

# THE EXAMINER

Issue 4

## FROM THE DIVISION

Welcome 2023! What a first quarter it has been. The recent bank failures and economic conditions were unexpected and troubling; however, our state-charter credit unions system remains strong. We want to assure you that if you have concerns or issues, NCCUD is here to provide support in any way that we can.



### IMPORTANT DATES

- April 30, 2023 – March 31, 2023, Call Report submission deadline
- May 29, 2023 – Division closed for Memorial Day
- July 4, 2023 – Division closed for Independence Day

### SUPERVISORY PRIORITIES

NCCUD's supervisory priorities for 2023 include interest rate risk, liquidity risk, credit risk, information security, CECL implementation, fraud prevention, BSA, and succession planning. You will be provided with a Questionnaire Workbook during your examination that now includes a Management Questionnaire for senior management to complete. Please ensure the entire workbook is completed and returned to NCCUD as instructed in examination notification email.

### CURRENT EXPECTED CREDIT LOSSES

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 became 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.

### LIQUIDITY RESERVE

04 NCAC 06C .1301 Liquidity Reserves requires credit unions with asset of two million or more and credit union that offer share draft accounts maintain a liquidity reserve equal to a minimum of five percent of the total dollar value amount of the credit unions liability base. This calculation should be completed monthly, no later than then the tenth day of each month. Please notify NCCUD immediately if your liquidity reserves fall below five percent. At the spring meeting, the Commission approved to move forward with exploring amendments to this rule. Credit unions will have opportunities for comment.

### HOUSE BILL 410 – CREDIT UNION UPDATE

A draft of House Bill 410, Credit Union Update, was filed on March 16, 2023, and passed the 1<sup>st</sup> reading on March 20, 2023. A copy of the draft bill is located [here](#) and you can follow the legislative actions on the Bill at <https://www.ncleg.gov/BillLookup/2023/H410>.

### COMMUNITY DEVELOPMENT REVOLVING LOAN FUND GRANTS

The NCUA will administer approximately \$3.5 million in CDRLF grants. The grant round opens May 1 and credit unions with a low-income designation, or a minority depository institution can apply. To learn more about applying for these grants [click here](#).

# THE EXAMINER

Issue 5



## FROM THE ADMINISTRATOR

I am honored and humbled to serve as the Administrator of Credit Unions. NCCUD will continue to provide quality supervision to our state-chartered credit unions. I look forward to promoting the importance of the dual-chartering system and the benefits of being a North Carolina state-chartered credit union. All my best, Kristina Ray

### IMPORTANT DATES

- September 29, 2023 – Fall Commission Meeting
- October 30, 2023 – September 30, 2023, Call Report submission deadline
- November 10, 2023 – NCCUD Office closed for Veterans Day
- November 23-24, 2023 – NCCUD Office closed for Thanksgiving
- December 25-27, 2023 – NCCUD Office closed for Christmas

### NEW EXAMINER

You may notice an unfamiliar face on your next examination. Trey Taylor joined NCCUD as an examiner in July 2023. Mr. Taylor has prior Bank Secrecy Act/Anti-Money Laundering (BSA/AML) compliance and financial institution experience.

### CYBER INCIDENT NOTIFICATION

On September 1, 2023, 12 CFR § 748.1, Cyber Incident Notification Requirements for Federally Insured Credit Unions, became effective. All federally insured credit unions are required to notify the NCUA as soon as possible, and no later than 72 hours, after experiencing a reportable cyber incident or receiving notification from a third-party regarding a reportable cyber incident. Refer to [this link](#) for NCUA's Cyber Incident Notification Requirements.

### UPDATES TO THE BSA/AML EXAMINATION MANUAL

On August 2, 2023, the Federal Financial Institutions Examination Council released updates to the following sections of the BSA/AML Examination Manual. The updated sections do not establish new requirements. Details are available at <https://bsaaml.ffiec.gov/>.

### GUIDANCE ON LIQUIDITY RISKS AND CONTINGENCY PLANNING

Federal financial institution regulatory agencies recently updated existing guidance on liquidity risk and contingency planning. The guidance encourages depository institutions to incorporate the discount window as part of their contingency funding plans. Federal and State-chartered credit unions can access the Central Liquidity Facility as a contingent federal liquidity source. Credit unions with assets greater than \$250 million must, among other things, establish and document access to at least one contingent federal liquidity source.

At its March 31, 2023, meeting, the Credit Union Commission approved for the Division to review 04 NCAC 06C .1301 Liquidity Reserves. Any proposed revision to the Rule will be sent to credit union managers for comments. Remember, credit unions are required to compute the liquidity reserve monthly, no later than the tenth day of each month. In the event the liquidity reserve falls below five percent, the Administrator must be notified.

### COMMERCIAL REAL ESTATE LOAN ACCOMMODATIONS AND WORKOUTS

In June 2023, federal financial institution regulatory agencies issued a Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts and can be found [here](#).

# THE EXAMINER

Issue 6

As 2023 comes to an end, the NCCUD staff would like to wish everyone a wonderful holiday season and a happy New Year. This issue of our newsletter has information regarding rules, late call report filings, and new beneficial ownership requirements. We look forward to seeing you again in 2024!



## VACATION TIME RULE

04 NCAC 06c .0302 (28) states, “Annual vacations of at least five consecutive working days (during periods when proofs of subsidiary ledgers are being made) shall be taken by each employee having access to cash and the general ledger. During the vacation, the employees shall remain absent.” Examiners will be reviewing credit union policies and practices to ensure compliance with the vacation time rule. The purpose of the rule is to strengthen internal controls relating to cash and transaction risk.

## IMPORTANT DATES

- December 25-27, 2023 – NCCUD Office closed for Christmas
- January 1, 2024 – NCCUD Office closed for New Year’s Day
- January 15, 2024 – NCCUD Office closed for Dr. Martin Luther King, Jr. Day
- January 30, 2024 – 4<sup>th</sup> Quarter 5300 Call Report is due no later than 11:59:59 p.m.
- March 29, 2024 – NCCUD Office closed for Good Friday

## DECENNIAL RULES REVIEW

Speaking of rules, 2024 will be a busy year for the Division as we review all active rules codified in 04 NCAC 06. This is required for covered state agencies every 10 years to determine whether each rule is necessary or unnecessary. For more information on this process, please visit <https://www.oah.nc.gov/rules-division/periodic-review-and-expiration-existing-rules>.

## NCUA REINSTATES CIVIL MONEY PENALTIES (CMP) – LATE CALL REPORT FILINGS

On November 28, 2023, NCUA announced it would reinstate CMP assessments for late 5300 Call Reports. The effective date of the reinstatement is January 1, 2024, and the first reporting cycle affected will be the December 31, 2023, Call Report due by 11:59:59 p.m. on January 30, 2024. NCUA will send a reminder to credit unions with outstanding reports one week prior to the due date.

## NEW REQUIREMENTS FOR BENEFICIAL OWNERSHIP INFORMATION (BOI)

Effective January 1, 2024, many companies in the United States will be required to report information on beneficial owners – individuals who own or control companies – to FinCEN. This requirement is part of the Corporate Transparency Act and is designed to make it harder for money launderers, terrorists, and other bad actors to hide or benefit from shell companies or other non-transparent structures. Examiners will be reviewing your Bank Secrecy Act and Member Due Diligence programs for compliance with FinCEN requirements. For more information, visit the following: <https://www.fincen.gov/boi> and <https://www.fincen.gov/boi-faqs>.

