



# NCUA Regulatory Perspective

**Current Regulatory and Supervisory Focus  
Moss Adams Credit Union Conference**

**June 27, 2017**

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# Current Regulatory and Supervisory Focus

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**NCUA Letter No. 17-CU-01**

**Supervisory Priorities for 2017**



# What is on tap for 2017?

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- 1. Extended exam cycle**
- 2. Cybersecurity assessment (same 2016)**
- 3. BSA Compliance (same 2016)**
- 4. Internal Controls & Fraud Detection**
- 5. Interest Rate & Liquidity Risk (IRR same 2016)**
- 6. Commercial Lending**
- 7. Consumer Compliance**



# What is on tap for 2017?

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# Extended Exam Cycle & Exam Procedures

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- Eligible CUs – 14-20 months
- Advanced notice
- Coordinated document requests
- Separating planning and scoping from beginning of on-site work



# What is on tap for 2017?

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# Cybersecurity Assessment

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- **Use the Cybersecurity Assessment Tool (FFIEC joint release) issued June 2015**
- **Second half of 2017, plan to roll out a structured assessment process – stay tuned**



# What is on tap for 2017?

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# Bank Secrecy Act Compliance

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- **Required reviews every exam**
- **Relationships with:**
  - Money Services Businesses (MSBs)
  - Other High Risk accounts
- **Letter 14-CU-10**



# What is on tap for 2017?

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# Internal Controls and Fraud Prevention

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- Adequacy of internal controls
- Efforts to prevent
- CU's with limited staff more susceptible

# What is on tap for 2017?

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# Interest Rate and Liquidity Risk

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- Began using revised IRR supervisory tool on January 1
- Focus on relationship between IRR and Liquidity Risk
- Letter 16-CU-08



# What's new with this approach?

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1. Standardized *IRR Supervisory Test* (aka NEV shock test)
2. Estimated NEV Tool (Call Report-based)
3. Defined tolerance thresholds for post-shock NEV results
4. Supervisory process addresses IRR outliers
5. Streamlined review procedures (depending on risk)
6. Updated Examiner's Guide
7. Enhanced data collection
8. Project plan to transition to CAMELS



# What are the benefits for CUs?

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- 1. A primary focus on outliers**
- 2. Uniform, measurable, consistent and transparent IRR measure (NEV shock test)**
- 3. Increased clarity surrounding IRR expectations**
- 4. Increased accuracy of IRR supervisory risk rating**
- 5. Greater consistency by examiners**
- 6. Risk-focused discussions**
- 7. Negligible examination burden**

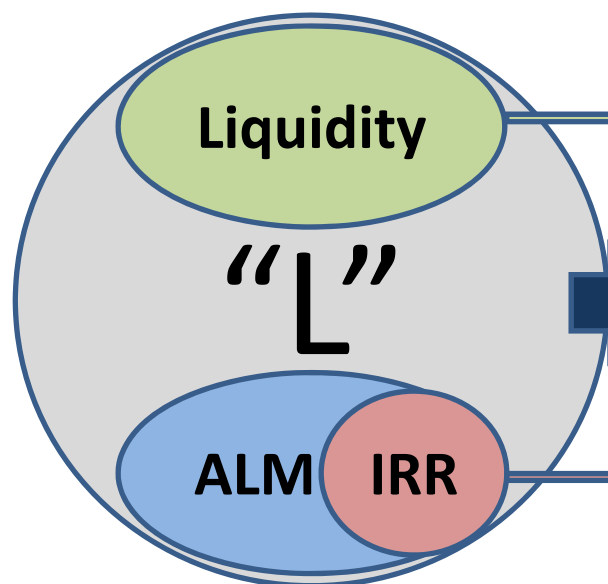




# How would NCUA transition to an “S” Rating?

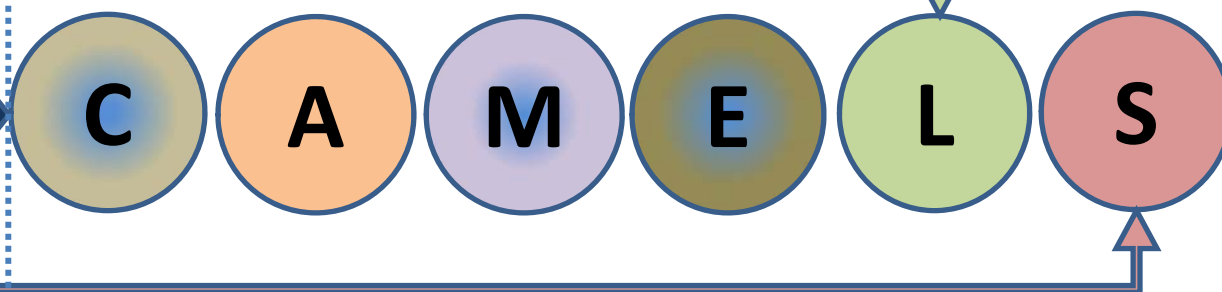
## Today:

Letter No. 07-CU-12  
CAMEL Rating System



New IRR rating will be incorporated into existing scheme (part of “L” rating) for now.

## Future:



Future CAMELS rating methodology may be issued for public notice and comment. At a minimum, would separate *liquidity* from *sensitivity to market risk*.



# What is on tap for 2017?

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# Commercial Lending

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- **Part 723 revised and effective Jan 1**
- **Evaluating management of commercial lending program**
- **Letter 16-CU-11**



# What is on tap for 2017?

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# Consumer Compliance

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- **Military Lending Act – recent changes in effect, more go into effect October 2017**
- **Servicemembers' Civil Relief Act**
- **Overall commitment to oversight**
- **Letter 16-CU-07**





# Chairman's Commentary – Feb 2017

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- **Revisiting the agency's pending risk-based capital rule, scheduled to go into effect in January 2019;**
- **Continued review of an extended examination cycle;**
- **Re-evaluation of the stress-testing rule for the largest credit unions;**
- **Streamlining the agency's budget; and**
- **Doing more to help credit unions serve members better.**





# Questions

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What percent of  
thefts and cheating  
**in Las Vegas**  
**casinos** are  
committed by staff?



# Questions

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**Approximately 34%**





# Questions

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How many **wedding ceremonies** are performed each year in Las Vegas?

## Questions



**Approximately  
120,000**

Las Vegas plays host to an average of 10,000 marriage ceremonies each month; that's just over 300 per day.

# Questions

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**Why aren't iPhone  
chargers called  
apple juice?**



# Questions

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A bat and a ball  
cost \$1.10 in total.  
The bat costs  
\$1.00 more than  
the ball. How  
much does the  
ball cost?





# Contact Information

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