



National Credit Union Administration
Office of General Counsel

TO: NCUA Board

DATE: June 12, 2019

FROM: Office of General Counsel

SUBJ: Final Rule – Fidelity Bonds

ACTION REQUESTED: NCUA Board approval to issue the attached final rule.

DATE ACTION REQUESTED: July 18, 2019

OTHER OFFICES CONSULTED: Office of Examination and Insurance; Office of National Examinations and Supervision

VIEWS OF OTHER OFFICES CONSULTED: Concur.

BUDGET IMPACT, IF ANY: Minimal.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBERS: Rachel Ackmann, Staff Attorney, Office of General Counsel.

SUMMARY: At its November 15, 2018 meeting, the Board issued a proposed rule to amend its regulations regarding fidelity bonds under Part 704 for corporate credit unions and under Part 713 for natural person credit unions. The final rule strengthens a board of directors' oversight of a FICU's fidelity bond coverage; ensures an adequate period to discover and file fidelity bond claims following a FICU's liquidation; codifies a 2017 legal opinion that permits a natural person credit union's fidelity bond to include coverage for certain CUSOs; and addresses Board approval of bond forms. The NCUA received 26 comment letters on the proposed rule. In general, many of the commenters supported the stated goal, to implement fidelity bond requirements in a cost-effective manner. All of the commenters, however, expressed concerns about specific aspects of the proposal. In response to commenters, the final rule includes certain modifications from the proposed rule to reduce regulatory burden. The final rule does not require a credit union's supervisory committee to review its fidelity bond renewal, has reduced the mandatory discovery period from two years to one year following a credit union's involuntary liquidation, and provides increased flexibility to the provision that sunsets Board approval of fidelity bond forms.

RECOMMENDED ACTION: NCUA Board approve the attached final rule.

ATTACHMENT: Final rule.