

# AICPA Credit Union Conference Update December 2016

In connection with our ongoing commitment to stay abreast of current events, GBQ had a number of professionals in attendance at the 2016 AICPA Credit Union conference earlier this fall. We thought you might be interested in some of the key issues that were presented and discussed. Please feel free to reach out to us if you have any questions or if we can be of assistance to you and your credit union with any of these matters.

## Regulatory

NCUA had several representatives discussing the current issues at the top of their priority list for 2016 and 2017. Tim Segerson, Deputy Director Office of Examination and Insurance, provided a summary of the key initiatives of NCUA as follows:

- **Examination Flexibility** – The goal is to improve efficiency and effectiveness of agency resources, programs and policies. Stipulations are to remove annual examination requirement for most credit unions.
- **Interest Rate Risk** – As in the past several years, this is not a new focus but continues to be high on the priority list of the regulators. The current and ongoing focus results from the growth in interest sensitive deposits over the last several years, coupled with a general higher level of net long-term assets. Additional examiner guidance and review procedures put in place, including a supervisory test of net economic risk thresholds.
- **Member Business Lending Reform** – Objectives are to replace overly prescriptive requirements with principles-based standards, reinforce risk management requirements to safely conduct commercial lending activities and improve the expertise requirements and policy provision of the regulation.
- **Money Service Businesses** – Expectation that the credit union has minimum due diligence procedures in place that include:
  - Perform CIP
  - FinCEN registration, if applicable
  - State or local licensing, if applicable
  - BSA/AML risk assessments have been completed
  - Enhanced due diligence has been performed where applicable
- **Fraud Prevention** – Fraud, on average, contributes to about half of the losses to the NCUSIF. The regulators will be looking to assure credit unions' have governance and internal control structure in place to deter internal fraud.



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- **Military Lending Act** – The new rule went in to effect October 1, 2015 with compliance dates of October 2016. Rule expands coverage, provides safe harbor for identification of covered borrowers, prohibits certain practices and amends the required disclosures.
- **CECL** – The new FASB requirement for the computation of the allowance for loan loss becomes effective in several years. The NCUA has issued a “Joint Statement on the New Accounting Standard on Financial Instruments - Credit Losses” and expects credit unions to become familiar with it and begin planning for implementation.
- **Cybersecurity** – This is a significant area of concern and NCUA is adjusting its baseline examination procedures to assure credit unions have adequate policies, procedures, risk assessments and controls in place.

## GBQ Partners LLC

Our credit union service specialists have 100+ years of industry experience in helping credit unions through accounting, compliance, regulatory, IT and a number of other complex areas. Our IT professionals have already been using the FFIED Cybersecurity Assessment Tool to assist our clients evaluate and implement risk monitoring tools; our compliance professionals are up to date and accredited; and our accounting professionals live in the credit union space every single day. If you have questions or need assistance, please do not hesitate to contact us.

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