

DATE: January 9, 2023
BULLETIN: 2023-KDCU-CUB-1
TO: Kansas Chartered Credit Unions
SUBJECT: Kansas Department of Credit Unions Supervisory Priorities

KANSAS DEPARTMENT OF CREDIT UNIONS SUPERVISORY PRIORITIES

As we begin the new year, this bulletin briefly describes the examination supervisory priorities for the Kansas Department of Credit Unions (KDCU). These include deficiencies found in recent exams, as well as reflecting the current economic environment.

Liquidity and Interest Rate Risk: In September 2022, the National Credit Union Administration (NCUA) issued [Letter to Credit Unions No. 22-CU-09](#) and [Supervisory Letter No. 22-01](#), addressing interest rate risk (IRR). Credit unions must respond to the changing economic and interest rate environment with prudent IRR management and the related risks to capital, asset quality, earnings and liquidity.

Current Expected Credit Losses (CECL): On August 8, 2022, KDCU issued [Bulletin No. 2022-KDCU-CUB-15](#) addressing CECL implementation. While credit unions may choose to implement CECL with the beginning of their next audit period, it is imperative to be running CECL concurrently with your Allowance for Loan and Lease Loss (ALLL) calculations. Credit unions with less than \$10 million in assets will not be required to implement CECL.

Information Security/Technology: In November 2022, KDCU issued its most recent [bulletin](#) related to Information Security Programs. Barely a day goes by without news of a new hack, breach, ransomware, etc. Should your credit union be affected, it may affect your reputation risk. The NCUA will also consider this a priority. Your members rely on you to protect their personal information. Do not think it will not happen to you.

Bank Secrecy Act/Anti-Money Laundering: On January 1, 2021, Congress passed the Anti-Money Laundering Act of 2020 (AMLA). The Financial Crimes Enforcement Network (FinCEN) was charged with preparing rules and regulations to implement the AMLA. On December 15, 2022, FinCEN issued a [Notice of Proposed Rulemaking](#) with regard to beneficial ownership reporting. With regard to recent BSA/AML exams, KDCU continues to see credit union staff failing to complete the required FinCEN 314(a) searches in a timely manner (or skipping multiple notices from FinCEN).

NOTICE: This will be the final bulletin issued by KDCU. The [KDCU home page](#) is updated on a regular basis with new and important information for credit union boards, management and staff.