**Strategies for Future Examination and Supervision Utilizing Digital Technology**

Colleagues:

NCUA has published a Request for Information (RFI) that is soliciting input on the future of examinations with the development of digital technology. Every federally insured credit union can provide valuable insight on the subject. This may also be a good opportunity to submit information to us because we can submit it anonymously. We can hold a Zoom meeting to generate ideas and discuss common issues if you believe that would be useful. For instance, our meeting could go through these topics one by one (these would probably have to be broken up considering how many there are, perhaps 3 meetings discussing 12 topics each). NCUA is open to any input you have on the future of exams, particularly as it relates to utilizing technology and reducing time in your credit union. This material is due by Aug. 31, so please send me your input no later than Aug. 24. I’ll be glad to include data from spreadsheets (with identifiers sanitized) in our letter. NCUA specifically requests input on the following:

1. What capabilities can federally insured credit unions adopt to facilitate the NCUA's transition toward more offsite exam work?

2. What capabilities do you recommend the NCUA adopt to be able to conduct more examination work offsite?

3. How would such offsite capabilities increase the efficiency and effectiveness of the exam and supervision process from the credit union perspective?

4. Do you think the NCUA can do significantly more offsite work without compromising its safety and soundness responsibilities?

5. What credit union data can be provided to examiners to facilitate more offsite supervision and reduce time onsite during the examination?

6. What credit union data is currently provided to other parties that NCUA could potentially leverage to reduce the burden on credit unions? To ease the administrative burden, should the NCUA ask third party service providers for data on credit unions directly?

7. Are credit unions moving from a physical presence in member services to more reliance on digital or mobile banking platforms? How should the examination program evolve to accommodate these changes?

8. What other methodologies or approaches should NCUA include in this exam study?

9. Would credit unions benefit from more clarity and consistency on the timing and types of documents and data examiners need to conduct examinations?

10. Would it be easier or less burdensome for credit unions to provide documents and data to the NCUA on a more scheduled, flow basis throughout the year so the time spent onsite would be more efficient and the majority of the examination/supervision could primarily be conducted offsite? If this process could lead to more frequent/offsite contacts using technology and reduce the time and frequency of full-scope onsite examinations, do you think this would be an improvement and/or less burdensome than the current examination process or cause more disruption?

11. What do you see as the most significant challenges facing the NCUA's move to an offsite examination/supervision model that utilizes technology?

12. What difficulties do you foresee with moving to a future examination model for federal and state charted credit unions? How could we better coordinate with the states in this approach?

13. What concerns do you have, if any, about a diminished NCUA onsite presence, and can these be mitigated?

14. What impact, positive or negative, do you anticipate this future examination program strategy will have on your credit union and its operation?

15. Will moving offsite create any noticeable change in credit unions' ability to provide services to members, particularly during major disruptions, like pandemics?

16. Are there resiliency tests that can be performed by examiners offsite that could not be performed when examiners are onsite? If so, please detail them.

17. If rebuilding the examination process from scratch, how might you redesign what is currently done today in order to reduce the burden on credit unions and/or minimize time that examiners need to be onsite at credit unions?

18. What new or emerging technologies could enable the NCUA to examine a credit union with less time onsite?

19. Are video and telecommunications capabilities sufficient to maintain good lines of communication between examiners and credit union management and officials with reduced in-person meeting opportunities? What other methods of communication or communication protocols would support quality communications between the credit union and examination staff?

20. What types of artificial intelligence and/or machine learning techniques are you currently using or anticipate using?

21. Does the NCUA have regulations/policies that are sufficiently flexible to allow you to leverage various technological advances such as artificial intelligence, machine learning, process robotics, Fintech, Regtech, and Suptech etc.?

22. Do the current regulations/policies create unnecessary hurdles or burdens with respect to adopting technology? Are there ways we can update our regulations/policies to help facilitate a greater use of technology?

23. Do you feel comfortable using the NCUA's secure file transfer portal as a means to transfer data electronically, including personally identifiable information and confidential credit union data, to NCUA staff? If not, please provide details regarding your concerns and recommendations on ways the NCUA could mitigate these concerns.

24. What issues are unique to smaller institutions regarding the use and implementation of innovative products, services, or processes that the NCUA should consider? Additionally, by moving to an offsite exam posture, will this negatively affect small credit unions that may not have the technology required to transmit requested documentation? Are you exploring any types of services, products or technologies to offer to your members in the future?

25. With respect to the future examination model, should the NCUA consider alternative exam approaches for smaller credit unions?

26. Are there better ways for the NCUA to support your financial inclusion and financial education mission through the use of technology? Additionally, are there better ways for the NCUA to use technology to help low-income designated credit unions and minority depository institutions to better serve their members?

27. Do you feel there are circumstances that would disqualify or preclude a credit union from participating in this examination model where the majority of work is completed offsite?

28. What documentation and measures should be collected and used to assess a credit union's financial education efforts or programs?

29. Are there better ways for the NCUA to receive important contextual information regarding how you serve the low-income, underserved, and unbanked communities in your field of membership?

30. What baseline data protection and privacy safeguards would enable credit unions to comply with consumer protection statutes and federal/state law when sharing data for remote examinations?

31. How could an offsite posture affect the oversight of consumer financial protection and BSA/anti-money laundering laws and regulations at your credit union? What changes should the NCUA make to address your concerns?

32. All technology is coupled with internal and external security risks. As credit unions remain diligent in addressing these risks, what can the NCUA do to support credit unions' security posture?

33. What cybersecurity challenges do you see with the NCUA moving to this future examination model?

34. Are there digital banking activities or issues that are not covered by this RFI that the NCUA should address?

35. In response to the pandemic, the NCUA moved to an offsite posture. Did you participate in an exam during this time?

a. From your perspective, what has worked well?

b. What exam steps could continue to be completed offsite after we return to an onsite posture?

c. Were there parts of the exam, during the offsite posture that did not work well?

36. Are there issues the NCUA should consider in light of changes in the banking system that have occurred in response to the COVID-19 pandemic?