TO: NCUA Board

DATE: January 11, 2021

FROM: Office of Examination and Insurance

Office of General Counsel

SUBJ: Notice of Proposed Rulemaking

CAMELS

ACTION REQUESTED: NCUA Board approval to issue the attached notice of proposed rulemaking.

DATE ACTION REQUESTED: January 14, 2021.

OTHER OFFICES CONSULTED: None.

VIEWS OF OTHER OFFICES CONSULTED: N/A

BUDGET IMPACT, IF ANY: Staff estimates that the additional work associated with this proposed rule to update the relevant applications and procedures is approximately $650,000.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBERS: Thomas Fay, Director of Capital Markets, Office of Examination and Insurance; Robert Bruneau, Senior Capital Markets Specialist, Office of Examination and Insurance; Marvin Shaw, Staff Attorney, Office of General Counsel.

SUMMARY. The attached proposed rule would add the “S” (Sensitivity to Market Risk) component to the existing CAMEL rating system and redefine the "L" (Liquidity Risk) component, thus updating the rating system from CAMEL to CAMELS.

The proposal to add the “S” component will enhance transparency and allow the NCUA, State Supervisory Authorities, and federally insured credit unions to better distinguish between liquidity risk (“L”) and sensitivity to market risk (“S”). The amendment would also enhance consistency between the regulation of credit unions and other financial institutions.

The estimated implementation of this proposal is approximately one year or as early as the first quarter of 2022.

RECOMMENDED ACTION: The NCUA Board approve the attached notice of proposed rulemaking for publication in the Federal Register for a 60-day comment period.

ATTACHMENT: Notice of proposed rulemaking.