



## EXPANDED VENDOR EXAMINATION AUTHORITY FOR NCUA

NAFCU and our member credit unions believe that cybersecurity, including the security of vendors that credit unions do business with, is an important issue. However, we are opposed to granting additional authority to the NCUA to examine CUSOs and vendors. The NCUA should stay focused on where its expertise lies—regulating credit unions. Credit unions fund the NCUA budget. Implementing such new authority for the NCUA would require significant expenditures by the agency. The history of the NCUA's budget growth has shown that these costs would ultimately be borne by credit unions and their 131 million members.

It is important to keep in mind:

- › There are tools already in place for the NCUA to get access to information about credit union service organizations (CUSOs) and vendors.
- › The NCUA sits on the Federal Financial Institutions Examination Council (FFIEC) with the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), and the Federal Reserve. The FFIEC was created to coordinate examination findings and approach in the name of consistency, and to avoid duplication.
- › Through its supervision of credit unions, the NCUA is already able to obtain information about CUSOs—which are owned by the credit unions. The agency has successfully used this current authority for a number of years and has not provided any detailed explanation of how this current authority has been insufficient or what the costs of expanding its authority would be for credit unions.

Instead of granting the NCUA vendor examination authority, Congress should encourage the agency to use the FFIEC and gain access to the information on examination findings on companies that have already been examined by other regulators. If that option is not available for the NCUA due to the decisions of other regulators, Congress should consider compelling the other regulators to share the information. This would seem to be a much more preferable route than raising costs on credit unions and their 131 million members for the creation of a duplicative NCUA program.

NAFCU opposes legislation that has been introduced to expand the NCUA's authority over credit union vendors. This includes H.R. 7022, the Strengthening Cybersecurity for the Financial Sector Act of 2022, and S. 4698, the Improving Cybersecurity of Credit Unions Act. While the House bill moved through the House Financial Services Committee on a party-line vote and was added as part of an en bloc amendment to the NDAA, no hearing or action has occurred on the Senate proposal. It is important to note that the two bills are not the same. The Senate version requires the NCUA Board to hold a budget hearing, consider public comment, and vote to approve any changes made to the NCUA budget to examine third-party vendors.

The House and Senate will ultimately decide as part of the NDAA conference committee if this expanded vendor authority for the NCUA will make it in the final version of the NDAA and become law. NAFCU opposes including this language in the final version of the NDAA because of the new costs and burdens it could place on credit unions and their 131 million members. There have been no hearings in the Senate examining this issue or credit union concerns. We believe it would be reckless to move ahead with the provision in the NDAA at this time. We urge Congress to reject these bills, keep the issue out of the NDAA, and encourage the NCUA to better utilize its existing authorities in a cost-effective manner for credit unions.