



Kansas Department of Credit Unions

KDCU Newsletter

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THIS ISSUE AT A GLANCE :

- Temporary Rules Adopted
- Notice of Hearing and Comment Period for Permanent Rules Set
- Data Collection for Congress to Begin
- Credit Union Council Meets
- IT Security

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TEMPORARY RULES ADOPTED

Kansas Administrative Rules (K.A.R.) 121-5-1, 121-5-3, and 121-8-1 were adopted as temporary rules and 121-5-2 was revoked by the Administrator, Kansas Department of Credit Unions (KDCU) on September 6, 2006. Temporary rules are effective for 120 days.

A 60-day notice for receipt of comments for permanent rule making for K.A.R. 121-5-1, 121-5-3, 121-7-1, 121-8-1 and the permanent revocation of 121-5-2 was published in the Kansas Register on September 7. A public hearing will be held on November 15 at the KDCU office.

K.A.R. 121-5-1 amends the current rule deleting certain definitions, and adding new definitions that relate to K.A.R. 121-5-3 which adopts by refer-

ence the applicable sections for Kansas chartered credit unions of the National Credit Union Administration's (NCUA) Part 702 Prompt Corrective Action (PCA). KDCU has been enforcing PCA for several years and with adoption of 121-5-1 to 3, will now cite Kansas statutes and rules instead of NCUA Rules. K.A.R. 121-5-2 is being revoked.

K.A.R. 121-7-1 describes conditions that must exist for credit union activities to be defined as "incidental powers". A recommendation that "incidental powers and activities" be defined is included in the recent Kansas Legislative Post Audit report of KDCU.

K.A.R. 121-8-1 describes conditions that must exist that are "unsafe and unsound". "Unsafe

and unsound" is usually described as a term of art that an examiner knows when certain conditions exist. The new rule will clarify for credit unions what are "unsafe and unsound" conditions and provide guidance for KDCU in citing violations.

Proposed rules may be changed after consideration of information provided in written comments or testimony at the November 15th public hearing. Copies of the temporary and permanent rules can be obtained by contacting the KDCU office.

Credit union members and officials are encouraged to review the proposed permanent rules and provide comments or testimony at the public hearing.

CREDIT UNION COUNCIL MEETS

The Credit Union Council met on September 7, 2006 as required by statute. Council members present were Erich Schaefer, Chair, Mark Bezdek, Secretary, Mark Kolarik, Denise Bonner, Lee Williams, Garth Strand and William McCurley.

The Council received the following reports:

- Credit Union Status Reports
- KDCU Financial Reports
- Reports from Kansas Credit Union Association and Kansas Corporate Credit Union

The next meeting of the Credit Union Council will be on December 7, 2006. The seven-member council is appointed by the Governor to advise the Administrator on issues and needs of credit unions. You are invited and encouraged to attend council meetings.

DATA COLLECTION FOR CONGRESS

Following a hearing on credit union tax-exemption, the U.S. House Ways and Means committee has asked for information on credit unions' service to members. To understand how credit unions use their tax-exempt status, Congress is requesting information on four areas: income characteristics of members, executive compensation, CUSO's, and unrelated business income tax. Data is currently being collected from federal credit unions by NCUA and the National Association of State

Credit Union Supervisors (NASCUS) is coordinating the project for state-chartered credit unions. While state and federal charters operate under different laws and regulations they both have a federal income tax-exemption. All state regulators have agreed with NASCUS to participate in the data collection project. Only a representative sample of credit unions will be included in the project. NASCUS has hired a statistician to develop a methodology to determine an accu-

rate sample of state credit unions. Included in the methodology is the asset size of the credit union and charter type. Jim Klausen, Financial Examiner Senior, has been tasked with the duty of collecting this information for KDCU. Special software has been purchased by the department and Jim has received training to facilitate the collection of required data. When we receive the random sample results, the selected credit unions will re-

ceive a call from Jim to proceed with the collection of data for this project.. Credit unions of all sizes will be included, but the total sample for Kansas is not expected to be over fifteen credit unions. An AIRES download will be requested and a questionnaire will be completed with a telephone call. Confidentiality has been a major consideration in this project. No individual credit union or member information will be divulged.

KDCU IT SECURITY

Data security continues to be a topic of discussion and concern. KDCU takes the confidentiality of credit union examinations very seriously. The department utilizes up-to-date technology to ensure that credit union and membership data are secure. Field staff use laptop computers that employ biometric finger print identification technology, smart cards and complex log-in procedures to gain access to their individually assigned

computers. All confidential information on our lap top computers is encrypted to further safeguard sensitive information. Additionally, all members' data is automatically deleted from field staffs' computers when an examination is completed. All electronic communications of examination data between field staff, KDCU and the NCUA is transmitted through a secure VPN tunnel that does not allow outside persons to

view credit unions' data. Field staff also follow detailed procedures to ensure the physical security of their computers at all times. Through e-mails and at staff meetings security procedures are continually updated and reviewed. Information technology exists in a changing environment. We believe our procedures, technology and practices protect credit union members' data.

Kansas Department of Credit Unions Staff

- John P. Smith, Administrator
- Jack Hohman, Financial Examiner Administrator
- James Burgess, Financial Examiner Principal
- Steve Borchers, Financial Examiner Principal
- Manny Lopez, Financial Examiner Principal
- Valorie White, Financial Examiner Senior

- James Klausen, Financial Examiner Senior
- Richard Yadon, Financial Examiner Senior
- Michael Baugh, Financial Examiner Senior
- Andrew Numelin, Financial Examiner Senior
- Cheryl Bishop, Administrative Specialist
- Freda Chabira, Administrative Specialist