individuals

Comments: Delay

- **14 commenters supported delaying the implementation of the 2015 Final Rule until January 1, 2020**
- **The most common recommended change was to delay the 2015 Final Rule implementation at least two years**

RECOMMENDATION: Approve the proposed rule as written

Comments: Complexity Definition

- **Majority of commenters supported increasing the asset threshold**
 - However, some commenters stated the threshold should be higher, \$1 billion to \$10 billion
- **Some commenters objected to using a single asset threshold**
- **Commenters generally supported using the complexity index and ratio along with the changes made to the indicators**

Response: Complexity Definition

Threshold of \$500 Million:

- Covers **85%** of complex assets & liabilities, and **76%** of total assets
 - Increasing to \$1 billion or greater results in undue risk to the NCUSIF
- Single proxy is accurate, reduces complexity of administering the rule, and provides regulatory relief
- The Board established the threshold using the complexity index and ratio, which takes into account the number and volume on complex activities

Response: Complexity Definition

Threshold of \$500 Million:

- Includes credit unions that, if they failed, individually present risk of large loss to the NCUSIF
- Total losses to the NCUSIF over the next 10 years would likely be significantly larger for credit unions with more than \$500 million in assets than for those with assets between \$100 million and \$500 million if historical growth trends continue

Approval Request

Request Board Approval of this supplemental rule for risk-based capital:

- **Delay implementation of the 2015 Final Rule to January 1, 2020**
- **Increase the complex credit union threshold to credit unions with assets greater than \$500 million**