

SUPPORTING STATEMENT
National Credit Union Administration

Corporate Credit Unions, 12 CFR Part 704
OMB No. 3133-0129

A. JUSTIFICATION

1. Necessity of Information Collection

This is a request for reinstatement with change of expired OMB Control No. 3133-0129, Corporate Credit Unions. The National Credit Union Administration (NCUA) has established and regulates corporate credit unions (corporates) pursuant to its authority under Sections 120, 201, and 209 of the Federal Credit Union Act, 12 U.S.C. 1766(a), 1781, and 1789. The regulations implementing this statutory authority appear in 12 CFR part 704 (Part 704). Corporates provide correspondent financial services to natural person credit unions. There are 12 corporates, all of which are federally insured by the National Credit Union Share Insurance Fund (NCUSIF). There are 28 corporate credit union service organizations (Corporate CUSOs).¹ The collections of information are necessary to ensure that corporates operate in a safe and sound manner by limiting risk to their natural person credit union members and the NCUSIF.

Part 704 contains the following information collection requirements:

- Retained Earnings Accumulation Plan: §704.3(a)(3) requires a Retained Earnings Accumulation Plan be submitted to NCUA for approval if certain capitalization requirements are not met. (Reporting)²
- Notice of Intent to Redeem or Call Contributed Capital: §§704.3(b)(5) and (c)(3) require NCUA approval for a corporate to redeem or call contributed capital. (Reporting)
- Notice of PCA Category Change: §704.4(c)(2) requires a corporate to submit to NCUA a Notice of PCA Category Change if regulatory capitalization requirements are not maintained. (Reporting)
- Capital Restoration Plan: §704.4(e) requires a corporate to submit to NCUA a Capital Restoration Plan if certain regulatory capitalization requirements are not maintained. (Reporting)

¹ A Corporate CUSO is defined as an entity that: (1) is at least partly owned by a corporate; (2) primarily serves credit unions; (3) restricts its services to those related to the normal course of business of credit unions and designated as permissible activities; and (4) is structured as a corporation, limited liability company, or limited partnership under state law. 12 CFR 704.11.

² A statement whether the ICs are reporting, recordkeeping, or disclosure requirements is indicated in parentheses after the description of each IC.

- ALM Testing: §704.8(j) requires certain ALM testing requirements. If the corporate fails the tests, it must submit an action plan to NCUA. (Reporting)
- Investment Action Plan: §704.10 requires a corporate to report to NCUA impermissible investments and in some cases, submit an Investment Action Plan to NCUA. (Reporting)
- Disclosure of Dual Employee Compensation received from Corporate CUSO: §704.11(g) requires that each Corporate CUSO inform each corporate that has invested in or made a loan to the Corporate CUSO of the compensation paid to a Corporate CUSO employee who is also an employee of the corporate (dual employee). (Disclosure)
- Corporate CUSO Approval Request: §704.11(e) requires NCUA's advance approval of certain Corporate CUSO activities. (Reporting)
- Recorded Director Votes: §704.13(c)(8) requires that for each agenda item at a meeting of a corporate's board of directors, the meeting minutes list the names of the board members and their votes for and against the proposal, as well as, if applicable, board members who were absent or otherwise failed to vote, and board members who abstained from the vote. (Recordkeeping)
- Management Report: §§704.15(a)(2) requires each corporate to prepare and file with NCUA, and disclose to members, an annual management report that contains a statement of management's responsibilities for preparing the corporate's annual financial statements; establishing an adequate internal control structure and procedures for financial reporting; and complying with certain designated safety and soundness laws and regulations. The annual management report must include management's assessment of the effectiveness of the corporate's internal control structure and procedures, and of the corporate's compliance with the designated safety and soundness laws and regulations. (Reporting and Disclosure)
- Notice of Engagement or Termination of Accountants: §704.15(c)(4) requires a corporate to notify NCUA when it engages an independent public accountant or loses an independent public accountant through dismissal or resignation. The corporate must provide a reasonably detailed statement of the reasons for any dismissal or resignation. (Reporting)
- Notification of Late Filing: §704.15(c)(5) requires a corporate that is unable to timely file its annual report with NCUA to notify NCUA in writing. (Reporting)
- Disclosure of Executive Compensation: §704.19 requires a corporate to annually prepare, maintain, and disclose to members the dollar amount of compensation paid to its most highly compensated employees. This amount must also include compensation to dual employees from any Corporate CUSO in which the corporate has invested or made a loan. In all cases, compensation paid to the corporate's chief

executive officer must also be disclosed if the CEO is not already included among the most highly compensated employees. (Recordkeeping and Disclosure)

- **Merger-Related Disclosures:** §704.19(d) mandates certain disclosures in connection with a corporate merger. With respect to any merger that would result in a material increase in compensation for any senior executive officer or director of the merging corporate, the merging corporate must describe the compensation arrangement in the merger plan documents submitted to NCUA for approval of the merger. In the case of a federally chartered corporate, the corporate must describe the compensation arrangement in the materials provided to its members before the member vote on the merger. (Reporting and Disclosure)

2. **Purpose and Use of the Information Collection**

The information is used by corporate credit union management and staff in making critical operational decisions on an ongoing basis. Sound business practices dictate that this type of data should be routinely obtained and analyzed by financial institutions with the asset composition exhibited in most corporates. Shifts in market or business conditions, even those that are subtle in nature, can have a profound impact on the condition of corporates. Current and comprehensive information allows corporates the ability to make informed decisions and take corrective action before a negative market or business trends can cause a significant impact on the financial or operational condition of the corporate.

NCUA uses the information during the annual examination and ongoing supervision process. It is essential for NCUA, in carrying out its mission to ensure the safety and soundness of the credit union system and prevent losses to the NCUSIF, to have access to contemporary and comprehensive financial and operational information on corporates.

3. **Consideration Given to Use of Information Technology**

Corporates may use any available information technology to satisfy the information collection requirements. NCUA encourages the use of electronic information as it simplifies the data collection process and improves the accuracy and timeliness of the data.

4. **Duplication**

The information collection is unique to corporates, it is not duplicated from another information collection source.

5. **Effect on Small Entities**

These information collection requirements affect corporates and Corporate CUSOs. The asset size of corporates ranges from approximately \$140 million to \$4 billion. We have no information on, and are unable to estimate, the asset sizes of Corporate CUSOs.

The burden on small entities is minimal because much of the required information is already maintained by corporates that have an investment or lending relationship with a Corporate CUSO.

- 6. Consequences if Collection Were Conducted Less Frequently**
Corporates must file a Corporate Credit Union Call Report with NCUA monthly.³ The consequences to the Federal program if the ICRs in Part 704 were conducted less frequently would severely impair the effectiveness of the program. Without the ability to timely review and analyze the type of information that is required by Part 704, corporate credit union management and NCUA would not be guaranteed the availability of timely, comprehensive information. The reduced frequency of such information could jeopardize the ability of corporate credit union management to make appropriate decisions, and could hamper NCUA's ability to implement timely corrective measures.
- 7. Inconsistencies with Guidelines in 5 CFR 1320.6(d)(2)**
The composition of corporate balance sheets may undergo significant changes on a day-to-day basis. Quarterly reporting of information is insufficient to maintain an appropriate level of supervision of corporates, which account for a significant portion of natural person credit union investments. None of the other special circumstances noted in 5 CFR 1320.6(d)(2) are applicable to this collection.
- 8. Consultation Outside the Agency**
A 60-day notice was published in the *Federal Register* on March 8, 2016, at 81 FR 12131, soliciting comments on this collection of information and no comment were received.
- 9. Payment or Gift**
No payments or gifts will be provided to respondents.
- 10. Confidentiality**
Corporate examination, operating or condition reports, and any documents related thereto are exempt from FOIA, pursuant to exemption 8, 5 U.S.C. 552(b)(8).
- 11. Sensitive Questions**
Part 704 requires each corporate to annually prepare and disclose to its natural person credit union members the compensation paid to its most highly compensated employees and chief executive officer. 12 CFR 704.19(a).

As noted in the preamble to the 2010 Final Rule amending Part 704 (October 20, 2010, at 75 FR 64786), NCUA conducted a balancing of the privacy interests of senior management employees against the ownership and financial interests of members. NCUA stated then that the agency believed the members' interests in this information outweighed any privacy interests the employees may have in the information. NCUA has recently conducted the same balancing of interests, and has again concluded that the interests of the members in having this information outweigh any privacy interests of the employees.

³ See 12 C.F.R. §741.6(a). OMB Control No. 3133-0067.

12. Burden of Information Collection

Item	12 CFR	Activity	# Respondents	# Responses Per Respondent	# Annual Responses	Hours Per Response	Total Annual Reporting Burden	Cost to Respondents (Hourly Wage Rate @ \$50)
1	704.3(a)(3)	Retained Earnings Accumulation Plan (Reporting)	1	1	1	24	24	\$1,200.00
2	704.3(b)(5) and (c)(3)	Notice of Intent to Redeem or Call Contributed Capital (Reporting)	12	1	12	0.5	6	\$300.00
3	704.4 (c)(2)	Notice of PCA Category Change (Reporting)	1	1	1	8	8	\$400.00
4	704.4 (e)	Capital Restoration Plan (Reporting)	1	1	1	40	40	\$2,000.00
5	704.8(j)	ALM Testing (Reporting)	1	1	1	4	4	\$200.00
6	704.10	Investment Action Plan (Reporting)	6	1	6	12	72	\$3,600.00
7	704.11(g)	Disclosure of Dual Employee Compensation (Disclosure)	6	1	6	2	12	\$600.00
8	704.11(e)	Corporate CUSO Approval (Reporting)	1	1	1	8	8	\$400.00
9	704.13(c)(8)	Record Director Votes (Recordkeeping)	12	12	144	0.5	72	\$3,600.00
10	704.15(a)(2)	Management Reports (Reporting and Disclosure)	12	1	12	8	96	\$4,800.00
11	704.15(c)(4)	Notice of Engagement or Termination of Accountants (Reporting)	1	1	1	1	1	\$50.00
12	704.15(c)(5)	Notice of Late Filing (Reporting)	1	1	1	4	4	\$200.00
13	704.19	Disclosure of Executive Compensation (Recordkeeping and Disclosure)	12	1	12	8	96	\$4,800.00
14	704.19(d)	Merger Related Disclosures (Reporting and Disclosure)	1	1	1	40	40	\$2,000.00
Totals			12		200		483	\$24,150.00

Usual and Customary Business Practices

Part 704's requirements for a corporate to: (a) develop and document written policies, plans, and procedures for all aspects of the corporate's operations; and (b) review and update them as necessary are usual and customary regular business practices. Therefore, there is no burden associated with the requirements in the following sections: §§704.3(a)(2); 704.5(a); 704.6(a) and (f); 704.7(a); 704.8(a); 704.9(a); 704.13 (except 704.13(c)(8)); 704.15(c)(6); and 704.16.

13. Costs to Respondents

There are no capital or start-up costs

14. Costs to Federal Government

The majority of the costs to the federal government are routine costs related to the safety and soundness supervision of corporate credit unions.

15. Changes in Burden

This is a reinstatement of a previously approved collection. The changes in burden are referring to those that were previously approved and are being made due to the following:

1. An adjustment in the number of corporates decreased from 27 to 12 because of mergers. A reduction of 3,786 burden hours is attributed to an adjustment in agency estimate.
2. The following program changes are attributed to regulatory actions that reduced the burden by 1,413 hours:
 - a. The following information collection requirements proposed in the Notice of Proposed Rulemaking, Corporate Credit Unions, (November 29, 2010 at 75 FR 73000), were not adopted in the related Final Rule (April 29, 2011, at 76 FR 23861):
 1. Preparation of List of Non-Federally Insured Credit Union Members of a Corporate and Providing List to NCUA;
 2. Conducting Special Meeting of a Corporate's Members to Expel a Member and Notifying NCUA of Result of Vote; and
 3. Large Corporate Credit Union Management Report
 - b. Section 740.20, Requests to Make Golden Parachute and Severance Payments, was deleted from part 704 and moved to a new regulation--12 CFR part 750, Golden Parachute and Indemnification Payments, §750.6. (See Final Rule, May 26, 2011, at 76 FR 30510) (OMB Control No. 3133-0183)). Former §704.20 included an ICR that now appears in §750.6. This is a reduction of 16 hours.
 - c. The information collection requirement in former §704.6, Credit Risk Management, that a corporate procure credit ratings from a Nationally Recognized Statistical Rating Organization was eliminated in the Final Rule, Alternatives to the Use of Credit Ratings (December 13, 2012, at 77 FR 74103).

A total of 483 burden hours requested.

16. Information Collection Planned for Statistical Purposes

Not applicable. NCUA will not publish the results.

17. Approval to Omit OMB Expiration Date

The OMB control number and expiration date associated with this PRA submission will be displayed on the Federal government's electronic PRA docket at www.reginfo.gov.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

No exceptions have been requested. This collection complies with the requirements in 5 CFR 1320.9.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.