

WELCOME TO

An Overview of the NCUA's Succession Planning Rule

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SESSION INFO



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RESOURCES

The slides, a recording, and certificate of attendance will be sent via email.






QUESTIONS

Use the "Questions" panel to chat with the presenters and Tandem team.



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-  Audit Management
-  Business Continuity Plan
-  Compliance Management
-  Cybersecurity Assessment
-  Identity Theft Prevention
-  Incident Management
-  Internet Banking Security
-  Phishing
-  Policies
-  Risk Assessment
-  Vendor Management



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POLL QUESTION

What type of organization do you currently work for?



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POLL QUESTION

What is your credit union's asset size?



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Session Topics

- Overview of the Rule
- Existing Guidelines
- Succession Plan Requirements
- Best Practices & Lessons Learned
- Wrap Up & Resources

**SUBMIT YOUR
QUESTIONS!**



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Overview of the Rule



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7535-01-U

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Parts 701 and 741

RIN 3133-AF42

Succession Planning

AGENCY: National Credit Union Administration (NCUA).

ACTION: Final rule.

SUMMARY: The NCUA Board (Board) is issuing this final rule to further strengthen succession planning efforts for all consumer federally insured credit unions (FICUs). This final rule requires that a FICU board of directors establish a written succession plan that addresses specified positions and contains certain information. In addition, the board of directors is required to regularly review the succession plan. The final rule also requires that newly appointed members of the board of directors have a working familiarity with the succession plan no later than six months after appointment. The final rule follows publication of a July 25, 2024, proposed rule and takes into consideration the public comments received on the proposed rule. In

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TITLE


Succession Planning

TIMELINE

- **02/03/2022:** Proposed Rule (1)
- **07/18/2024:** Proposed Rule Revised (2)
- **12/17/2024:** Final Rule Approved (3)
- **01/01/2026:** Effective Date


FEDERAL REGISTER

<https://www.federalregister.gov/d/2024-30449>




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WHO DOES THE RULE APPLY TO?




All Federally Insured Credit Unions
(including FCUs & FISCUs)



All Asset Sizes
(including small credit unions)



Does Not Apply to Other Financial Institutions



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POLL QUESTION

If your credit union was involved with a merger or acquisition, was succession planning a factor?



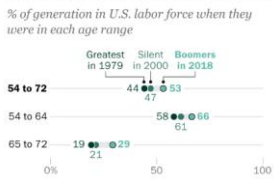
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WHY A NEW RULE?

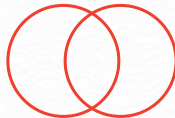


Retirement Age of the "Baby Boomer" generation.

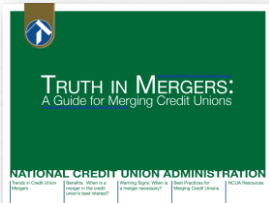
Baby Boomers are participating in the labor force more than prior generations



(Source)



Consolidation due to a lack of succession planning.



(Source)



Safety & Soundness of the credit union industry.

"The failure of FICUs to adequately plan for succession poses a risk not only to individual FICUs and their member-owners, but to the credit union system as a whole and to the Share Insurance Fund."

(Source)




Current Events involving leadership turnover.

- Record High Resignations (1)
- UnitedHealthcare CEO (2)
- Historic Coronation (3)




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KEY TAKEAWAY



A focus on succession planning will improve the safety and soundness of the credit union system.



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Existing Guidelines



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POLL QUESTION

Does your credit union already have a succession plan?



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EXISTING GUIDELINES | REGULATIONS**12 CFR Part 704.13(c)(2)**

Requires federally insured corporate credit union boards to ensure "qualified personnel are employed or under contract for all line support and audit areas, and designated back-up personnel or resources with adequate cross-training are in place."

12 CFR Part 749, Appendix B

Requires all credit unions to prepare for catastrophic acts.



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EXISTING GUIDELINES | GUIDANCE



FFIEC Business Continuity Management Booklet II.A Board and Senior Management Responsibilities

<https://ithandbook.ffiec.gov/it-booklets/business-continuity-management/>

Management oversight should include "defining BCM roles, responsibilities, and succession plans" and that exercise and test plans generally include "identification of decision makers and succession plans."



FFIEC Management Booklet I.B.7 Other Functions

<https://ithandbook.ffiec.gov/it-booklets/management/>

"The board and senior management should consider appropriate succession and transition strategies for key managers and staff members. Some strategies include the use of employment contracts, professional development plans, and contingency plans for interim staffing of key management positions. Management should have backup staff for key positions and should cross-train additional personnel. The objective is to provide for a smooth transition in the event of turnover in vital IT management or IT operations."



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EXISTING GUIDELINES | LETTERS TO CREDIT UNIONS



MARCH 2022

22-CU-05 CAMELS Rating System

[Letter to Credit Unions](#) | [NCUA Examiner's Guide – Management Component](#)

"Succession plans are in place for key management positions."



JANUARY 2023


23-CU-01 NCUA Supervisory Priorities

[Letter to Credit Unions](#)

"During 2023, examiners will request information about a credit union's approach to succession planning for senior leaders, including any written succession plan the credit union has established."




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KEY TAKEAWAY

Succession planning is now required for the purposes of long-term continuity.

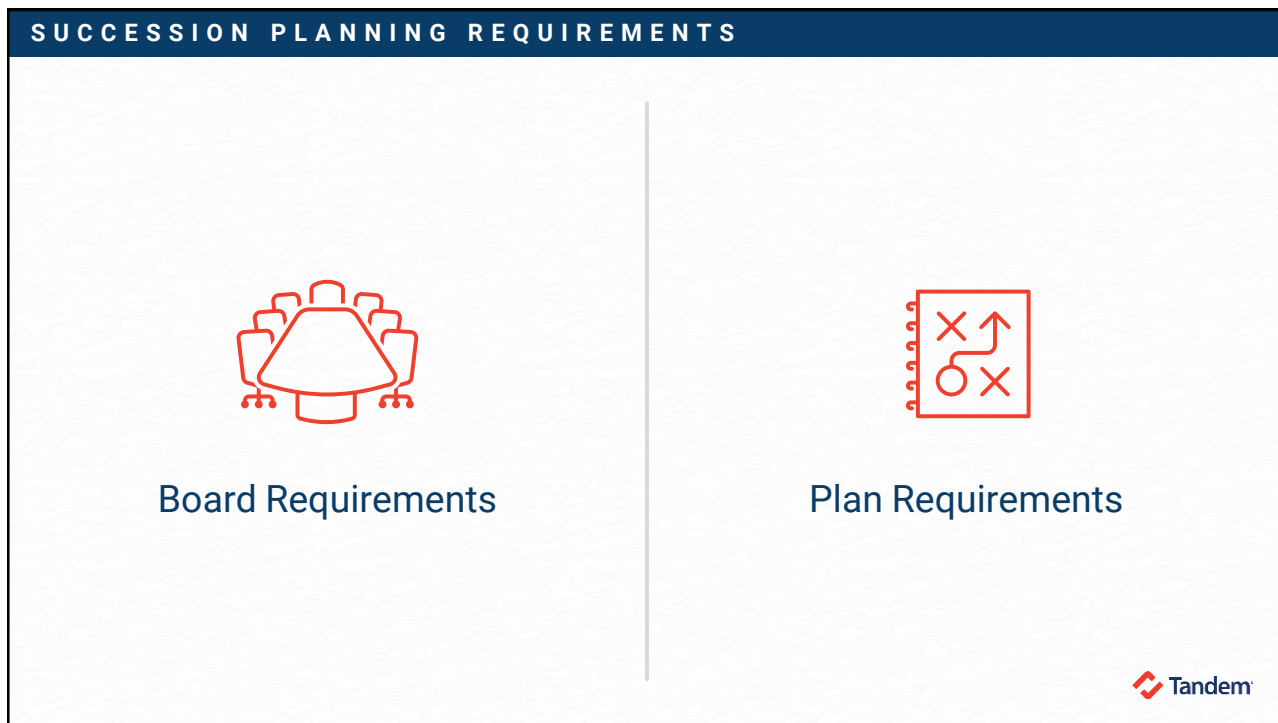


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Succession Planning Requirements



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BOARD REQUIREMENTS



Within six months of joining the Board of Directors:

Board members must have a
“working familiarity”
 with the succession plan.

A N D

Board members must be able to ask
“substantive questions”
 about the succession plan.

(3) At the time of election or appointment, or within a reasonable time thereafter, not to exceed six months, have at least a working familiarity with, and to ask, as appropriate, substantive questions of management and the internal and external auditors of: [...] (ii) The Federal credit union's succession plan established pursuant to paragraph (e) of this section.



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PLAN REQUIREMENTS

“Size, Complexity, and Risk”



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PLAN REQUIREMENTS



WHO?

WHEN?

HOW?

(3) Contents of succession plan. The succession plan must, at minimum, contain the following information regarding each of the positions covered under paragraph (e)(2) of this section: (i) The title for each covered position and the expiration of the incumbent's term (if serving in a term-limited capacity) or other anticipated vacancy date if known (such as the incumbent's retirement eligibility date or announced departure date). (ii) The federal credit union's plan for permanently filling vacancies for each of the positions. (iii) The federal credit union's strategy for recruiting candidates with the potential to assume each of the positions. The strategy must consider how the selection and diversity of skills among the employees covered by the succession plan collectively and individually promotes the safe and sound operation of the federal credit union.



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POLL QUESTION

What positions do you include in your succession plan?



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PLAN REQUIREMENTS | WHO?



Board Members



Senior Executive Officers



Management Officials



Other Critical Personnel

- New Positions
- Specialized Positions



Assistant Management Officials

(2) Covered positions. The succession plan shall, at a minimum, cover the following positions, or their equivalent if the federal credit union has adopted different position titles: (i) Members of the board of directors; (ii) Management officials and assistant management officials, as those terms are defined in Appendix A, if provided for in the federal credit union's bylaws, and, to the extent not already covered, the senior executive officers identified in § 701.14(b)(2); and (iii) Any other personnel the board of directors deems critical given the federal credit union's size, complexity, or risk of operations. This includes new positions that may be required due to planned changes in operations, supervisory landscape, or corporate structure.



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“Without adequate planning, key operations could be impacted during management transitions or leadership vacuums, such as recordkeeping, lending and other member services, liquidity management, cybersecurity, compliance with laws and regulations, and other critical responsibilities.”



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PLAN REQUIREMENTS | WHEN?



(3) Contents of succession plan. The succession plan must, at minimum, contain [...] the expiration of the incumbent's term (if serving in a term-limited capacity) or other anticipated vacancy date if known (such as the incumbent's retirement eligibility date or announced departure date).



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PLAN REQUIREMENTS | HOW?



(3) Contents of succession plan. The succession plan must, at minimum, contain [...] (ii) The federal credit union's plan for permanently filling vacancies for each of the positions. (iii) The federal credit union's strategy for recruiting candidates with the potential to assume each of the positions. The strategy must consider how the selection and diversity of skills among the employees covered by the succession plan collectively and individually promotes the safe and sound operation of the federal credit union.




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KEY TAKEAWAY

Succession planning is about making sure the right people are in the right place when they are needed most.



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Thursday, April 3
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Best Practices & Lessons Learned

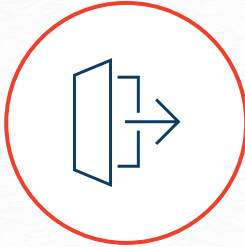


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TYPES OF SUCCESSION PLANNING




Temporary Succession




Permanent Succession



Emergency Succession
(Crisis Planning)



Controlled Succession
(Strategic Planning)



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POLL QUESTION

Is your succession plan officially documented somewhere?



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SUCCESSION PLAN DOCUMENTATION



Internal
(General Access)

- Non-Sensitive Policy Information (Employee Handbook)
- Training Opportunities
- Career Paths & Development Programs
- Organization Charts



Private
(Need-to-Know)

- Sensitive Policy Information
- Succession Procedures
- Cross Training Plans
- Emergency Order of Succession



Restricted
(Confidential)

- Named Successors
- Performance Evaluations
- Job Offers & Retention Plans
- Meeting Minutes



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QUALIFIED SUCCESSORS



You need candidates
who are authorized to
step into a vacant role.



You need candidates
who are capable of
stepping into a vacant role.



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KEY TAKEAWAY

Planning for succession is not just about filling roles. It is about carrying forward vision, communicating values, and ensuring stability.



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Wrap Up & Resources

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RESOURCE

NCUA Succession Plan Template for Small Credit Unions

[Download Now](#)

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ty Plan

Employee Alerts

Dashboard

Business Process Criticality [View Report](#)

System/Equipment Criticality [View Report](#)

Upcoming Business Continuity Tests [View Tests](#)

Test	Scheduled Date
Disruptive Malware Cyber Attack	04/03/2019
Fire Drill (Central Locations)	08/01/2019
DDoS Attack	10/29/2019
Seisystem Test	02/13/2020
Alarm System	03/28/2020
Email Server Outage	07/04/2020

Reports Overview [View Reports](#)

Report	Number	Percent
Employees Missing Contact Information	35	71.4%
Locations Without Emergency Locations Set	12	75.0%
Locations Without Fire Extinguishers	7	43.8%
Past Due BCP Tests	0	0.0%
Systems/Equipment Without Recovery Plan	12	80.0%
Vendors Missing Contact Information	5	25.0%

LEARN MORE

Tandem Business Continuity Plan Software for Credit Unions

Tandem.App/Business-Continuity-Planning

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2. Request a demo.
3. Join the demo.
4. Live cozy.

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THANKS FOR JOINING

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FURTHER READING

- [02/03/2022 Proposed Rule: Succession Planning](#)
- [07/25/2024 Proposed Rule: Succession Planning](#)
- [12/26/2024 Final Rule: Succession Planning](#)
- [NCUA Succession Plan Template for Small Credit Unions](#)
- [Truth in Mergers: A Guide for Merging Credit Unions](#)
- [Examiners Guide: CAMELS Ratings – Management](#)
- [23-CU-01 NCUA's 2023 Supervisory Priorities](#)
- [Tandem Blog: An Overview of the New Credit Union Succession Planning Rule](#)
- [Tandem Business Continuity Planning Software](#)

