

BOARD ACTION MEMORANDUM

TO: NCUA Board **DATE:** April 11, 2018
FROM: Office of General Counsel **SUBJ:** Final Rule – Capital Planning
Office of National Examinations and Supervisory Stress Testing (Part 702)
and Supervision

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

DATE ACTION REQUESTED: April 19, 2018

OTHER OFFICES CONSULTED: Office of the Chief Financial Officer

VIEWS OF OTHER OFFICES CONSULTED: Concur

BUDGET IMPACT, IF ANY: \$715,000

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes

RESPONSIBLE STAFF MEMBERS: Scott Hunt, Director, and Dale Klein, Senior Financial Analyst—CPST, Office of National Examinations and Supervision; and John H. Brolin, Senior Staff Attorney, and Rachel Ackmann, Staff Attorney, Office of General Counsel.

SUMMARY: At its October 19, 2017 meeting, the Board issued a proposed rule to amend its regulations regarding capital planning and stress testing for covered credit unions. The NCUA received 17 comment letters on the proposed rule that generally supported giving covered credit unions regulatory relief from the current capital planning and stress testing requirements. The final rule reduces regulatory burden by removing some of the capital planning and stress testing requirements currently applicable to certain covered credit unions. The final rule also makes the NCUA's capital planning and stress testing requirements more efficient for covered credit unions and the NCUA by, among other things, authorizing credit unions to conduct their own stress tests in accordance with the NCUA's requirements and allowing those credit unions to incorporate the stress test results into their capital plan submissions. In response to commenters, the final rule includes certain modifications from the proposed rule. The final rule modifies the thresholds for tier I and II covered credit unions by removing the three year phase-in period in favor of a strict asset-size threshold. The final rule also removes the requirement that tier I and II covered credit unions submit a capital plan to the NCUA by May 31st each year and, instead, such credit unions only must develop and maintain an annual capital plan that will be reviewed as part of the supervisory process.

In anticipating the potential impact these changes could have on the NCUA 2018 budget when the budget was developed in the summer of 2017, staff estimated that two credit unions would qualify as tier III; however, under the impact of this final rule three credit unions will qualify as

tier III. The Board approved 2018 budget includes \$1,450,000 for stress testing, which will increase to \$2,165,000 based on the additional stress test (Stress testing is found on page 16 of the 2018 budget justification document). In total, the Board approved Share Insurance Fund administrative budget for 2018 is \$7,376,000, which was a 27 percent decrease from the equivalent \$10,055,000 budget in 2017. This action, if approved, would increase the Share Insurance Fund budget by \$715,000, to \$8,089,100 (still 20 percent below comparable 2017 budget).

RECOMMENDED ACTION: NCUA Board approve: (1) The attached final rule; and (2) An increase to the Share Insurance Fund administrative budget of \$715,000 for stress testing.

ATTACHMENT: Final rule.