



DCU BULLETIN

Division of Credit Unions

Washington State Department of Financial Institutions

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Issuing Rating for Information Systems & Technology (IS&T) Exams Beginning January 6, 2025

This Bulletin Replaces Bulletin B-01-11

Starting January 6, 2025, the Division of Credit Union's (DCU) will resume issuing a separate IS&T composite rating with the CAMELS ratings. With the rise of cybersecurity threats, this rating should provide management a clear measure of the overall level of risk in the credit union's Information Security Program and help to prioritize controls to protect member information.

The safety and soundness report will be modified to include the separate IS&T composite rating. The ratings detailed below will be used for the IS&T rating in the examination report. While the rating will be reflected separately in the report, we will continue to incorporate the IS&T rating under the Management component of the CAMELS rating, to maintain consistency with NCUA. IS&T composite ratings will only be given if DCU's Information Security Examiners conduct the IS&T exam. Currently, the NCUA does not give a separate IS&T rating.

When the IS&T portion of the exam identifies areas of weakness, those items will generally be incorporated into the Examination Issues and/or Examiner's Findings pages of the safety and soundness exam report.

Components

The IS&T composite rating will be determined through a comprehensive evaluation of the credit union's Information Security Program based on the credit union's size, complexity, and risk profile. The assessment will encompass an overview of IS&T practices and policies, as well as an examination of risk management processes, compliance with regulatory and legal requirements, and the effectiveness of vendor

management. Each of these areas will play a crucial role in shaping the overall composite rating, providing a holistic assessment of the IS&T environment.

IS&T Composite Ratings

The IS&T composite rating will range from 1 through 5, with 1 representing the least risk, and 5 representing the most risk. To determine the composite rating, various IS&T functions will be analyzed relative to the credit union's size, complexity, and risk profile. Examiners will consider all relevant factors of the Information Security Program to determine the overall condition and integrate them into the final composite rating for a comprehensive assessment.

Each composite rating is described as follows:

A rating of 1 indicates a strong Information Security Program in almost every respect. If deficiencies are noted, they are minor and can be handled routinely and without further supervisory involvement. The overall risk rating indicates a very low level of risk, with systems functioning effectively and securely.

A rating of 2 indicates a satisfactory Information Security Program that is fundamentally sound but may reflect modest weaknesses. Deficiencies are generally corrected in the normal course of business. Therefore, the need for supervisory response is usually limited. The overall risk rating is low, reflecting stable operations with only minor concerns that do not significantly impact the overall security and stability of the Program.

A rating of 3 indicates an Information Security Program that needs improvement. The Program is affected by a combination of adverse factors and requires timely corrective action. Problems are well defined and require more than ordinary supervisory concern and monitoring. While deficiencies are present, operational failure is unlikely. The overall risk rating indicates an elevated level of risk, with significant concerns that require ongoing attention and corrective measures.

A rating of 4 indicates an unsatisfactory Information Security Program. Operations are under unacceptable conditions that could impair future viability. A high potential for operational and/or financial failure is present. Immediate affirmative action and supervision by the regulator are necessary. The overall risk rating is high, reflecting serious deficiencies that could impact future stability and necessitate immediate corrective action.

A rating of 5 indicates a critically deficient Information Security Program. Severe weaknesses and deficiencies threaten the viability of operations. Immediate affirmative action and continuous supervision, as required by the regulator, are necessary. The overall risk rating is very high, indicating a critical situation that poses a significant threat to the continuation of operations and requires urgent intervention.

If you have any questions about this bulletin or would like more information, please contact the Division of Credit Unions at dcu@dfi.wa.gov or (360) 902-8701.