



Jamaica Co-operative Credit Union League Limited

Establishing and Managing Sustainable Central Funds

OCES Summit

September 15, 2016

Presentation Outline

- Jamaica's experiences
- Sustainable issues/imperatives

Deposit & Loan department in JCCUL

1960

- CUs could not access financing from the banks
- CUs were required to put in 5% of their increase in savings monthly
- CUs made deposits made to get loans

Transitioned into a Central Finance Facility (CFF)

1990-1998

- D&L became active and expanded to take in term and call deposits from CUs
- Competitive rates were given to CUs
- Deposit business overtook loan business
- 5% compulsory deposit ceased
- CFF rules developed
- CUs required to hold liquidity reserves of 10% of savings. 80% was required to be deposited in the CFF

Transitioned into a Central Finance Facility (CFF) contd.

- Longer term deposits and mortgage loans via CUs to CU members
- Productive loans from the Development Bank of Jamaica for CU members
- CUCASH call deposit created
- Obtained a securities dealers licence
- Settlement of debit card transactions

Credit Union Fund Management Company

2005

- CUFMC set up in 2005 as company owned by JCCUL and CUs
- Bank of Jamaica (CU) regulations-can't take deposits and be a securities dealer
- Declining funds from CUs
- Diversify the portfolio risk and service non-CU clients

Credit Union Fund Management Company

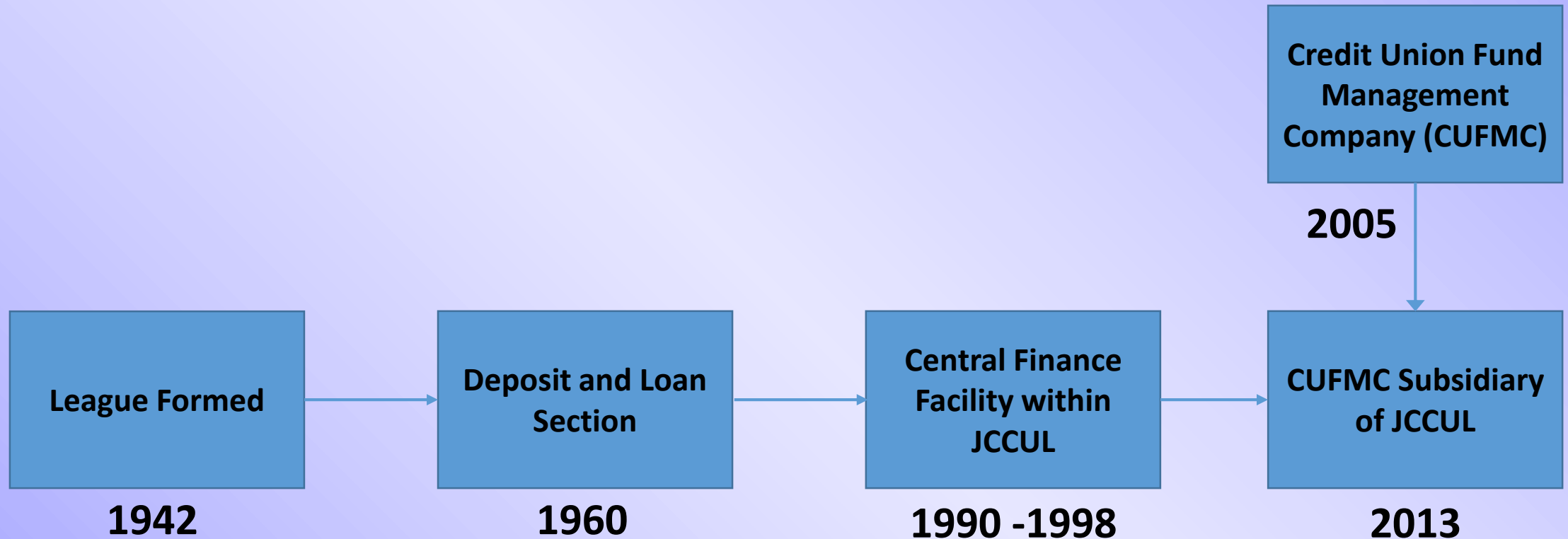
2013

- CFF operations transferred to the CUFMC
- JCCUL injected Just under J\$1B in capital- own 90% of the company
- CU deposits transitioned to securities and risk transferred the to CUs
- High network individual market

2016

- Transitioning to asset management and securities trading
- F/X services
- Inter CU lending
- Inter CU services
- Movement liquidity management

Development of the CF in the Jamaican Credit Union Movement



Financial Statistics

- In 1998 the CFF had 37% of CU investments and 80% of their liquid investments
- Today the CUFMC has US\$132.8M under management (some on balance and some off balance)
- 90% of FUM are from CUs
- Now the CUFMC has 55% of CU investments
- Profit YTD for the CUFMC is US\$421,000
- Capital adequacy is currently 11.3%

Sustainable CFF

1. Build/design around CU needs
2. Investment/deposit services and loans and other financial services
3. Wide scale CU ownership
4. CUs with more at stake responsible for its governance
5. Part of a prudential safety and soundness regime for CUs
6. Focus on CUs not profit
7. Be very efficient and professional
8. Be well capitalized and well run

Build/design around Credit Union needs

- Determine CU needs initially
 - *Depository, Liquidity/loans, Manage their investment portfolio, settlement*
- Ongoing determination of CU needs-grow as the movement grows
- Design services around the needs
- Non-competition with CUs
- Limited liability company/co-operative
- Rules of the fund

Financial Services to Credit Unions

- Range of investments/deposits with varying tenures and pricing
- Liquidity support & Loans for varying purposes- *building acquisition, infrastructure development, fixed asset acquisition*
- Funds mgt/portfolio mgt services
- Stocks and equities-CUs and members
- Pension fund mgt
- Advisory Services
- Mortgages
- CU Financial product development
- Management of the movement's liquidity
- Settlement and part of payments/clearing system

Ownership & Focus on Credit Unions

- Wide scale CU ownership
- Owned by the League and CUs
- Be a CU for CU s-Focussed on service
- Leverage the relationship with CUs

Governance-Board

- Expertise in finance and accounting
- Mix of skills
- CU with the largest % of its assets invested
- 3 CUs having the largest amounts of investments
- Mix of small, medium and large CUs
- CUs in good financial standing

Part of a Credit Union Prudential safety and Soundness Regime

- CU prudential requirements
- CU liquidity reserve requirements
- Placement of a % of this liquidity in the CF

Efficient, Professional, Well Capitalized and Well Run

- Hire the competent staff to run it
- Well capitalized, safe and sound as it holds CUs' funds
- Ongoing profitability
- Prudent ALM and Risk Mgt
- Prudent investment policies
- Prudently evaluate and underwrite loans
- Maintain adequate liquidity to support CUs

Conclusion

- Build around CUs by CUs for CUs
- Help CUs achieve their goals of safety and soundness and CUs compete in the market place
- Participative governance
- Fairly competitive rates
- Prudential policies and practices
- Mandate to manage the CUs' liquidity reserves