



League of Southeastern  
Credit Unions & Affiliates

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Gerard Poliquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke St.  
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Re: 12 CFR Chapter VII - Regulatory Reform Agenda

11/6/2017

Mr. Poliquin,

The League of Southeastern Credit Unions and Affiliates (LSCU) appreciates the opportunity to comment on the Regulatory Reform Agenda. LSCU supports the methodology the NCUA has used in framing regulatory reform and the proposed rule review. In addition to the proposed reforms, LSCU would like NCUA to work with other financial regulators and FinCEN to make comprehensive reforms to the Bank Secrecy Act regime. The League of Southeastern Credit Unions is a trade association that represents 260 credit unions in Florida and Alabama. Our mission is “to create an operating environment that enables credit unions to grow and succeed.” We believe that if the Regulatory Reform Agenda is fully implemented, credit unions will see significant relief in their regulatory burden, which would ultimately benefiting consumers with greater choice, reduced costs, and better returns in products and services.

### **Part 1: The Regulatory Reform Agenda**

We approve of the methodology NCUA has chosen to review the regulations and look forward to commenting on those various provisions as they are available for review.

1. 701.21(c)(4),(f), & (g). – We agree that having maturity limits spread across the regulatory spectrum is confusing and inefficient. Reorganizing these sections to have all the limits in one area will improve compliance with these requirements. We also agree that incorporating the legal opinion regarding modifications would clarify and assist credit unions in complying with these provisions.
2. 701.21(h). – Similarly as above, we agree that having a comprehensive third-party due diligence rule would assist credit unions in complying with these provisions. As the financial sector adapts to the consumer demands for technological innovation, we understand how vital it is that the variety of third parties involved in credit union operations are properly vetted to ensure reliable products and services, while protecting personal identifiable information and vital systems from incompetence, negligence, and criminality (including cyber threats). However, we want to ensure credit unions maintain control over the direction of their instruction and are not intimidated by examiners who may, in effect, micromanage credit union contracts.
3. Appendix B to Part 701—Chartering and Field of Membership Manual – We support any changes that give flexibility to credit unions in serving their communities as has been demonstrated in our recent comment letters on these topics. Essentially, we think credit unions should have the greatest discretion choosing their field of membership guidelines within the limits set by the Federal Credit Union Act. This comports with our belief that a vigorous dual-charter system is the best way to ensure the vitality of credit union operations, thereby providing the best services to the American consumer.
4. Part 702—Capital Adequacy – LSCU strongly supports the proposal to delay the implementation of the Risk Based Capital (RBC) standards. NCUA’s reasoning for the delay is well considered regarding the other changes that will impact RBC, such as CECL. Furthermore, we encourage NCUA to adjust the RBC standards to accommodate the credit union model as opposed to the banking model upon which the standards are based. As we’ve mentioned in our previous comment letters, a review of the European standards (which take into account the cooperative model) would be a good place to begin. If NCUA lacks the authority to make these changes, we would further encourage engagement with Congress to make appropriate statutory changes.

5. Part 713—Fidelity Bond and Insurance Coverage – LSCU looks forward to commenting on any proposed changes to the fidelity bond coverage in the future and agrees that credit unions should have the flexibility to make business decisions based on their own needs (within the scope of the Federal Credit Union Act).
6. Part 740—Accuracy of Advertising- LSCU is presently preparing a comment letter on the proposed changes to the advertising rule. We plan on including some recommendations regarding advertising on social media platforms.
7. Later Reforms: LSCU supports the NCUA's plans to reform many other areas of regulation in the following two years.

## **Part 2: The Bank Secrecy Act**

While this request for comment does not include issues relating to the Bank Secrecy Act, LSCU would like to mention a few issues relating to these regulations that follow the spirit of regulatory reform. Compliance with the Bank Secrecy Act is an extremely heavy burden on credit unions in paying for systems, training, and personnel. We would recommend further exploration of the following changes to the BSA regime:

1. Increase the CTR reporting threshold: The reporting threshold has remained unchanged, at transactions over \$10,000, since the 1970s. If adjusted for inflation, this amount of money would be over \$50,000. Increasing the CTR reporting threshold to \$50,000 would be ideal, but even an increase to \$20,000 would be a welcome change that would reduce the reporting burden on credit unions.
2. Promote better communication over mandatory reporting: Credit unions often file defensive SARs to avoid compliance failures from examiners or FinCen. This behavior does little in the way of providing law enforcement with the most relevant and timely information on unlawful activity. If the BSA regime was reformed to promote open communication between law enforcement and credit unions, the system would function more akin to what Congress intended. Presently, having FinCen regulations being enforced by NCUA, without direct

feedback from law enforcement, is a cumbersome way to protect the country, and it should be changed.

3. Incentivize Credit Union Compliance – FinCen and federal law enforcement should consider awarding a percentage (say 10%) of fines or awards to credit unions in civil and criminal actions when those institutions' filings were instrumental in the case. There are a variety of ways this could be done, but the bottom line is that by incentivizing better filings, law enforcement would result in better quality SARs, greater compliance, and alleviate some of the high costs of BSA compliance.

While these are only brief comments, LSCU would celebrate the opportunity to provide an in-depth letter on BSA with supporting data. We hope NCUA can persuade FinCEN and other financial regulators, perhaps even Congress, to reform some of the inefficiencies of the BSA regime.

#### *Conclusion*

LSCU applauds the efforts of NCUA to seek regulatory reform for credit unions that will ease the heavy compliance burden while the maintaining the safety and soundness of our system. We look forward to commenting on the specific rule proposals as they are published, and hope we can continue to work together to create a better environment for credit unions and help American consumers pursue their lifelong goals, whether financial or otherwise.

Sincerely,



Michael Lee  
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The League of Southeastern Credit Unions and Affiliates