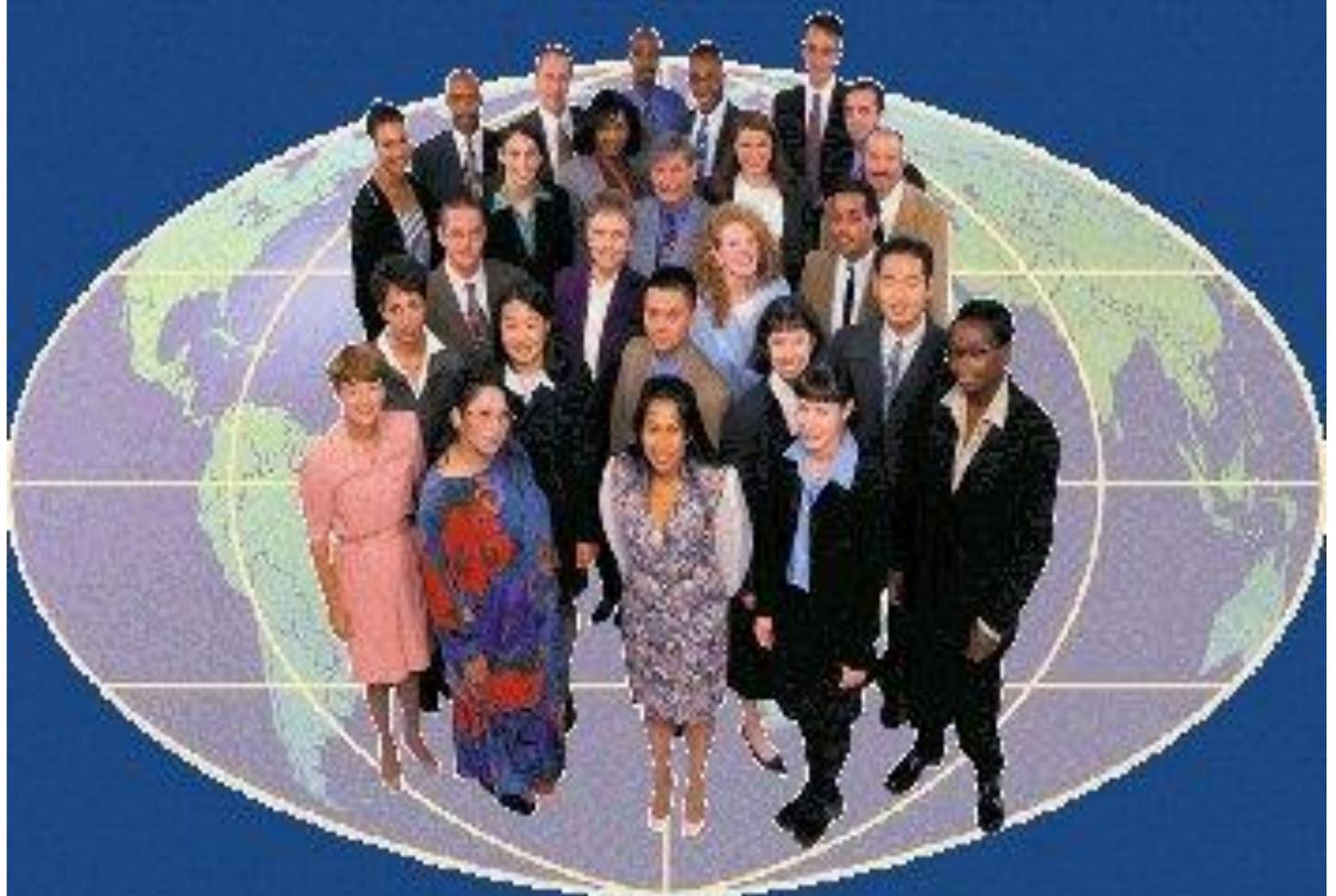




**Caribbean
Confederation of
Credit Unions**

**Regional Savings Guarantee
Insurance Fund Policy**

***Phase II – Regional Stabilization
and Supervision Unit***





Regional Savings Guarantee Insurance Fund Policy

TABLE OF CONTENTS

A.	Establishment of the Regional Savings Guarantee Insurance Fund –	3
B.	Insurance of Member Accounts-.....	4
C.	Administration of Regional Savings Guaranteed Insurance fund.	5
D.	Audit requirement -	7
1.	In General	7
2.	Unsafe or unsound practice	7
3.	Additional information	7
4.	Penalty for failure to make accurate certified statement or to pay deposit or premium.	7
5.	Penalty Assessment procedure	8
6.	Hearing	8
7.	Special rule for disputed payments	8



Regional Savings Guarantee Insurance Fund Policy

A. Establishment of the Regional Savings Guarantee Insurance Fund –

1. The Regional Stabilisation and Supervision Committee (RSSC) manage the Regional Savings Guaranteed Insurance Fund (RSGF) through the delegated authority from the Caribbean Confederation of Credit Unions (CCCU). The CCCU Board of Directors has the ultimate authority on the Regional Savings Guaranteed Insurance Fund. The CCCU through its rules has the power:
 - i. To establish standards of sound business and financial practices for member societies; and
 - ii. When member societies are found not to be operating according to safe and sound practices and financial principles, to place such a member society under the supervision of the League, with the authorization from the Office of the Registrar of the prospective country in the OECS.
2. Currently, credit unions that are members of the CCCU will be required to deposit 1 per centum of the credit unions' insured funds (total of members' savings, deposits and shares) into the Regional Savings Guaranteed Insurance Fund (RSGIF) by June 30, 2004, utilizing the ending balances as of December 31, 2003. These funds will be forwarded to the RSGIF and carried as an earning asset as "Deposit in Regional Savings Guaranteed Insurance Fund".
3. A special levy can be assessed when the Regional Savings Guaranteed Insurance Fund falls below one percent (1%) of the total of all member society savings, deposits and shares. This special levy can only be assessed once each calendar year.
4. The amount of each insured credit union's deposit shall be adjusted annually, in accordance with procedures determined by the Board, to reflect changes in the credit union's insured shares.
5. When, at the end of a given insurance year, less any loans and the interest thereon have been repaid and the equity of the fund exceeds the normal operating level (3%) of the total savings, shares and deposits of the movement, the Board shall effect for that insurance year a pro-rata distribution to insured credit unions of an amount sufficient to reduce the equity in the fund to its normal operating level.
6. Assessments will continue until the Fund is equal to three percent (3%) of the total of savings, shares and deposits of its member societies. Thereafter, assessments shall be made in equal proportion to member societies' deposits and shares on such basis as are necessary to maintain the Regional Savings Guaranteed Insurance Fund at that level established by the board of directors.
7. In a move to preserve the fund and pre-empt Government action for the Credit Union Movement, the Regional Savings Guaranteed Insurance Fund is being established as a means of:
 - i. Self-regulating the Credit Union as an interim measure until the Regional Stabilisation and Supervision Program is fully implemented.
 - ii. To ensure preservation of the Regional Savings Guaranteed Insurance Fund.
 - iii. To protect and stabilize credit unions in financial difficulties by loans, advances or grants and where necessary supervision.



Caribbean Confederation of Credit Unions

8. The Regional Savings Guaranteed Insurance Fund is established as of December 31, 2003 as:
 - i. A Savings Guarantee Scheme.
 - ii. A Stabilization and Supervision Corporation.
9. The Board may, in its discretion, authorize insured credit unions to initially fund such deposit over a period of time in excess of one year if necessary to avoid adverse effects on the condition of insured credit unions.
10. The deposit shall be returned to an insured credit union in the event that its insurance coverage is terminated, it converts to insurance coverage from another source, or in the event the operations of the fund are transferred from the Regional Savings Guaranteed Insurance Fund;
11. The deposit shall be returned in accordance with procedures and valuation methods determined by the Board, but in no event shall the deposit be returned any later than one year after the final date on which no shares of the credit union are insured by the Board.
12. The deposit shall not be returned in the event of liquidation on account of bankruptcy or insolvency.
13. The deposit funds may be used by the fund if necessary to meet its expenses, in which case the amount so used shall be expensed and shall be replenished by insured credit unions in accordance with procedures established by the Board.

B. Insurance of Member Accounts-

1. The Regional Stabilization and Supervision Committee Board (RSSC), as hereinafter provided, shall insure the member accounts of all credit unions participating in the Stabilization and Supervision Program in the Organization of the Eastern Caribbean States (OECS) if such credit unions are operating in compliance with the requirements of Policy and regulations issued there under.
2. Application for insurance of member accounts shall be made immediately by each credit union. Applications for such insurance shall be in such form as the RSSC Board shall provide and shall contain an agreement by the applicant:
 - 2.1 The Board may deem necessary in connection with determining the eligibility of the applicant for insurance: Provided, That examinations required shall be so conducted that the information derived there from may be utilized for share insurance purposes;
 - 2.2 To permit and pay the reasonable cost of such examinations as in the judgment of the RSSC Board may from time to time be necessary for the protection of the fund and of other insured credit unions;
 - 2.3 To permit the RSSC Board to have access to any information or report with respect to any examination made by or for any public regulatory authority, including any commission, board, and furnish such additional information with respect thereto as the RSSC Board may require;
 - 2.4 To provide protection and indemnity against burglary, defalcation, and other similar insurable losses, of the type, in the form, and in an amount at least equal to that required by the laws under which the credit union is organized and operates;



Caribbean Confederation of Credit Unions

- 2.5 To maintain such regular reserves as may be required by the laws of the territory, or other jurisdiction pursuant to which it is organized and operated;
 - 2.6 To maintain such special reserves as the RSSC Board, by regulation or in special cases, may require for protecting the interest of members or to assure that all insured credit unions maintain regular reserves which are not less than those required by the RSSC Board;
 - 2.7 Not to issue or have outstanding any account or security the form of which, by regulation or in special cases, has not been approved by the RSSC Board;
 - 2.8 To pay and maintain its deposit and to pay the premium charges for insurance imposed by this policy; and
 - 2.9 To comply with the requirements of this policy and of regulations prescribed by the RSSC Board pursuant thereto.
3. Before approving the application of any credit union for insurance of its member accounts, the RSSC Board shall consider:
 - 3.1 The history, financial condition, and management policies of the applicant;
 - 3.2 The economic advisability of insuring the applicant without undue risk of the fund;
 - 3.3 The general character and the fitness of the applicant's management;
 - 3.4 The convenience and needs of the members to be served by the applicant; and
 - 3.5 Whether the applicant is a cooperative association organized for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes.
 4. The RSSC Board shall disapprove the application of any credit union for insurance of its member accounts if it finds that its reserves are inadequate, that its financial condition and policies are unsafe or unsound, that its management is unfit, that insurance of its member accounts would otherwise involve undue risk to the fund, or that its powers and purposes are inconsistent with the promotion of thrift among its members and the creation of a source of credit for provident or productive purposes.
 5. Upon the approval of any application for insurance, the RSSC Board shall notify the applicant and shall issue to it a certificate evidencing the fact that it is, as of the date of issuance of the certificate, an insured credit union under the provisions of this policy.

C. Administration of Regional Savings Guaranteed Insurance fund.

1. **Regional Savings Guarantee Insurance Fund** is hereby created in the Regional Finance Facility (RFF) which shall be used by the RSSC Board as a revolving fund for carrying out the purposes of this policy. Money in the fund shall be available upon requisition by the RSSC Board, without fiscal year limitation, for making payments of insurance under this policy, for providing assistance and making expenditures in connection with the liquidation or threatened liquidation of insured credit unions, and for such administrative and other expenses incurred in carrying out the purposes of this policy as it may determine to be proper.
2. All deposits and premium charges for insurance paid pursuant to the provisions this policy and all fees for examination and all penalties collected by the RSSC Board under any provision of this policy shall be deposited in the **Regional Savings Guarantee Insurance Fund** (RSGIF) located within the Regional Finance Facility (RFF) . The RSSC Board shall report annually to



Caribbean Confederation of Credit Unions

the Minister of Finance of the Organization of Eastern Caribbean States (OECS) and the Registrars of each country in the OECS with respect to the operating level of the fund. Such report shall also include the results of an independent audit of the fund.

3. The RSSC Board may authorize the Secretary of the Regional Finance Facility (RFF) and reinvest such portions of the fund as the Board may determine are not needed for current operations in any interest-bearing securities of the OECS or in any securities guaranteed as to both principal and interest by the OECS or in bonds or other obligations which are lawful investments for fiduciary, trust, and public funds of the OECS, and the income there from shall constitute a part of the fund.
4. If, in the judgment of the RSSC Board, a loan to the fund is required at any time for carrying out the purposes of this policy, the Secretary of the RFF shall make the loan, but loans under this paragraph shall not exceed in the aggregate \$100,000,000 outstanding at any one time. Except as otherwise provided in this subsection and in subsection (e) of this section, each loan under this paragraph shall be made on such terms as may be fixed by agreement between the Board and the Secretary of the Regional Finance Facility.
5. Interest shall accrue to the Regional Finance Facility on the amount of any outstanding loans made to the fund pursuant to paragraph (1) of this subsection on the basis of the average daily amount of such outstanding loans determined at the close of each fiscal year with respect to such year, and the Board shall pay the interest so accruing into the RFF as miscellaneous receipts annually from the fund. The Secretary of the Regional Finance Facility shall determine the applicable interest rate in advance by calculating the average yield to maturity.
6. So long as any loans to the fund are outstanding, the RSSC Board shall from time to time, not less often than annually, determine whether the balance in the fund is in excess of the amount which, in its judgment, is needed to meet the requirements of the fund and shall pay such excess to the Secretary of the RFF, to be credited against the loans to the fund.
7. Each insured credit union shall make reports of condition to the RSSC Board upon dates which shall be selected by it. Such reports of condition shall be in such form and shall contain such information as the RSSC Board may require. The reporting dates selected for reports of condition shall be the same for all insured credit unions.
 - 7.1 The total amount of the member accounts of each insured credit union as of each reporting date shall be reported in such reports of condition in accordance with regulations prescribed by the Board.
 - 7.2 Each report of condition shall contain a declaration by the president, by a vice president, by the treasurer, or by any other officer designated by the board of directors of the reporting credit union to make such declaration, that the report is true and correct to the best of such officer's knowledge and belief. Unless such requirement is waived by the Board, the correctness of each report of condition shall be attested by the signatures of three of the officers of the reporting credit union with the declaration that the report has been examined by them and to the best of their knowledge and belief is true and correct.
 - 7.3 The RSSC Board may call for such other reports as it may from time to time require.
 - 7.4 The RSSC Board may require reports of condition to be published in such manner, not inconsistent with any applicable law, as it may direct.
8. Any insured credit union which maintains procedures reasonably adapted to avoid any inadvertent error and, unintentionally and as a result of such an error, fails to submit or publish any report required under this subsection, within the period of time specified by the RSSC Board, or submits or publishes any false or misleading report or information, or inadvertently



Caribbean Confederation of Credit Unions

transmits or publishes any report which is minimally late, shall be subject to a penalty of not more than [REDACTED] for each day during which such failure continues or such false or misleading information is not corrected.

9. The insured credit union shall have the burden of proving that an error was inadvertent and that a report was inadvertently transmitted or published late. Any insured credit union which fails to submit or publish any report required under this subsection, within the period of time specified by the Board, or submits or publishes any false or misleading report or information, in a manner not described in the 2nd preceding sentence shall be subject to a penalty of not more than [REDACTED] [REDACTED] for each day during which such failure continues or such false or misleading information is not corrected.

D. Audit requirement -

1. In General

The RSSC Board shall prescribe, by regulation, audit standards which require an outside, independent audit of any insured credit union by a certified public accountant for any fiscal year (of such credit union):

- 1.1 For which such credit union has not conducted an annual supervisory committee audit;
- 1.2 For which such credit union has not received a complete and satisfactory supervisory committee audit; or
- 1.3 During which such credit union has experienced persistent and serious record keeping deficiencies, as determined by the RSSC Board.

2. Unsafe or unsound practice

The Board may treat the failure of any insured credit union to obtain an outside, independent audit for any fiscal year for which such audit is required under subparagraph (1) above, as an unsafe or unsound practice.

3. Additional information

In addition to the copies of the reports required to be provided to an auditor under subparagraph (A), each insured credit union shall provide such auditor with:

- 3.1 a copy of any supervisory memorandum of understanding with such credit union and any written agreement between the Board and the credit union which is in effect during the period covered by the audit; and
 - a. the credit union; or
 - b. any institution-affiliated party.

4. Penalty for failure to make accurate certified statement or to pay deposit or premium.

a. **First tier.** - Any insured credit union which:

- i. maintains procedures reasonably adapted to avoid any inadvertent error and, unintentionally and as a result of such an error, fails to submit any certified statement under subsection (b)(1) within the period of time required or submits a false or misleading certified statement under such subsection; or



Caribbean Confederation of Credit Unions

- ii. submits the statement at a time which is minimally after the time required, shall be subject to a penalty of not more than \$2,000 for each day during which such failure continues or such false and misleading information is not corrected. The insured credit union shall have the burden of proving that an error was inadvertent or that a statement was inadvertently submitted late.

b. Second tier. - An insured credit union which:

- i. fails to submit any certified statement under subsection (b)(1) within the period of time required or submits a false or misleading certified statement in a manner not described in subparagraph (A); or
- ii. fails or refuses to pay any deposit or premium for insurance required under this title, shall be subject to a penalty of not more than \$20,000 for each day during which such failure continues, such false and misleading information is not corrected, or such deposit or premium is not paid.

- c. Third tier.**- Notwithstanding subparagraphs (A) and (B), if any insured credit union knowingly or with reckless disregard for the accuracy of any certified statement under subsection (b)(1) or submits a false or misleading certified statement under such subsection, the Board may assess a penalty of not more than \$1,000,000 or not more than 1 percent of the total assets of the institution, whichever is less, per day for each day during which the failure continues or the false or misleading information in such statement is not corrected.

5. Penalty Assessment procedure

Any penalty imposed under this paragraph shall be assessed and collected by the Board in the manner provided in section 206(k)(2) (for penalties imposed under such section) and any such assessment (including the determination of the amount of the penalty) shall be subject to the provisions of such section.

6. Hearing

Any insured credit union against which any penalty is assessed under this paragraph shall be afforded an agency hearing if the credit union submits a request for such hearing within 20 days after the issuance of the notice of the assessment. Section 206(j) shall apply to any proceeding under this subparagraph.

7. Special rule for disputed payments

7.1 No penalty may be assessed for the failure of any insured credit union to pay any deposit or premium for insurance if:

7.1a - The failure is due to a dispute between the credit union and the Board over the amount of the deposit or premium which is due from the credit union; and

7.1b - The credit union deposits security satisfactory to the Board for payment of the deposit or insurance premium upon final determination of the dispute.

7.2 No insured credit union shall pay any dividends on its insured shares or distribute any of its assets while it remains in default in the payment of its deposit or any premium charge for insurance due to the fund. Any director or officer of any insured credit union who knowingly participates in the declaration or payment of any such dividend or in any such distribution shall, upon conviction, be fined not more than \$1,000 or imprisoned not more than one year, or both. The provisions of this paragraph shall not be applicable in any case in which the default is due to a dispute between the credit union and the Board over the amount of its deposit or the



Caribbean Confederation of Credit Unions

premium charge due to the fund if the credit union deposits security satisfactory to the Board for payment of its deposit or the premium charge upon final determinate of the issue.

- 7.3 The Board, in a suit brought at law or in equity in any court of competent jurisdiction shall be entitled to recover from any insured credit union the amount of any unpaid deposits or premium charge for insurance lawfully payable by the credit union to the fund, whether or not such credit union shall have made a report of condition under subsection (a) of this section or filed any certified statement required under subsection (b) of this section and whether or not suit shall have been brought to compel the credit union to make any such report or to file any such statement. No action or proceeding shall be brought for the recovery of any deposit or premium charge due to the fund, or for the recovery of any amount paid to the fund in excess of the amount due it, unless such action or proceeding shall have been brought within five years after the right accrued for which the claim is made. Where the insured credit union has made or filed with the Board a false or fraudulent certified statement with the intent to evade, in whole or in part, the payment of its deposit or any premium charge, the claim shall not be deemed to have accrued until the discovery by the Board of the fact that the certified statement is false or fraudulent.
- 7.4 Should any credit union fail to make any report of condition under subsection (a) of this section or to file any certified statement required to be filed under subsection (b) of this section or to pay its deposit or any premium charge for insurance required to be paid under any provision of this policy, and should the credit union fail to correct such failure within thirty days after written notice has been given by the Board to an officer of the credit union citing this subsection and stating that the credit union has failed to make any such report or file any such statement or pay any such deposit or premium charge as required by law, all the rights, privileges, and franchises of the credit union granted to it under this policy shall be thereby forfeited. Whether or not the penalty provided in this subsection has been incurred shall be determined and adjudged by any court of the United States of competent jurisdiction in a suit brought for that purpose in the district or territory in which the principal office of such credit union is located, under direction of and by the Board in its own name, before the credit union shall be declared dissolved. The remedies provided in this subsection and in subsections (d) and (e) of this section shall not be construed as limiting any other remedies against any insured credit union but shall be in addition hereto.

**** Need to review the yellow parts and remove what is not applicable or desired!***

- 7.5 Each insured credit union shall maintain such records as will readily permit verification of the correctness of its reports of condition, certified statements, deposits and premium charges for insurance. However, no insured credit union shall be required to retain such records for such purpose for a period in excess of five years from the date of the making of any such report, the filing of any such statement, or the payment of any deposit or adjustment thereof or any premium charge, except that when there is a dispute between the insured credit union and the Board over the amount of any deposit or adjustment thereof or any premium charge, for insurance the credit union shall retain such records until final determination of the issue.
- 7.6 For the purposes of this section-
- a. The term "insurance year" means the period beginning on January 1 and ending on the following December 31, both dates inclusive, unless otherwise prescribed by the Board;
 - b. The term "normal operating level," when applied to the fund, means an amount equal to 1.3 per centum of the aggregate amount of the insured shares in all insured credit unions, or such lower level as the Board may determine; and



Caribbean Confederation of Credit Unions

- c. The term "insured shares" when applied to this section includes share, share draft, share certificate and other similar accounts as determined by the Board, but does not include amounts in excess of the insured account limit set forth in section 207(c)(1).