

189—17.19(533) Investment pilot program.

17.19(1) Under an investment pilot program, the credit union division will permit a limited number of credit unions to engage in investment activities prohibited by this rule but otherwise permitted by the Federal Credit Union Act, 12 U.S.C. Section 1757.

17.19(2) Except as provided in 17.19(4), before a credit union may engage in an additional activity it must obtain written approval from the superintendent. To obtain approval, a credit union must submit its written request to the superintendent that addresses the following items:

a. Certification that the credit union is “well-capitalized” under NCUA rules and regulations, 12 CFR Part 702;

b. Board policies approving the activities and establishing limits on them;

c. A complete description of the activities, with specific examples of how they will benefit the credit union and how they will be conducted;

d. A demonstration of how the activities will affect the credit union’s financial performance, risk profile, and asset-liability management strategies;

e. Examples of reports the credit union will generate to monitor the activities;

f. Projections of the associated costs of the activities, including personnel, computer, and audit;

g. Descriptions of the internal systems that will measure, monitor, and report the activities;

h. Qualifications of the staff and officials responsible for implementing and overseeing the activities; and

i. Internal control procedures that will be implemented, including audit requirements.

17.19(3) If the superintendent supports the credit union’s request to engage in the additional activity as provided in 17.19(2), the superintendent will forward the request to the NCUA regional director for review and nonobjection. If the regional director determines that the additional activity would be approved for the credit union if it were federally chartered and does not object otherwise, the superintendent may approve the credit union’s request.

17.19(4) Subsequent to the publication date of these rules, a credit union will not need to seek written approval of the superintendent to engage in an investment activity prohibited by the rules but permitted by the Federal Credit Union Act if the activity is part of a third-party investment program the NCUA approves for federal credit unions after the third party submits a request to the NCUA Director of the Office of Strategic Program Support and Planning that addresses the following items:

a. A complete description of the activities with specific examples of how a federal credit union will conduct and account for them, and how the activities will benefit a federal credit union;

b. A description of any risks to a federal credit union from participating in the program; and

c. Contracts that must be executed by the federal credit union.