

Updated: August 2023

NASCUS POLICIES

The logo for NASCUS features the word "NASCUS" in a bold, blue, sans-serif font. A light blue, curved line sweeps across the middle of the letters, starting under the 'N' and ending under the 'S'.

The National Voice of the State Credit Union System

Introduction

Using the NASCUS Policies

NASCUS policies are defined as those policies or positions the Board establishes on issues of general importance and application to the credit union system.

Current NASCUS Policies

	<u>Policy</u>	<u>Enacted</u>	<u>Sunset</u>
1	Litigation Assistance	1994	2026
2	NASCUS/NCUA Document of Cooperation	1999	2026
3	Enhancing the NCUA Board	1995	2025
4	Separation of Insurance from Supervision	1996	2025
5	Consolidation of Rules	1999	2024
6	Federal Examination Fees for State-Chartered Institutions	2000	2024
7	Net Worth Definition	2002	2025
8	NASCUS Policy on Specific State Issues	2003	2026
9	Limiting Preemption of State Powers & Authorities	2003	2025
10	NASCUS Policy on Endorsements and Sponsorships	2003	2024
11	Converting a State-Chartered Credit Union to another Financial Institution	2004	2024
12	Compliance with Federal Regulations	2005	2024
13	Enhancing the Value of the Credit Union Charter	2005	2026
14	Partnerships to Enhance Education & Training	2012	2024
15	NCUA Third Party Authority	2015	2024
16	Cannabis Banking Legislation	2015	2026
17	Statutory Changes to the NCUSIF	2016	2025
18	NCUA's Establishment of the Overhead Transfer Rate	2016	2024
19	Creation of an NCUA Federally Insured Credit Union Advisory Council	2017	2026
20	Federal Cybersecurity Legislation & Breach Notification	2019	2025
21	Diversity, Equity & Inclusion	2020	2026
22	Fintech Investment Authority and Other Collaborative Relationships	2022	2025

1) Policy: Litigation Assistance

Enacted: September 1994

Amended & Re-enacted: August 23, 2005

Re-enacted: May 9, 2008

Re-enacted: June 24, 2011

Re-enacted: June 18, 2014

Re-enacted: March 2, 2017

Re-enacted: August 10, 2020

Re-enacted: August 26, 2023

Scheduled to sunset: August 2026

1) NASCUS may provide assistance from its counsel or other available legal resources when called upon by regulator member who is involved in a matter of general interest to a NASCUS member.

2) NASCUS will participate in litigation on appeal with its regulator members only with the approval of its Board of Directors. In evaluating whether NASCUS should submit pleadings, briefs or documents in litigation on appeal, the Board should consider:

- a) The importance of the issue to dual chartering or regulatory autonomy;
- b) The degree to which a decision is likely to be premised upon a matter of importance to dual chartering or regulatory autonomy;
- c) The extent to which NASCUS participation appears to be critical on appeal;
- d) The extent to which NASCUS is able to present matters which would be as effectively presented by others;
- e) The extent to which the litigant or others will assist in the financial burden to NASCUS.

3) Exceptions to this litigation assistance policy may be made by the NASCUS Board upon timely application and proof of extraordinary circumstances which justify such an exception.

2) Policy: NASCUS/NCUA Document of Cooperation

Enacted: June 1999

Amended & Re-enacted: August 23, 2005

Amended & Re-enacted: August 2008

Re-enacted: June 24, 2011

Re-enacted: June 18, 2014

Re-enacted: March 2, 2017

Re-enacted: August 10, 2020

Re-enacted: August 26, 2023

Scheduled to sunset: August 2026

NASCUS seeks to maintain a cooperative working relationship with the NCUA. As the federal insurer, NCUA's actions impact the state credit union system and affect state regulators. To facilitate a cooperative working relationship with NCUA, NASCUS will maintain a signed Document of Cooperation establishing standards of interaction between the State regulatory system and NCUA. As needed, NASCUS will work with NCUA to amend and update the Document of Cooperation so it shall remain a valid and useful tool to balance the dual interests of the state and federal regulators.

3) Policy: Enhancing the NCUA Board

Enacted: September, 1995

Amended & Re-enacted: August 23, 2005

Re-enacted: May 9, 2008

Re-enacted: June 24, 2011

Amended & Re-enacted: June 11, 2013

Re-enacted: April 20, 2016

Amended & Re-enacted: August 2019

Re-enacted: April 11, 2022

Scheduled to Sunset: August 2025

NASCUS supports expanding the NCUA Board from three to five members. Furthermore, NASCUS supports dedicating one NCUA Board seat for a person with experience as a state credit union regulator.

If unable to achieve expansion of the NCUA Board through amendment to the FCUA, NASCUS remains committed to achieving a dedicated NCUA Board seat for an individual with experience as a state regulator.

4) Policy: Separation of Insurance from Supervision

Enacted: September, 1995

Amended & Re-enacted: August 23, 2005

Amended & Re-enacted May 2007

Re-enacted: June 2010

Re-enacted: June 2013

Amended & Re-enacted: April 20, 2016

Re-enacted: August 2019

Amended & Re-enacted: April 11, 2022

Scheduled to Sunset: August 2025

NCUA's role as the chartering authority for federal credit unions and as the administrator of the credit union share insurance fund may presents a potential, actual, or perceived conflict of interest with respect to the Agency's management of the SIF unless those functions are internally separated.

To ensure a safe, sound, and equitable dual chartering system, the Title II insurance and Title I supervision functions of the NCUA should be separated within the agency. An NCUA administered SIF, with appropriate separation of functions within the agency, is integral element of the credit union system.

5) Policy: Consolidation of Rules

Enacted: March 1999
Amended & Re-enacted: August 23, 2005
Re-enacted: May 2009
Re-enacted: June 2012
Re-enacted: June 2015
Amended & Re-enacted: March 2018
Re-enacted: July 2021

Scheduled to Sunset: August 2024

NCUA should consolidate all federal share insurance rules in a single section of its Rules and Regulations. The current practice, incorporation by reference, creates an unnecessary burden on state credit unions and both state and federal examiners. Complete incorporation would eliminate any doubts as to which rules apply to federally insured credit unions in whole or in part.

6) Policy: Federal Examination Fees for State Chartered Institutions

Enacted: March 20, 2000
Amended & Re-enacted: August 23, 2005
Re-enacted: May 29, 2009
Re-enacted: June 2012
Re-enacted: June 2015
Re-enacted: March 2018
Re-enacted: July 2021

Scheduled to Sunset: August 2024

NASCUS opposes federal examination fees for federally insured state-chartered credit unions.

7) Policy: Net Worth Definition

Enacted: March 24, 2002
Amended & Re-enacted: August 23, 2005
Amended & Re-enacted: May, 2007
Amended & Re-enacted: June 2010
Re-enacted: June 2013
Re-enacted: April 20, 2016
Re-enacted: August 2019
Amended & Re-acted: April 11, 2022

Scheduled to Sunset: August 2025

NASCUS supports broadening the definition of “net worth” in the Federal Credit Union Act to permit supplemental capital to be counted as regulatory capital to improve the safety and soundness of the credit union system and add additional protection for the SIF. While NASCUS supports a properly calibrated system of risk-based capital and the inclusion of the subordinated debt in the risk-based capital framework, it is essential that access to secondary capital remain a meaningful option for qualifying credit unions. NASCUS supports changes to the risk-based capital framework that preserves access to subordinated debt while also accommodating traditional utilization of secondary capital.

8) Policy: NASCUS Policy on Specific State Issues

Enacted: March 8, 2003
Amended & Re-enacted: March 3, 2008
Re-enacted: June 24, 2011
Amended & Re-enacted: June 18, 2014
Re-enacted: March 2, 2017
Amended & Re-enacted: August 10, 2020
Re-enacted: August 26, 2023

Scheduled to sunset: August 2026

NASCUS may become involved in specific state issues when requested by a NASCUS state supervisory authority member, or when requested by a credit union member or an Associate member if there is no objection by the state supervisory authority.

This limitation does not apply to basic requests for information such as providing comparisons of state credit union acts.

9) Policy: Limiting Preemption of State Powers & Authorities

Enacted: March 8, 2003
Re-enacted: August 23, 2005
Amended and Re-enacted: May 9, 2008
Re-enacted: June 24, 2011
Re-enacted: June 18, 2014
Re-enacted: March 2, 2017
Re-enacted: August 10, 2020
Amended & Re-acted: April 11, 2022

Scheduled to sunset: August 2025

The dual chartering system is predicated upon the ability of states to serve as laboratories of innovation by allowing powers, authorities, and activities for their credit unions that may vary from those authorized for federal credit unions. Such diversity in regulation benefits and strengthens the entire credit union system which in turn provides greater protection for the SIF. NCUA preemption of state authority should be exercised judiciously and only in cases where unambiguous material safety and soundness concerns exist. NASCUS will actively oppose efforts to preempt and infringe upon state authority to empower their credit unions under state specific rules to engage in activities deemed appropriate in that state. Overly broad preemption of state authority by federal agencies diminishes the vitality of the credit union movement.

10) Policy: NASCUS Policy on Endorsements and Sponsorships

Enacted: September 6, 2003
Re-enacted: August 23, 2005
Re-enacted: May 29, 2009
Amended and Re-enacted: June 2012
Re-enacted: June, 2015
Amended and Re-enacted: March 2018
Re-enacted: July 2021

Scheduled to Sunset: August 2024

NASCUS will not endorse products or services provided by third-party vendors. A third-party endorsement is defined as support for a product or service which would imply an exclusive arrangement, or “seal of approval” by NASCUS. NASCUS may solicit or accept sponsorships or other support, provided that such acceptance does not result in a third-party endorsement. This prohibition does not extend to partnerships through which NASCUS may facilitate the access of examiners and credit unions to high quality training and educational opportunities.

11) Policy: Converting a State-Chartered Credit Union to Another Financial Institution

Enacted: March 6, 2004
Re-enacted: August 23, 2005
Re-enacted: May 29, 2009
Re-enacted: June 2012
Re-enacted: June 2015
Re-enacted: March 2018
Re-enacted: July 2021

Scheduled to Sunset: August 2024

The process for converting a state-chartered credit union to another financial institution charter is a matter that should be determined by state law and regulation.

12) Policy: Compliance with Federal Regulations

Enacted: August 23, 2005
Re-enacted: May 29, 2009
Re-enacted: June 2012
Re-enacted: June, 2015
Re-enacted: September 2018
Re-enacted: July 2021

Scheduled to Sunset: August 2024

NASCUS encourages state regulatory agencies to examine state-chartered credit unions for compliance with applicable federal laws and regulations. State examination for compliance in these areas strengthens the state credit union system, bolsters state autonomy, and reduces regulatory burdens on state-chartered credit unions by reducing the need for independent federal examination for compliance.

13) Policy: Enhancing the Value of the Credit Union Charter

Enacted: June 10, 2005
Amended and Re-enacted: May 9, 2008
Re-enacted: June 24, 2011
Re-enacted: June 18, 2014
Re-enacted: March 2, 2017
Re-enacted: August 10, 2020

Re-enacted: August 26, 2023
Scheduled to sunset: August 2026

NASCUS generally supports Congressional efforts to improve the value of the credit union charter that do not preempt the authority of state regulations or compromise safety and soundness and the dual chartering system.

14) Policy: Partnerships to Enhance Education and Training

Enacted: September, 2012
Re-enacted: June, 2015
Re-enacted: March 2018
Re-enacted: July 2021

Scheduled to Sunset: August 2024

To support a strong state credit union system, excellence in state credit union supervision, and safe and sound credit union operations, NASCUS provides high quality training and educational opportunities for its members. In order to maintain a vibrant, timely and effective training program NASCUS shall continuously develop its educational curriculum, faculty and delivery platforms.

As appropriate, NASCUS may partner, promote, or otherwise affiliate with entities in furtherance of providing or expanding access to high quality training for NASCUS members and the state system.

As necessary, the Board shall review such relationships to ensure the relationships remain consistent with NASCUS' mission, purpose and identity.

15) Policy: NCUA Third Party Authority

Enacted: July, 2015
Amended and Re-enacted: December 2021

Scheduled to Sunset: August 2024

NASCUS recognizes the supervisory value of regulators having direct examination authority over certain third-party services providers of financial institutions. NASCUS supports (a) the inclusion of state regulatory agencies and NCUA in the examination of third-party service providers and (b) the interagency sharing of Reports of Examination (ROE) and distribution of ROEs to serviced credit unions. Any statutory third party vendor authority exercised by NCUA should recognize the authority of state regulatory agencies and be consistent with the FFIEC IT Handbook framework.

16) Policy: Cannabis Banking Legislation

Enacted: July, 2015
Amended & Re-enacted: April 20, 2016
Re-enacted: March 2, 2017
Re-enacted: March 2018
Amended & Re-enacted: June 2019
Amended & Re-enacted: August 10, 2020
Re-enacted: August 26, 2023

Scheduled to sunset: August 2026

NASCUS supports federal legislation making it permissible for financial institutions to provide financial services to state authorized cannabis businesses and to third-party businesses that serve the cannabis businesses.

17) Policy: Statutory Changes to the NCUSIF

Enacted: August, 2016
Re-enacted: August 2019
Amended & Re-enacted: April 11, 2022

Scheduled to Sunset: August 2025

It is prudent to regularly evaluate whether the existing statutory framework for the National Credit Union Share Insurance Fund (SIF) is sufficient to provide the backstop necessary to maintain the credit union system during future financial crisis. Any such discussions should, from the beginning, include state regulators and system stakeholders to ensure a comprehensive understanding of the effects of any proposed changes on the system. State regulators have experience and expertise with the statutory and operational construct of the bank deposit insurance fund that would help inform possible changes to the SIF. Furthermore, any changes to the structure of the SIF must include changes to the administration of the SIF that includes providing the state system participation in the SIF's administration and resolves the potential for, or appearance of, any conflict of interest between NCUA's role as the chartering authority of FCUs and NCUA's role administering the SIF.

18) Policy: NCUA's Establishment of the Overhead Transfer Rate

Enacted: August, 2016
Amended and Re-enacted: March 2018

Re-enacted: July 2021

Scheduled to Sunset: August 2024

The OTR methodology should be guided by principles of equity and transparency. Continued stakeholder input by way of formal notice and comment, and an acknowledgement of NCUA's dual role as insurer and chartering authority are essential and should remain fundamental criteria of a fair methodology.

**19) Policy: Creation of an NCUA Federally Insured
Credit Union Advisory Council**

Enacted: April 2017

Re-enacted: August 10, 2020

Re-enacted: August 26, 2023

Scheduled to sunset: August 2026

Properly balanced regulation and supervision considers not just the risk to be mitigated. It should take into account the burden of compliance and the need for business flexibility and innovation. To help achieve that proper balance, there should be robust dialogue between the regulator and the regulated.

As administrator of the National Credit Union Share Insurance Fund, NCUA should form an advisory council of federally insured credit unions to provide NCUA with advice and guidance on issues related to share insurance regulation and supervision. Such an advisory council should consist of equal numbers of state chartered and federally chartered credit unions and should convene at least twice annually with the NCUA board in public meetings.

20) Policy: Federal Cybersecurity Legislation & Breach Notification

Enacted: June 2019

Amended & Re-acted: April 11, 2022

Scheduled to Sunset: August 2025

Federal legislation addressing cybersecurity and breach notification must apply cybersecurity and requirements and disclosure obligations to merchants that handle consumers' personally identifiable information and personal financial information.

21) Diversity, Equity & Inclusion

Enacted: August 10, 2020
Re-enacted: August 26, 2023

Scheduled to Sunset: August 2026

NASCUS represents a state credit union system comprised of talented individuals from all walks of life. Differing views and experience contribute to better decision-making and clarity of intention. We strive to be a diverse, inclusive, and equitable organization in which all employees, volunteer leadership, members, and supporters feel valued and respected regardless of gender, race, ethnicity, national origin, age, sexual orientation or identity, education, or physical ability. We are committed to fostering diversity, equity, and inclusion within NASCUS leadership and staff and throughout the state credit union system. NASCUS will infuse these principles in everything we do, including our policy positions, partnerships, vendor affiliations, education offerings, and communication channels.

22) Fintech Investment Authority and Other Collaborative Relationships

Enacted: April 11, 2022

Scheduled to Sunset: August 2025

NASCUS supports authorizing credit union investment in non-CUSO fintechs and other entities, increased authority to partner with banks and other non-depositories, the purchase of, or investment in, loan pools, and broadening loan participation powers. Greater flexibility in these areas strengthens the credit union system; encouraging competitive innovation, diversification of credit risk, and expanded opportunities to leverage collaborative efficiencies. State law should be determinative of a state-chartered credit union's ability to engage in these activities.