THE EXAMINER

Issue 1

FROM THE DIVISION

Welcome to the NCCUD's quarterly newsletter, The Examiner. We hope you find this communication helpful and informative, especially for upcoming regulatory issues and changes.



This year means many changes for all of us. NCCUD transitioned from AIRES to MERIT, a new examination platform. On April 1, 2022, we will begin adding an 'S' to CAMEL ratings and further evaluating our credit unions' Asset-Liability Management (ALM) related risks going forward. Other important regulatory items to note are updates to the FFIEC Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) Examination Manual, anticipated changes in response to the AML Act

IMPORTANT DATES

- April 1, 2022, Commission Meeting
- April 1, 2022, "S" Component Added
- April 15, 2022, NCCUD Closed for Good Friday
- April 30, 2022, 1st Quarter Call Report Submissions Due

of 2020, and upcoming changes to the March 31, 2022, Call Report filings. Additionally, we are planning to continue offsite examinations, but will evaluate the need to visit credit unions on an individual basis.

Modern Examination & Risk Identification Tool (MERIT)

NCCUD has incorporated a new web-based examination platform that replaces our old examination application, AIRES. For all of our examinations performed this year, we will be using MERIT. We appreciate your patience as we all become more familiar with the updated features. This change should not significantly affect your examination.

Adding an S to CAMEL

NCCUD will begin using the CAMEL component "S" rating for examinations beginning April 1, 2022, and thereafter. The "S" CAMEL component rating stands for "Sensitivity to Market Risk" (interest rate risk). The Division will breakout the current "L" component rating into two separate component ratings of "L" for liquidity risk and "S" for interest rate risk.

AML Act of 2020

Credit unions should start considering how to incorporate the AML and Countering the Financing of Terrorism National Priorities into their risk-based AML/CFT programs, as appropriate, as they will be a measure for evaluating BSA compliance. NCCUD will not examine the incorporation of the priorities until implementing regulations have been

promulgated. There are no new requirements yet; however, we encourage our state-chartered credit unions to stay up-to-date on potential upcoming changes.

March 31, 2022, Call Report Changes

The changes will impact the structure of the Call Report, eliminate obsolete reporting items, and build out current reporting to accommodate the enhanced risk-based capital ratio. See more information on Call Report Changes.

In accordance with the Federal DOTGOV Online Trust in Government Act of 2020, the NC Credit Union Division has converted our email addresses from @nccud.org to @nccud.nc.gov. Please verify your address books have our new domains.

CHECK OUT OUR UPDATED WEBSITE AT

HTTPS://CUD.NC.GOV/

THE EXAMINER

Issue 2

FROM THE DIVISION

Welcome to the NCCUD's quarterly newsletter, The Examiner.

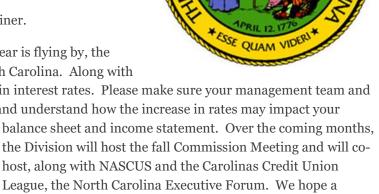
We hope everyone is enjoying the summer months. The year is flying by, the temperature is rising, and summer is in full swing in North Carolina. Along with

the increased temperatures, we're also seeing an increase in interest rates. Please make sure your management team and Board review your credit union's interest rate risk model and understand how the increase in rates may impact your

1, 2023.

IMPORTANT DATES

- September 5, 2022, NCCUD Closed for Labor Day
- September 30, 2002, Commission Meeting
- October 19, 2022, North Carolina **Executive Forum**
- October 30, 2022, Call Reports Due



Sensitivity to Market Risk

Interest rates are at a four-decade high and Sensitivity to Market Risk is changing for financial institutions as we enter a rising rate environment. Management and Board of Directors are reminded to review their systems for measuring and managing interest rate risk and ensuring the assumptions used in the model are reasonable.

representative from your credit union can attend. We would

also like to remind you that CECL will be implemented January

North Carolina Executive Forum

Credit union board members, committee members, and management should not miss the North Carolina Executive Forum. We are excited to invite you to participate in this one-day session customized for North and South Carolina credit unions. Be sure to take advantage of this excellent training opportunity for directors and staff. Click this link to register!

Commission Meeting

The next Commission Meeting will be held on September 30, 2022. Please mark your calendars, and we hope your representatives will attend. Additional information will be sent via email within the next few days.

CECL

The implementation of the Financial Accounting Standards Board's (FASB) release of Accounting Standards Update (ASU) 2016-13, Financial Instruments—Credit Losses (Topic 326), will impact the way financial institutions estimate and provide for credit losses. NCCUD is encouraging our state-chartered credit unions' Board and management teams to familiarize themselves with CECL and prepare for the January 1, 2023, implementation.

We're Hiring

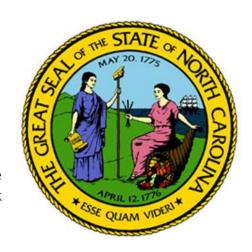
NCCUD recently posted for two Examiner positions. We are excited to soon welcome new employees to NCCUD.

THE EXAMINER

Issue 3

FROM THE DIVISION

Happy Holidays! The past quarter was busy for the Division, and we were excited to see many of you at the North Carolina Executive Forum. Thank you to those that were able to attend - it was great seeing you in person!



IMPORTANT DATES

- December 23, 26, and 27, 2022 –
 NCCUD closed for Christmas
- January 2, 2023 NCCUD closed for New Year's Day
- January 16, 2023 NCCUD closed for Martin Luther King Day
- January 30, 2023 December 31, 2022,
 Call Report submission deadline

NEW EXAMINER

You may notice an unfamiliar face on your next examination. Travis Faircloth joined NCCUD as an examiner in September 2022. Mr. Faircloth comes to the Division with over a decade of financial institution regulatory experience.

CURRENT EXPECTED CREDIT LOSSES (CECL)

The implementation of the Financial Accounting
Standards Board's (FASB) release of Accounting
Standards Update (ASU) 2016-13, Financial
Instruments—Credit Losses (Topic 326), will impact the way financial institutions estimate and provide for credit losses. CECL becomes effective January 1, 2023, for

credit unions with assets of at least \$10 million. Be sure to reflect this change on your March 31, 2023, Call Reports.

DIVIDEND APPROVAL

In accordance with North Carolina General Statutes § 54-109.54, dividends cannot be declared or paid when the cost would exceed available earnings without prior written approval of the Administrator. If your credit union is in this position, please send your dividend request, along with the most recent financial statements, proposed rates, and delinquency report to Assistant Administrator Kristina Ray at kristina.ray@nccud.nc.gov. Requests must be received by the 20th of the month in which you are scheduled to post the dividends.

BOARD RESPONSIBILITIES FOR FIDELITY BOND AND INSURANCE COVERAGES

The board of directors of each credit union is required to do the following:

- Review annually fidelity, faithful performance, and other insurance coverages to ensure adequacy in relation to potential risks and minimum coverage requirements
- > Review all applications for purchase, renewal, and/or change (increase/decrease) of coverages
- > Pass a resolution approving the purchase, renewal, and/or change of coverages and document in the board minutes
- > Delegate a non-employee member of the board to sign the agreement and attachments for the purchase, renewal, and/or change of coverages
- > Rotate the delegated non-employee member of the board so that no director is a signatory on consecutive purchase, renewal, and/or change agreements for the same policies