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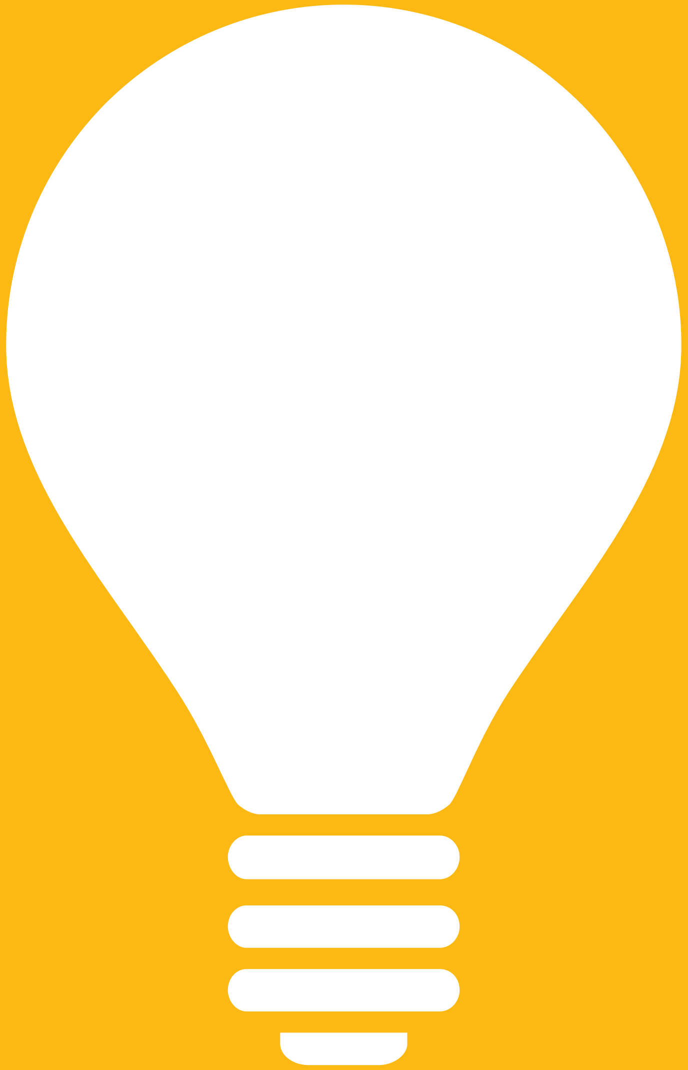
What is the Future of Internal Audit?

Evolving Risks?

Protect Improve Grow

June 5, 2020



Today

Polling Question #1

What are your biggest concerns that may impact your Credit Union? (multiple choice)

a. Economic change or uncertainty
b. External disruption
c. Liquidity
d. Profitability
e. Cybersecurity
f. Credit
g. Credit Union’s ability to adapt to change and mitigate risks
h. Credit Union’s ability to identify evolving risks
i. All of the above
j. I have no concerns

Current Environment Risks

Pandemic and Disruption Risks

Questions to consider:

- Does the Credit Union have adequate staffing?
- Are work activities current?
- Are staff performing more responsibilities than usual? Have any processes changed as a result of disruption?
- Is the Credit Union as automated as it needs to be to access data remotely and be most efficient?
- Does the Credit Union have alternative vendors for higher priority, unique important services?

Current Environment Risks

Remote Workforce Risks

Questions to consider:

- How is staff supervised?
- Have processes changed as a result of working remotely?
- Does each employee working remotely have a laptop? How do they access the Credit Union's system?
- Is Credit Union confidential information secure?
- Have there been any member complaints associated with service?
- Does the Credit Union have a plan to return to the Office? Will the Credit Union continue some remote workforce?

Current Environment Risks

Credit and Liquidity Risks

Questions to consider:

- Has your Credit Union experienced increase in loan delinquency?
- Is your Credit Union offering loan modifications?
- Do loan modification agreements clearly articulate terms of repayment?
- Has your Credit Union processed SBA guaranteed PPP loans? If so, has your Credit Union allocated an amount in the ALLL?
- How is liquidity risk rated in the risk assessment?
- For Credit Unions with low levels of liquidity, evaluate: (NCUA Statutory Priority)
  - Potential effects of changing interest rates on the market value of assets and borrowing capacity.
  - Scenario analysis for liquidity risk modeling. Assess effect of member share migrations.
  - Scenario analysis for changes in cash flow projections of factors such as prepayment speeds.
  - Contingency funding plans to assess potential liquidity shortages.

Current Environment Risks

Growth Risks

Questions to consider:

- Which products and services are growing?
- Have additional processes been implemented as a result of the growth?
- Are there technical requirements associated with these growing products and services?
- Does the Credit Union have concentration limits?
- Does the growth lend itself to higher risk rating? Should it be audited in the current cycle? When was the product or service last audited? Have there been any changes in people, processes, or systems since the last audit?
- How might external, economic, disruption risks impact the continued growth?
- Is your Credit Union asset size close to $10B? Is the Credit Union positioning for enhanced internal audit and CFPB expectations, formality, structure?

Current Environment Risks

- Is Internal Audit aware of the current risks, changes implemented by management?
- Has Internal Audit assessed impact of current risks, changes implemented by management on the Credit Union’s risk?
- Does the internal audit plan need to be adjusted?
- Does Internal Audit have the skills needed to assess/audit the change?

NCUAs 2020 priorities generally will focus on high risk, areas of growth and change, and compliance with regulations.

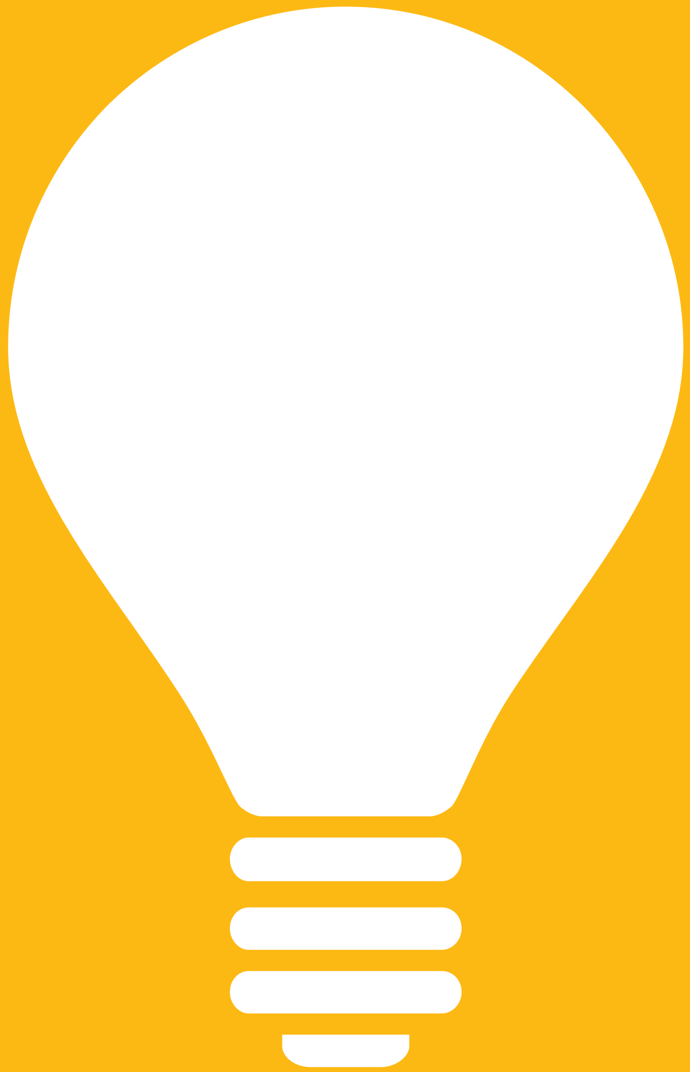
Areas of Current Focus – Risks and Internal Controls

- ❑ Information Technology
- ❑ Information Security (Cyber)
- ❑ Business Lending
- ❑ Mortgage Lending
- ❑ Secondary Marketing
- ❑ Indirect Auto Lending
- ❑ Auto Lending
- ❑ Interest Rate Risk and Liquidity Management
- ❑ Third Party Risk (Vendor) Management
- ❑ Model Risk Management
- ❑ Mobile Banking (Consumer and Business)
- ❑ Bank Secrecy Act
- ❑ Office of Foreign Asset Control
- ❑ Regulatory Consumer Compliance
- ❑ Regulatory Reporting
- ❑ New and Growth Areas

Polling Question #2

Does your internal audit plan include? (multiple choice)

a. Focus on loan growth areas
b. New technology applications planned or implemented
c. New processes planned
d. Additional offices to be opened
e. Focus on efficiencies
f. Focus on separation of duties by person including all of their responsibilities
g. My internal audit plan is flexible and is adjusted for all of the above as applicable and needed based on risk
h. My internal audit plan is sufficient as it has been for the last 3 years



Some Changes on the Horizon

Some Changes On The Horizon

Current Expected Credit Losses (CECL)

Leasing

LIBOR Transition

Questions to consider:

- Is Internal Audit aware of these changes?
- How might the above impact people, processes, and systems?
- When are they required to be effective and implemented?
- Is the Credit Union obtaining new technology?
- Does the Credit Union have a plan to transition LIBOR products?
- Are these areas considered in risk assessment?

Polling Question #3

What are your biggest concerns regarding your Internal Audit function? (multiple choice)

a. Not meeting management expectations
b. Not having sufficient resources to execute additional audits for evolving risks
c. Not meeting Supervisory Committee expectations
d. Not addressing current risks in my internal audit plan
e. Not identifying evolving risks and incorporating them in my internal audit plan
f. Not being viewed or included as a business partner
g. All of the above
h. I have no concerns

Possible Internal Audit Challenges

- Technology advances – big data, analytics, cloud computing, mobile devices, electronic sensors, the Internet of Things, robotics, and more – can drive higher performance yet also introduce additional risks.
- Stakeholders and events sometimes redirect and strain resources, making it difficult to complete an audit plan. Profit pressures may mean departments expect internal audit committees to do even more with less.
- Multiple functions – such as compliance, legal, and finance – conduct risk assessments with specific agendas, thereby fragmenting and sometimes duplicating efforts.
- Governance, risk, and compliance tools may be outdated, with niche solutions lacking smooth integration.
- A tight talent market makes it difficult to rebalance areas of expertise.

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Positioning For Success

Polling Question #4

What are the concerns of your Supervisory Committee? (multiple choice)

a. Having the right number and expertise of people to identify and assess evolving risk
b. Having sufficient management and staff resources to implement needed risk mitigation, internal controls, technology
c. Having sufficient internal audit resources to address current and evolving significant risks impacting the Credit Union
d. All of the above
e. They have not voiced any recent concerns

To Provide Greater Value, Internal Audit Can

- Attract and retain internal auditors experienced in business and operational audits.
- Align the internal audit plan with the organization's business objectives and strategic plan.
- Define and articulate internal audit's mission and mandate in the Credit Union, and communicate through the corporate intranet, internal newsletters, town hall meetings, and other channels.
- Share and promote best practices throughout the organization.
- Integrate internal audit teams on specific projects.
- Establish a control mechanism for monitoring regulatory changes and sensing the potential impact on the Credit Union.
- Increase touch points with executives and members of the Supervisory Committee outside of the regular meeting schedule.

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Boost Efficiency In Internal Audit Operations

- Develop a more formal and integrated risk assessment process, and integrate the risk assessment, audit plan, and related coverage with activities in other risk management groups.
- Use data analytics, governance, risk, and compliance (GRC) tools, as well as web portals, to examine and share data.
- Work closely with management, executive management, and members of the audit committee to assess the impact of modifications to the audit plan, and the risks of deferring or canceling projects.
- Request guest auditors and third-party resources who can help supplement changes or additions to the audit plan.
- Refresh the internal audit risk assessment during the fiscal year.
- Implement continuous auditing across multiple locations and systems.
- Issue internal audit reports in a timely manner, and develop communication and report protocols to reduce report cycle time.
- Participate in executive leadership meetings and strategic initiatives, and identify new opportunities to provide greater value to the business.
- Re-examine the operating model of internal audit for improved effectiveness and efficiency.

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Establish a Reputation for High-Quality Work

- Adopt the International Professional Practices Framework and International Standards for the Professional Practice of Internal Auditing.
- Establish a continuous quality-improvement program for all locations.
- Clarify standards for work papers and audit reports.
- Perform multiple reviews of findings, recommendations, and management action plans prior to report issuance.
- Improve communication among internal audit and the areas being audited during planning and execution.
- Encourage the use of post-audit surveys to gain feedback.
- Periodically conduct reviews, internally and externally, of perceived quality.
- Develop a scorecard that communicates internal audit's value in areas such as cost reduction, revenue enhancement, risk mitigation, and best practices.

Be A Trusted Business Advisor

Internal audit can deliver insightful guidance to organizational leaders by keeping these objectives in mind:

- Maintain a thorough understanding of business dynamics, as well as industry-specific opportunities and risks.
- Deepen skills to help manage the greatest risks facing the organization.
- Leverage technology to automate routine tasks and enable productive collaboration.
- Develop working relationships with management to be involved in planning, observe decision making
- Communicate, communicate

Questions and Answers

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Appendix – Leasing, LIBOR Transition, Regulatory Compliance, NCUA 2020 Statutory Priorities

Leasing: Observations from PBE Adoption & Ongoing Considerations

Lease identification	➢ More rigor needed, especially around embedded leases (processes, controls) ➢ Will require coordination from several departments (i.e. accounting, operations, procurement, sales, etc.) ➢ Review procedures (manual vs. automated), impact on management review controls
Lease classification	➢ New/enhanced processes and policies around lease term analysis, especially consistency for large, decentralized organizations ➢ Review procedures (manual vs. automated), impact on management review controls
Assumptions (e.g., incremental borrowing rate)	➢ How often to refresh, which approach to take, impact of reliance on third-party specialists (has management gotten around the process?) ➢ Non-PBEs can elect to use a risk-free rate
Ongoing assessments	➢ Monitoring for reassessment events, modifications, impairments – processes, controls, communication from procurement to accounting ➢ Identification of triggering events requiring reassessment (i.e. extension of lease, termination of lease, purchase of leased asset (whether contractually required or not), exercise of options within leases, installing significant leasehold improvements)

LIBOR Transition and Rate Reform

Background	➢ LIBOR and other Interbank Offered Rates (IBORs) are an essential part of the financial markets (e.g., reference rate in debt instruments and loans, derivatives, leases, compensation contracts) ➢ Due to concerns about the reliability of IBORs, central banks and others have recommended replacing IBORs with transaction-based overnight rates (e.g., SOFR); **LIBOR goes away after 2021**
Financial Reporting Questions	➢ When a reporting entity modifies a contract to replace LIBOR (or other reference rate), … ❑ Do we have a contract modification vs. extinguishment issue? ❑ Do we need to reassess for possible embedded derivatives? ❑ What effect will the modification have on existing hedge relationships?
FASB Project to Provide Relief	➢ Proposed ASU issued September 5, 2019 ➢ Comments Due October 7, 2019 ➢ As proposed, optional expedients would be limited to contract modifications made and to hedging relationships existing as of or entered into on or after the date of adoption and through December 31, 2022

Regulatory Compliance Focus 2020

- Compliance Management System
- Consumer Compliance Risk Assessment
- Clearly established roles and responsibilities (e.g. Compliance/Internal Audit)
- Fair and responsible banking program and analytics
  - Fair lending
    - Including fair lending model validation
  - Unfair, Deceptive, or Abusive Acts or Practices (UDAAP)
  - Servicemembers Civil Relief Act (SCRA)
  - Loan servicing and collection practices
  - Complaint management

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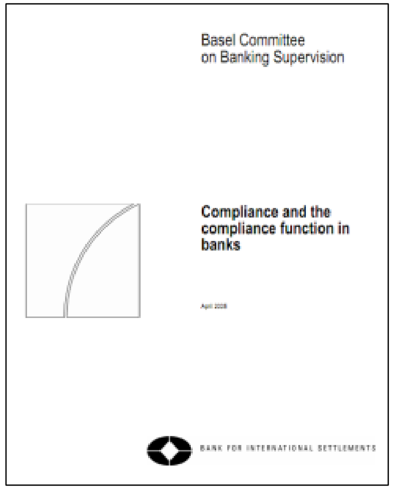
Components of Strong Compliance Management System

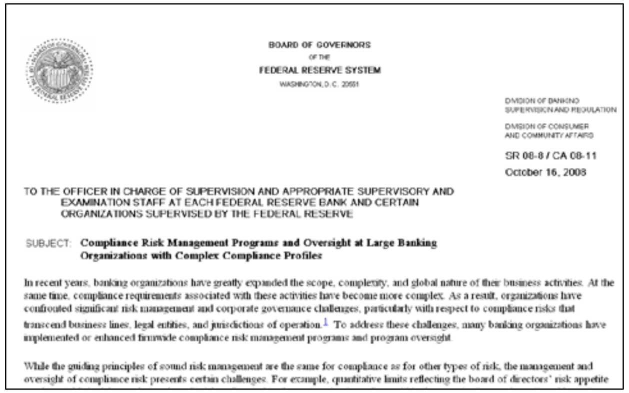
- Basel committee on banking supervision
  - Adopted compliance management principles in April 2005
  - Provides direction in structure and management of compliance in heavily regulated industry
  - Generally these principles are incorporated in regulatory guidance and are incorporated in regulatory enforcement orders:
  - CFPB
    - Part II of the Examination Manual
    - Supervisory Insights, Summer 2013
  - FDIC
    - Compliance Management Systems Document
    - Compliance Examination Manual
  - OCC – Compliance Management System Handbook
  - FRB – Supervisory Letter SR 08-8



Basel Committee
on Banking Supervision

Compliance and the
compliance function in
banks

BANK FOR INTERNATIONAL SETTLEMENTS



BOARD OF GOVERNORS
OF THE
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WASHINGTON, D.C. 20551

DIVISION OF BANKING
SUPERVISION AND REGULATION

DIVISION OF CONSUMER
AND COMMUNITY AFFAIRS

SR 08-8 / CA 08-11
October 16, 2008

TO THE OFFICER IN CHARGE OF SUPERVISION AND APPROPRIATE SUPERVISORY AND EXAMINATION STAFF AT EACH FEDERAL RESERVE BANK AND CERTAIN ORGANIZATIONS SUPERVISED BY THE FEDERAL RESERVE

SUBJECT: **Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles**

In recent years, banking organizations have greatly expanded the scope, complexity, and global nature of their business activities. At the same time, compliance requirements associated with these activities have become more complex. As a result, organizations have confronted significant risk management and corporate governance challenges, particularly with respect to compliance risks that transcend business lines, legal entities, and jurisdictions of operation.[1] To address these challenges, many banking organizations have implemented or enhanced firmwide compliance risk management programs and program oversight.

While the guiding principles of sound risk management are the same for compliance as for other types of risk, the management and oversight of compliance risk presents certain challenges. For example, quantitative limits reflecting the board of directors' risk appetite

Compliance Management System

- The challenge is how to build a Compliance Management Program that is nimble, encourages innovation and enables risk taking - yet does not compromise compliance with necessary regulatory requirements or adherence to corporate ethics and values. The following should be considered:
  - Leverage technology to bring meaningful information and data together to streamline processes, understand and action risks, and deliver value outside of the walls of the compliance function;
  - Empower innovative and new ideas by embedding compliance and risk management practices into day to day business processes, decision making and technology; and
  - Transform compliance practices through ingenuity to enable the identification of business opportunities and to create a competitive advantage in today's age of digital disruption.

Key factors in compliance management – Model Governance (Fair Lending)

- Key steps in model governance: Critically evaluate existing logic, theory, and methodology applied in determining whether the rules and statistical profiles of the model are working as expected.
  - Assign responsibility and oversight for models
  - Inventory model variables and formulas
  - Confirm statistical accuracy
  - Avoid discriminatory factors
  - Use of model should reflect design and policy
  - Change management protocols should be followed
  - Limitation of exceptions or overrides
  - Periodically test models for accuracy and to ensure management of risk of disparate impact

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Unfair, Deceptive, or Abusive Acts or Practices (UDAAP)

- CFPB enforcement matters continued/continues to make headlines in 2019.
  - CFPB found that Enova violated the Consumer Financial Protection Act of 2010 by debiting consumers' bank accounts without authorization.
  - CFPB Settles with NDG Financial Corp. for leading borrowers to believe that they were obligated to repay loan amounts when such an obligation did not exist because state law voided the loan.
  - CFPB found that USAA violated the Electronic Fund Transfer Act and Regulation E by failing to properly honor consumers' stop payment requests on preauthorized electronic fund transfers, and by failing to initiate and complete reasonable error resolution investigations
  - CFPB found that State Farm Bank violated the Fair Credit Reporting Act, Regulation V, and the Consumer Financial Protection Act of 2010 by obtaining consumer reports without a permissible purpose; furnishing to credit-reporting agencies (CRAs) information about consumers' credit that the bank knew or had reasonable cause to believe was inaccurate; failing to promptly update or correct information furnished to CRAs; furnishing information to CRAs without providing notice that the information was disputed by the consumer; and failing to establish and implement reasonable written policies and procedures regarding the accuracy and integrity of information provided to CRAs.

Consumer Financial Protection Bureau (CFPB)

- CFPB priorities:
  - Adequate Compliance management programs
  - Student loans
  - Collection and communication practices
  - Military lending act
  - *Home Mortgage Disclosure Act* (HMDA)
  - Flood insurance
  - Overdraft protection
  - Error dispute resolution timeliness and accuracy of credit and lost interest

Effective January 1, 2019

Consumer Financial Protection Bureau

Reportable HMDA Data: A Regulatory and Reporting Overview Reference Chart for HMDA Data Collected in 2019[a]

This chart is intended to be used as a reference tool for data points required to be collected, recorded, and reported under Regulation C, as amended by the HMDA Rules issued on October 15, 2015, and on August 24, 2017, and section 104(a) of the Economic Growth, Regulatory Relief, and Consumer Protection Act as implemented and clarified by the interpretive and procedural rule issued on August 31, 2018 (2018 HMDA Rule).[b] Relevant regulation and commentary sections are provided for ease of reference. The chart also incorporates the information found in Section 4.2.2 of the 2019 Filing Instructions Guide and provides when to report not applicable or exempt, including the codes used for reporting not applicable or exempt from section 4 of the 2019 Filing Instructions Guide for ease of reference. This chart does not provide data fields or enumerations used in preparing the HMDA loan/application register (LAR). For more information on preparing the HMDA LAR, please see http://ffiec.cfpb.gov.

Data point	Regulation C references	Description	Filing instructions[c]	Reporting "Not Applicable"[d] or "Exempt"[e]
(1) Legal Entity Identifier (LEI)	§ 1003.4(a)(1)(i)(A)	Identifier issued to the financial institution (FI) by a utility endorsed by the Global LEI Foundation or LEI Regulatory Oversight Committee	Enter your financial institution's LEI. *Example:* If your institution's LEI is 10Bx939c5543TqA1144M, enter 10Bx939c5543TqA1144M.	

1 2019 REPORTABLE HMDA DATA: A REGULATORY AND REPORTING OVERVIEW REFERENCE CHART – VERSION 1, 1/31/2019

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Overview of the Current Regulatory Landscape

- Increasing challenges of managing high risk customer types:
  - Increased state legalization of marijuana resulting in increasing number of marijuana related businesses looking to establish bank accounts
  - Crypto-related businesses on the rise causing additional risk appetite considerations
- Examiner expectations and pressure continue to persist as evidenced through continuing consent orders and regulatory actions
- Increasing fines and penalties for sanctions violations
- Evidence of regulator emphasis and support for new technology and innovation
  - Continued focus on Customer Risk Rating / Scoring; Transaction Monitoring and Sanctions
  - Program efficiencies gained through robotic process automation (RPA) and machine learning
- Rising expectations for qualified AML/sanctions audit resources
  - Expertise based on expanded customer types, products/services, geographies and QC.
- Increasing expectations for robust model risk management as institution size grows
  - Enhanced analytics that support model tuning and optimization programs
  - Expanded scope of models subject to validation

Additional Regulatory 2020 Focus

1. **Customer due diligence programs**
Growing institutions are expected to increase the robustness of their customer risk rating processes to better identify high-risk customers.

2. **Sanctions programs**
The increasing complexity of sanctions requirements cause operational challenges in an environment of high scrutiny.

3. **Transaction monitoring programs**
Growing institutions are expected to increase the robustness of their transaction monitoring processes to better identify and report suspicious activity

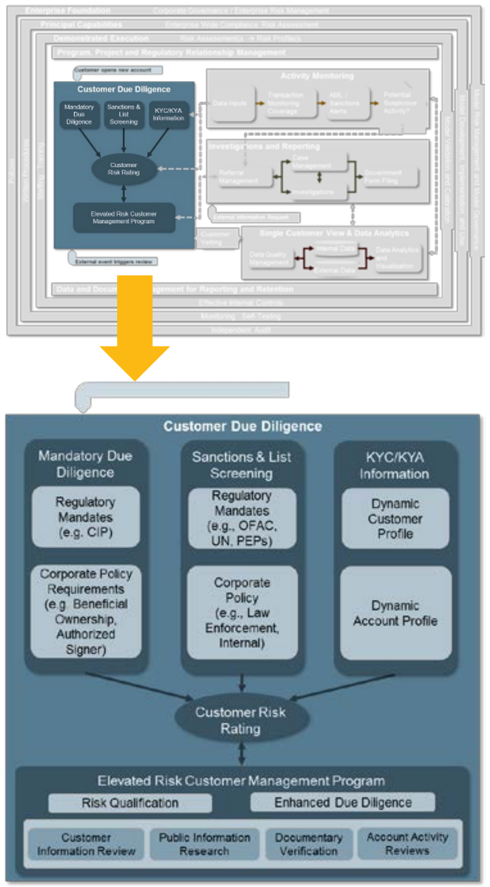
4. **Model risk management**
As asset sizes increase, expectations for internal model risk management programs intensify.

5. **Resource management**
The increasing emphasis on prior program elements results in growing resource needs and enhanced resource collaboration and management. New innovations related to RPA and machine learning allowing for increased efficiency in key areas including: Transaction monitoring; CDD / EDD; and sanctions screening

1 Member Due Diligence Programs

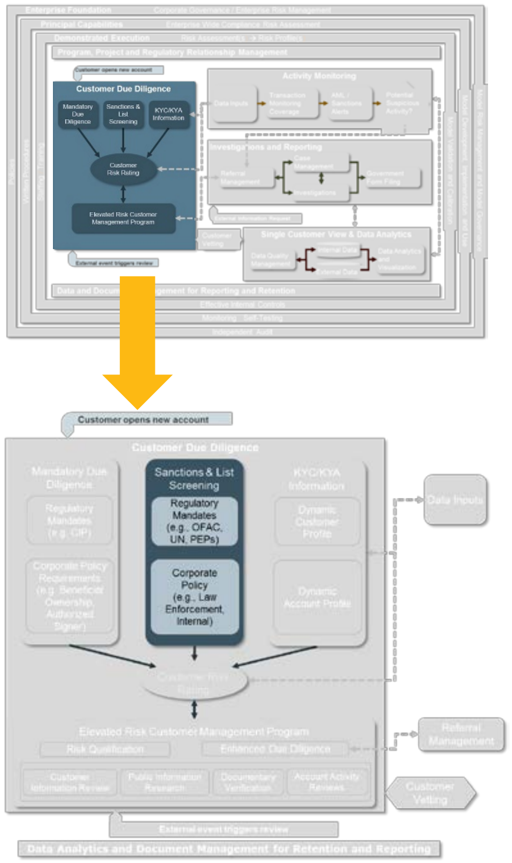
Expectations	Common Challenges

• Increased analytics including above-the-line and below-the-line testing of customer risk rating algorithm
• Consistently applied methods and decision-making
• Ongoing process of review and effective management of high-risk customers expanding to lower tiers of risk
• Oversight, approvals, and appropriate change control
• Documented audit trail of results and decisions
	• Implementing a prescriptive methodology, and availability of enabling technology to execute calibration
	• Review of all system parameters
	  • Large number of CDD source data systems
	  • Multiple CDD systems for data capture and risk rating
	• Qualified resources for model ownership, EDD reviews, and model governance
	• Managing business-as-usual high-risk customer management program



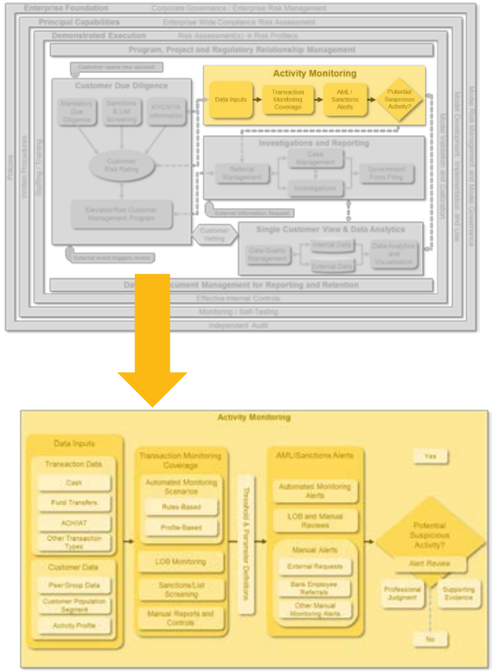
2 Sanctions Programs

Expectations	Common Challenges
• Accuracy and completeness of data are critical to program effectiveness and expected. • Alert-generation threshold settings and other settings affecting alert generation should be supported by sound data analysis. • Threshold models should be reviewed using a risk-based approach on schedule with other high-risk models. • Governance of alert-disposition processes must be tested.	• Significant and costly data quality assessment and remediation initiatives must be undertaken as part of corporate AML enhancement initiatives, or as a result of audit findings or MRAs. • Appropriately analyzing and establishing matching algorithm settings for sanctions systems • Quality control processes must be enhanced within the sanctions operations team. • Higher-complexity sanctions programs are requiring increased analytics functions.



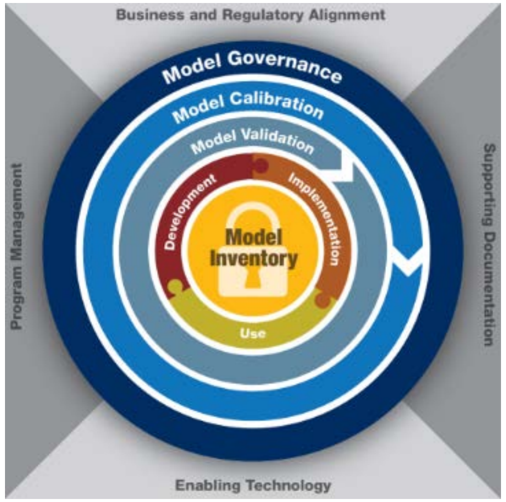
3 Transaction Monitoring Programs

Expectations	Common Challenges
• Use of advanced systems with rule and profile-based monitoring capabilities • Enhanced analytics supporting threshold-setting process • Consistently applied methods and decision-making • Ongoing process of review and enhancement • Oversight, approvals, and appropriate change control • Documented audit trail of results	• Implementation of new and complex transaction monitoring system • Management of high false-positive results • Use of prescriptive methodology to execute calibration • Availability of qualified analytical resources to support calibration • Review of all system parameters • Availability and use of enabling technology to support calibration efforts



4 Model Risk Management

Expectations	Common Challenges
• Establishment of an AML model risk management program aligned to the enterprise program • Periodic management of model inventory and assessment of model risks • Periodic calibration and validation activities across all AML systems (sanctions, CDD, SAM) • Sufficient governance and oversight to manage model risks • Qualified resources to support program	• Lack of an enterprise or overarching AML model risk management program to guide efforts • Lack of comprehensive testing and validation plan or strategy • Establishing a standard model definition approach and inventory methodology across the organization • Obtaining senior management support • Incorporating technology to help manage a model risk management program



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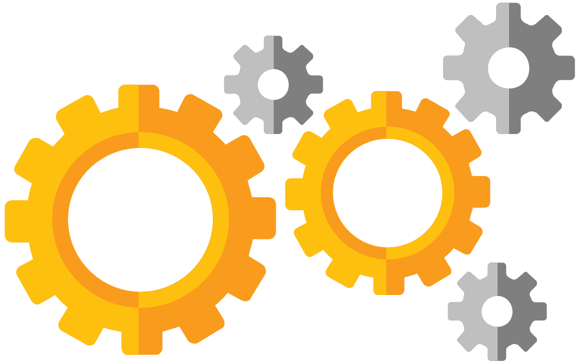
Resource Management

Expectations

- Maintenance of deep AML knowledge and specialization to support growing infrastructure and compliance needs
- Qualified auditor and analytical resources engaged to execute key elements of program risk management
- Roles and accountability clearly defined across the lines of defense

Common Challenges

- Establishing and maintaining a culture of compliance
- Obtaining and retaining qualified resources to execute on key program functions
- Handling of business-as-usual processes in regulatory response environment
- Communication of AML risks across the organization



NCUA 2020 Statutory Priorities

1. **Bank Secrecy Act and Anti-Money Laundering**
   Continued focus on customer due diligence and beneficial ownership requirements effective May 2018.

   Proper filing of Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs).

2. **Consumer Financial Protection (Regulatory Compliance)**

   In 2020 examiners will review credit unions to determine if they are meeting regulatory requirements for Electronic Fund Transfer Act (Reg E), Fair Credit Reporting Act (FCRA), Gramm Leach Bliley (Privacy Act), Small Dollar Lending, Truth in Lending Act (Reg Z), Military Lending Act (MLA), and Servicemembers Civil Relief Act (SCRA).

   Credit unions are required to comply with all applicable regulatory requirements.

3. **Information Technology and Cybersecurity**

NCUA 2020 Statutory Priorities

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Credit Risk

Examiners will verify if credit unions properly analyzed the ability of borrowers to meet debt service requirements without undue diligence on collateral.

Examiners will review concentration risk exposure of participation loans, indirect loans, commercial loans, and residential real estate loans.

5

Current Expected Losses (CECL)

Focus on management’s plans to implement CECL.

NCUA 2020 Statutory Priorities

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Liquidity Risk

Focus will be on liquidity management and planning. For credit unions with low levels of liquidity, evaluate

- Potential effects of changing interest rates on the market value of assets and borrowing capacity.
- Scenario analysis for liquidity risk modeling. Assess effect of member share migrations.
- Scenario analysis for changes in cash flow projections of factors such as prepayment speeds.
- Contingency funding plans to assess potential liquidity shortages.

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Commercial Real Estate Appraisal Rule

In July 2019, NCUA approved rule amending Rule 722 increasing appraisal threshold for commercial real estate transactions from $250,000 to $1 million. Effective October 22, 2019, commercial real estate transactions below $1 million do not require appraisals to be conducted by certified appraisers. Credit unions may instead conduct written estimate of market value or obtain appraisal by state-licensed appraisers. For amended rule increases the qualifications and independence of the appraisers conducting appraisals for properties $1 million and greater.

NCUA 2020 Statutory Priorities

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LIBOR Cessation

United Kingdom's Financial Conduct Authority has announced that it cannot guarantee LIBORs availability beyond 2021. LIBOR is used to set variable rate financial products.

Credit unions commonly have loans, investments, derivatives, deposits, borrowings that are based on LIBOR. Credit unions should evaluate their LIBOR exposure (number of transactions and balance amounts) and plan accordingly to transition from LIBOR products.

9

Private Flood Insurance Rule

Effective July 1, 2019, credit unions must accept private flood insurance that meet the definition:

- Is issued by an insurance company that is approved to be in the business of insurance in the state or jurisdiction in which the property is located;
- Provides flood insurance coverage that is as broad as the coverage provided under a Standard Flood Insurance Policy (SFIP).
- Includes 45 day cancellation clause or non-renewal of flood insurance for the insurer, information about the availability of coverage, mortgage interest clause similar to SFIP, and provision requiring insured to file suit not later than one year later after the date of written denial of claim.

For more information, see NCUA Regulatory Alert, 19-RA-01.

NCUA 2020 Statutory Priorities

10 **Hemp Member Businesses**

December 20, 2018, President Trump signed into law Agriculture Improvement Act of 2018. The Act allows hemp to be produced lawfully under the United States Department of Agriculture October 31, 2019 interim final rule, US Domestic Hemp Production Program. This rule allows USDA to approve plans submitted by states and Indian tribes to produce hemp and producers in states that do not have a USDA-approved plan. Credit unions may provide financing and other financial services to hemp-related business within their membership.

11 **Public Unit and Nonmember Shares**

Effective January 29, 2020 federally insured credit unions may accept public unit and nonmember shares up to 50% of the total of the credit union's paid-in capital and unimpaired capital and surplus, less the amount of any public unit or nonmember shares, or $3 million, whichever is greater.

NCUAs 2020 priorities generally will focus on high risk, areas of growth and change, and compliance with regulations.