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NCUA Proposes New Governance Regulations Affecting Credit Union Service Organizations

The National Credit Union Administration proposed new rules this morning that will dramatically impact regulation of credit union service organizations if approved. The NCUA proposed three major changes.

First, the NCUA has proposed altering the Board's access to a CUSO's records. Currently, the NCUA maintains the right to inspect a CUSO's books and records at any time. Under the new regulations, however, all CUSOs would be required to submit an annual financial report directly to both the NCUA and the Tennessee Department of Financial Institutions (the "Department").

Next, the Board raised concerns regarding federally insured state-chartered credit unions ("FISCUs") which find themselves "less than adequately capitalized." More specifically, the NCUA is worried that FISCUs which continue to invest in failing CUSOs risk creation of serious problems for their members. As a result, the Board recommends imposing requirements on FISCUs similar to the current requirements federal credit unions are subject to. The proposal thus sets limits on the cash a "less than adequately capitalized" FISCU can provide to its CUSO equal to the investment limits set by the Department.

Finally, the NCUA has proposed stricter requirements on CUSOs which are subsidiaries of other CUSOs. The Board thus seeks to prohibit both FISCUs and federal credit unions from investing in a CUSO unless that CUSO's subsidiaries comply with all requirements and rules applicable to the parent CUSO.

The NCUA has invited comments from credit unions potentially affected by the new proposed rules. The comment period will remain open until September 26, 2011.

If you have any questions regarding the proposal, would like to provide commentary to the NCUA regarding the planned rules, or need advice or clarification regarding the new rules, please contact [Wayne Hood](#) at (615) 744-8421, [Scott Simmons](#) at (423) 785-8475 or your Miller & Martin attorney.

The opinions expressed in this bulletin are intended for general guidance only. They are not intended as recommendations for specific situations. As always, readers should consult a qualified attorney for specific legal guidance. Should you need assistance from a Miller & Martin attorney, please call 1-800-275-7303.

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