

NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314

DATE: January 2016 **LETTER NO.:** 16-CU-02
TO: Federally Insured Credit Unions
SUBJ: Online CUSO Registry to Open for Registrations in February
ENCL: [Sample NCUA letter to CUSO requesting confirmation of EIN](#)

Dear Board of Directors and Chief Executive Officer:

The purpose of this letter is to ensure credit unions are informed about the upcoming initial registration period for the *CUSO Registry*. The *CUSO Registry* is the online system through which credit union service organizations (CUSOs) will report information directly to NCUA.

The [CUSO Registry](#) will be available for CUSOs to begin registering on February 1, 2016. CUSOs will have 60 days between February 1 and March 31 to register.¹ There is no fee to use the registry.

How does this affect my credit union?

Federally insured credit unions are required to enter into written agreements with any CUSOs they make loans to or invest in. Each agreement must be signed before a credit union invests in or lends to a CUSO.² The written agreement must obligate the CUSO to annually provide certain information directly to NCUA, and the state supervisory authority where applicable.³ This required information will be collected from CUSOs through the *CUSO Registry*.⁴

¹ CUSOs will report information as of December 31, 2015.

² Credit unions that only receive products or services from a CUSO and do not have an investment in or loan outstanding to a CUSO are not subject to the requirement to maintain a written agreement. See NCUA Rules & Regulations, Section 712.3(d). A credit union that invests in or lends to more than one CUSO must maintain a written agreement with each CUSO.

³ The agreement must also document that the CUSO will comply with all applicable requirements in the CUSO rule; see [NCUA Rules & Regulations, Parts 712 and 741 for a complete list of regulatory requirements](#).

⁴ As a reminder, the CUSO regulation applies to all levels, or tiers, of a CUSO's structure. Any subsidiary in which a CUSO has an ownership interest of any amount is treated as a CUSO *if it is engaged primarily in providing products or services to credit unions or credit union members*. See NCUA Rules & Regulations, Section 712.11.

Please note, your credit union does not need to amend any written agreements it has with vendors that provide services to the credit union but do not meet the definition of a CUSO.⁵

In the event a CUSO fails to register, credit unions may not make additional investments or loans to the CUSO until the CUSO satisfies the annual registration requirement.

Beginning in mid-2016 upon completion of the initial registration period for CUSOs, as part of your ongoing due diligence, you will be able to confirm a CUSO's registration using the *CUSO Registry*. NCUA will notify credit unions when this feature is activated upon completion of the initial registration process for CUSOs.

Why did NCUA develop the CUSO Registry?

As credit unions look to lower operating costs through economies of scale or gain needed expertise, the role of CUSOs is growing. While CUSOs often provide substantial benefits to credit unions, some can create risks to credit unions. In fact, several failed CUSOs have caused significant losses to the credit union system. **NCUA needs more accurate information about CUSOs in order to better evaluate the risks to credit unions, as well as the inter-relationships between credit unions and CUSOs.**

Thus, on November 21, 2013, the NCUA Board adopted changes to the regulations that address federally insured credit unions' responsibilities when involved with a CUSO. The new requirements became effective June 30, 2014.⁶ The regulatory changes promote safety and soundness by providing better transparency through regular reports of CUSO operations.⁷

The *CUSO Registry* will also reduce credit unions' reporting burdens. Rather than requiring numerous credit unions to individually submit information about the same CUSO, each CUSO is required to report its information directly to NCUA. This change is also intended to improve data quality about CUSOs since CUSOs themselves are in the best position to provide accurate and contemporary information on their organization.

Once the initial registration period is complete and the *CUSO Registry* is open to all credit unions and the public, it will serve as a resource for credit union officials to find contact and service information about various CUSOs.

⁵ See NCUA Rules & Regulations, Section 712.1(d).

⁶ See 12 CFR Part 712, [Credit Union Service Organizations](#), and 12 CFR Part 741, [Requirements for Insurance](#). For a complete discussion, see 78 Fed. Reg. 72537 (Dec. 3, 2013). For more information about the CUSO rule, see NCUA Letter to Credit Unions 13-CU-13, [Changes to NCUA Regulations related to Credit Union Service Organizations](#), issued in November 2013, and 14-CU-07, [Contractual Agreements with Credit Union Service Organizations](#), issued in June 2014. [Changes to the corporate credit union CUSO rule](#) were approved by the NCUA Board in May 2015.

⁷ The contents of the annual report will depend on the activities in which a particular CUSO is engaged. CUSOs that engage in complex or high-risk activities will report more detailed information in addition to the information required for basic registration. Complex or high-risk services include credit and lending, information technology, custody, safekeeping, and investment management services for federally insured credit unions.

How will NCUA enforce CUSO registration requirements?

Beginning in mid-2016, credit unions and examiners can search the *CUSO Registry* to determine if a CUSO has registered. Once the search function is available, your credit union may not make a new loan to or investment in a CUSO that has not satisfied the annual registration requirement.⁸

NCUA examiners will continue to incorporate a review of your credit union's compliance with the CUSO rule during the examination. If NCUA identifies that your credit union is doing business with a CUSO that has failed to satisfy the annual registration requirement, NCUA will notify the CUSO of the need to register. The CUSO will then have 30 days to complete registration before NCUA notifies credit unions that any new investments and loans to the unregistered CUSO are impermissible.

How will the registration process for CUSOs proceed?

To facilitate the registration process, NCUA recently contacted by mail over 600 known CUSOs, requesting the confirmation of CUSO employee identification numbers (EINs) we have on file. A sample of that message is attached to this letter. If you are contacted by a CUSO concerning our correspondence, please refer your CUSO representative to NCUA at 800-827-6282 (extension 6360) or CUSORegistry@ncua.gov.

Beginning February 1, CUSOs can access the *CUSO Registry* and related training materials at <https://cusoregistry.ncua.gov>. Training material and customer support will launch simultaneously. More information about the registry is currently available on [NCUA's website](#). Additional content will be added as it is developed.

Please keep in mind the following important dates:

Important Dates to Remember

February 1, 2016	<i>CUSO Registry</i> registration window opens for CUSOs (with training material and customer support available)
March 31, 2016	Registration window closes for CUSOs
June 1, 2016 (anticipated)	<i>CUSO Registry</i> search function becomes available to all credit unions and the public

Once the registration window closes on March 31, 2016, NCUA will contact any known CUSOs that failed to complete the registration process. If a CUSO cannot promptly remedy

⁸ Please note a new CUSO must register within 60 days of its formation. Thus, it is permissible to lend to or invest in a newly formed CUSO that is not yet in the *CUSO Registry* if the investment or loan occurs within 60 days of the CUSO's formation. See section 712.3 of NCUA rules and regulations.

its failure to register, NCUA will then contact any credit unions that are known to have made a loan to or investment in the CUSO to alert them to the CUSO's status.

After this process is complete, NCUA will prepare the *CUSO Registry* data for public release and activate the search function. NCUA anticipates this will be completed by June 1, 2016.

Will NCUA protect confidential information provided by CUSOs?

Some information reported by CUSOs will be publicly accessible, such as the CUSO's name, services provided, address and other contact information.

However, trade secrets and privileged or confidential commercial or financial information will *not* be publicly accessible through the *CUSO Registry*. For example, NCUA will protect information such as CUSOs' client lists, which are subject to withholding from release to the public under exemptions in the Freedom of Information Act (FOIA) and NCUA's FOIA regulations.

NCUA will only share *CUSO Registry* information with state supervisory authorities that have signed written information sharing agreements with the agency.

I encourage you and any CUSOs you do business with to [subscribe to NCUA Express](#) to receive regular updates about the *CUSO Registry* and other important agency initiatives. If your credit union has questions about the registry or the regulatory requirements related to CUSOs, please call 800-827-6282 (extension 6360), email CUSORegistry@ncua.gov, or contact your regional office or state supervisory authority.

Sincerely,

/s/

Debbie Matz
Chairman