



# Newsletter

No. 10-19



October 16, 2019



**Credit Union Department**  
914 East Anderson Lane  
Austin, Texas 78752

Phone: 512-837-9236

Fax: 512-832-0278

Email: [info@cud.texas.gov](mailto:info@ cud.texas.gov)

Web Site: [www.cud.texas.gov](http://www.cud.texas.gov)

The Credit Union Department (CUD) is the state agency that regulates and supervises credit unions chartered by the State of Texas. The Department is professionally accredited by the National Association of State Credit Union Supervisors (NASCUS) certifying that CUD maintains the highest standards and practices in state credit union supervision.

Our **Mission** is to safeguard the public interest, protect the interests of credit union members and promote public confidence in credit unions.

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## Credit Union Commission

The Commission is the policy making body for CUD. The Commission is a board of private citizens appointed by and responsible to the Governor of Texas.

### Members:

Yusuf E. Farran, Chair  
Sherri Brannon Merket, Vice Chair  
Elizabeth L. "Liz" Bayless  
Karyn C. Brownlee  
Beckie Stockstill Cobb  
Steven "Steve" Gilman  
Jim Minge  
David F. Shurtz  
Kay Rankin-Swan

## Next Commission Meeting

Friday, November 1, 2019 beginning at 9:00 a.m. in the offices of CUD.

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## Call Report Filing Deadline and Filing Tips

The 5300 Call Report, with credit union profile updates, must be successfully submitted by **Sunday, October 27, 2019, 11:59:59 p.m. Eastern**. Credit unions are reminded that NCUA confirms submission of Call Report data and Online Profile updates with an email that indicates the date and time the uploaded information was accepted.

In addition, the successfully uploaded information will trigger two additional emails containing important information related to (1) a Historical Warning Report; and (2) the Financial Performance Report (FPR). The latest version of the Credit Union Online Instruction Guide can be downloaded by going to the NCUA's website and clicking on the Credit Union Online profile.



## Bill Would Set Priorities for Handling AML-CFT Threats

Establishment of national exam and supervision priorities on handling anti-money laundering and combatting financing of terrorism (AML-CFT) threats to guide regulators, financial institutions and law enforcement is the aim of legislation introduced in the Senate recently.

**The Improving Laundering Laws** and Increasing Comprehensive Information Tracking of Criminal Activity in Shell Holdings Act (ILLICIT CASH Act, S. 2563) would also establish a financial institution liaison within the Treasury Department to "seek and receive comments from financial institutions regarding AML-CFT rules and regulations and examinations, including regarding the banking regulators."

**The bill**, introduced by Sen. Mark Warner (D-Va.) is co-sponsored by Sens. Tom Cotton (R-Ark.), Mike Rounds (R-S.D.), Doug Jones (D-Ala.), Bob Menendez (D-N.J.), John Kennedy (R-La.), Catherine Cortez Masto (D-Nev.) and Jerry Moran (R-Kan.).

## ***Bill Would Set Priorities for Handling AML-CFT Threats (Continued):***

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Among other things, the bill would also require:

- Treasury and the Department of Justice to review the currency transaction report (CTR) and suspicious activity report (SAR) thresholds to determine whether any changes are necessary;
- Annual reports from Justice to Treasury on the use of BSA reporting by law enforcement and periodic law enforcement feedback to financial institutions on their SARs;
- Review and streamlining of reporting requirements to ensure a “high degree of usefulness” for CTR/SAR filings, including a review of reporting fields, as well as a review of appropriate ways to promote financial inclusions and avoid unnecessary “de-risking;”
- Establishment of a path for financial institutions to share de-identified AML-CFT information for purposes of identifying suspicious activity.

The legislation was referred to the Senate Banking Committee. On a related note: NASCUS and the Credit Union Natl. Assn. (CUNA) sponsor the BSA/AML Certification Conference Nov. 18-21 in Tempe, Ariz., which offers regulators and credit unions a thorough understanding of illicit financial activities to keep credit unions compliant with the law, and their members safe.

### **LINKS:**

[Bill text for S. 2563, the ILLICIT CASH Act](#)

Information, registration: [NASCUS/CUNA BSA/AML Certification Conference \(Nov. 18-21\)](#)



## ***CECL a Challenge, but Impact can be Eased***

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The adoption by credit unions of the new accounting standard for current expected credit losses (CECL) will “significantly affect many credit unions’ net worth ratios and lead to an increase in their operating costs,” a member (and former chairman) of the NCUA Board wrote this week. But J. Mark McWatters also noted “several recent developments that will help credit unions make the transition to CECL” in an opinion piece published this week in the Credit Union Journal, a trade publication.

McWatters, a lawyer and accountant, wrote that there are at least three developments over adoption of the standard, scheduled to take full effect in 2021 but proposed by the Financial Accounting Standards Board (FASB) to be delayed to 2023, that will help NCUA and credit unions deal with its effects:

- The agency has determined that the NCUA Board has the authority to provide for a phase-in of CECL for credit unions for regulatory capital purposes;
- A recent list of questions and answers from FASB about CECL provides flexibility on the “reasonable and supportable forecast” required by CECL based on the size and complexity of the reporting institution “can be scaled to the size and complexity of an institution, and “do not necessarily require modeling or economic forecasting;”
- The proposed delay of the effective date for credit unions until 2023.

## ***CECL a Challenge, but Impact can be Eased (Continued):***

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The NCUA Board member wrote that, as a policy matter, he still has reservations about the need for CECL, and that he remains concerned about the standard's potential effects on lending and financial stability. "Under Chairman Hood's leadership, I know the NCUA will do its part to provide credit unions with additional information and training on CECL, and to educate our examiners on the standard," McWatters wrote.

LINK:

[CU Journal: NCUA can ease credit unions' CECL burden](#)

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## ***Publication Deadlines***

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In order to meet the submission deadlines for the applicable issues of the Texas Register, it is necessary for the Department to establish the schedule shown below. Completed applications received after the deadline for the month cannot be published until the following month.

| <u>Publication Date</u> | <u>Application Deadline</u> |
|-------------------------|-----------------------------|
| November 2019           | Friday, November 15         |
| December 2019           | Friday, December 13         |

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## ***Applications Approved***

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Applications approved since **September 18, 2019** include:

<u>Credit Union</u>	<u>Changes or Groups Added</u>
<i>Articles of Incorporation Change – Approved:</i>	
South Texas Area Resources Credit Union (Corpus Christi)	<a href="#">See Newsletter No. 08-19</a>

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## ***Applications Received***

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There were no applications received.

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## ***Banks File for Review of Appeals Court FOM Decision***

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The banking industry filed for a review of an appeals court decision earlier this year that mostly held up the regulations.

The American Bankers Association (ABA) filed a petition late last week with the full U.S. Court of Appeals for the District of Columbia Circuit seeking review of the decision by a three-judge panel of the court this past summer upholding much of the agency's rules, adopted three years ago.

In its Aug. 20 ruling, the three-judge panel said NCUA holds "vast discretion to define terms because Congress expressly has given it such power." However, the court also stated that the authority is not boundless. "The agency must craft a reasonable definition consistent with the Act's text and purposes," the court stated.

In filings late last week, the bankers' group requested a rehearing of the August decision by the full (or "en banc") panel of judges in the D.C. Appeals Court. The ABA argued that the August decision distorted long-time court views that regulators must be given deference when making rules (under the Supreme Court's so-called "Chevron doctrine," courts defer to administrative agencies' interpretation of statutes they administer where Congress has not specifically addressed the question at issue).

"Rehearing en banc is warranted to realign this Court's Chevron jurisprudence with that of the Supreme Court," the bankers' group stated.

The group also asserted that the August decision was incompatible with judicial review under the Administrative Procedure Act and thus warranted review.

### **LINK:**

**[ABA Challenges Appellate Court's Reliance on Chevron Doctrine in NCUA Ruling](#)**

*This newsletter is produced monthly as a part of the Department's continued communication outreach with the credit unions it regulates. Delivery is generally provided by electronic notification of its availability on the Department's website.*

*Suggestions and comments concerning the newsletter or its content are welcomed.*



To learn more about CUD click <http://www.cud.texas.gov> or contact us at 914 E. Anderson Lane, Austin, TX 78752

