

Chapter 104

STATE-CHARTERED CORPORATE CREDIT UNIONS

Introduction

NCUA recognizes state regulatory agencies are primarily responsible for the supervision of state-chartered federally insured corporate credit unions (FISCCU) and non-insured corporate credit unions (NISCCUs). Since all corporate credit unions provide deposit, liquidity, and correspondent services to federally insured credit unions, however, NCUA has an obligation to assess the risk FISCCUs and NISCCUs present to the National Credit Union Share Insurance Fund (NCUSIF). This obligation is reflected in Parts 704 and 741 of NCUA's Rules and Regulations.

Ongoing supervision is a key element of determining that FISCCU's and NISCCU's are operated in a safe and sound manner. Although state and NCUA examiners have distinct roles and responsibilities in the oversight of FISCCUs and NISCCUs, both employ similar processes in administering their duties.

A cooperative and coordinated effort between NCUA's Office of Corporate Credit Unions (OCCU) and State Supervisory Authorities (SSAs) is essential to ensure FISCCUs and NISCCUs are effectively regulated and supervised, and that risk to the NCUSIF is properly identified and monitored.

Information Sharing

NCUA and SSAs will make every reasonable effort to share information regarding FISCCUs and NISCCUs under their mutual jurisdiction, and on issues affecting the corporate system as a whole. Each SSA will provide OCCU copies of examination reports or other supervision activities performed independently for use by OCCU in monitoring risk to the NCUSIF. SSAs and OCCU will copy each other on correspondence and reports to FISCCUs and NISCCUs under their mutual jurisdiction.

The SSA may also request copies of OCCU examination reports and other related documentation for corporate credit unions serving credit unions the SSA regulates. OCCU will make reasonable efforts to satisfy all such requests. SSAs may be requested to enter into Confidentiality Agreements with NCUA before such information will be shared.

Joint Examinations/Insurance Reviews

Scheduling

When NCUA and the SSA jointly participate in the examination or on-site supervision of a FISCCU or NISCCU, appropriate NCUA and SSA staff will coordinate scheduling of all on-site contacts. NCUA and the SSA will mutually agree upon the dates of all onsite contacts with sufficient advance notice to allow both agencies to participate.

Designation of Examiner-in-Charge

Both the SSA and NCUA may designate an examiner-in-charge (EIC) for a joint examination and insurance review. Each agency will be responsible to ensure that its EICs are properly trained and have adequate experience to serve in that capacity.

To clarify the distinction between supervisory and insurance activities and objectives, the designations "Supervisory EIC" and "Insurance EIC" may be used for the SSA and NCUA EICs, respectively, if desired, and mutually agreed upon by the agencies.

Examination Report Format, Scope, and Process

NCUA will adhere to the Corporate Examiner's Guide for the standard format, scope, and process to be followed for each FISCCU and NISCCU examination. To maximize efficiency and minimize redundancy, NCUA and the SSA will share examination work papers and other relevant documentation to the maximum extent feasible.

Each joint examination and insurance review will include a formal planning process. The EICs will jointly develop the scope and team assignments to be used during the examination. To ensure effective use of resources, examination scopes will be determined on a risk-assessment basis and mutually agreed upon prior to the start of examination fieldwork. The SSA and NCUA EICs as part of the pre-examination planning process will agree to arrangements for sending the examination request lists to the FISCCU or NISCCU. In addition, the SSA and NCUA EICs will develop a plan for issuing a transmittal letter to the FISCCU or NISCCU.

During the planning process, the EICs will also determine which agency will write the examination report. All examination reports will be subject to review and approval by both agencies prior to transmittal to the institution. Production of a single examination report incorporating the findings and recommendations of each agency is

preferred. In the unlikely event production of a single examination report is not possible, the SSA and NCUA may issue a separate regulatory and insurance report, respectively, if either agency determines separate reports are necessary.

The SSA and NCUA EICs should strive to reach compatible conclusions and recommendations. The SSA and NCUA EICs will discuss all findings, conclusions, and recommendations before presentation to, or discussion with, corporate credit union management. If the SSA and NCUA EICs cannot reach mutual agreement on examination and supervision related issues, or on matters to be included in the examination report, they will defer to their respective supervisors for resolution before discussing the issues with corporate credit union officials.

Additional On-site Supervision

In addition to review of independent SSA examinations or participation in joint examination and insurance reviews, NCUA monitors FISCCUs and NISCCUs monthly. Monthly monitoring procedures include review of: 5310 reports; board packages; other electronic or telephonic means; correspondence; and other information provided by the SSA. Under normal circumstances, these examination and monitoring processes provide sufficient information for OCCU to assess NCUSIF risk from each FISCCU or NISCCU.

Both OCCU and SSAs recognize additional onsite supervision may be necessary under certain circumstances, and will strive to ensure such supervision is conducted in a cooperative and mutually beneficial manner. If either the SSA or NCUA independently determines additional on-site supervision is necessary, the SSA and OCCU will notify the respective agency, inform each other of the issues or concerns involved, and invite each other to jointly perform such supervision. Whether the additional supervision is performed jointly, or independently, the SSA and NCUA will provide each other with copies of all correspondence related to the on-site supervision.

Corporate Credit Union Training

Both NCUA and SSAs are committed to ensuring examiners participating on corporate credit union examinations are well trained. To that end, and at its discretion, NCUA will make as much of its corporate credit union related training programs provided to OCCU examiners available to SSA examiners, as is reasonably possible. The SSA and NCUA recognize that some training programs (e.g., for Capital Markets, Information Systems, Payment Systems) are

developed for specific NCUA positions and are unavailable to other OCCU staff. Likewise, these specialized training programs are not available for SSA staff.

Corporate credit union training may include participation in examinations or other activities conducted at various federal or state chartered corporate credit unions. Each SSA may request participation in any OCCU examination(s) to provide training opportunities for the SSA's corporate examiners. OCCU will make reasonable efforts to accommodate such requests. SSAs may be required to enter into a Confidentiality Agreement with NCUA and/or other SSAs as a condition of providing this type of training.

SSA participation in corporate credit union training will be coordinated through the NASCUS State Programs Coordinator in the same manner other NCUA training is handled. Each SSA will ensure examiners participating in NCUA provided training opportunities possess the skills and prerequisites appropriate for the training being provided.

Federal Corporate Credit Union Examination Participation

An SSA may request to participate on OCCU examinations or other supervisory activities of federal corporate credit unions to determine the safety and soundness of the corporate serving the credit unions the SSA regulates. OCCU will make reasonable efforts to accommodate such requests. SSAs may be required to enter into a Confidentiality Agreement with NCUA as a condition of such participation.

Release of FCCU Examination Reports

SSAs are also requested to enter into Confidentiality Agreements when requesting copies of examination reports for federally chartered corporates located in their states, if participation in the examination did not occur.

Expanded Authorities and Waiver Requests

Part 704 of NCUA Rules and Regulations require the SSA to act on applications for expanded authorities or waivers of the rule from FISCCUs or NISCCU's before the NCUA Board will consider such applications. If the SSA denies a request, NCUA will concur with the denial. To facilitate this procedure, it is requested that a copy of the SSA denial letter be sent to NCUA.

If the SSA approves a request, NCUA staff will review the request and will provide the NCUA Board with a recommendation. In the event the SSA supports a FISCCU or NISCCU's request for expanded authority, however, the NCUA Board does not approve the request both the corporate and the SSA will be notified of such decision(s). To reduce regulatory burden and maximize resource utilization, SSA and NCUA staff should conduct reviews of these requests, including any activities conducted onsite at the corporate credit union, jointly, whenever possible.

Transmittal Letters

If a joint examination report is issued and signed by both the NCUA and SSA EICs, a standard supplement to the report includes the mailing of a transmittal letter to the chairman of the corporate's board of directors. Unless otherwise agreed, the originator of the transmittal letter will be the SSA in coordination with NCUA. If any SSA does not wish to send a transmittal letter, NCUA may send one.

Correspondence

Copies of all correspondence material impacting the continued safety and soundness of the NCUSIF will be provided to NCUA. Copies of NCUA's correspondence will be routinely sent to the appropriate SSA.

Administrative Actions

Administrative Actions will be addressed in Chapter 501 of this Guide as part of the next Guide revision.