



## ***DCU BULLETIN***

***Division of Credit Unions***

***Washington State Department of Financial Institutions***

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January 3, 2001

No. B-01-01

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### **Information Services & Technology Examinations**

As of December 31, 1999, 67 Washington state-chartered credit unions (95% of total assets) had a web site presence. Of those 67 credit unions, 28 credit unions (81% of total assets) had an interactive web site. As of year end 2000, the Division of Credit Unions (Division) had not specifically evaluated the safety and soundness of a credit union's data processing or electronic banking (E-banking) systems. Such examinations will be referred to as Information Systems and Technology (I S & T) exams.

The advent of E-banking technology has largely been a recent and speedy development. The rapid growth of E-banking services has led to Congressional concern about the safety and security of such banking activities. A 1999 Congressionally authorized study by the Government Account Office (GAO) recommended enhancing regulatory oversight of E-banking activities. The Division concurs with the GAO's concerns about the following risks, which may arise from e-banking activities:

- Strategic risk - The risk to earnings or capital arising from adverse business decisions or adverse implementation of those decisions.
- Compliance risk - The risk arising from violations of, or nonconformance with laws, rules, regulations, required practices, or ethical standards.
- Security risk - The risk of potential unauthorized access to a depository institution's network, systems, and databases that could compromise internal systems and customer data and result in financial losses.

- Reputation risk - The risk of significant negative public opinion that results in a critical loss of funding or customers.
- Transactional risk - The risk of financial losses arising from problems with service or product delivery.

Beginning early in 2001, the Division will start to examine the I S & T systems of state chartered credit unions. The Division will be contracting with a third party, having significant expertise in this field, to perform those examinations. We will be using the NCUA's E-commerce and Electronic Data Processing Review Questionnaires as the starting point for the exams. Those questionnaires may be found at [www.ncua.gov](http://www.ncua.gov), under Information Systems & Technology, under Letters to Credit Unions. Significant exam findings will necessitate corrective action by the credit union in a timely manner with written response to the Division describing the actions taken.

The cost of each I S & T examination will be passed through to the examined credit union as permitted by WAC 208-418-070 (3). It is anticipated that most examinations will require no more than five days to complete and that all credit unions will receive their first I S & T examination within the next two years. Depending upon the results of the first round of examinations, we anticipate that succeeding I S & T exams will be completed approximately every eighteen months and will be conducted by our contractor generally at the same time as the regular safety and soundness exam.

If you have questions about I S & T examinations, please call Mike Delimont at (360) 902-8790.