

***DCU BULLETIN***  
***Division of Credit Unions***  
***Washington State Department of Financial Institutions***

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September 5, 1995

No. 95-3

**Rule-making Initiated on Capital and Liquidity Requirements for WCUSGA-member Credit Unions**

On September 1, the Division initiated a rule-making proceeding on our examiners' analysis of capital and liquidity adequacy of credit unions whose deposit and share accounts are guaranteed by the Washington Credit Union Share Guaranty Association ("WCUSGA"). A draft of these capital and liquidity requirements ("Capital/Liquidity Requirements") were initially provided to state chartered credit unions in a letter from the Division dated July 13, 1995.

The Division initiated the proceeding by filing a Form CR-101 for publication in the Washington State Register. For a copy of the Form CR-101, contact the Division of Credit Unions. The Form CR-101 includes a description of the concept of the rule. Comments on the concept may be submitted to Parker Cann or Linda Jekel at the Division.

For your information, the rule-making process is essentially divided into three stages: (1) The publication of the Form CR-101, the Statement of Inquiry; (2) The publication of the Form CR-102, the Notice of Proposed Rule-making, which provides notice of the proposed rule and the scheduling of the public hearing to receive written and oral comments on the proposed rule; and (3) The adoption of the final rule and publication of the Form CR-103, the Rule-making Order.

We expect the rule-making process on the Capital/Liquidity Requirements to take from four to six months.

While the rule-making proceeding is underway on the Capital/Liquidity Requirements, our examiners will, as part of the exam process, advise credit

unions of the effect of the Requirements, so that each credit union will understand the impact of the Requirements when adopted.

#### Explanation of Rule Concept

**Capital** - During examinations, examiners will analyze each credit union to determine its capital adequacy. For WCUSGA credit unions, examiners will exclude the WCUSGA contingency and capital reserves in determining capital adequacy. These changes are for examination purposes only and will not affect a credit union's call report (form 5300) or its accounting practices.

**Liquidity** - During examinations, examiners will analyze each credit union to determine the adequacy of its liquidity. Examiners will analyze whether each WCUSGA credit union has sufficient liquidity to satisfy a potential one percent WCUSGA assessment, in addition to the other liquidity needs of the credit union.

The funds and investments which are identified by each WCUSGA credit union to satisfy the WCUSGA portion of the credit union's liquidity requirement should have a remaining maturity of 90 days or less. However, credit unions that have fully implemented SFAS No. 115 may identify investments classified as "available for sale" to satisfy the WCUSGA portion of their liquidity requirement.

**Internal policies** - Each credit union's policies should provide for a periodic review of its capital and liquidity levels, as affected by this rule, to determine if the credit union's capital and liquidity are at a safe and sound level. This rule will not affect the level of a credit union's regular reserves.

**Transition periods** - This rule will be implemented as follows:

For credit unions over \$90 million in total assets as of the date of this CR-101, the rule will apply beginning at the time the final rule becomes effective.

For credit unions with \$20 million to \$90 million in total assets as of the date of this CR-101, the rule will apply beginning six months after the final rule becomes effective.

For credit unions with under \$20 million in total assets as of the date of this CR-101, the rule will apply beginning two years after the final rule becomes effective.