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ALLIANT

**<u>AttachSubmitted via regcomments@ncua.gov</u>**

December 18, 2017

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

***Re: Comments on Proposed Rule – Capital Planning and Supervisory Stress Testing***

Dear Mr. Poliquin:

Thank you for the opportunity to comment on NCUA's Proposed Rule regarding Capital Planning and Supervisory Stress Testing (Proposed Rule). Alliant Credit Union (Alliant) is the largest Illinois-chartered, federally-insured credit union and the seventh largest credit union in the nation. Serving over 335,000 members worldwide, Alliant has over $9.8 billion in assets and expects to reach $10B in the first quarter of 2018. Alliant appreciates the NCUA's efforts to reduce regulatory burden for credit unions by removing some of the capital planning and stress testing requirements. We are generally in favor of the Proposed Rule with the following suggested modifications:

**<u>Tiers</u>**

Pursuant to the Proposed Rule, covered credit unions would be subject to new tiered regulatory requirements regarding both capital plan submissions and stress testing requirements. The Proposed Rule defines the new tiers as follows:

- A tier I credit union would be a covered credit union that has completed fewer than three capital planning cycles and has less than $20 billion in total assets;
- A tier II credit union would be a covered credit union that has completed three or more capital planning cycles and has less than $20 billion in total assets, or is otherwise designated as a tier II credit union by the NCUA; and
- A tier III credit union would be a covered credit union that has $20 billion or more in total assets, or is otherwise designated as a tier III credit union by the NCUA.

We suggest changing the asset threshold from $20 billion to $35 billion for all three tiers. This higher threshold would be consistent with recent Congressional measures to relax banking oversight including higher capital buffers of $250 billion instead of $50 billion. A $35 billion to NCUA insurance ratio would be more proportional to a $250 billion to FDIC insurance ratio. *See Senate Bill S2155.*[1]

[1] On December 5, 2017, the Senate Banking Committee advanced the bipartisan "Economic Growth, Regulatory Relief and Consumer Protection Act" where it is awaiting vote by the full Senate.

Additionally, with regard to the discretion afforded to the NCUA in designation of a tier II or III credit union under the Proposed Rule, we believe that language needs to be more clear. We recommend that the language allowing the NCUA discretionary authority to designate a tier II or tier III credit union be eliminated. Alternatively, we suggest that the language include a clear set of criteria, along with examples, delineating the situations when credit unions would be designated a tier II or tier III credit union, apart from the objective criteria outlined in the Proposed Rule.

**Data Submission**

Alliant appreciates the NCUA's efforts to reduce regulatory burdens by eliminating Tier I credit unions from the stress testing requirement. Under the Proposed Rule, the NCUA would no longer conduct the annual supervisory stress tests on Tier I credit unions; rather credit unions would conduct their own stress tests. In light of this proposal, it seems appropriate that the NCUA would also eliminate the quarterly data submission requirements for Tier I credit unions. *See 12 CFR 702.504.*[2] To retain the quarterly submission requirement would not result in regulatory relief for Tier 1 credit unions as contemplated by the Proposed Rule. Furthermore, the storage and maintenance of such data would create additional and unnecessary burdens for the NCUA. Credit unions can provide any needed data to the NCUA in connection with its normal supervisory oversight. Alliant further suggests that data submission be required annually rather than quarterly for Tier II and III credit unions.

**Stress Testing Frequency**

Alliant proposes that stress testing be required every three years instead of annually for Tier II and Tier III credit unions that maintain a net worth ratio above 10%. This three-year horizon is consistent with typical credit union planning. Furthermore, credit unions are not as complex as banks and their businesses do not change as quickly. Therefore, annual stress testing seems excessive. Furthermore, the 10% net worth ratio is contained in the Financial CHOICE Act (Act) currently pending before the United States Senate. Pursuant to the Act, banking organizations including credit unions that maintain a net-worth ratio of at least 10 percent, may elect to be exempted from a number of regulatory requirements, including the capital and liquidity standards.[3]

**Planning and Testing Schedule**

In July 2015, the NCUA amended the annual capital planning and stress testing schedule. That rule provided an as-of date for NCUA's stress test data of December 31st, scenario

[2] Credit unions are currently required to submit financial data based on a quarterly assessment of the expected sources and levels of stress test capital over the planning horizon that reflects the covered credit union's financial state, size, complexity, risk profile, scope of operations, and existing level of capital.

[3] The Act passed the House on June 8, 2017 and is currently pending before the Senate.

release date of February 28th and capital plan submission due date of May 31st. We have found that this timeframe presents significant challenges in submitting a well-designed capital plan. It is important to note that the bulk of the work needed to complete the capital plan occurs after the NCUA releases the stress test scenarios. This time frame has been problematic in that it does not allow sufficient time to conduct the stress test, analyze the results, and assess the need to make appropriate revisions. Accordingly, we propose that the timeframe between the scenario release date and submission date be extended to at least one quarter, which would more closely mirror the five month timeframe allotted to similarly-sized banks.

In conclusion, thank you again for the opportunity to comment on the Proposed Rule. We hope that our feedback is helpful, and that the NCUA will consider changing certain requirements contained in the Proposed Rule as set forth above.

Sincerely,

David Mooney
President & CEO