



National Credit Union Administration
Office of the Executive Director

BOARD ACTION MEMORANDUM

TO: NCUA Board
DATE: October 5, 2022
FROM: Rendell L. Jones
Deputy Executive Director
SUBJ: NCUA Risk Appetite Statement

ACTION REQUESTED: Board approval of the NCUA Risk Appetite Statement

DATE ACTION REQUESTED: October 20, 2022

OTHER OFFICES CONSULTED: Enterprise Risk Management Council

VIEWS OF OTHER OFFICES CONSULTED: Concur

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes

RESPONSIBLE STAFF MEMBERS: Melissa Lowden, Deputy Chief Financial Officer, Jim Holm, Supervisory Budget Analyst, Lindsey Courage, Management Analyst

SUMMARY:

Created by the United States Congress in 1970, the National Credit Union Administration is an independent federal agency that insures deposits at federally insured credit unions, protects the members who own credit unions, charters and regulates federal credit unions, and promotes widespread financial education and consumer financial protection. The NCUA protects the safety and soundness of the credit union system by identifying, monitoring, and reducing risks to the National Credit Union Share Insurance Fund. The NCUA is subject to a variety of risks that relate to its objectives, strategies, operations, reputation, and environment. Through the NCUA's Enterprise Risk Management (ERM) program, the agency proactively manages risks to achieve its mission, as well as to maximize opportunities across the agency.

The NCUA's ERM program is overseen by the Enterprise Risk Management Council (ERMC), which was formally established by the Executive Director in 2015. Since that time, the ERMC has focused on building foundational elements of the NCUA's ERM program; identifying, assessing, and prioritizing enterprise-level risks; and developing risk response plans for those risks.

The ERMC is comprised of the following NCUA executives:

- Deputy Executive Director, serves as ERMC Chair
- Chief Financial Officer
- Chief Information Officer
- Chief Economist

- Director, Office of Examination and Insurance
- Director, Office of Continuity and Security Management
- Director, Office of Business Innovation
- Director, Office of Consumer Financial Protection
- Director, Western Region

The ERMC's mission is to optimize risk management prioritization and mitigation decisions to minimize the risk that events adversely impact the successful achievement of the NCUA's strategic goals and objectives. Further, the ERMC seeks to establish a risk awareness culture and appropriate risk management processes throughout the NCUA.

An effective ERM program is a good management practice. An important part of a successful ERM program is a thorough risk appetite statement. That statement is a management tool that provides guidance from agency leadership to managers and staff on the amount of risk the NCUA is willing to undertake in pursuit of its objectives. The Federal Chief Financial Officers Council's ERM Playbook explains that risk appetite statements, "help agencies make risk-informed decisions with regard to allocation of resources, management controls, and potential consequences or impacts to other parts of the organization and can reduce surprises and unexpected losses."¹

The ERMC developed a risk appetite statement for the agency through careful consideration and evaluation of the risks the agency faces, and focused on achieving several programmatic goals, including:

- Communicating guidelines about the levels of risk the NCUA is willing to accept in pursuit of its mission and goals,
- Promoting consistency in understanding, measuring, and managing risk across the enterprise,
- Informing agency responses to risks and decision-making to balance limited time and resources, and
- Driving a more risk-aware culture.

The attached NCUA Risk Appetite Statement would provide greater clarity and transparency about how the agency approaches risks in order to accomplish its mission and to provide important guidance to NCUA staff and stakeholders.

RECOMMENDED ACTIONS: It is recommended that the NCUA Board approve the agency's Risk Appetite Statement, as drafted.

ATTACHMENTS:

NCUA Risk Appetite Statement

¹ <https://www.cfo.gov/wp-content/uploads/2016/07/FINAL-ERM-Playbook.pdf>