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April 24, 2019

Gerard S. Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Comments on Proposed Rule – Supervisory Committee Audits and Verifications

Dear Mr. Poliquin:

The Carolinas Credit Union League (CCUL), the association representing 130 credit unions in the Carolinas, submits the following comments in response to the National Credit Union Administration's (NCUA) request for comments on the proposed rule on Supervisory Committee Audits and Verifications. More than financial institutions, credit unions are community institutions anchored in the people helping people philosophy. With that in mind, CCUL protects and advocates for credit unions and their best abilities to serve their member-owners and communities.

Supervisory Committee Alternatives to a Financial Statement Audit – Part 715.7

CCUL supports NCUA's proposal to replace the current "audit by Supervisory Committee Guide" option with "other supervisory audit" that meets a set of minimum requirements outlined in a new Appendix A. We agree that the proposed audit option with minimum requirements not only reduces the compliance burden on a credit union but also simplifies the supervisory committee audit.

NCUA proposes to retire the Supervisory Committee Guide and provide reference materials on how to conduct procedures that would meet the minimum requirements of new Appendix A. CCUL is not opposed to reference materials that aid in the development of agreed-upon procedures. However, CCUL is concerned that these new reference materials may be interpreted by examiners as regulations. If reference materials are created, CCUL recommends that NCUA includes a clear statement that the materials are only for reference and not regulation.

The agency specifically requested comments on whether the new Appendix A should include audit requirements for loans to insiders, pay and benefits to employees and board members, and regulatory compliance. CCUL believes the additional costs outweigh the value of adding these review areas to the minimum requirements. In particular, CCUL is concerned that the review of employee and board pay and benefits may give rise to the unintended consequence of the supervisory committee questioning pay and benefits provided to employees and board members.

Included in NCUA's request for comment was whether Bank Secrecy Act (BSA) compliance should be included in Appendix A. CCUL asserts that including BSA compliance in Appendix A is redundant, as NCUA Regulation Part 748 and BSA/AML statutes to already require credit unions to conduct annual independent testing of their BSA programs.

Assistance from Outside, Compensated Person – Part 715.9

On documentation of credit union agreements for outside services, CCUL supports NCUA's proposal to eliminate the 120-day delivery date and instead require the credit union stipulate a delivery date in the engagement letter. We agree with NCUA that this proposed change provides greater flexibility for credit unions.

Thank you for the opportunity to provide comments on the proposed supervisory committee audit and verification rule.

Sincerely,

A handwritten signature in blue ink that reads "Jeanne D. Couchois". The signature is written in a cursive style with a large, stylized initial "J".

Jeanne Couchois
SVP Risk Management Resources, General Counsel