

DATE: July 27, 2020
BULLETIN: 2020-KDCU-CUB-15
TO: Kansas Chartered Credit Unions
SUBJECT: Update to NCUA Supervisory Priorities

UPDATE TO NCUA SUPERVISORY PRIORITIES

On July 15, 2020, the NCUA issued Letter to Credit Unions [No. 20-CU-20](#) in which the Board updated its 2020 Supervisory Priorities. This Letter revisits the priorities addressed at the beginning of the year in Letter to Credit Unions [No. 20-CU-01](#). As credit unions continue to handle issues that arise due to the COVID-19 pandemic, the NCUA is updating policies and procedures, as well as the Examiner's Guide. Additional guidance will be provided to examiners for assessing the safety and soundness of credit unions.

While the Letter covers a number of areas, this Bulletin will focus on the following:

Bank Secrecy Act Compliance/Anti-Money Laundering – during every examination, examiners will continue to conduct BSA/AML reviews and take appropriate action when necessary. Proper filing of Currency Transaction Reports (CTR's) and Suspicious Activity Reports (SAR's) will also be reviewed. Illegal activity in financial institutions does not cease in a pandemic; in fact, credit unions may see an increase in innovative schemes to launder money and scam credit union members.

Coronavirus Aid, Relief and Economic Security Act (CARES Act) – signed on March 27, 2020, the CARES Act includes a number of provisions which affect credit unions. There is greater access to liquidity which improves the financial stability of credit unions through the Central Liquidity Facility (CLF). The requirement to categorize certain loan modifications as troubled debt restructurings (TDR's) was suspended and changes were made on how to report COVID-related loan modifications to credit reporting agencies.

Credit Risk Management and Allowance for Loan and Lease Losses – again, as a result of COVID, the NCUA is shifting its emphasis to reviewing actions taken by credit unions to assist borrowers facing financial hardship. The review will include Allowance for Loan and Lease Losses (ALLL) adequacy in addressing the effects of an economic downturn. In addition, examiners will evaluate a credit union's controls, reporting and tracking of loan workouts and new strategies to assist members.

Information Systems and Assurance (Cybersecurity) – the importance of cybersecurity protocols has increased with the spread of COVID, directly related to more employees working remotely and the increased use of mobile apps for financial transactions. Recent advances in financial technology had already made this an area of vital importance, but a shift in the workforce and member use of online programs has accelerated the need to stay on top of your credit union's [cyberhealth](#). IT staff may obtain additional information from the [Cybersecurity & Infrastructure Security Agency](#).

Both credit unions and regulators are having to adjust to COVID-related changes by reviewing and revising the compliance paradigm. It is important to stay aware and retain the ability to adapt.

NOTE: In accordance with Governor Laura Kelly's [Executive Orders](#) and the [Ad Astra Plan](#), KDCU Administrator Jerel Wright continues to review the feasibility of resuming the on-site examination program.

This is being done in coordination with the NCUA.