

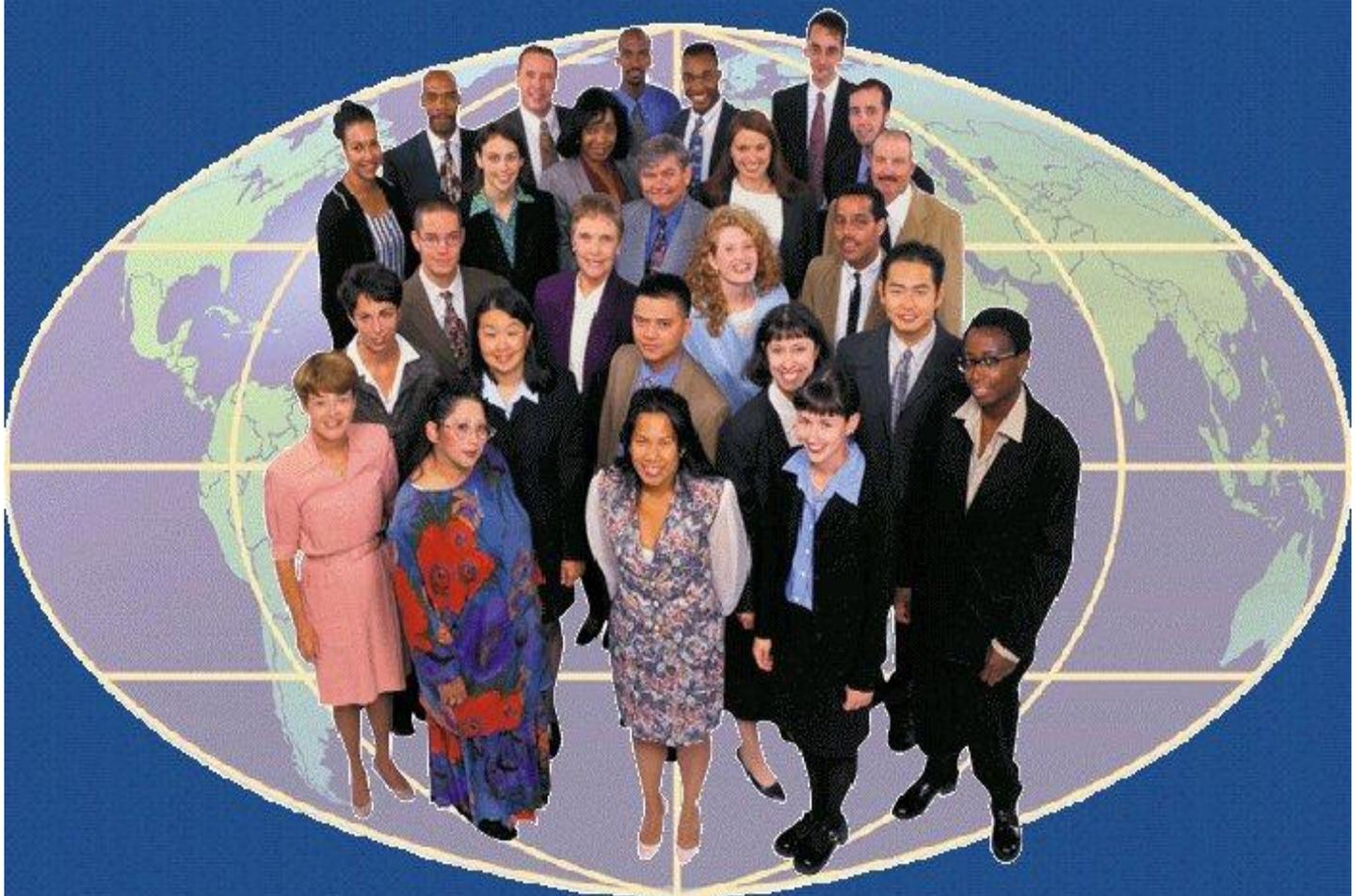


World Council of Credit Unions Inc.

***Organization of Eastern  
Caribbean States (OECS)  
Phase II – Regional Stabilization  
and Supervision Unit***

***St. Kitts / Nevis, West Indies  
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## Consultation – Phase II

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## 1. Background

The Caribbean Confederation of Credit Unions (CCCU) and the World Council of Credit Unions Inc. (WOCUU) entered into a contract to assist in the implementation of Phase II - Stabilization and Supervision Project in the OECS. The terms of references in the contract is to design the following areas:

- Design the Stabilization and Supervision Program;
- Development of a Monitoring, Examination and Compliance System;
- Assist in the Design of a Regional Liquidity Fund (Facility).

WOCUU's portion of the project was to "**design**" the above-mentioned deliverables; the staff from the Jamaica Cooperative Credit Union League is slated to "**implement**" the Stabilization and Supervision Unit and the Regional Liquidity Fund. The goal of the project is to fully implement Phase II within 18 – 24 months of the launching of the project.

Several meetings were held during the 2-week consultation, which interfered in the designing of the project, but due to the importance of the meetings, the scheduling was rearranged to meet with the different shareholders. The consultant attended the following meetings during the 2-week consultation.

- Attended a meeting with Deputy Governor of the Eastern Caribbean Central Bank.
- Attended a meeting called of all the 6 Leagues in the CCCU and the 18 credit unions that participated during Phase I of the previous project (only 17 people attended the meeting).
- Attended a board meeting of the Business Centre of the CCCU.
- Attended a meeting with the board of directors of the newly formed Regional Stabilization and Supervision Unit (RSSU) made up of the following:
  - Shirley Marie – Eastern Caribbean Central Bank
  - Diane Mendoza – Caribbean Technical Assistance Project (CARTAC) (IMF)
  - Denis Felix – The Caribbean Association of Regulators of Co-operatives (CASROC).
  - Martin Guevara – CCCU CEO
- Attended a meeting with the CEO of the CCCU, and Susan Thompson of the Jamaica Cooperative Credit Union League;

A CD disk with all of the work papers, presentations, training manuals, etc. were left with the CEO/President of the CCCU; the only items that were left to be developed is the Savings Guaranteed Fund Policy, the Operational Policy of the Stabilization Fund and the overall report on the project, which includes the workout plan.

It was stated to the CEO/President of the CCCU that the consultants that were going to be implementing Phase II, would have to review the work papers and presentations to make them applicable to the Eastern Caribbean movement.

## 2. Executive Summary

It is the opinion of both consultants that the goal of the project of implementing and completing Phase II within 18 – 24 months **too ambitious** and has **inadequate resources** (funds) to accomplish the project. Portions of the project can be implemented without a major donor, but certain components of the project are too costly and should not be attempted until a major donor has been found. Detailed below are the findings and recommendations of this two-week consultation.



a. **Implement Portions of Phase II.** The cost of supervising and regulating (on-site inspections) credit unions is very costly, especially when considering the cost of traveling to the 7 islands within the Organization of Eastern Caribbean States (OECS). It is recommended that the on-site inspections be postponed until a large donor has been found. However, there are portions of the project that must be initiated to instill the desperately needed *financial discipline* into the credit union movement. These tasks include the following:

1. Define and establish **“sound financial standards”** for all credit unions in the OECS, these include:
  - Establish standardized financial statements, which include balance sheet, income and expense, notes to the financial statement, delinquency report, investment report and other reports that should be turned in to the CU’s board of directors and CCCU monthly by the 15<sup>th</sup> day of each month;
  - Require that credit unions cease accruing interest on loans over 60 days delinquent;
  - Require that credit unions conform to Generally Accepted Accounting Principles (GAAP);
  - Require that credit unions develop and implement a Conflict of Interest Policy, which includes a **“Fit and Proper”** test for their board of directors;
  - Require that all credit unions present their Annual Audited Financial Statements within 3 months of the close of the financial year.
2. Establish **“Minimum Operating Standards”** which includes:
  - CCCU should publicly adopt the PEARLS software and facilitate the process of getting the majority of the credit unions to install and utilize the software, where they submit their monthly reports to the Business Centre. The Business Centre should have the PEARLS database where they will collect all of the financial reports from the credit unions in the OECS. A semi-annual report should be sent to all credit unions within their peer groups;
  - Require they develop and adopting policies for lending, investments, ALM and others;
  - Standardize the method delinquency will be calculated for all credit unions;
  - Standardize how all credit unions calculate interest on loans (simple interest);
  - Require all credit unions to hold an annual planning session, which includes developing an annual operating budget.
3. Adopt WOCU’s Prudential Financial Standards, which includes, minimum Institutional Capital and define which financial accounts constitutes Institutional Capital; minimum delinquency ratio, the percentage of the provisions in the Allowance for Loan Loss for delinquent loans, etc. A recommend listing is shown on **Appendix A – Minimum Prudential Financial Standards.**

b. **Phase II Does Not Have Buy-In from All The Stake Holders.** It appears that the project does not appear to have *buy-in* from all of the stakeholders involved in the project. Based on the feedback and the attitude of the stakeholders (leagues and credit unions) during one the meetings held, it appears that the deliverables of the Project is being feed from the top – down, which will not work. If the project is to work, it must have support at the grassroots. In order to regulate and supervise the credit unions in the OECS, there must be collaboration; agreement, coordination and consensus among all of the stakeholders. This will not be easy due to the number of stakeholders involved (each with different agendas) the stakeholders include the following:

- The 73 Credit Unions within the OECS;
- The 6 Leagues within the 7 countries in the OECS;



- All of the Registrars within OECS that are responsible in regulating the credit unions in each country;
- All of the Single Regulatory Unit (SRU) that are being implemented or will be within the OECS;
- Eastern Caribbean Central Bank (ECCB).

**c. Phase II is Dependent On Outside Third Parties to be Implemented.** The problem with the deliverables of the project is that they are extremely difficult and highly technical in nature. Accomplishing the numerous tasks involved will be difficult because of the numerous stakeholders involved and the staff of the CCCU does not have the expertise to implement the project.

The implementation of Phase II is dependent on the Jamaica Co-operative Credit Union League to come in on a part-time basis and perform the training and implementation of the project. It is the opinion of this consultant, that this is not sufficient to implement the deliverables of the project, this is a very highly technical and the tasks are numerous and very difficult to implement. The staff from the Jamaica League will not be able to provide adequate support needed to achieve the goals of the project, as they have their own responsibilities in Jamaica. It is necessary to have someone on board fulltime with the expertise and knowledge to ensure that the project is implemented successfully.

**d. Project Does Not Include All the Credit Unions in the OECS.** It seems Phase II of the project is only targeting the 18 credit unions that participated in Phase I. Phase II will have to involve all of the credit unions within the OECS (affiliated and non-affiliated) to have the economies of scale for both the regulatory, supervisory, central finance facility, and the savings guaranteed fund.

**e. Too Many Committees, and Sub-committees.** Another problem noted is that there are too many committees, and sub-committees involved in the entire process. The process of building consensus and collaborating with all of these committees waste a tremendous amount of time. The committees identified so far include the following:

- Board of Directors of the Caribbean Confederation of Credit Unions (CCCU);
- Board of Directors of the Business Centre of the CCCU;
- Newly formed Board of Directors of the Regional Stabilization and Supervision Unit, which includes a representative from Caribbean Societies of Registrars of Cooperatives (CASROC), Caribbean Technical Assistance Centre (CARTAC), and a representative from the Eastern Caribbean Central Bank (ECCB);
- Caribbean Anti-Money Laundering Program (CALP);
- Other Donors, which include the Irish League of Credit Unions, CPEC (International Development Agency of Canada and others.

It is recommended that the number of committees be minimized to improve the efficiency in the entire process. The number of meetings that were attended during the 2-week consultancy wasted a lot of time and the same information was being passed on to the numerous stakeholders.

Detailed below is the ***“The Way Forward”*** that should be reviewed thoroughly to ensure that the project is heading in the right directions. In addition, a proposed ***“Workout Plan”*** is included in this report to ensure that the main portions of the project are scheduled. The fact remains that the implementation of Phase II has a lot of weaknesses and must be addressed. It is extremely important that the project is focused on what it wants to accomplish, communicates it to all of the stakeholders and executes the plan. The project must establish minimum financial standards; that the credit unions financial performance is monitored; that financial discipline is preached and enforced. CCCU will have to utilize a lot of “moral persuasion” to all of the credit unions (each CU’s board of directors) in the OECS that it is the right thing to do. They will have to communicate what the overall goals and objectives of the project are; implement and execute of the plan, and ensure that consensus is built so that the movement changes by instilling financial discipline within the movement.



### 3. The Way Forward

One of the major problems Phase II has and must be addressed immediately is the lack of resources (funds); it is recommended that a major donor be sought right away. The processing time to obtain funding may require that the delivery dates on some of the deliverables to be pushed back. The important thing is to ensure the project is adequately funded prior to undertaking the onsite inspections of credit unions.

As stated above, important portions of the project can be implemented with the cost being kept to a minimum, such as the establishment and adoption of prudential standards, the standardization of financial and other reports, establishing the Regional Finance Facility, establishing the Regional Savings Guaranteed Fund, etc. But it is important that prior to any of these things get implemented, that the following processes begin right away:

- **Select Blue Ribbon Steering Committee to Establish Minimum Standards.** It is highly recommended that the board of directors of the CCCU have a meeting with as many stakeholders and bring them all together, this should include as many of the credit unions in the OECS as possible and all of the Leagues and Registrars in all of the islands. This meeting should be utilized as a platform to introduce elements of Phase II which includes the plan on implementing the Stabilization and Supervision Unit, and Regional Finance Facility, etc. In addition, this meeting should agree upon a **“Blue Ribbon Steering Committee”** made up from representative from the Leagues and credit unions.

This committee should contain 7 – 9 delegates that will review all of the prudential standards shown in Appendix A and make changes to the minimum ratios and other areas recommended in this report. The committee should strive to make the minimum ratios palatable to all of the credit unions so that the ratios can be achieved within a certain time period, then the ratios can be raised at a later time period. This process will facilitate the buy-in from the credit union movement that is extremely important if Phase II is to be successful.

In order to ensure buy-in from all of the stakeholders, who include credit unions and leagues, it is recommended that CCCU hold town hall meetings to promote the new initiative. It may require meeting directly with some board of directors of the influential credit unions to ensure there is buy-in. Explain the new standards and how the Regional Stabilization and Supervision Unit and the Regional Finance Facility will be run.

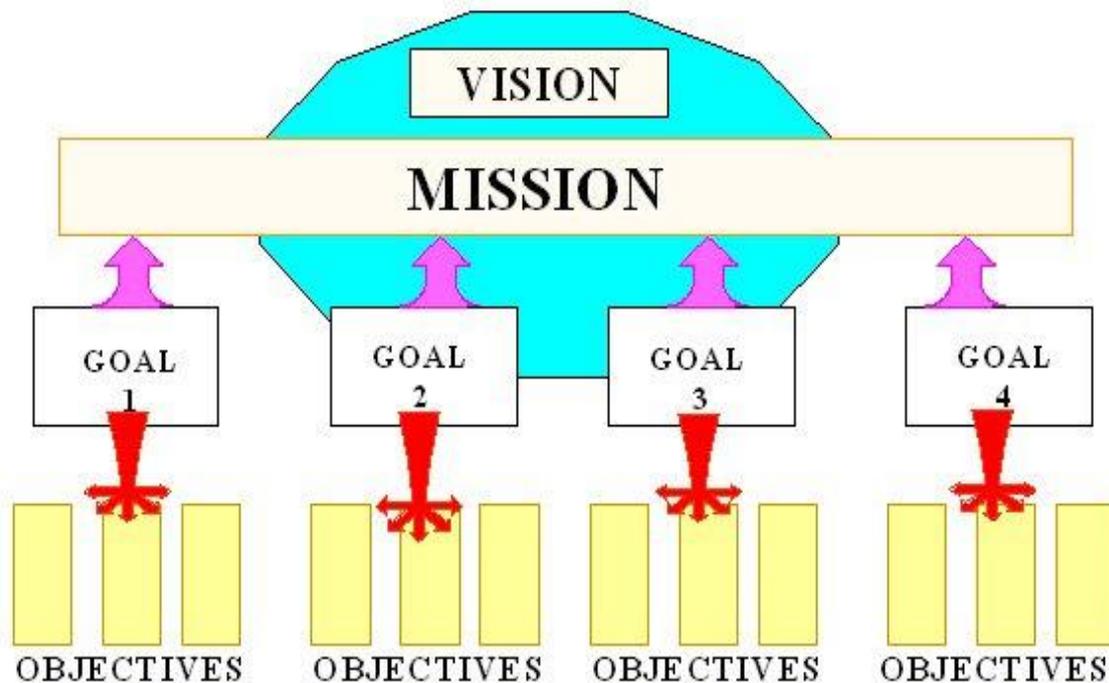
- **Legislate the Regulation and Supervision of Credit Unions.** It is recommended that CCCU introduce legislation in the regulation and supervision of credit unions so that it is delegated to the Regional Stabilization and Supervision Unit. It seems that this may be the only way to bring all of the parties together. Some of the registrars within the OECS will not want to lose the financial co-operatives; some are already in the process of establishing “Single Regulatory Units (SRU) (Granada), while others will be glad to get rid of them as they are only interested in establishing and working with non-financial co-operatives.

In hindsight, it would have been extremely helpful if the board of directors of the CCCU would have held a national planning session that would have determine the following:

- Performed a **SWOT** (Strength, Weakness, Opportunities, and Threats) analysis on the credit union movement in the OECS;
- Determined what the current and projected trends in the marketplace;
- Determined what are the **“Values”** held by the movement? *Values are beliefs and acts as an extension of the mission and purpose statement, which provides a foundation of what the credit union movement wants to be in the Future.*

- What are current financial conditions of all of the credit unions in the OECS? (Does anyone collect all of the financials in the movement?).
- What are the memberships needs and are they likely to change in the future? Can the movement meet those needs?
- Can the movement survive if they don't change? *Bill Fields (CEO of Blockbuster Entertainment) states on the Change Imperative: **When the Rate of External Change Exceeds the Rate of Internal change, Disaster is Imminent!***
- What are the goals and objectives the movement wants to accomplish?
- Establish a **“Vision”** for the movement based on the core values of the movement. (*Vision is the focus of Action – A statement **“What your movement must be in the future”**. It is a simple to understand, inspirational, and a focusing statement. It establishes the framework for all other leadership activities*) *Vision is saying: **“Here’s where we have to go, and here is a general road map for how we will get there!***

Relationship of Vision to Organizational Purposes



The Board of Directors of CCCU need to establish a “Vision” for the movement in the OECS, and begin communicating it to the movement. In addition the **“Blue Ribbon Steering Committee”** will assist in selling the standards to the rest of the movement, which is desperately needed at this time. The establishment of the minimum standards, the required financial statements and the other areas mentioned above will start moving the credit union movement in the right direction. The next important step is the selling of the entire Stabilization Plan to the movement by holding town hall meetings and explaining the concept.

Although it is impossible to turn back the hands of time, the credit union movement in the OECS, can still determine and accomplish the majority of the tasks mentioned above. It is apparent that not all of the credit unions in the OECS are a part of what is being attempted by CCCU to stabilize and strengthen the movement. But in order for this project to succeed all of the credit unions in the OECS must be involved in the process. If a credit union fails and members’ lose their money, everyone in the movement gets a bloody nose. The sooner all directors, and managers of all credit unions realize this and that they are all in it together, and begin pulling in one direction, the better off they will be.



#### 4. Regional Finance Facility

The need to establish the Regional Finance Facility (RFF) is extremely important for the success of Phase II of the project. Numerous documents concerning the establishment of the RFF were left with the CEO of the Business Centre. A staff member of the Jamaica Co-operative Credit Union League will come to the CCCU later this year to finish the establishment of the RFF. In establishing the RFF, it is recommended that officials strive to keep the system simple, especially at the very beginning. The deposit into the RFF should be 10% of a credit union's total savings, deposits and shares. The questions remaining are:

1. How often (period – weekly, monthly, quarterly, annually) will a credit union calculate the amount that should be on deposit in the RFF?
2. How long will a credit union have to bring their deposit in the RFF up to the correct amount?
3. Will there be any penalties for not having the correct amount on deposit in the RFF?

It is recommended that the **“Blue Ribbon Steering Committee”** take these questions and get feedback from the credit unions in the OECS. It is important that the CCCU find the answers to these questions to ensure that they are palatable to the credit unions. This would ensure buy-in from the credit unions and make compliance easier. Feedback should be obtained from the consultant from the Jamaica Co-operative Credit Union League as to the penalties. As far as the period in calculating the amount that should be on deposit in the RFF, it is recommended that it be done quarterly. Because if it is done more often, the question that needs to be asked: “Who is going to monitor the process”?

#### 5. Regional Savings Guaranteed Fund

The Regional Savings Guaranteed Fund is a critical component of the Stabilization and Supervision Project. This is one of the elements of the project that can be implemented within 12 – 18 months of the start of the project. As stated above, the **critical elements** of the project is the standardization (transparency) of the financials of credit unions. Once these elements have been established, and then communicated to the entire credit union movement. Buy-in is very important to ensure that the credit union movement begins to change; the **“Blue Ribbon Steering Committee”** can assist in selling the idea of the Project to the credit unions on their island.

Concerning the Regional Savings Guaranteed Fund the **“Blue Ribbon Steering Committee”** should also address some of their questions:

1. How should the Regional Savings Guaranteed Fund be funded (annual fee or a deposit)?
2. What are the minimum prudential financial standards (qualifications) (see Appendix A) for a credit union to obtain the insurance on their members' savings/deposits?
3. What is the maximum insurance coverage per-member, per credit union that will be covered by the Regional Savings Guaranteed Fund?
4. What is the drop-dead by when credit unions should achieve the minimum financial standards?
5. Establish a date as to when credit unions should pay the fee or deposit into the Regional Savings Guaranteed Fund.
6. Who is going to be making the investments on behalf of the Regional Savings Guaranteed Fund in the Regional Finance Facility? Does the RFF have anyone onboard qualified to be making these types of investments on an ongoing basis?
7. Will there be a penalty assessed if the credit union does not pay their deposit by the due date? If so, how much? And how will be enforced?



There are a couple of ways to establish the funding of the Regional Savings Guaranteed Fund.

1. Credit unions can pay an annual fee to the fund as a percentage of the total savings, deposits and shares. Credit union would have to expense this fee annually. In addition, there would have to be a fee assessed for the examination of credit unions once the Regional Stabilization and Supervision Unit begins doing the inspections on credit unions. This system is similar to the one that was established in Jamaica in 1962. The Stabilization fund has been very slow in growing over the years.
2. The other method is similar to the US model established by the National Credit Union Administration (NCUA). Credit unions had to deposit 1% of their members' savings, deposits, and shares into the National Credit Union Savings Insurance Fund (NCUSIF). The deposit is carried on the credit unions' financial statement as an asset as "Investment in NCUSIF". The funds are then invested in secured government bonds and the annual earnings are split 50% – 50%;

One-half of the earnings are put back into the Insurance Fund to build it up to a goal of 3% of the savings base of the credit union movement. Once the fund reaches the 3% the Insurance Fund begins to pay an annual dividend to the credit unions on their investment in the NCUSIF.

The other one-half of the earnings is utilized for the funding of the examination unit. Then remaining funding for the examination unit comes as a fee to the credit unions in which they must expense it annually. Annually the NCUA comes up with an operating budget for the examination unit, and determines the examination fee that will be assessed. Credit Unions have a certain period of time to pay the fee; otherwise a penalty is assessed on the credit union for not paying it on time.

## 6. Certification and Accreditation Program

In order for the Credit Unions of the Organization of Eastern Caribbean States (OECS) to stabilize and strengthen the credit union movement and to ensure they not only survive but also thrive and grow requires the following:

- Requires adopting and achieving international financial standards;
- Educating the staff and volunteers in new modern management techniques.
- Training is the key to guarantee the transfer of these new techniques.

A document called the ***"Certification and Accreditation Program"*** was left with the Business Centre. It is recommended that the board of directors of the CCCU adopt this program and establish as an element of Phase II of the project.

Eligible credit unions will receive a ***"Certification"*** that will show their members that their savings and deposits are guaranteed by the ***"Regional Savings Guaranteed Fund"***.

The ***"Certification"*** will be established **annually** after credit unions send in their audited financial statements to the RSSU. Credit union will continue to work towards achieving the minimum standards established by the Regional Stabilization and Supervision Unit. Once credit unions have achieved the minimum standard, which includes both the financial and operating standards along with the training requirements, a credit union will become an ***"Accredited Credit Union"***. This certification will instill confidence in members that their funds are well protected and insured.

In addition, the staff and volunteers will also achieve recognition for completing the training requirements. The staff members who have attended all of the training courses will be recognized as an ***"Accredited Professional"***. Credit Union Volunteers who have attended all of the required courses will be recognized as a ***"Accredited Volunteer"***.



The training portion of the “*Accreditation Programme*” will focus on the skills, which are broad-scoped management processes and are necessary to maximize the anticipation of environmental changes and unexpected internal and competitive demands. These courses will have to be paid for by the credit unions. It was recommended during one of the meetings with the stakeholders that the Business Centre utilize the Internet as much as possible. It was stated that they only courses that cannot be performed over the Internet were the Financial Management and the Asset / Liability Management courses. These courses would have to be scheduled in central areas so that the staff and volunteers can attend them.

The courses and the recommended percentage of the volunteers and staff that must attend the courses are as follows:

<b>Topics</b>	<b>Target Groups</b>	<b>Min. % to be Trained</b>
<b>Course #101</b> <b>Board of Directors – Duties, Roles and Responsibilities</b>	<b>Board of Directors</b>	<b>Board of Directors – 50%</b>
<b>Course #201</b> <b>Strategic and Tactical Planning</b>	<b>Board of Directors, Managers (CEO’s), Senior Mgmt. Staff</b>	<b>Board Of Directors – 50%</b> <b>Managers (CEO’s) – 100%</b> <b>Senior Mgmt. Staff – 50%</b>
<b>Course #301</b> <b>Financial Management I</b>	<b>Board of Directors, Managers (CEO’s), Senior Accounting Staff, Senior Mgmt. Staff</b>	<b>Board of Directors – 50%</b> <b>Managers (CEO’s) – 100%</b> <b>Senior Acct. Staff – 100%</b> <b>Senior Mgmt. Staff – 50%</b>
<b>Course #401</b> <b>*Asset/Liability Management</b> <b>*(Fin. Mgmt. is Prerequisite)</b>	<b>Board of Directors, Managers (CEO’s), Senior Accounting Staff.</b>	<b>Board of Directors – 50%</b> <b>Managers (CEO’s) – 100%</b> <b>Senior Acct. Staff – 100%</b>
<b>Course #501</b> <b>Supervisory Committee</b>	<b>Supervisory Committee, Internal Auditors</b>	<b>Supervisory Com. – 75%</b> <b>Internal Auditors – 100%</b>
<b>Course #601</b> <b>Credit Administration</b>	<b>Board of Directors, Managers, Credit Managers, Loan Officers, Loan Clerks, Credit Committee</b>	<b>Board of Directors – 50%</b> <b>Managers (CEO’s) – 100%</b> <b>Credit Managers – 100%</b> <b>Loan Officers/Clerks - 100%</b> <b>Credit Committee – 75%</b> <b>Senior Mgmt Staff – 50%</b>
<b>Course #701</b> <b>Delinquency Control</b>	<b>Managers (CEO’s), Credit Managers, Delinquency Control Clerks, Credit Committee</b>	<b>Credit Committee – 50%</b> <b>Managers (CEO’s) – 100%</b> <b>Delinquency Control– 100%</b> <b>Credit Managers – 100%</b>
<b>Course #801</b> <b>*Risk Based Lending</b> <b>*(Credit Admin is Prerequisite)</b>	<b>Board of Directors, Managers (CEO’s) Loan Officers/Clerks, Credit Committee, Credit Managers</b>	<b>Board of Directors – 50%</b> <b>Managers (CEO’s) – 100%</b> <b>Credit Committee – 75%</b> <b>Credit Managers – 100%</b> <b>Loan Officers/Clerks – 100%</b>
<b>Course #901</b> <b>*Micro-Enterprise Lending</b> <b>*(Credit Admin is Prerequisite)</b> <b>*(Course Required If Credit Union Is Making Micro-Enterprise Loans)</b>	<b>Board of Directors, Managers (CEO’s) Loan Officers/Clerks, Credit Committee, Credit Managers</b>	<b>Board of Directors – 50%</b> <b>Managers (CEO’s) – 100%</b> <b>Credit Committee – 75%</b> <b>Credit Managers – 100%</b> <b>Loan Officers/Clerks – 100%</b>

### 7. Regional Stabilization and Supervision Unit

The Regional Stabilization and Supervision Unit (RSSU) should be the last component of the project that is implemented because it is the most expensive to get up and running, to maintain and operate. Examiners should not be hired until a major donor has been found. In addition, the initial training of examiners takes approximately 12 – 15 months to complete (actually training is an on-going process for examiners). It was recommended to the Deputy Governor of the Central Bank that once the examiners were hired, that training conducted with the Central Bank should be coordinated and include the examiners from the RSSU, he concurred.

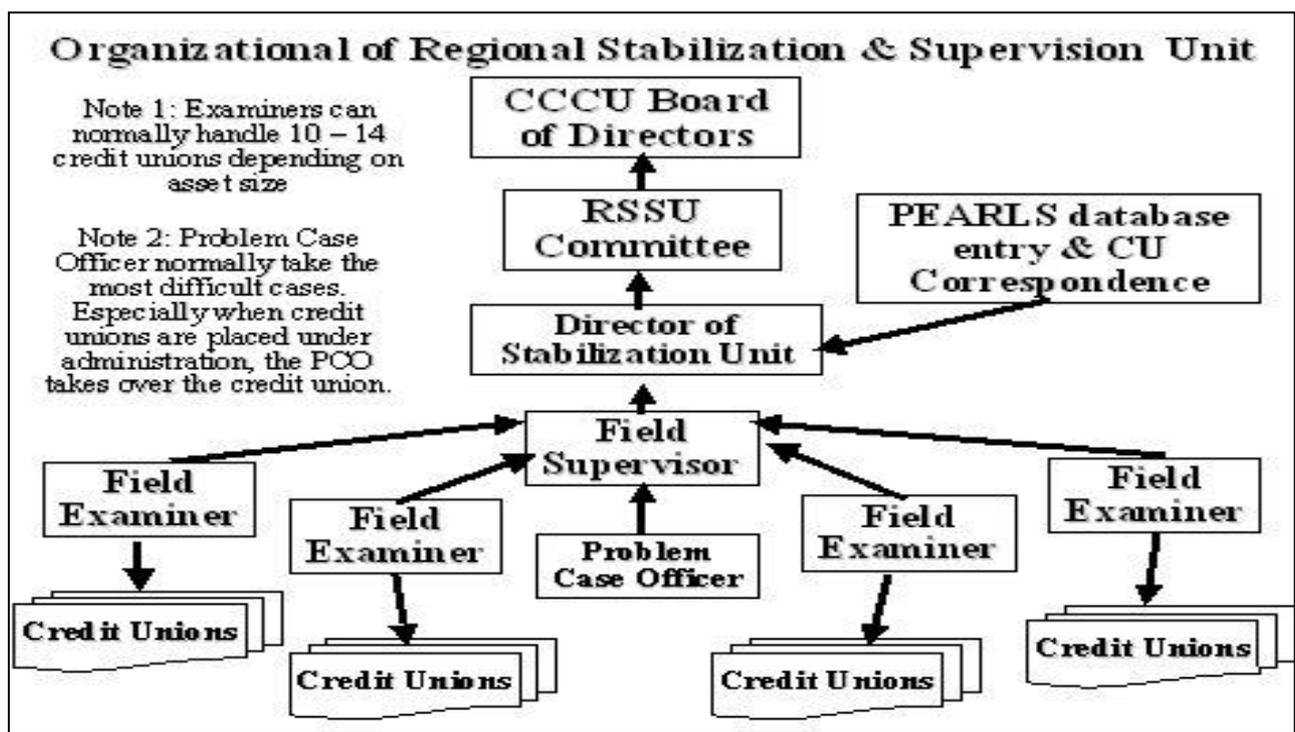
The other components of the project can be implemented, but this element should not be attempted until the funding has been found. The last thing that the board of directors from the CCCU wants is to lose credibility because they are unable to complete the regulation and supervision of credit unions or do to it halfway. The quality of the examination is very critical as it safeguards the Regional Savings Guaranteed Fund.

The one person that does need to be found or designated is someone to input the financial data into the PEARLS database. An inventory of the credit unions should be performed sometime in the very near future after the prudential standards and the standardized financial reports have been established. In addition, credit unions need to be split up into Peer Groups by assets so that the Business Centre can begin producing the Financial Performance Report (FPR) and sent out semi-annually.

The Objective of the Regional Stabilization and Supervision Program should be to provide *credibility* to the financial sector so that credit unions can provide their members with the peace of mind that their savings are protected (guaranteed). This ensures that the cooperative sector can continue to grow and prosper well beyond the 21<sup>st</sup> Century.

Detailed below is the proposed organizational chart of the Regional Stabilization and Supervision Unit. Note that the number of examiners will be dependent on the size and the problems encountered in the credit unions. Also note that the RSSU should be chaired by a member of the credit union movement and not by someone from the banking industry. In addition, the make up of the RSSU needs to be reconsidered, there needs to be more members from the credit union community (Leagues or directors); currently 2 members are from the banking industry, 1 from the Registrars (CASROC).

**Proposed Organizational Chart of the Regional Stabilization and Supervision Unit:**





## 8. Summary

A tremendous amount of work is required to ensure Phase II is a success and the tasks to be accomplished must become focused and prioritized. A great deal of the work can be performed as stated above, but the Supervision and Regulation element of the project must not be attempted until a major donor has been found.

It is extremely important that the Leagues be utilized as a sounding, motivating and selling board on the concept of the project, because the success of the project depends on getting 100% participation of all of the credit unions in the OECS. Phase II, must have all of the credit unions participating in all components of the project because it needs the economies of scale. The project must instill financial discipline within the movement and change will be difficult, but the leadership of the movement must steer everyone in one direction! That direction must be ***“Safe and Sound Credit Unions for Everyone”***. The leadership of the Eastern Credit Union Movement must ensure of the following:

1. Define and establish sound financial standards for credit unions;
2. Ensure the credit unions adopt the international standards,
3. Monitor credit union financial performance;
4. Enforce financial discipline for credit unions;
5. Install the PEARLS program in all credit unions that are computerized.
6. Hold training sessions on the PEARLS program for staff and board of directors.
7. Undertake preventative actions to avert financial difficulties or losses to participating credit unions or members;
8. Aid and stabilize credit unions which are viable in the long run but are temporarily experiencing financial difficulties;
9. Guarantee and pay out members' savings for those credit unions that have participated in the Stabilization Programme in good faith but have run into financial difficulties and failed.
10. Provide a ***“Certified Accreditation Programme”*** for the credit unions, Staff and Volunteers. It will monitor the courses taken by each member society, staff and volunteer and ensure that staff and directors of credit unions continue to complete the required courses.
11. Monitor the financial status of the movement by inputting the financial information of the in the movement in the PEARLS database. Produce a semi-annual Financial Performance Report to all stakeholders and regulators on the financial performance of the movement.

**Good Luck!**



**Appendix A – Example of Prudential Financial Standards**

<b>INDICATOR</b>	<b>STANDARD</b>
<b>PROTECTION</b>	
P1 – Allowance for loan loss / Outstanding balance of Loans delinquent more than 12 months	100%
P2 – Net Loan Loss Allowance / Allowance Required for Delinquent loans from 1 – 12 months.	35%
<b>EFFECTIVE FINANCIAL STRUCTURE</b>	
E1 – Net Loans / Total Assets	70% – 80%
E5 – Deposits / Total Assets	70% – 80%
E9 – Net Institutional Capital Ratio: Unencumbered Reserves & retained earnings / Total assets	Minimum of 10%
<b>ASSET QUALITY</b>	
A1 – Total Delinquent Loans > 30 days / Total Gross Loan Portfolio	< or = 5%
A2 – Non-earning Assets / Total Assets	< or = 5%
<b>RATES OF RETURNS</b>	
Return to members on Shares	Greater than Inflation
R9 – Operating Expenses/Average Assets	Range from 3 to 10%
R12 – Net Income / Average Assets	Sufficient to maintain capital ratio of 8% or more
<b>LIQUIDITY</b>	
L2 – Liquidity Reserve in CFF / Withdrawable savings and deposits	10%
<b>SIGNS OF GROWTH</b>	
S8 – Growth in Institutional Capital	Sufficient to Maintain Minimum of 10%
S10 – Membership Growth	Minimum of 5%
S11 – Asset Growth	> or = Inflation Rate



**Appendix B – Credit unions located within the OECS:**

<b>Name of Credit Union</b>	<b>Name of League / Country</b>
1. St. Lucia Workers	St. Lucia Co-operative League
2. Teachers	St. Lucia Co-operative League
3. Mon Repos	St. Lucia Co-operative League
4. Choiseul	St. Lucia Co-operative League
5. Micoud	St. Lucia Co-operative League
6. Laborie	St. Lucia Co-operative League
7. La Ressource	St. Lucia Co-operative League
8. Elks	St. Lucia Co-operative League
9. Police	St. Lucia Co-operative League
10. Dennery	St. Lucia Co-operative League
11. Saltibus	St. Lucia Co-operative League
12. Hospitality	St. Lucia Co-operative League
13. Millet	St. Lucia Co-operative League
14. Civil Service	St. Lucia Co-operative League
15. National Farmers	St. Lucia Co-operative League
16. APUA	Antigua & Barbuda Co-operative League
17. Police	Antigua & Barbuda Co-operative League
18. Seventh-Day Adventist	Antigua & Barbuda Co-operative League
19. St. John's	Antigua & Barbuda Co-operative League
20. Teacher's	Antigua & Barbuda Co-operative League
21. St. Kitts Cooperative Credit Union	St. Kitts & Nevis Co-operative League
22. St. Kitts/Nevis Police Credit Union	St. Kitts & Nevis Co-operative League
23. Nevis Cooperative Credit Union	St. Kitts & Nevis Co-operative League
24. St. Patrick Cooperative Credit Union	Montserrat
25. The Communal Co-operative Credit Union	Grenada Co-operative League
26. GCNA Co-operative Credit Union Ltd.	Grenada Co-operative League
27. Public Service Co-operative Credit Union	Grenada Co-operative League
28. Richmond Hill Co-operative Credit Union	Grenada Co-operative League
29. GUT Co-operative Credit Union Ltd.	Grenada Co-operative League
30. Grenada Christian Credit Union Ltd.	Grenada Co-operative League
31. Seamen Co-operative Credit Union Ltd.	Grenada Co-operative League
32. Huggins Co-operative Credit Union Ltd.	Grenada Co-operative League
33. SDA Co-operative Credit Union Ltd.	Grenada Co-operative League
34. Police Co-operative Credit Union Ltd.	Grenada Co-operative League
35. Perdmontemps Co-operative Credit Union	Grenada Co-operative League
36. Vincence Co-operative Credit Union Ltd.	Grenada Co-operative League
37. Grenville Co-operative Credit Union Ltd.	Grenada Co-operative League
38. Brichgrove Co-operative Credit Union Ltd	Grenada Co-operative League
39. Tivoli Co-operative Credit Union Ltd	Grenada Co-operative League
40. Western Co-operative Credit Union Ltd	Grenada Co-operative League
41. Hermitage Co-operative Credit Union	Grenada Co-operative League



<b>Name of Credit Union</b>	<b>Name of League</b>
42. St. Patrick's Co-operative Credit Union	Grenada Co-operative League
43. River Sallee Co-operative Credit Union	Grenada Co-operative League
44. Barrouallie Co-operative Credit Union Ltd	St. Vincent Co-operative Credit Union League
45. Government Employees Co-operative Credit Union Ltd	St. Vincent Co-operative Credit Union League
46. Kingston Co-operative Credit Union Ltd	St. Vincent Co-operative Credit Union League
47. Co-op Credit Union League	St. Vincent Co-operative Credit Union League
48. Marriagua Co-operative Credit Union Ltd	St. Vincent Co-operative Credit Union League
49. Georgetown/Mt. Coke Methodist Women's Circuit Co-op. Credit Union Ltd	St. Vincent Co-operative Credit Union League
50. National Farmers Union Co-operative Credit Union Ltd	St. Vincent Co-operative Credit Union League
51. St. Vincent Union of Teachers	St. Vincent Co-operative Credit Union League
52. South Rivers Co-operative Credit Union	St. Vincent Co-operative Credit Union League
53. Unity Labour Party Co-operative Credit Union Ltd	St. Vincent Co-operative Credit Union League
54. Automotive Co-operative Credit Union Ltd	St. Vincent Co-operative Credit Union League
55. Calisbishie Credit Union	Dominica Cooperative Societies League Ltd.
56. Castle Bruce Credit Union	Dominica Cooperative Societies League Ltd.
57. Colihaut Credit Union	Dominica Cooperative Societies League Ltd.
58. Grand Bay Credit Union	Dominica Cooperative Societies League Ltd.
59. La Salette Credit Union	Dominica Cooperative Societies League Ltd.
60. Marigot Credit Union	Dominica Cooperative Societies League Ltd.
61. Portsmouth Credit Union	Dominica Cooperative Societies League Ltd.
62. Roseau Credit Union	Dominica Cooperative Societies League Ltd.
63. Salisbury Credit Union	Dominica Cooperative Societies League Ltd.
64. South Eastern Credit Union	Dominica Cooperative Societies League Ltd.
65. St. Alphonsus Credit Union	Dominica Cooperative Societies League Ltd.
66. St. Anne Credit Union	Dominica Cooperative Societies League Ltd.
67. St. David Credit Union	Dominica Cooperative Societies League Ltd.
68. St. Paul Credit Union	Dominica Cooperative Societies League Ltd.
69. St. Mary Credit Union	Dominica Cooperative Societies League Ltd.
70. Vieille Case Credit Union	Dominica Cooperative Societies League Ltd.
71. WoodFord Hill Credit Union	Dominica Cooperative Societies League Ltd.
* List provided by CCCU to the consultant. Unsure if this is all credit unions within the OECS, affiliated or unaffiliated – The list must include all credit unions within the OECS.	



## World Council of Credit Unions Inc.

### Appendix C – Proposed Work Plan for Phase II – Credit Union Modernization Program

Organization of the Project					
Task #	Action Steps	Due Date	Comment	Status	Date Completed
1	Establish and organize a Steering Committee made up of Leagues (or someone from each country) in the OECS, a representative of the Regional Stabilization and Supervision Unit to determine the following:				
2	Terms of reference for the <b>“Steering Committee”</b> (this Steering Committee should be of limited life, once the standards have been established) The Steering Committee should establish minimum financial and operational standards which includes:				
3	○ Establish what the minimum Operational Policies required;				
4	○ Minimum Net Institutional Capital and by when should the ratio be achieved;				
5	○ Determine Composition of Institutional Capital (What reserve accounts will be counted as Institutional Capital);				
6	○ Determine the percentage of the adequacy in the Allowance for Loan Loss for bad debts for loans less than 12 months;				
7	○ Stipulate the proper accounting of the Allowance for Loan Loss (contra-asset account) and the Provision for Loan Loss (Bad Debt Expense).				
8	○ Minimum Operating Expense / Total Asset Ratio				
9	○ Standards for Delinquent loans / Total Loans Ratio				
10	○ Standards of Non-earning Assets / Total Assets				
11	○ The percentage of volunteers & staff to be trained in the required course as required Training Courses (Page 9) in the Certification & Accreditation Manual.				
12	○ Required reports from credit unions, which includes Standard Financial Statements, Income & Expensed, Statistical Report, etc. Compliance with GAAP - Accounting Standards.				
13	○ Develop Standardization on how to Calculate Interest on Loans.				



**Appendix C – Proposed Work Plan for Phase II – Credit Union Modernization Program**

<b>Regional Stabilization and Supervision Unit</b>					
<b>Task #</b>	<b>Action Steps</b>	<b>Due Date</b>	<b>Comment</b>	<b>Status</b>	<b>Date Completed</b>
1	Begin the process of finding a donor that will assist in the financing of the Project – especially the Supervision and Regulation of the Credit Unions.				
2	Determine the makeup and role of the Regional Stabilization and Supervision Management Unit – Who is going to serve on this committee? <ul style="list-style-type: none"> <li>• At a minimum the this committee should include someone from the credit union movement, board of directors of CCCU, Eastern Caribbean Central Bank, a representative from the Registrars from the OECS and/or someone from the Single Regulatory Unit (SRU's) in the OECS.</li> <li>• The RSSU should be chaired by someone from the credit union sector and not the ECCB.</li> </ul>				
3	* Establish Dialogue with the Registrars of each island to determine how receptive they are in having the credit unions regulated and supervised by the Regional Stabilization and Supervision Unit.				
	Obtain consensus with all of the Registrars in the OECS, Single Regulatory Unit (SRU) and the Eastern Caribbean Central Bank on how the credit unions are going to be regulated by the Regional Stabilization & Supervision Unit (* Extremely Critical to have this in place). Determine the function, roles and responsibilities and of all of the stakeholders.				
6	Get the Memorandum of Understanding (MOU) signed by CCCU (Business Centre) and the following (Extremely important that the roles and responsibilities of all parties are addressed in the MOU): <ul style="list-style-type: none"> <li>• Eastern Caribbean Central Bank (ECCB);</li> <li>• Regional Stabilization &amp; Supervision Management Unit;</li> <li>• Caribbean Confederation of Credit Unions signed.</li> </ul>				
7	If unable to obtain consensus with the Registrars and the SRU's of the 7 islands, CCCU should get the Eastern Caribbean Central Bank to past legislation to place the credit unions in the OECS under the delegated authority to the CCCU.				



## World Council of Credit Unions Inc.

### Appendix C – Proposed Work Plan for Phase II – Credit Union Modernization Program

Certification and Accreditation Program					
Task #	Action Steps	Due Date	Comment	Status	Date Completed
1	Adopt Publicly the PEARLS software and install it in as many credit unions as possible.				
2	Train the staff and volunteers in the PEARLS program.				
3	Design how credit unions are going to be monitored from the Business Centre - Conduct credit union monitoring on a monthly basis.				
4	Develop Standard (Policies) for credit unions (ALM, Credit, Investment, Board Policies)				
5	Review and Revise the Certification and Accreditation Document, define and establish the financial standards that credit unions will have to comply with. These should include at a minimum the following				
6	<ul style="list-style-type: none"> <li>Minimum Prudential Standards established by the “Blue Ribbon Steering Committee (Appendix A – Minimum Prudential Standards).</li> </ul>				
7	<ul style="list-style-type: none"> <li>Determine minimum training requirements for the staff and volunteers of credit unions.</li> </ul>				
8	<ul style="list-style-type: none"> <li>Minimum Operational Standards that credit unions will have to comply with (i.e., Lending, Investment, and ALM and others).</li> </ul>				
9	<ul style="list-style-type: none"> <li>Design Standardized Reporting - financial Stmts. Delinquency report, Statistical Reports &amp; other reports required by ECCB.</li> </ul>				
10	<ul style="list-style-type: none"> <li>Establish Accounting (Chart of Accounts) &amp; Financial Standards</li> </ul>				
11	<ul style="list-style-type: none"> <li>Standardize the method delinquent loans will be calculated</li> </ul>				
12	<ul style="list-style-type: none"> <li>Standardize the method interest on loans will be calculated</li> </ul>				
13	<ul style="list-style-type: none"> <li>Require that credit union perform an annual planning session and produce an annual budget</li> </ul>				
14	Establish Computer System to Retain PEARLS Financial data and to produce FPR Semi-annual reports				



<b>Certification and Accreditation Program</b>					
<b>Task #</b>	<b>Action Steps</b>	<b>Due Date</b>	<b>Comment</b>	<b>Status</b>	<b>Date Completed</b>
1	Establish Minimum Financial Standards.				
2	Require that credit union cease accruing interest on loans after loans become 60 days delinquent or more.				
3	Require Credit Unions comply with Generally Accepted Accounting Principles.				
4	Require Credit Unions to develop and adopt and “Conflict of Interest Policy”.				
5	Develop and require credit unions to adopt a “Fit and Proper” test for volunteers to serve on the board of directors.				
6	Require that credit union submit their audited financial statements to the Business Centre within 3 months of the close of the year.				
7	Develop Instructional Letter to CU’s on how to establish A.L.L. & P.L.L. and how to write off loans, and how to increase ALL provisions, etc.				
8	Perform Train-the-Trainer for the Leagues so that they can provide Technical Assistance to credit unions requiring assistance in achieving prudential standards.				
9	Develop and Conduct Training of Credit Unions of Prudential Standards.				
10	Develop and assist credit unions to develop Strategic / Business Plans for each credit union in the OECS. Conduct Train-the-trainer training for Leagues to assist in this task – Project Credit Unions get this free – other pay for it,				
11	Review and Develop Standardized Credit Union Bylaws for all credit unions				
12	Conduct Credit Union Assessment, check on compliance with the establishment of the Financial and Operational Standards established by the OECS and adopted by the RSSU.				



**World Council of Credit Unions Inc.**

**Appendix C – Proposed Work Plan for Phase II – Credit Union Modernization Program**

<b>Regional Savings Guaranteed Fund</b>					
<b>Task #</b>	<b>Action Steps</b>	<b>Due Date</b>	<b>Comment</b>	<b>Status</b>	<b>Date Completed</b>
1	Adopt WOCCU’s Prudential Financial Standards. Modify the minimum standards that will be required to obtain the insurance on members’ savings.				
2	Develop legal wording for Regional Savings Guaranteed Fund				
3	Draft Investment Policy for Regional Savings Guaranteed Fund				
4	Review / Revise the Regional Savings Guaranteed Policy				
5	Review / Revise the Regional Savings Guaranteed Operating Policy				
6	Determine the amount of insured savings/deposits/shares for each credit union.				
7	Determine the Effective Date of the deposit into the RSGF				
8	Determine the penalties for non-compliance of making required deposit into the Regional Savings Guaranteed Fund				
9	Develop the Calculation sheet for the amount of insured savings/deposits/shares.				
10	Review and Revise “Letter to Credit Unions” explaining on the Regional Savings Guaranteed Fund is going to operate. Mail to BOD of CU’s				
11	Review and Revise – Town Hall Meeting Power Point Presentation				
12	Hold Town Hall Meetings around the OECS – Provide presentation to the Leagues so they may assist in the promotion of the RSGF.				
13	Have the Regional Finance Facility up and running with a financial expert that will be able to make the investments for the Regional Savings Guarantee Fund.				
14	Begin taking the deposit or fee into the Regional Savings Guaranteed Fund				



## World Council of Credit Unions Inc.

### Appendix C – Proposed Work Plan for Phase II – Credit Union Modernization Program

Regional Stabilization and Supervision Unit					
Task #	Action Steps	Due Date	Comment	Status	Date Completed
1	Develop legal wording for Stabilization Society				
2	Draft Investment Policy for Stabilization Society				
3	Develop Organizational Chart for Stabilization Society				
4	Review / Revise the Regional Savings Guaranteed Policy				
5	Review / Revise the Regional Savings Guaranteed Operating Policy				
4	Determine Hardware and Software Requirements for Examination work- force and Monitoring Department.				
5	Develop Job Descriptions for Staffing of the Supervision Unit				
6	Develop legal framework for enforcement of standards.				
8	Revise Merger & Liquidation Booklet and develop Standard Assisted/Unassisted Merger Packet				
9	Revise the Examination Work papers (Templates to use on Exams)				
10	Revise the Examiners Guide				
11	Revise the Examiners Training Program				
12	Perform Job Interviews				
13	Hire the required number of examiners.				
14	Begin Phase I – Examiners hired work in credit union for 2 weeks				
15	Begin Phase II – Examiner Training (3 weeks) in training class				
16	Perform On-the-Job training in performing examination (in credit unions)				
	Begin Phase III – Examiner Training – 2 weeks (after 6 months on the job).				
17	Begin Final Phase IV – Examiners Training – 2 weeks (after 12 months on the job).				
18					
19					