

DATE: January 25, 2021
BULLETIN: 2021-KDCU-CUB-2
TO: Kansas Chartered Credit Unions
SUBJECT: NCUA 2021 Supervisory Priorities

NCUA 2021 SUPERVISORY PRIORITIES

On January 15, 2021, the National Credit Union Administration (NCUA) issued [Letter to Credit Unions No. 21-CU-02](#) announcing the supervisory priorities for 2021. As with past years, many of the issues on the list will look familiar and a few are discussed below:

Allowance for Loan and Lease Losses (ALLL) – This is an area credit unions continue to struggle with, which leads to an exam issue. A [2019 KDCU Bulletin](#) addressed this topic. The requirement to transition to current expected credit losses (CECL) has been delayed to January 2023. Credit unions must still maintain an ALLL account in accordance with Financial Accounting Standards Board (FASB) accounting standards. Examiners will review ALLL policies and procedures, ALLL methodology, adherence to generally accepted accounting practices (GAAP), and independent review of the methodology by the Supervisory Committee or internal/external auditor.

Bank Secrecy Act/Anti-Money Laundering Compliance – It should come as no surprise that BSA/AML makes a repeat appearance on the list of priorities. Examiners will continue to focus on (1) customer due diligence and beneficial ownership procedures, (2) proper filing of CTR's and SAR's and (3) timely reviews of §314(a) requests from FinCEN. Law enforcement depends on timely reporting to identify money laundering, terrorist financing and other illicit financial activities. BSA/AML enforcement was covered in an [August 2020 KDCU Bulletin](#).

Information Systems and Assurance (Cybersecurity) – This area has been discussed in several KDCU bulletins, reinforcing the importance for credit unions to maintain good cyberhealth. For confirmation, check recent headlines or review the Solar Winds breach (which also included Microsoft). The NCUA is moving away from the ACET assessment and towards the use of the Information Technology Risk Examination for Credit Unions (InTREx-CU) tool. This will allow for a consistent approach across all community-based financial institutions.

Liquidity Risk – The COVID-19 pandemic continues to impact credit unions through a possible increase in the volatility of share balances, loan demand and loan losses. An increased level of liquidity management may be expected in 2021. Examiners will be evaluating the suitability and scope of a credit union's scenario analysis for liquidity risk management, including changes in cash flow projections, the effects of loan payment forbearance and projected credit losses.

NOTE: In accordance with Governor Laura Kelly's [Executive Orders](#), 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.