



Newsletter

No. 12-15



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CUD is the state agency that regulates and supervises credit unions chartered by the State of Texas. The Department is professionally accredited by the National Association of State Credit Union Supervisors (NASCUS) certifying that CUD maintains the highest standards and practices in state credit union supervision.

*Our **Mission** is to safeguard the public interest, protect the interests of credit union members and promote public confidence in credit unions.*

Credit Union Commission

The Commission is the policy making body for CUD. The Commission is a board of private citizens appointed by and responsible to the Governor of Texas.

Members:

Manuel Cavazos IV, Chair
Allyson "Missy" Morrow, Vice Chair
Beckie Stockstill Cobb
Yusuf E. Farran
Steven "Steve" Gilman
Sherri Brannon Merket
Gary D. Tuma
Kay Stewart
Vik Vad

Next Commission Meeting

Friday, March 4, 2016 beginning at 9:00 a.m. in the offices of CUD.

Credit Union Response Programs for Breach of Confidential Information under GLBA

Under federal law, hacked credit unions that are federally insured are required to notify consumers when data breaches threaten their personal information under the Gramm-Leach-Bliley Act ("GLBA") security provisions. GLBA and Part 748 of the NCUA regulations require federally insured credit unions to: (1) ensure the security and confidentiality of member information; (2) protect against any anticipated threats or hazards to the security or integrity of such information; and (3) protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any member.

NCUA requires every federally insured credit union develop and implement a "risk-based" response program designed to address incidents of unauthorized access to member information the credit union or its service provider(s) maintain. So, GLBA would apply if the credit union or its service provider's information systems were hacked into, but wouldn't apply if a member directly disclosed his or her account information to a third party (e.g., fraudulent website).

At a minimum, a credit union's response program should contain procedures for the following:

- assessing the nature and scope of an incident, and identifying what member information systems and types of member information have been accessed or misused;
- notifying the appropriate NCUA Regional Director and the Department as soon as possible when the credit union becomes aware of an incident involving unauthorized access to or use of sensitive member information. Sensitive member information means a member's name, address, or telephone number, in conjunction with the member's social security number, driver's license number, account number, credit or debit card number, or a personal identification number or password that would permit

Credit Union Response Programs for Breach of Confidential Information under GLBA

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access to the member's account. Sensitive member information also includes any combination of components of member information that would allow someone to log onto or access the member's account, such as user name and password or password and account number.

- consistent with the NCUA's Suspicious Activity Report ("SAR") regulations, notifying appropriate law enforcement authorities, in addition to filing a timely SAR in situations involving federal criminal violations requiring immediate attention, such as when a reportable violation is ongoing;
- taking appropriate steps to contain and control the incident to prevent further unauthorized access to or use of member information, for example, by monitoring, freezing, or closing affected accounts, while preserving records and other evidence; and
- notifying members about incidents of unauthorized access to member information systems that could result in substantial harm or inconvenience to the member. The notice is a key component of the guidance that enables the member to take steps to prevent identity theft when sensitive information has been compromised. It is the credit union's responsibility to notify its members and regulator when an incident of unauthorized access involves member information systems maintained by a service provider; however, the credit union may contract with its service provider to notify the credit union's members or regulator on its behalf. NCUA has many detailed provisions concerning the contents and requirements surrounding such notices.



Investing in Securities

A credit union is responsible for performing a thorough analysis of all securities in which it invests. Moreover, a credit union's responsibility to perform a thorough analysis of a particular security increases proportionately with the complexity of the security and as the rating of the security moves down the rating scale. Credit unions should determine the quality and long-term suitability of investments, especially with respect to complex securities or securities that have received different ratings from different rating agencies. A credit union's sole reliance on outside ratings for material purchases of complex securities is an unsafe and unsound practice. An institution should only use ratings and the accompanying analyses performed by nationally recognized rating agencies in conjunction with, and in validation of, its own underwriting processes. It should not use ratings as a substitute for its own thorough underwriting analyses.



Proposed Rule Review

The Texas Credit Union Commission will review and consider for re-adoption, revision, or repeal Chapter 91, §§91.301 (Field of Membership), 91.302 (Election or Other Membership Vote by Electronic Balloting, Early Voting, Absentee Voting, or Mail Balloting), 91.310 (Annual Report to Membership), and 91.315 (Members' Access to Credit Union Documents) of Title 7, Part 6 of the Texas Administrative Code in preparation for the Commission's Rule Review as required by Section 2001.039, Government Code.

An assessment will be made by the Commission as to whether the reasons for adopting or readopting these rules continue to exist. Each rule will be reviewed to determine whether it is obsolete, whether the rule reflects current legal and policy considerations, and whether the rule reflects current procedures of the Credit Union Department.

Comments or questions regarding these rules may be submitted in writing to, Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699, or electronically to cudmail@cud.texas.gov. The deadline for comments is **January 18, 2016**.

The Commission also invites your comments on how to make these rules easier to understand. For example:

- Do the rules organize the material to suit your needs? If not, how could the material be better organized?
- Do the rules clearly state the requirements? If not, how could the rule be more clearly stated?
- Do the rules contain technical language or jargon that isn't clear? If so, what language requires clarification?
- Would a different format (grouping and order of sections, use of headings, paragraphing) make the rule easier to understand? If so, what changes to the format would make the rule easier to understand?
- Would more (but shorter) sections be better in any of the rules? If so, what sections should be changed?

Any proposed changes to these rules as a result of the rule review will be published in the Proposed Rule Section of the *Texas Register*. The proposed rules will be open for public comment prior to final adoption by the Commission.



Publication Deadlines

In order to meet the submission deadlines for the applicable issues of the Texas Register, it is necessary for the Department to establish the schedule included below. Completed applications received after the deadline for the month cannot be published until the following month.

<u>Publication Date</u>	<u>Application Deadline</u>
January, 2016	Friday, January 15
February, 2016	Friday, February 12



Applications Approved

Applications approved since November 18, 2015 include:

<u>Credit Union</u>	<u>Changes or Groups Added</u>
<i>Field of Membership Change – Approved:</i>	
Texas Dow Employees Credit Union (Lake Jackson)	See Newsletter No. 09-15
First Service Credit Union (Houston)	See Newsletter No. 09-15
Southwest Heritage Credit Union (Odessa) (Modified) Persons who live, work, worship or attend school in, businesses and other legal entities in Ward, Andrews, Crane, or Winkler Counties, Texas.	See Newsletter No. 08-15
<i>Field of Membership Change – Denied:</i>	
InTouch Credit Union (Plano)	See Newsletter No. 08-15
<i>Merger or Consolidation – Approved:</i>	
St. Joseph’s CU (San Antonio) and Firstmark CU (San Antonio)	See Newsletter No. 08-15



Applications Received

The following applications were received and will be published in the December 25, 2015 issue of the Texas Register.

Field of Membership Expansion:

West Texas Educators Credit Union (#1) (Odessa) – To permit persons who live, work, worship or attend school in Crane County, Texas, to be eligible for membership in the credit union.

West Texas Educators Credit Union (#2) (Odessa) – To permit persons who live, work, worship or attend school in Upton County, Texas, to be eligible for membership in the credit union.

West Texas Educators Credit Union (#3) (Odessa) – To permit persons who live, work, worship or attend school in Andrews County, Texas, to be eligible for membership in the credit union.

West Texas Educators Credit Union (#4) (Odessa) – To permit persons who live, work, worship or attend school in Ward County, Texas, to be eligible for membership in the credit union.

West Texas Educators Credit Union (#5) (Odessa) – To permit persons who live, work, worship or attend school in Howard County, Texas, to be eligible for membership in the credit union.

West Texas Educators Credit Union (#6) (Odessa) – To permit persons who live, work, worship or attend school in Midland County, Texas, to be eligible for membership in the credit union.

West Texas Educators Credit Union (#7) (Odessa) – To permit persons who live, work, worship or attend school in Loving County, Texas, to be eligible for membership in the credit union.

West Texas Educators Credit Union (#8) (Odessa) – To permit persons who live, work, worship or attend school in Martin County, Texas, to be eligible for membership in the credit union.

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Applications Received

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West Texas Educators Credit Union (#9) (Odessa) – To permit persons who live, work, worship or attend school in Winkler County, Texas, to be eligible for membership in the credit union.

Comments or a request for a meeting by any interested party relating to an application must be submitted in writing within 30 days from the date of this publication. Credit unions that wish to comment on any application must also complete a Notice of Protest form. The form may be obtained by contacting the Department at (512) 837-9236 or downloading the form at <http://www.cud.texas.gov/page/bylaw-charter-applications>. Any written comments must provide all information that the interested party wishes the Department to consider in evaluating the application. All information received will be weighed during consideration of the merits of an application. Comments or a request for a meeting should be addressed to the Texas Credit Union Department, 914 East Anderson Lane, Austin, Texas, 78752-1699.



Upcoming Holiday Schedule for CUD

The Department's office will be closed on **December 24, 25**, and **January 1** in observance of Christmas and the New Year.



This newsletter is produced monthly as a part of the Department's continued communication outreach with the credit unions it regulates. Delivery is generally provided by electronic notification of its availability on the Department's website.

Suggestions and comments concerning the newsletter or its content are welcomed.



To learn more about CUD click <http://www.cud.texas.gov> or contact us at 914 E. Anderson Lane, Austin, TX 78752



The Credit Union Commission and the Staff of the Department would like to extend our best wishes for a New Year of health, happiness, and prosperity!