



DEPARTMENT OF COOPERATIVE DEVELOPMENT
MINISTRY OF AGRICULTURE & MARINE RESOURCES

Institutional Strengthening of Credit Unions in The Bahamas

Credit unions are very important providers of financial services in The Bahamas. Presently, there are ten (10) credit unions which come under the supervisory purview of the Department of Cooperative Development, Ministry of Agriculture & Marine Resources, and are governed under the Cooperatives Societies Act, 2005 along with other cooperatives. At end-December 2010, assets of the credit unions aggregated \$250.1 million, representing an average annual growth of 9.3% over the past five years, and with membership at some 38,000 persons. The sector's increased intermediation of funds, together with the Government's desire to rationalize the financial regulatory landscape, have significantly influenced its decision to bring credit unions within the regulatory and supervisory remit of the Central Bank.

To assist in this transition exercise, the Government has secured technical assistance from the Commonwealth Secretariat, under a two year institutional strengthening project (the Project) for credit unions. The Project commenced in September 2011, with the appointment of Mr. Pierre Seguin, as Technical Advisor, and is expected to be completed by September 2013, during the course of which the transition to the Central Bank will take place. Efforts are already underway to develop a comprehensive transition plan to guide the Project over the next two years, and to facilitate an early transfer to the Central Bank.

In the initial months of the project, the consultant has commenced a comprehensive assessment of the individual credit unions and the league, towards making recommendations on governance structures, operating strategy, credit risk, financial reporting and legislative compliance. The objective is to ensure that credit unions are managed to international standards. Training opportunities will also be provided to credit unions in areas such as risk management, loan portfolio management and corporate governance, as a means of strengthening management and directors' ability to carry out their functions. Where required, operational documentation will be produced.

Another facet of the Project will involve a focus on the Central Bank, and will include a number of initiatives to underpin the creation of a new oversight regime for credit unions. Emphasis will be placed on professional development for Central Bank staff, to ensure their ability to undertake the requisite on-site and off-site surveillance of credit unions within the new framework.

Early in the Project, a review will be undertaken of the existing legislative arrangements, with the intention of drafting a new governing law for credit unions. Specific emphasis will be placed on the

safety and soundness of credit unions, and the incorporation of global standards for oversight of the sector. In framing the new legislation, efforts will also be made to take into consideration those characteristics which set credit unions apart and, in fact, make them unique within our financial sector, i.e., their value of volunteerism, democracy, member equality and participation, co-operation, education and training of members, and the sustainable development of communities. Other features, such as the large size disparities and varying risk profiles among local credit unions, as well as differences in the levels of complexity of their operations, will also be considered. As an important output of this exercise, a series of consultation papers will be issued to the credit union constituency for feedback on all legislative/regulatory proposals.

On 24th October 2011, the Minister of State for Finance, Hon. Zhivargo Laing, the Minister of Agriculture and Marine Resources, Hon. Lawrence Cartwright, and Mrs. Wendy Craigg, Governor, Central Bank of The Bahamas met with members of the board and management of the various credit unions, to formally introduce the Project.

The Project team comprises Mr. Pierre Seguin, Technical Adviser; Mrs. Wendy Craigg, Project Manager; Ms. Rochelle Deleveaux, Legal Counsel, along with the Project Coordinators, Mrs. Cassandra Nottage, Manager Bank Supervision and Mr. Nathaniel Adderley, Director of Cooperatives.

As Project Lead, the Central Bank is committed to transparency and timely dialogue with credit union stakeholders on all aspects of the Project. Beginning in January 2012, the Central Bank and the Department of Cooperatives will be hosting a series of town meetings with stakeholders in New Providence, Grand Bahama and Abaco, to make presentations on the Project and to address any questions or concerns.

The Central Bank intends to work closely with credit union stakeholders, as we seek to ensure that the new supervisory and regulatory framework these entities is built on principles of safety and soundness, which will provide a solid foundation for the movement to further increase in size and strength.

All questions and enquires may be addressed to:

Credit Union Transition Project
The Central Bank of The Bahamas
P.O. Box N4868
Nassau, Bahamas

or

creditunionproject@centralbankbahamas.com

The Central Bank of The Bahamas
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