

National Credit Union Administration
SUPPORTING STATEMENT

Risk-Based Capital, 12 CFR 702.101(b)

OMB Control Number 3133-0191

Summary of Regulatory Action:

The proposal (August 8, 2018; 83 FR 38997) would delay the effective date of the NCUA's October 29, 2015 (80 FR 66626), final rule regarding risk-based capital (2015 Final Rule) for one year, moving the effective date from January 1, 2019 to January 1, 2020. During the extended delay period, the NCUA's current PCA requirements would remain in effect. The proposal would also amend the definition of a "complex" credit union adopted in the 2015 Final Rule for risk-based capital purposes by increasing the threshold level for coverage from \$100 million to \$500 million. These proposed changes would provide covered credit unions and the NCUA with additional time to prepare for the rule's implementation.

A. JUSTIFICATION

1. Circumstances that make the collection of information necessary

A final rule was published on October 29, 2015, at 80 FR 66626, amending 12 CFR 702 regarding prompt corrective action (PCA) to require that credit unions taking certain risks hold capital commensurate with those risks. The 2015 Final Rule restructures NCUA's PCA regulations and makes various revisions, including amending the agency's current risk-based net worth requirement by replacing it with a new risk-based capital requirement for credit unions. The risk-based capital provisions of the 2015 Final Rule apply only to federally insured, natural-person credit unions (credit unions) with assets greater than \$100 million.

The 2015 Final Rule replaced the method currently used by complex credit unions to apply risk weights to their assets with a new risk-based capital requirement that is generally comparable to that applied to depository institutions worldwide. The 2015 Final Rule defined "complex" credit unions as those with assets greater than \$100 million. This proposal will increase the threshold level for coverage to \$500 million.

Accordingly, §702.103 is amended to define a credit union is "complex" and the risk-based capital requirement is applicable only if the credit union's quarter-end total assets are greater than \$500 million, as reflected in its most recent Call Report. In addition, §702.101(b), unchanged from the 2015 Final Rule, specifically requires that a credit union defined as complex have a process for assessing its overall capital adequacy in relation to its risk profile and a comprehensive written strategy for maintaining an appropriate level of capital.

Section 216(d) of the Act (12 U.S.C. 1790d (d)) addresses the risk-based net worth requirement for complex credit unions.

2. Purpose and use of the information collection

This information collection requirement applies to complex credit unions. The recordkeeping burden associated with this rule involves the one-time burden associated with establishing a process for assessing their overall capital adequacy in relation to their risk profile and a comprehensive written strategy for maintaining an appropriate level of capital prescribed by §702.101(b)(2). The burden associated with credit union's maintenance of this written strategy will be incorporated into the overall recordkeeping requirements of Part 702 cleared under OMB control number 3133-0154 when implemented.

The NCUA will use the information collected to ensure a credit union's capital is sufficient given its risk profile. Examiners will review risk-based capital plans as part of the routine examination and supervision process.

3. Use of information technology

Credit unions may maintain the requested information in any written form. Policies are maintained at the credit union and are not required to be submitted to the NCUA directly.

4. Duplication of information

There is no duplication of information requested.

5. Efforts to reduce burden on small entities.

The rule minimizes the policy requirements for credit unions not defined as complex. Only credit unions with assets of greater than \$500 million fall under this information collection requirement.

6. Consequences of not conducting collection.

If policy information is not collected, examiners will not be able to determine if the credit union has a plan to establish adequate capital commensurate with its risk profile.

7. Inconsistencies with guidelines in 5 CFR 1320.5(d)(2)

This collection is consistent with the guidelines in 5 CFR 1320.5(d)(2).

8. Efforts to consult with persons outside the agency

A paperwork reduction act (PRA) notice was published in the preamble of the proposed rule (83 FR 38997 on August 8, 2018) providing an opportunity for the public to comment on the information collection requirement prescribed by this rule. Comments

will be summarized and addressed in the PRA submission associated with the final rulemaking.

9. Payment or gifts to respondents

The NCUA does not provide payment or gifts to the respondent.

10. Assurance of confidentiality

Credit union examination reports and any documents related thereto are exempt from the Freedom of Information Act disclosure, pursuant to exemption 8, 5 U.S.C. 552(b)(8).

11. Questions of a sensitive nature

No questions of a sensitive nature are asked. The information collection does not collect any Personally Identifiable Information (PII).

12. Burden of information collection

The burden associated with this information collection request is a recordkeeping requirement to establish the initial written strategy for maintaining an appropriate level of capital relative to the credit union’s risk profile. This one-time burden applies to 531 credit unions that have been identified as complex. This information will be reviewed as part of the routine examination and supervision process and retained according to guidelines provide by Appendix A to Part 749. Any burden associated with credit union’s maintenance of this written strategy will be incorporated into the overall recordkeeping requirements of Part 702 cleared under OMB control number 3133-0154 when implemented.

12 CFR	No. Respondents	No. Responses per Respondent (Frequency)	No. of Responses	Hours per response	Total Annual Burden
702.101(b)(2)	531	1	531	40	21,240

Based on the labor rate of \$35 per hour, the total cost to the respondent is \$743,400.

13. Capital Start-up or on-going operation and maintenance costs

There are no capital start-up or maintenance costs.

14. Annualized Costs to Federal Government

This is a recordkeeping requirement. There are no annualized cost to the Federal government.

15. Changes in Burden

The proposal will amend the definition of a “complex” credit union by increasing the threshold level for coverage from \$100 million to \$500 million. This will reduce the number of respondents required to comply from 1,489 to 531; a reduction of 958 respondents. A reduction of 38,320 burden hours is attributed to this program change.

16. Information collection planned for statistical purposes

The information collection is not planned for publication.

17. Request non-display the expiration date of the OMB control number

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

There are no exceptions to the certification statement.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.