



OECS ANNUAL SUMMIT

**TOWARDS AN ENABLING
REGULATORY ENVIRONMENT FOR
OECS CREDIT UNIONS**

OECS BANKS AND C.U's SIZE COMPARISON 2015 - E.C.\$

	BANKS	CREDIT UNIONS
NO. OF INSTITUTIONS	37	48
TOTAL INDUSTRY ASSETS	26.41 BILLION	2.78 BILLION
AVERAGE INSTUTION ASSET SIZE	714 MILLION	58 MILLION
TOTAL SAVINGS	18.8 BILLION	2.4 BILLION
SHARE OF SAVINGS MARKET	89%	11%
TOTAL LOANS	11.9 BILLION	2.0 BILLION
SHARE OF LOANS MARKET	86%	14%

OECS BANKS AND C.U's SIZE COMPARISON 2015 - E.C.\$

	BANKS	CREDIT UNIONS
NO. OF CREDIT UNIONS		48
% CREDIT UNIONS < 5M ASSETS	NA	20
% CREDIT UNIONS >5M < 10M ASSETS	NA	15
% CREDIT UNIONS >10M <25M ASSETS	NA	12
% CREDIT UNIONS >25M < 50M ASSETS	NA	15
% CREDIT UNIONS >50M <100MASSETS	NA	17
% CREDIT UNIONS > 100 M ASSETS	NA	21

INTERNATIONAL C.U. REGULATORY ENVIRONMENT

- EUROPE
 - NATIONAL AUTHORITIES.
 - BANKING REGULATIONS
 - PRA.
 - AUSTRALIAN PRA UNDER BANKING ACT OF 1959..
- UK
- AUSTRALIA
- CANADA
 - FEDERAL AND PROVINCIAL LEGISLATION
- U.S.A
 - FINCEN, OCC, BSA, NCUA REGULATIONS

REGIONAL C. U. REGULATORY ENVIRONMENT

- THE BAHAMAS
- BELIZE
- SURINAME
- JAMAICA.
- BARBADOS & ECCU.
- GUYANA & TRINIDAD AND TOBAGO.
- CENTRAL BANK.
- CENTRAL BANK 2004 - WEF 2017.
- SINGLE REGULATORY AUTHORITY.
- DEPARTMENT OF CO-OPERATIVES/COMMISSIONER.
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CREDIT UNION CLASSIFICATION

- DEFINITION OF “NON-BANK”.
- REFERS ON TO CERTAIN SPECIFIED INSTITUTIONS.

REGIONAL LEGISLATION STATUS

- BARBADOS .
- SURINAME
- ECCU EXCEPT ST. LUCIA
- JAMAICA
- 1991 AMENDED 2007.
- 1956 AMENDED 2011.
- 2010 – 2012.
- 1950 CO-OP SOCIETIES
- 2004 – FIA. REGS 2017.
- **GUYANA.**
- **1950's.**
- **TRINIDAD & TOBAGO**
- **1971.**

IMPACTING GLOBAL REGULATIONS

- AML/CFT - FATF.
- COMPLIANCE BY ALL FINANCIAL INSTITUTIONS.
- GLOBAL PARTNERSHIP FOR FINANCIAL [GPGF]
- SUPPORTS THE CONCEPT OF PROPORTIONALITY.

IMPACTING GLOBAL REGULATIONS

- FATCA
- 2014 - U.S TAXPAYERS.
- OECD CRS.
- 2017 - RESIDENTS OF OTHER JURISDICTIONS.

IMPACTING GLOBAL REGULATIONS

- AML/CFT.
- IMPACT ON FINANCIAL INSTITUTIONS INCLUDING CREDIT UNIONS.
- DE-RISKING – TERMINATING OR RESTRICTING BUSINESS RELATIONSHIPS WITH CLIENTS OR CATEGORIES OF CLIENTS TO AVOID RATHER THAN MANAGE RISKS.

REDUCING REGULATORY BURDENS.

- GROWING ACCEPTANCE THAT REGULATION IS BURDENSOME AND HAVING UNINTENDED CONSEQUENCES.
- EXPECTED NEW FATF INTERPRETIVE NOTE ON CORRESPONDENT BANKING AML COMPLIANCE. SHOULD CLARIFY BANKS AML/CFT CORRESPONDENT RESPONSIBILITIES RE C.U.S & FINANCIAL INSTITUTIONS.

OECS SECTOR SPECIFIC LEGISLATION & REGULATION

- OECS HARMONIZED CO-OP SOCIETIES BILL.
- PROPOSED REGULATIONS 2016.
- SECTIONS 2, 29, 96, 120, 125; 129, 200.
- STATUS.
- PREPARED BY CONSULTANT 2013/2014.
- INADEQUATE SECTOR INVOLVEMENT.

OECS SECTOR SPECIFIC LEGISLATION AND REGULATIONS

- PROPOSED REGULATIONS 2016.
 - CIRCULATED BY ECCB TO AG'S IN NOV/DEC 2015 TBE JAN 2016.
 - REPEATS A NUMBER OF PROVISIONS OF THE ACT.
 - INTRODUCES TOPICS NOT PROVIDED FOR IN THE ACT.

NEXT STEPS

- INTERVENTION BY CCCU FOR ADEQUATE CONSULTATION.
- CIRCULATION TO SECTOR BY REGULATORS.
- GREATER SECTOR RESPONSE.
- BROAD SECTOR AGREEMENT ON PROVISIONS.
- COMMON APPROACH TO IMPLEMENTATION OF STANDARDS.

OECS REGULATORY ISSUES.

- ROLE OF THE REGULATOR.
- EXAMINATION AND SUPERVISION METHODOLOGY.
- APPLICATION OF UNIFORM STANDARDS.
- GREATER DIALOGUE BETWEEN SECTOR AND REGULATORS.



The CAMELS Rating System



CREDIT UNIONS' PRIMARY RISKS

- OPERATIONAL RISKS.
- CREDIT RISKS.
- LIQUIDITY RISKS.

CAMELS

- CAPITAL ADEQUACY.
- ASSET QUALITY
- MANAGEMENT
- EARNINGS.
- LIQUIDITY.
- SENSITIVITY.

The CAMELS Rating System

- The CAMELS Rating System is used by the majority of Financial Institution Regulators in the Caribbean

The CAMELS Rating System

- Uniform Financial Institutions Rating System (UFIRS)
- Adopted by U.S Federal Financial Institutions Examination Council (FFIEC) in 1979
- Assesses six components of a deposit taking financial institution's performance.
- Driven by both component and composite ratings
- Takes into consideration financial, managerial and compliance factors common to all financial institutions.
- Institutions evaluated in a uniform and comprehensive manner
- Supervision attention appropriately focused on the financial institutions exhibiting financial and operational weaknesses or adverse trends.

Objectives of On-site CAMELS Framework

Review and assess the credit union's capital adequacy framework

Review and assess the quality of the credit union's assets (with emphasis on investments and loans).

Review and assess Governance/Board and Management Oversight

Review and assess adequacy of earnings and the credit union's profitability

Review and assess the credit union's liquidity status and adequacy of liquidity

Review and assess the credit union's sensitivity to market risks

ADVOCACY

- **THE GOAL:**
- TO INFLUENCE PUBLIC POLICY TO CREATE AN ENVIRONMENT THAT IS FAVOURABLE TO CREDIT UNIONS.



OTHER DEVELOPMENTS

- ECCU.
- CREDIT REPORTING BILL.
- DEPOSIT INSURANCE.

CONCLUSION



- CREDIT UNIONS DO NOT NEED NOT BE BURIED IN OR BY INAPPROPRIATE REGULATIONS.

