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Laura Kelly, Governor

DATE: **November 29, 2021**

BULLETIN: **2021-KDCU-CUB-24**

TO: **Kansas Chartered Credit Unions**

SUBJECT: **CAMELS**

CAMELS

On October 21, 2021, the National Credit Union Administration (NCUA) Board, in an open meeting, adopted a final rule adding sensitivity to market risk or an "S" component to the existing CAMEL rating system and redefining the liquidity risk or "L" component. The effective date of this final rule is April 1, 2022.

The current components of the system are:

- **C**apital adequacy
- **A**sset quality
- **M**anagement
- **E**arnings
- **L**iquidity and asset liability management

The NCUA adopted the CAMEL rating system in 1987. This system allows the NCUA to assign each credit union a CAMEL rating based upon the agency's evaluation. In 1997, members of the Federal Financial Examinations Council (FFIEC), with the exception of NCUA, proposed revisions. Subsequently, the "S" was added to address price and interest rate risks. In 2007, the NCUA issued Letter to Credit Unions No. 07-CU-12 removing the Matrix and focusing on evaluations consistent with the Risk Focused Examination Program.

Since that decision, credit unions have grown larger and more complex and NCUA adjusted by making changes to financial ratios and incorporating a risk-based examination approach.

Adding the "S" component enhances transparency and allows the NCUA and credit unions to better distinguish between liquidity risk and sensitivity to market risk. This will also provide for consistency between the supervision of credit unions and financial institutions supervised by other federal banking agencies.

NOTE: In accordance with Governor Laura Kelly's guidance, KDCU Administrator Vickie Hurt continues to review the feasibility of resuming the on-site examination program. This is being done in coordination with the NCUA.