2024 ICURN Member Benchmark Survey Results

July 2024

ICURN

INTERNATIONAL CREDIT UNION REGULATORS' NETWORK

The International Credit Union Regulators' Network (www.icurn.org) is an independent not-for-profit association of financial cooperative supervisors from around the world. ICURN provides supervisors with training, research and networking opportunities and is governed by a board of directors comprised of its members.

www.icurn.org

Executive Summary & Key Survey Findings

Between February and May 2024 supervisors from 46 jurisdictions and 33 countries participated in the 64-question survey survey on credit union[1] supervision practices. Conducted on-line and designed by ICURN with input from its members, the survey aims to help financial cooperative supervisors benchmark their local practices against global peers. This survey creates an updated baseline of data to identify future trends and needs for further advancement. Similar surveys were conducted by ICURN in 2019 and 2006, however, the 2024 survey is the largest survey to date, with a 48% increase in responses compared to 2019 and a 30% increase in questions. In 2024, 75% of respondents that had responded to the survey in 2019 also respond this time allowing for a high degree of comparability in the analysis.

Respondents were almost evenly split between G20 countries (47%) and non-G-20 countries (53%). Some key questions have been analyzed separately by G20 and non-G20 respondents for additional analysis. The report highlights include:

1. There has been little improvement in the uptake of deposit insurance among non-G20 countries and this is a large latent risk for credit unions and their members.
2. Many jurisdictions, especially in G20 countries, have begun implementing new regulations regarding cybersecurity in credit unions, but more work is needed.
3. Supervisors are looking into artificial intelligence to improve their operations; however, it's not expected to drastically change the supervisory process in the near future.
4. Attracting and retaining talent is a top challenge for credit union supervisors globally.

Compared to the last survey conducted by ICURN in 2019, there is a continued shift in the supervision of credit unions from Ministries of Cooperative or Agriculture (37% in 2006, 10% in 2019 and 6.4% in 2024) to central banks (11% in 2006, 32% 2019, 30% in 2024) or independent agencies (from 29% in 2019 to 38% in 2024). This shift is partly due to increased responses from the Caribbean where non-bank financial sector supervisors are more prevalent. Only 4% of respondents indicated they are a private sector entity supervising credit unions. Most respondents also are responsible for supervising other types of financial institutions including insurance companies (40%), commercial banks (36%), non-deposit-taking credit providers (34%), digital banks/payment providers (32%), microfinance institutions (30%), pension funds/capital markets (30%), and other types of cooperatives (19%). Only 23% of respondents exclusively supervise credit unions.

1. The term "credit union" is used here to also refer to savings and credit cooperatives, cooperative banks and other financial cooperatives.

CORE PRINCIPLES PILLAR I:
Registration and licensing of credit unions

Similar to 2019 when 50% of respondents indicated there was no set amount of capital required to license a credit union, in 2024, 45% of respondents reported the same. This does not mean that zero capital is required to start a credit union, but rather that it depends on the business plan of the proposed entity. The next most common answer was that above $250,000 in capital is needed to start a credit union, indicating a trend away from small, fixed amounts being sufficient for start-up. In 2019, only 80% of respondents had the ability to remove credit union officials, if necessary, whereas now 90% of jurisdictions have this power. Those without this authority indicated they are seeking legislative changes to obtain it.

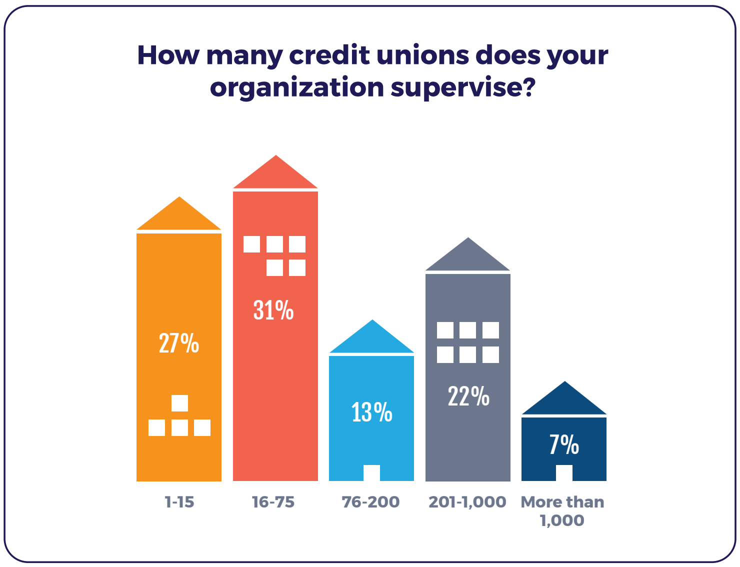


Figure 1

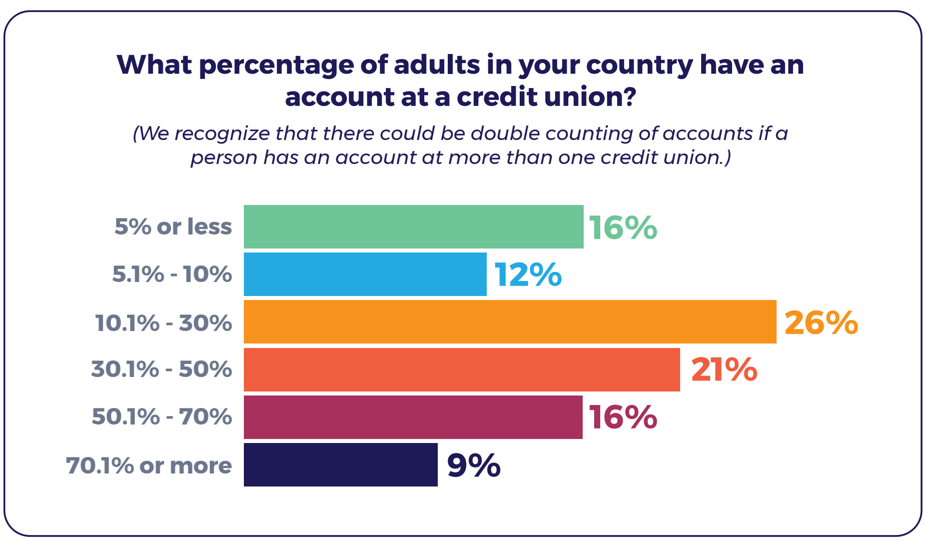


Figure 2

Figure 3

Figure 4

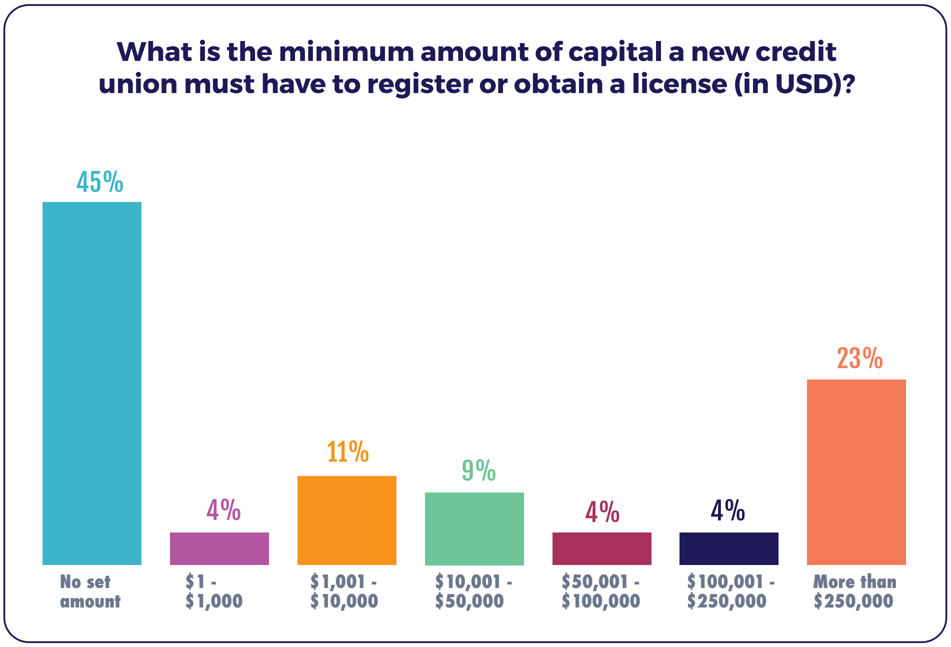
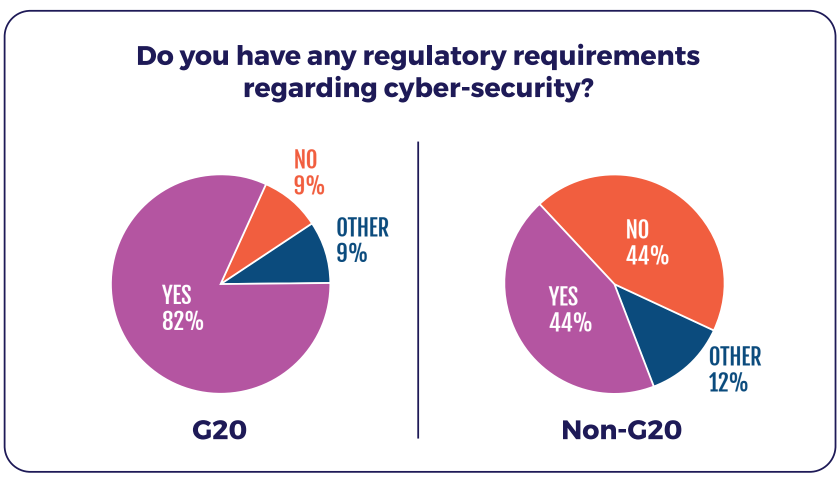

What is the minimum amount of capital a new credit union must have to register or obtain a license (in USD)?
45%
4%
11%
9%
4%
4%
23%
No set amount
$1 - $1,000
$1,001 - $10,000
$10,001 - $50,000
$50,001 - $100,000
$100,001 - $250,000
More than $250,000

Figure 5

CORE PRINCIPLES PILLAR II:
Credit union structures and organization

Due to the significant concern among ICURN members regarding cybersecurity threats to credit unions (ranked as the third most concerning for supervisors overall), a series of questions were added to the survey in 2024 to address this area. Notably, 82% of G20 supervisors have cyber-security regulations in place for credit unions, compared to 44% of supervisors in non-G20 countries. Globally, supervisors reported that 15% of their credit unions experienced a cybersecurity breach in the past 3 years. However, only 28% of supervisors require their credit unions to report such a breach, generally within 24-72 hours of discovery.

For banks, deposit insurance systems are active in 144 countries. For credit unions, 49% of the surveyed jurisdictions do not yet provide deposit insurance. This area shows the biggest variance between the G20 and non-G20 countries. Where 52% of non-G20 countries lack deposit insurance, while 82% of G20 jurisdictions have it for credit unions. Nevertheless, 11% of supervisors are in the process of implementation. Where deposit insurance exists for credit union members, coverage is generally equivalent to (28%) or greater than (33%) than that for bank customers. Participation in deposit insurance is rarely voluntary (10%), premiums are charged to credit unions ex ante (67%) and only 20% of jurisdictions risk-adjust these premiums, emphasizing cooperation among cooperatives. Lastly, the survey results indicated deposit insurance systems cover 95% of members deposits. Additional details regarding the size, scope and costs of the deposit protection funds are included in the report to help jurisdictions implement deposit protection or help improve existing systems.



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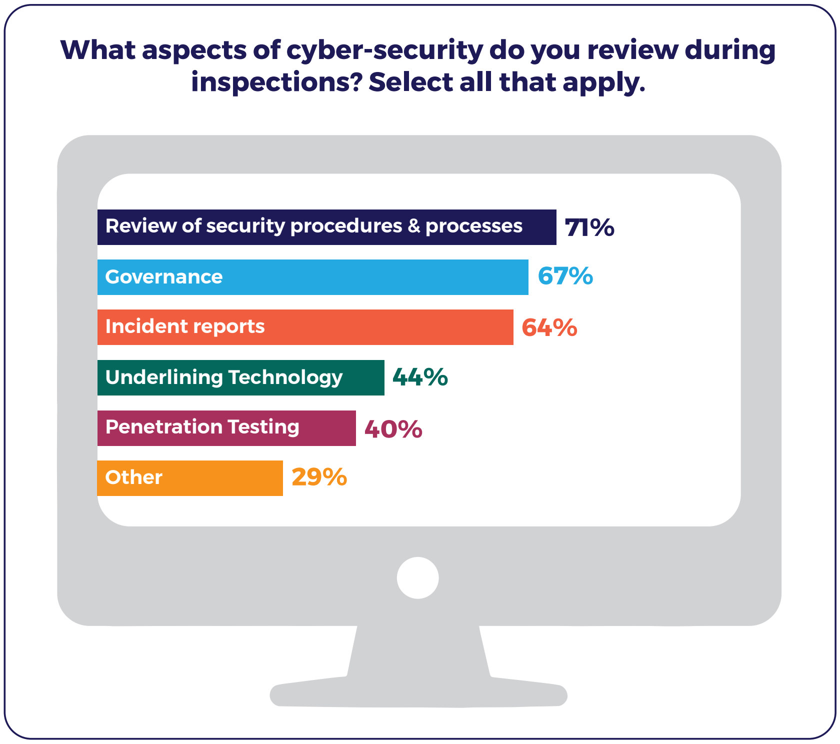

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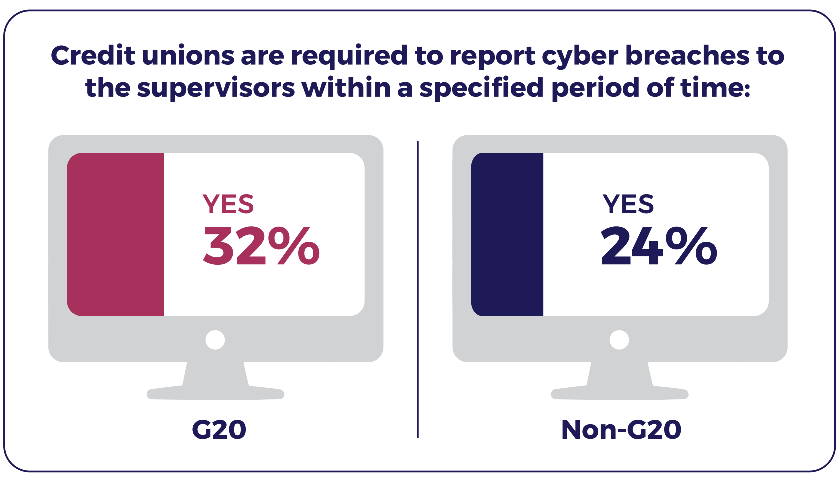

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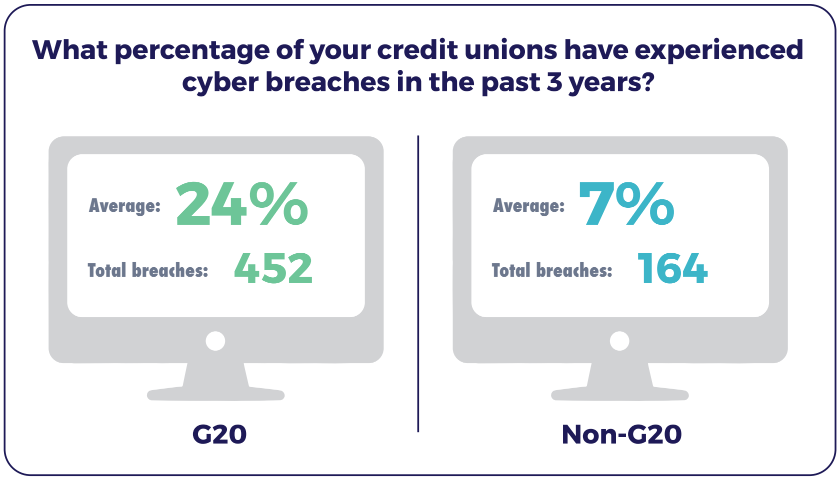

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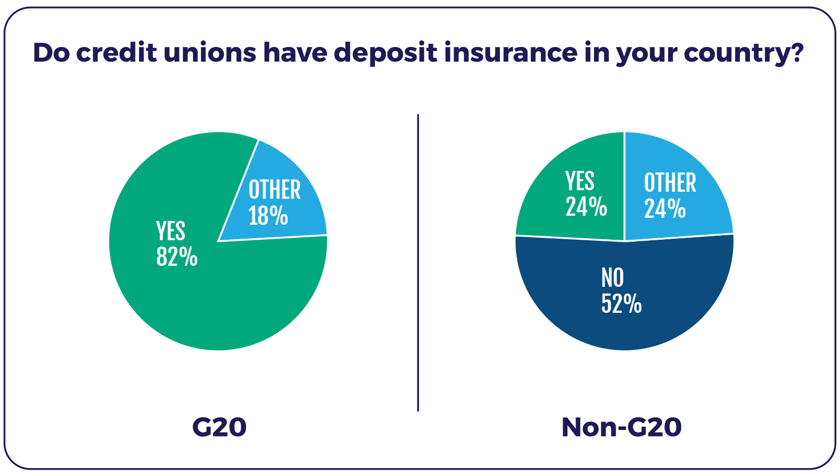

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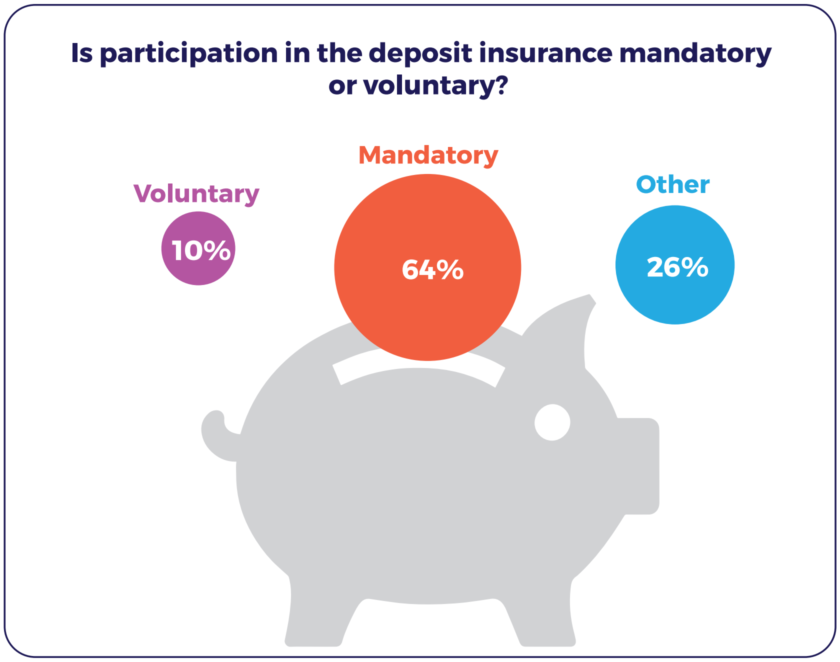

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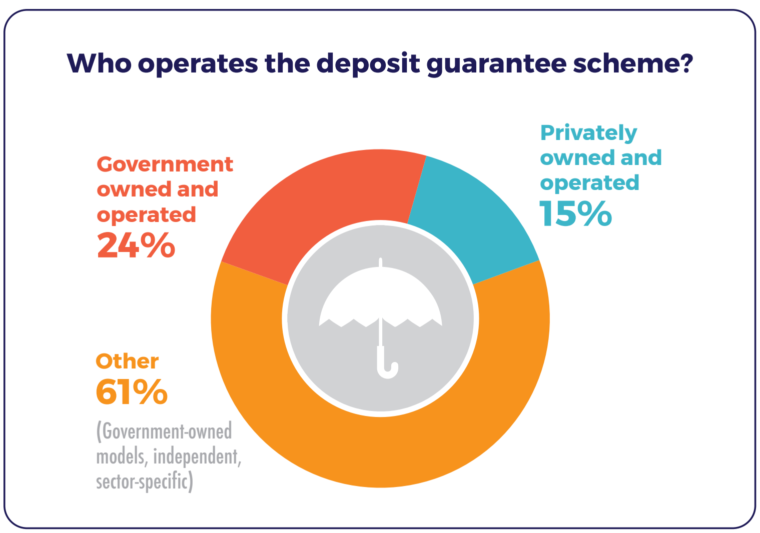

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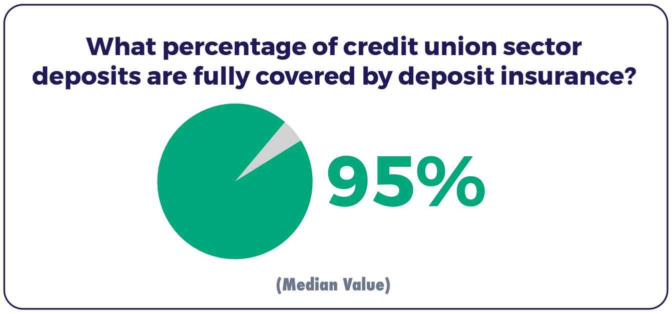

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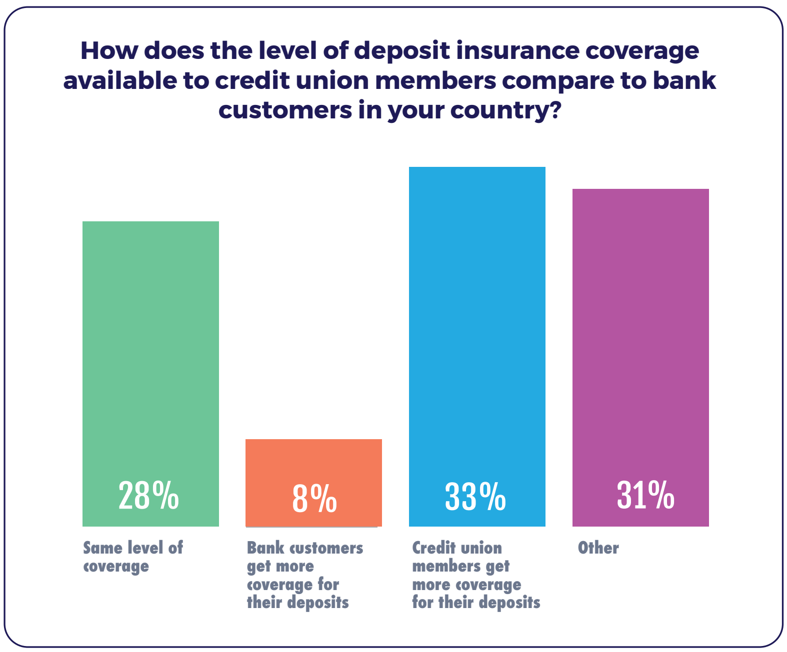

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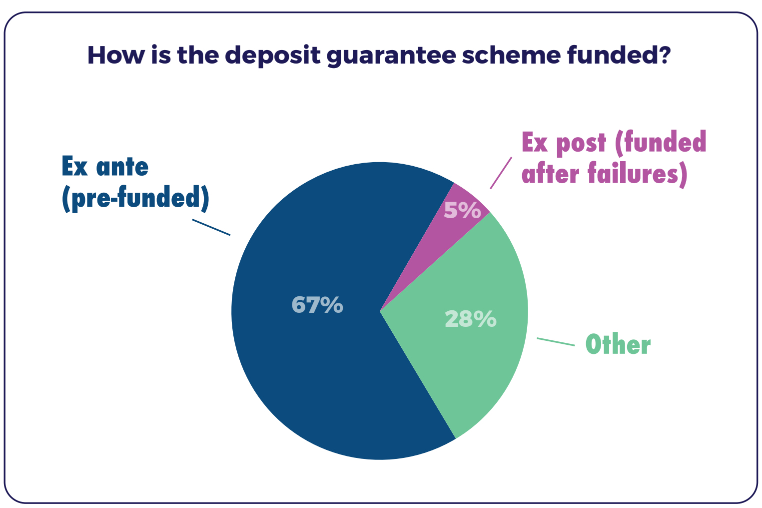

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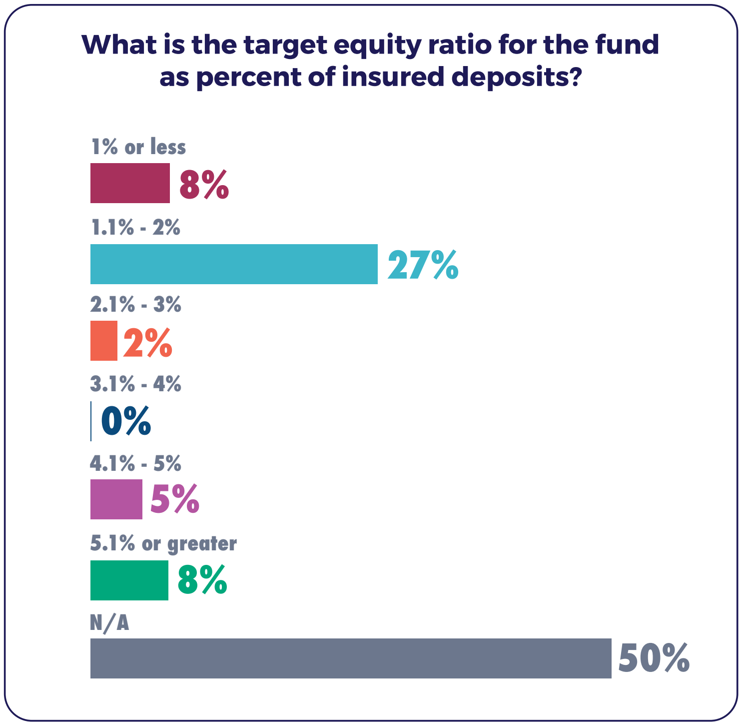

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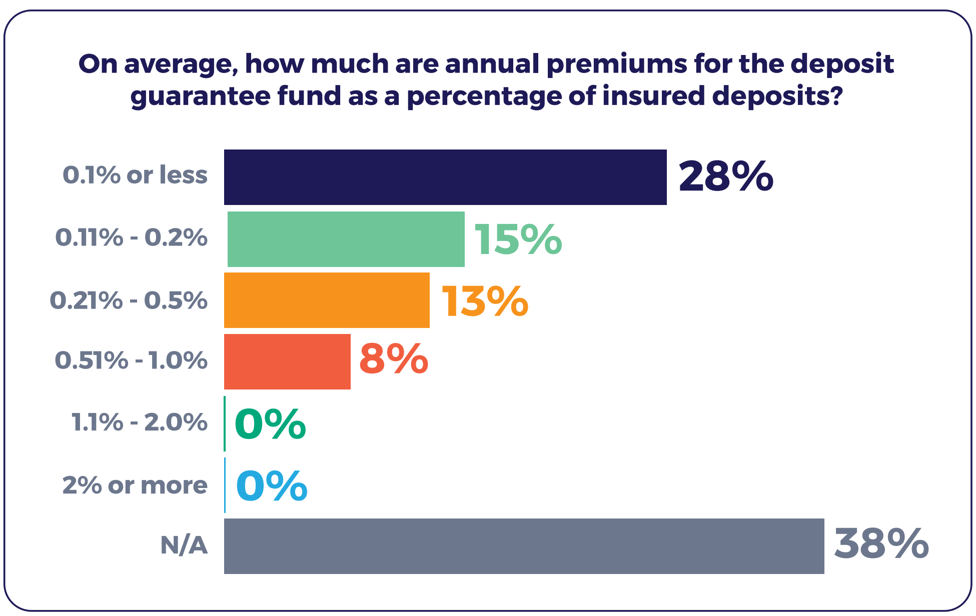

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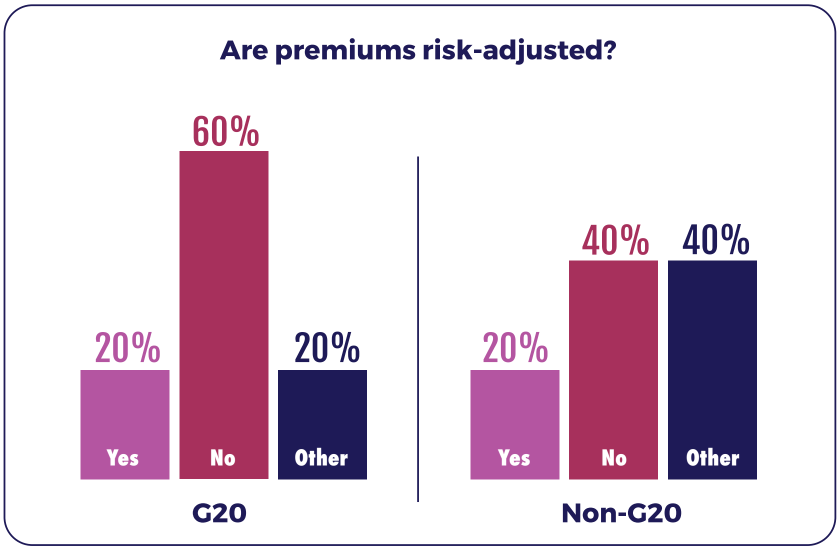

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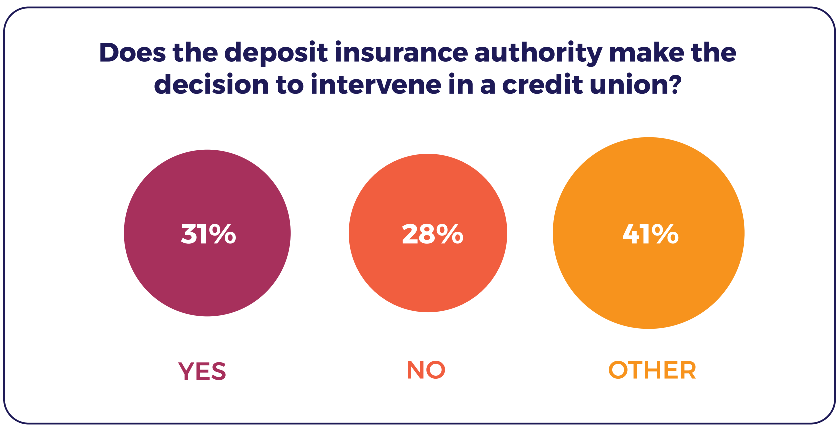

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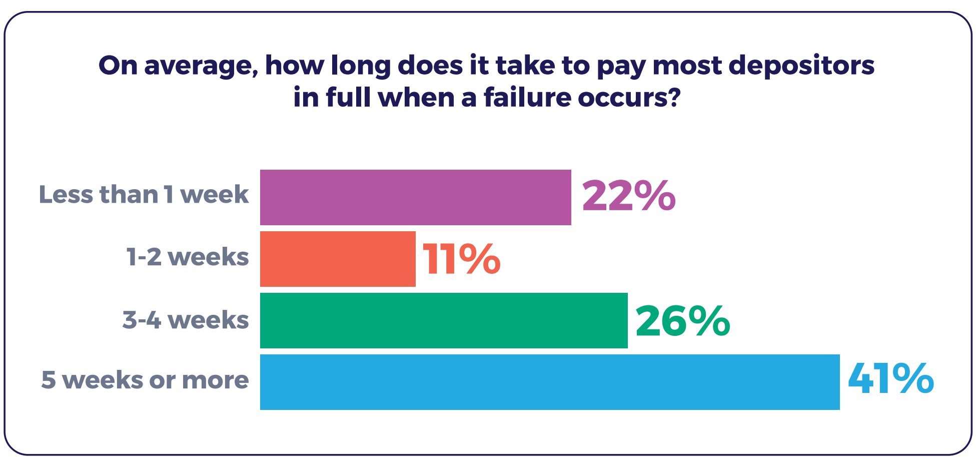

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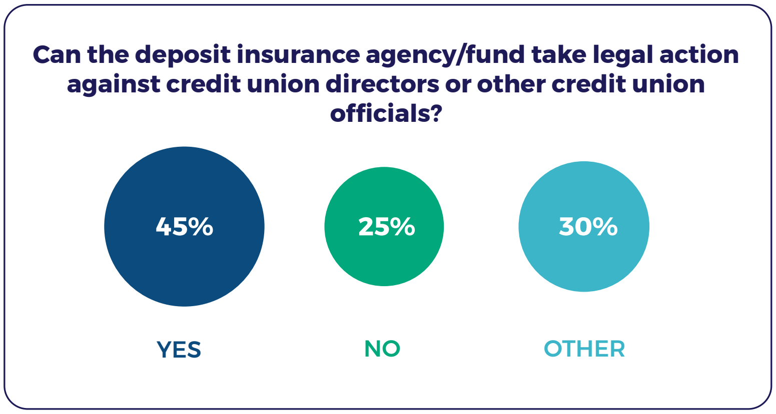

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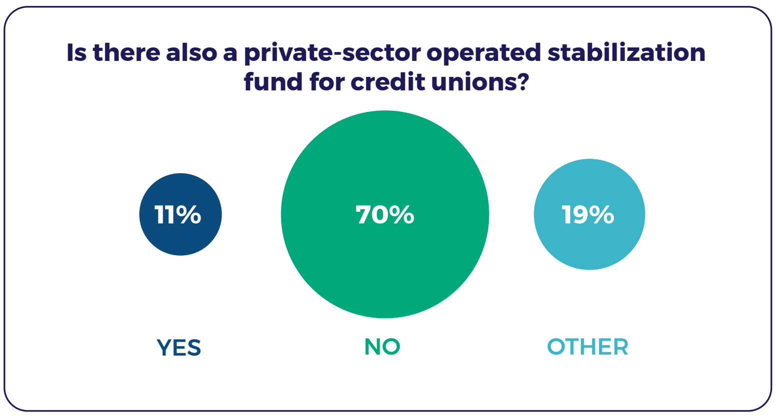


Figure 22

CORE PRINCIPLES PILLAR III:
Prudential requirements

Capital adequacy continues to be the leading ratio triggering supervisory action in 96% of jurisdictions, followed closely by liquidity in 87% of jurisdictions. However, the components that can be included as capital, the minimum capital ratio and whether it's calculated on a risk-weighted basis or non-risk weighted varies significantly between G20 and non-G20 countries. Supervisors in G20 countries allow more types of capital (such as, permanent shares (73%) and sub-ordinated debt (64%)) than supervisors in non-G20 countries (such as, permanent shares (20%) and sub-ordinated debt (12%)). The required minimum capital ratios are higher in non-G20 countries (32% of countries require minimum capital in the 10%-12% range) compared to G20 countries (33% require minimum capital in the 5%-7% range). Additionally, 68% of G20 countries allow risk-weighting of capital (up from 56% in 2019), compared to 36% in non-G20 countries. This raises the question of whether G20 countries have a safer and more stable operating environment or are simply higher leveraged, or both.

Although there are differences among jurisdictions in the required capital adequacy levels, there is an even greater variation in required liquidity ratios, how they are measured, and whether there are government-supported back-up liquidity facilities in place for credit unions. Fifteen percent of respondents indicated the minimum liquidity ratio is 10% of deposits and another 15% indicated their minimum liquidity requirement for credit unions is between 11%-15%. While 17% of respondents use a liquidity coverage ratio (an emerging standard for credit unions), 4% require minimum liquidity of 16%-20% and 4% require credit unions to hold at least 20% - 25% liquidity. Additionally, 13% of respondents require between 5%-9% liquidity, while some indicated no such requirement or a very different approach (e.g., current assets/ current liabilities).

It is concerning that only 24% of respondents indicated that credit unions have the legal ability to borrow from the central bank for emergency liquidity assistance, with 38% in G20 and 12% in non-G20 countries. This raises the prospect of ill-preparedness for a crisis, especially given the low levels of deposit protection in place.

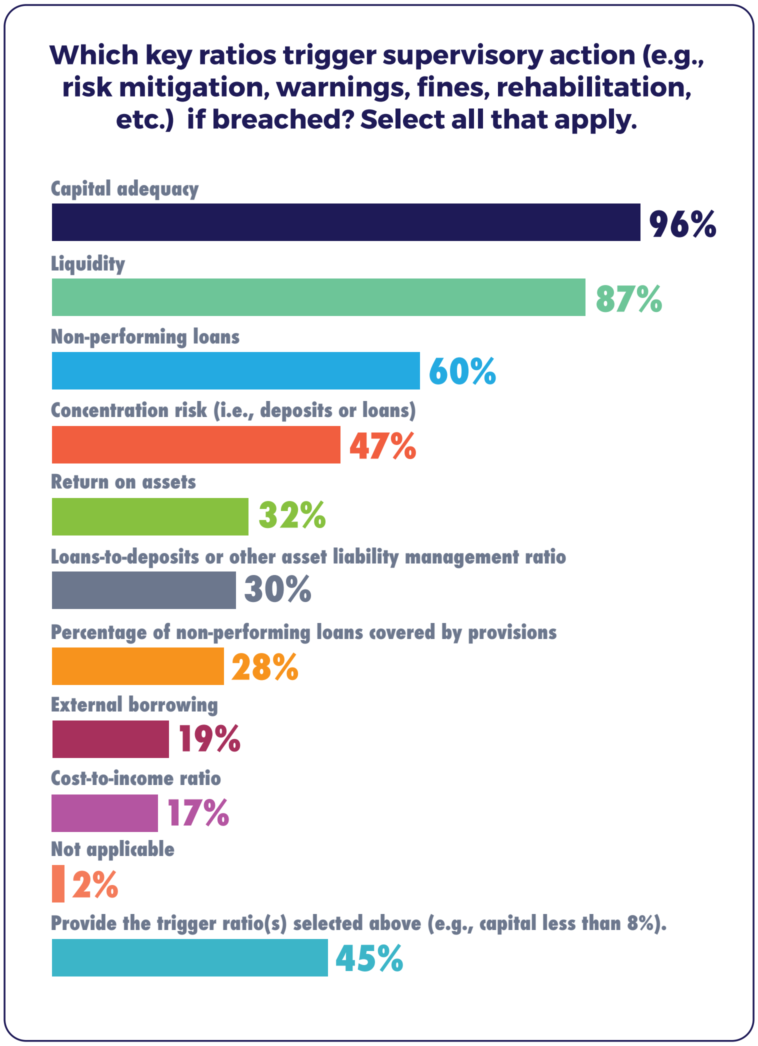
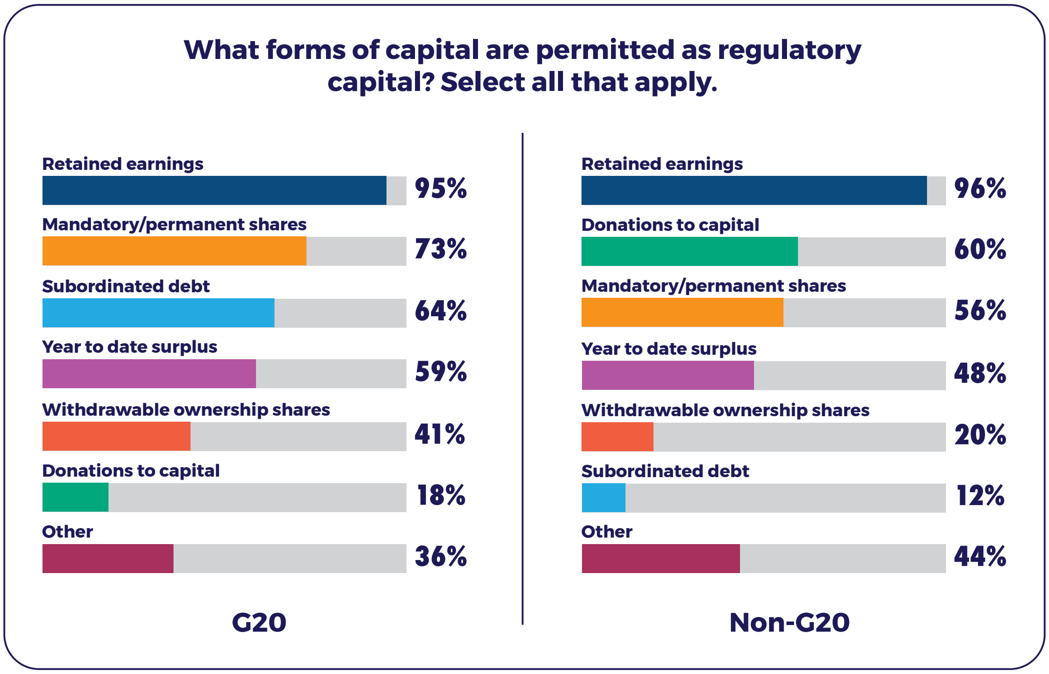

Which key ratios trigger supervisory action (e.g., risk mitigation, warnings, fines, rehabilitation, etc.) if breached? Select all that apply.
Capital adequacy
96%
Liquidity
87%
Non-performing loans
60%
Concentration risk (i.e., deposits or loans)
47%
Return on assets
32%
Loans-to-deposits or other asset liability management ratio
30%
Percentage of non-performing loans covered by provisions
28%
External borrowing
19%
Cost-to-income ratio
17%
Not applicable
2%
Provide the trigger ratio(s) selected above (e.g., capital less than 8%).
45%

Figure 23



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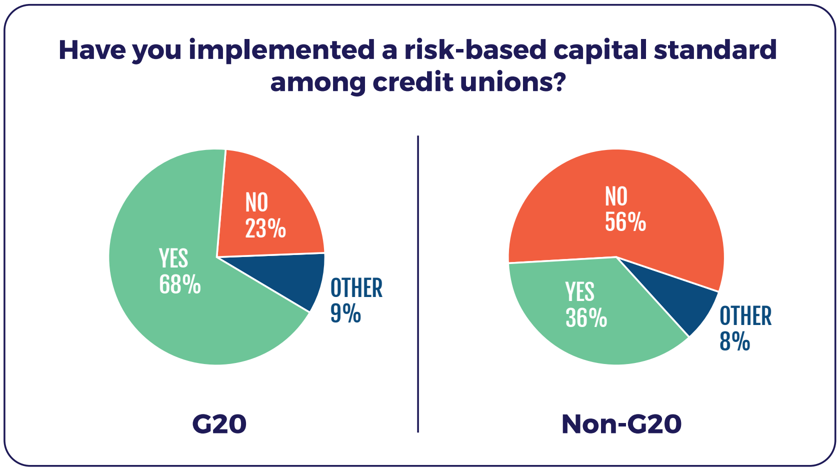

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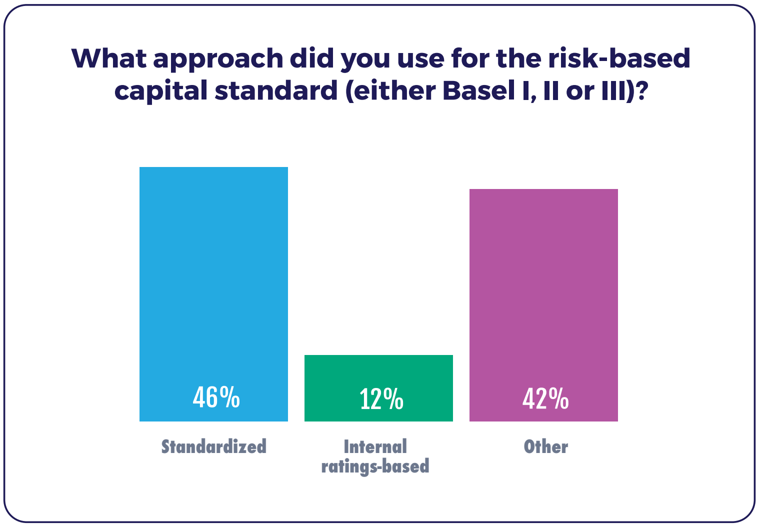

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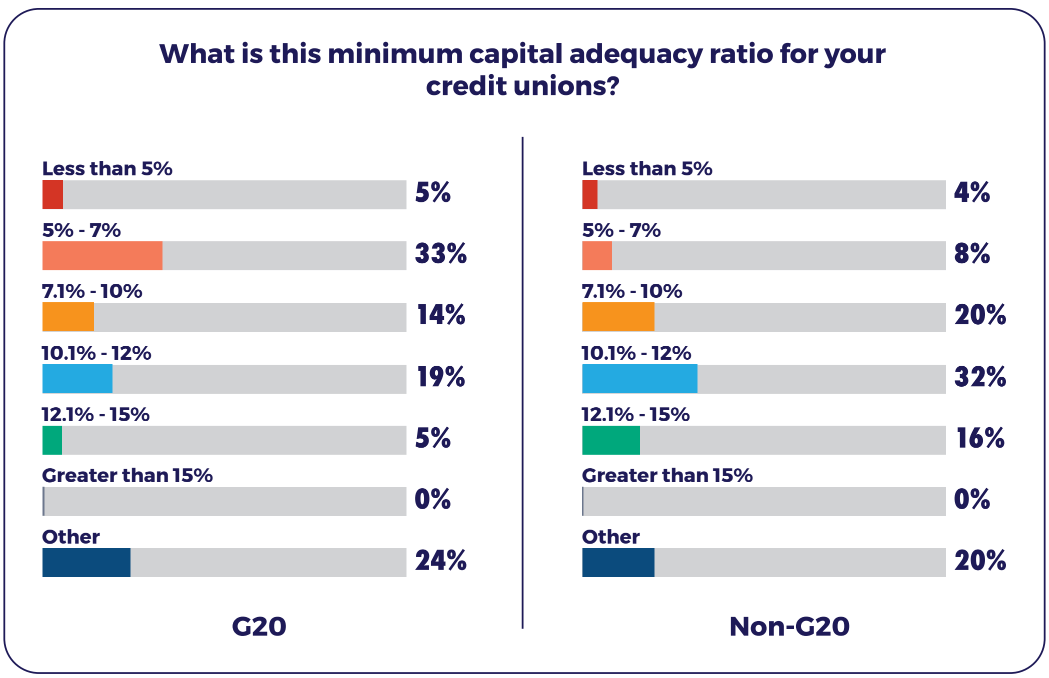

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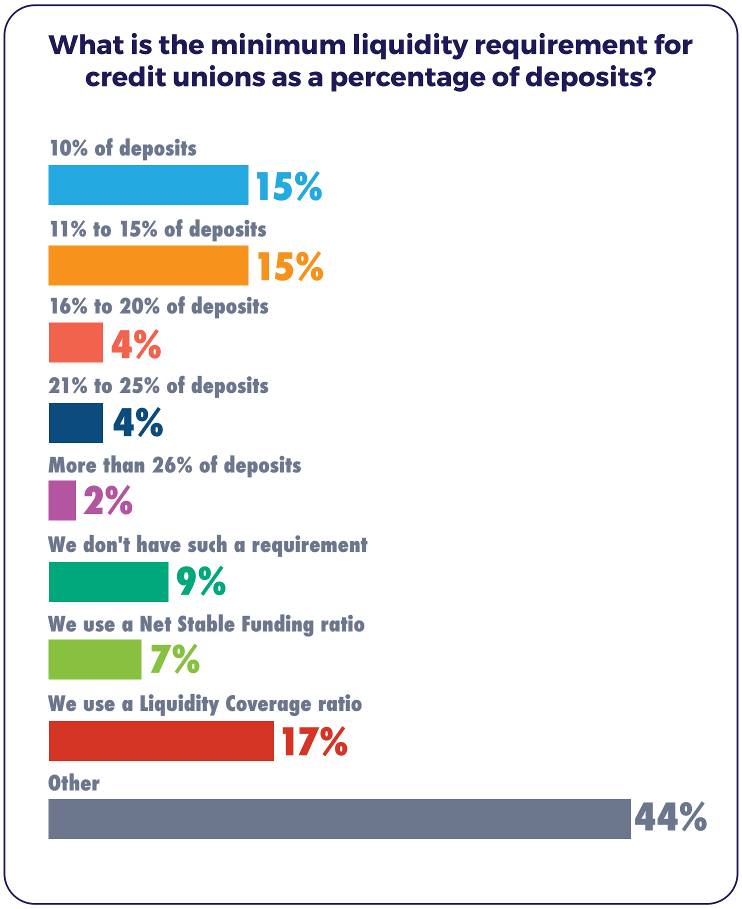

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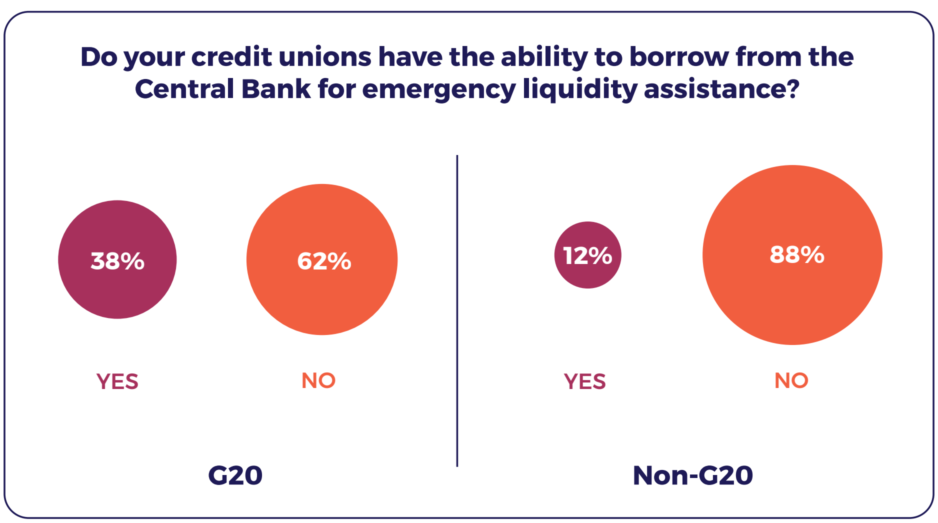

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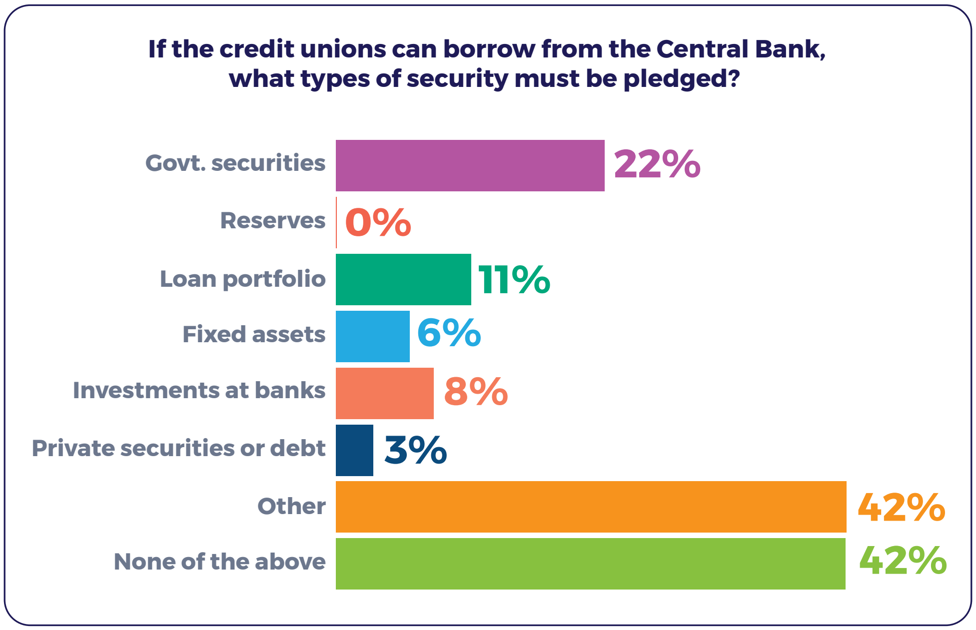

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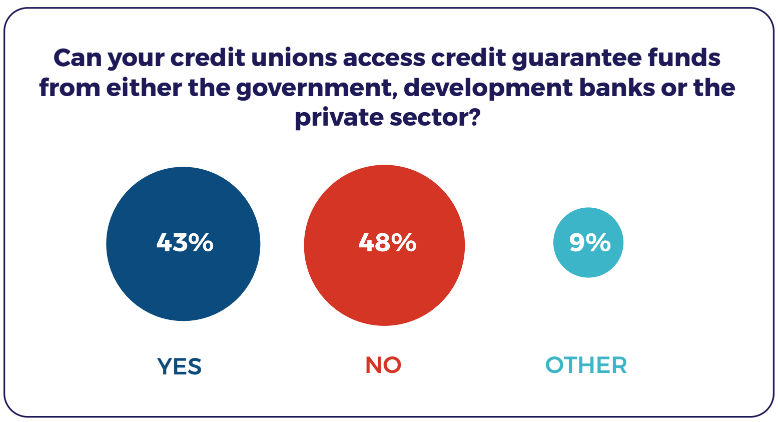

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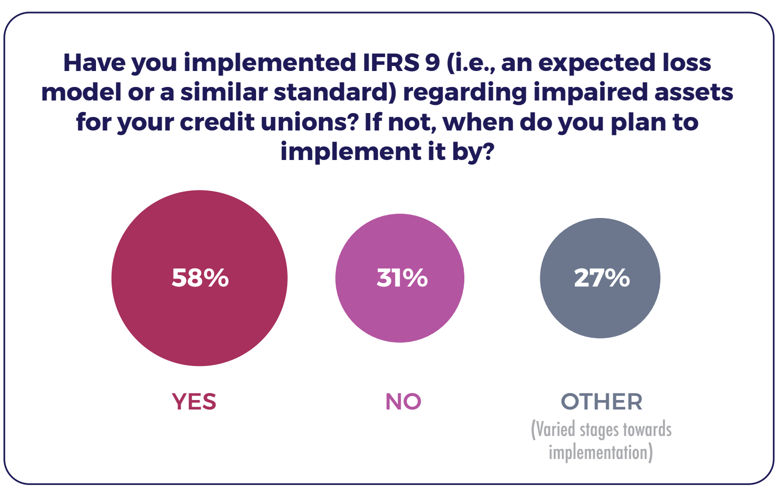


Figure 32

CORE PRINCIPLES PILLAR IV:
Supervisory Powers, Responsibilities and Approach

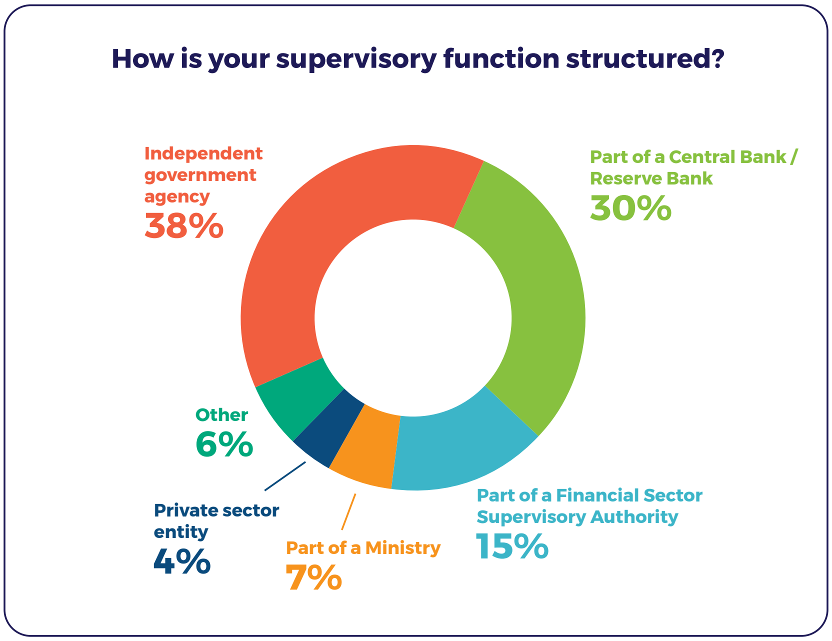
Over the past 5 years there has been little change in the methods used to fund credit union supervisory agencies. The most common approach remains billing credit unions for the costs of supervision (46%), followed by government budget allocation (20%), and internally generated resources at a central bank (20%). Only 15% of supervisors who charge fees to credit unions do so on a risk-adjusted basis to avoid a downward spiral in weak credit unions.

The top challenges among credit union supervisors globally include attracting and retaining talent, weak financial performance in credit unions, legislative impediments, and cybersecurity risks. The attraction and retention of talent in supervisory agencies is the top concern in non-G20 countries and the third biggest concern in G20 countries.

How personnel are allocated and rewarded within supervisory agencies is critical for their effectiveness. In 2024, the median number of credit unions to supervise per supervisor was 4.6. Only 11% of respondents believe that artificial intelligence is likely or very likely to reduce their workforce in the next 5 years, and only 4% of supervisors foresee eliminating on-site examinations in the next 3 years.

Eighty two percent of supervisors now use a risk-based approach to determine the frequency of on-site and off-site examinations, up from 74% in 2019. Most credit unions are supervised off-site monthly (20%) or quarterly (17%). Many supervisors are moving toward tiering credit unions (64% of respondents) based on size (30%) and setting examination schedules based on asset size (72%) and/or a combined risk profile (78%).

There is a significant variation in the frequency of on-site examinations for medium-sized and medium risk credit unions, ranging from every 6 months to every 60 months, or “as required.” When on-site exams of medium-sized credit unions do occur, they are typically conducted by a team of 3-5 supervisors (68% of respondents) or 4-6 supervisors (30% of respondents) over 3-8 days (41% of respondents). These examinations are supported by monthly (49%) or quarterly (38%) reports to supervisors which are electronically transmitted and integrated to an electronic supervisory reporting application (61% of respondents).



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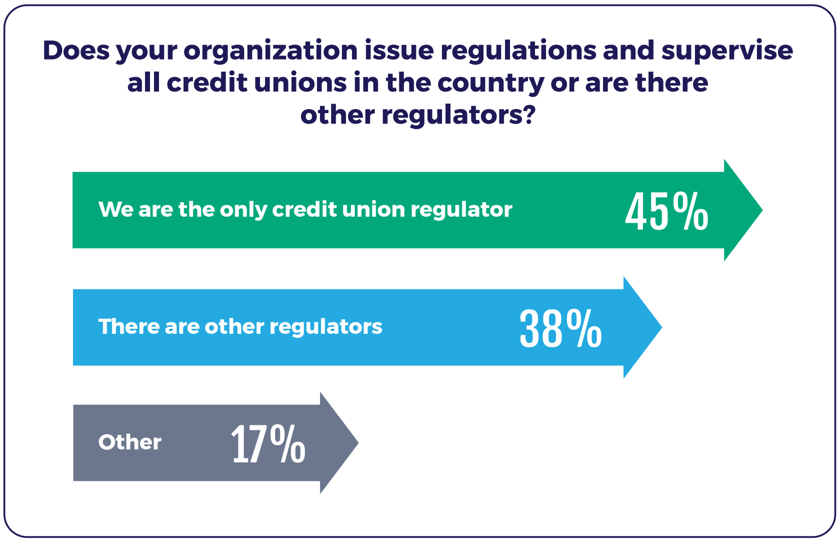

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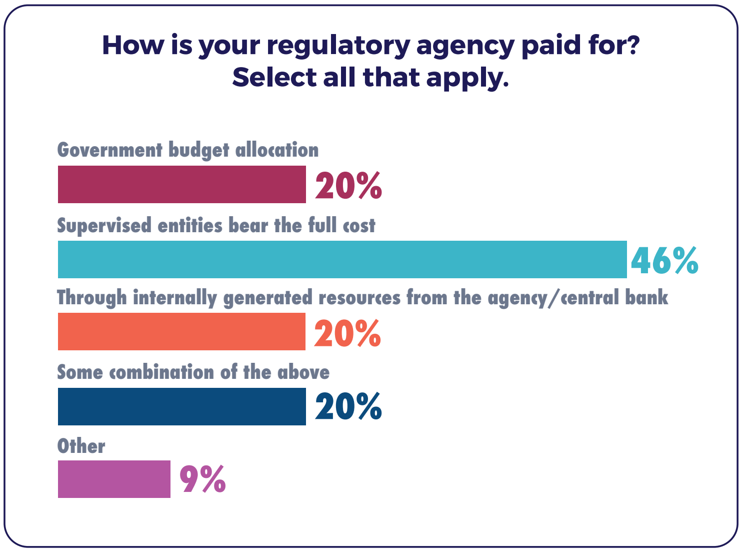

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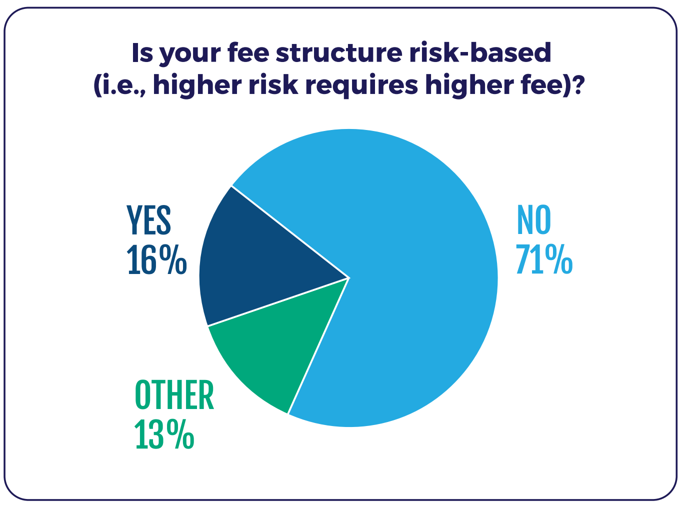


Figure 36

Rank the top challenges your organization faces in carrying out its supervisory mandate.

G20

TOP FIVE	Score
1. Cybersecurity threats in CUs	9.5
2. Weak fin. performance of CUs	9.3
3. Attracting & retaining talent	9.2
4. Cyber threats to our systems	8.2
5. Business model of CUs	7.9

Non-G20

TOP FIVE	Score
1. Attracting & retaining talent	9.7
2. Legislative impediments	9.5
3. Fin. constraints as the supervisor	8.8
4. Weak fin. performance of CUs	8.3
5. Data quality from CUs	7.9

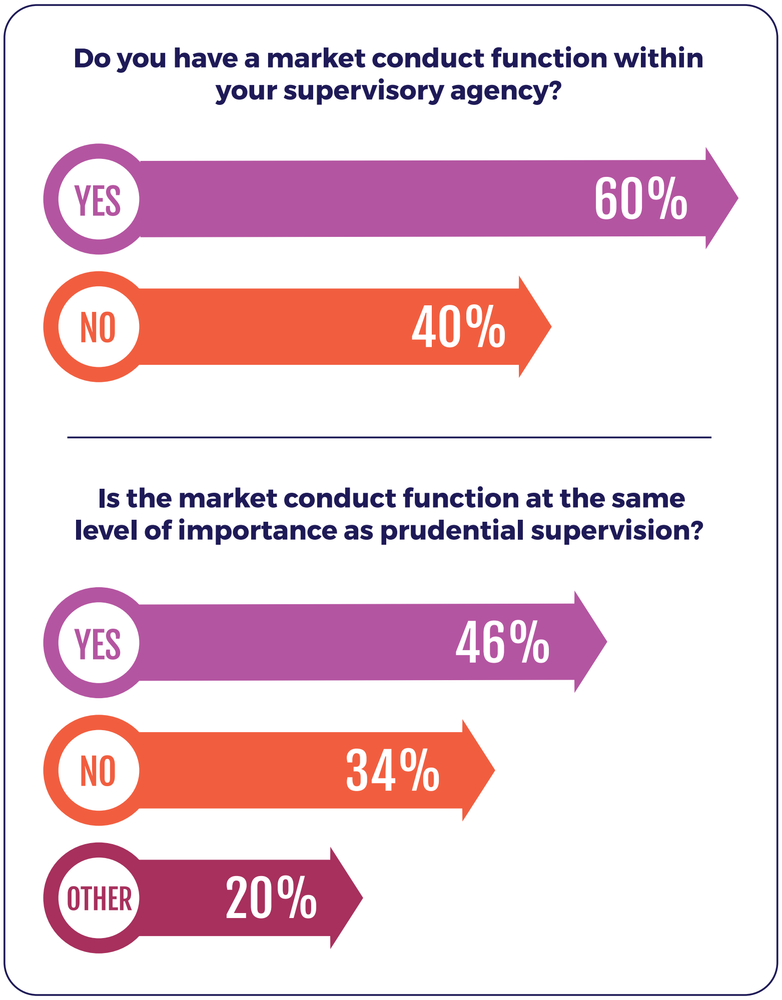
Figure 37

Credit union supervisor case load

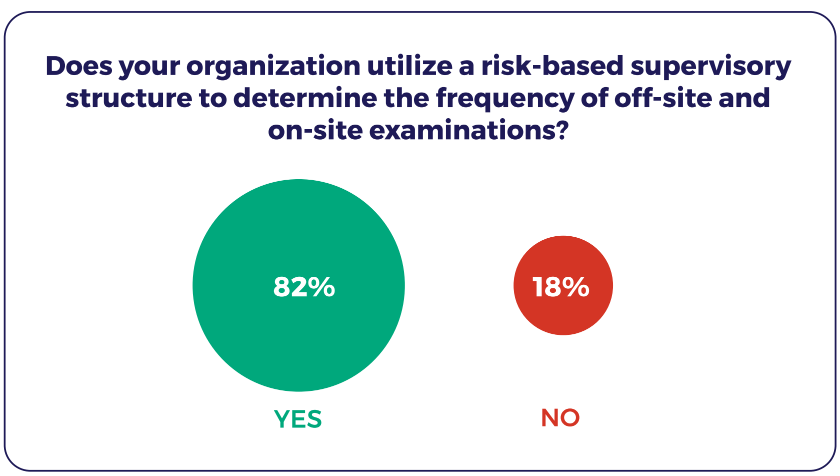
Average number of credit unions per supervisor: **11.2**

Median number of credit unions per staff: **4.6**

Figure 38



Figures 39-40



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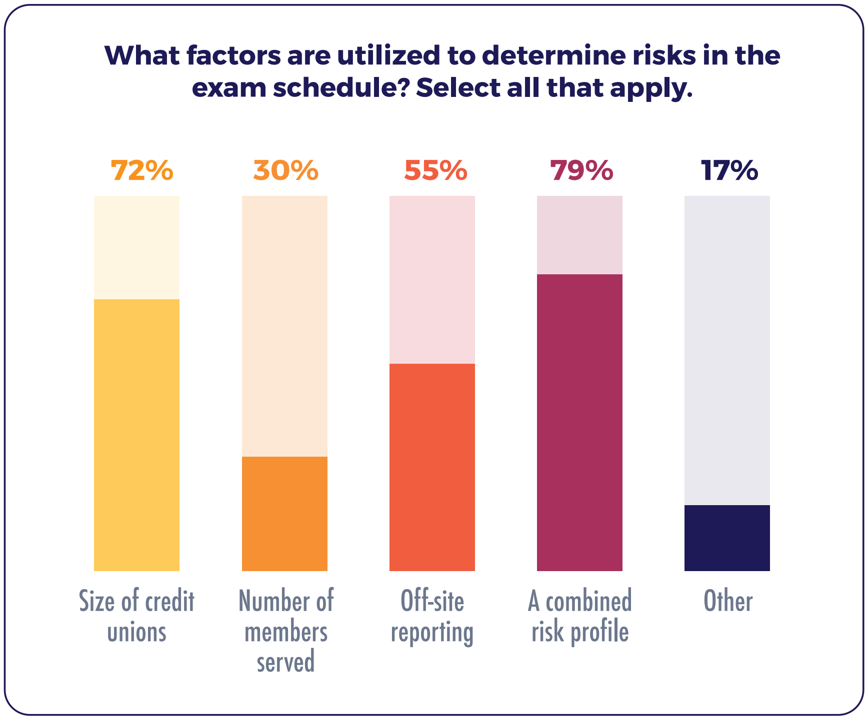

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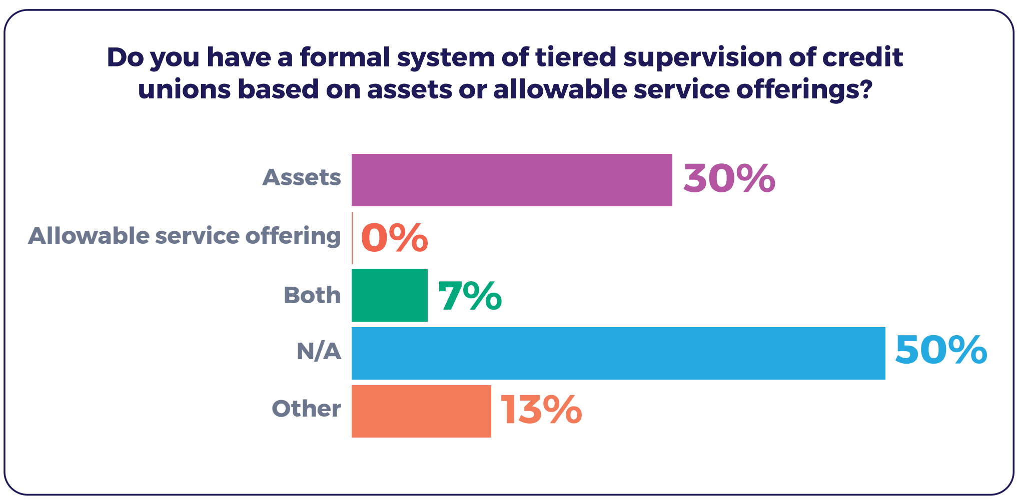

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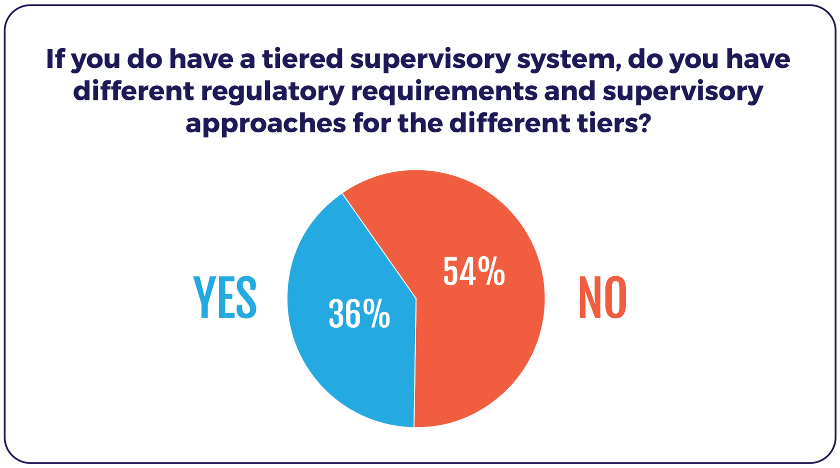

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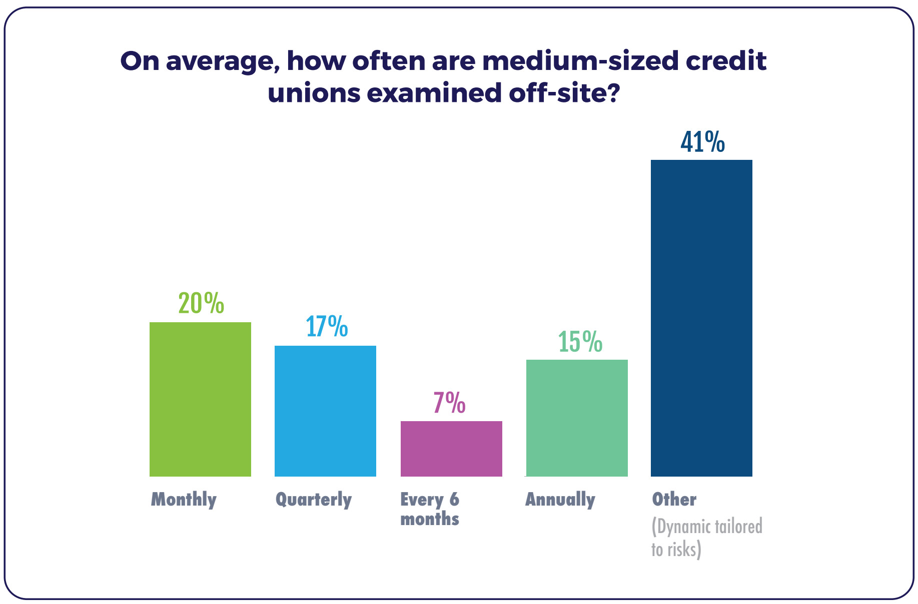

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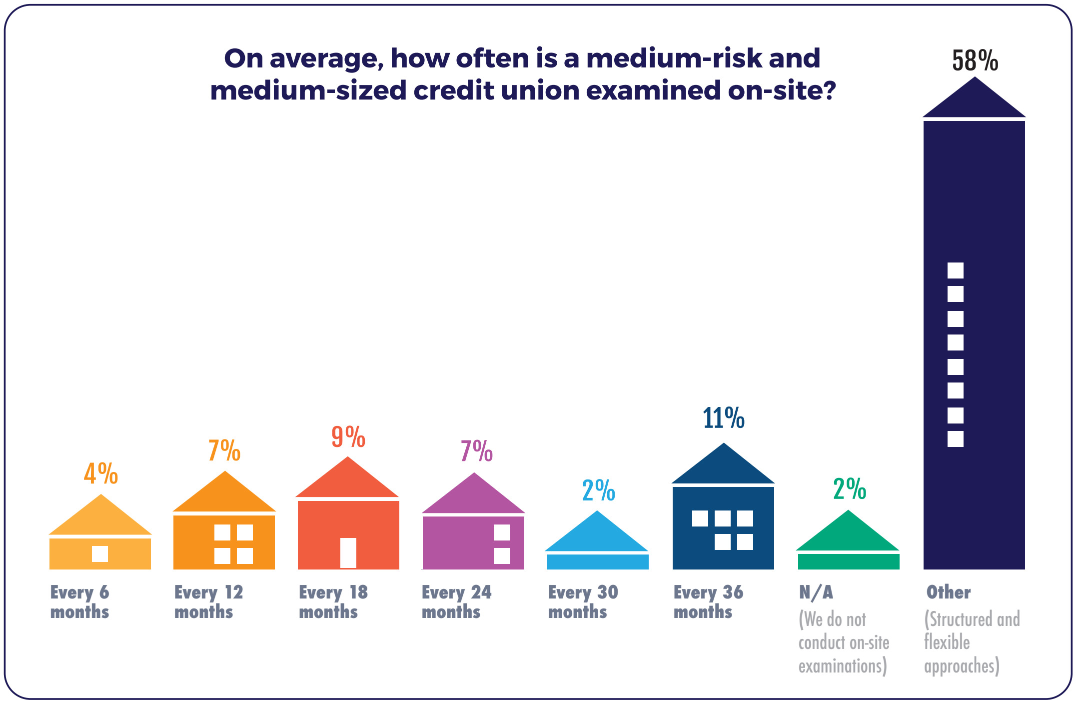

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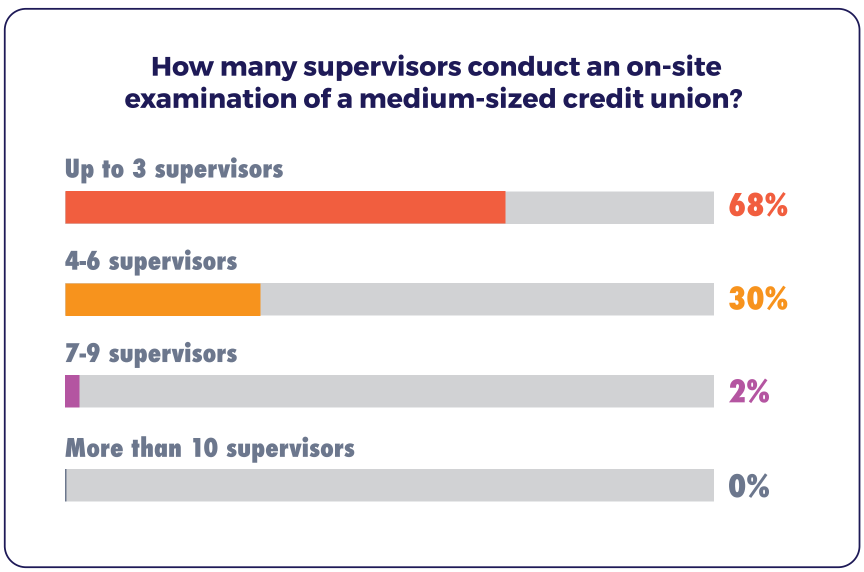

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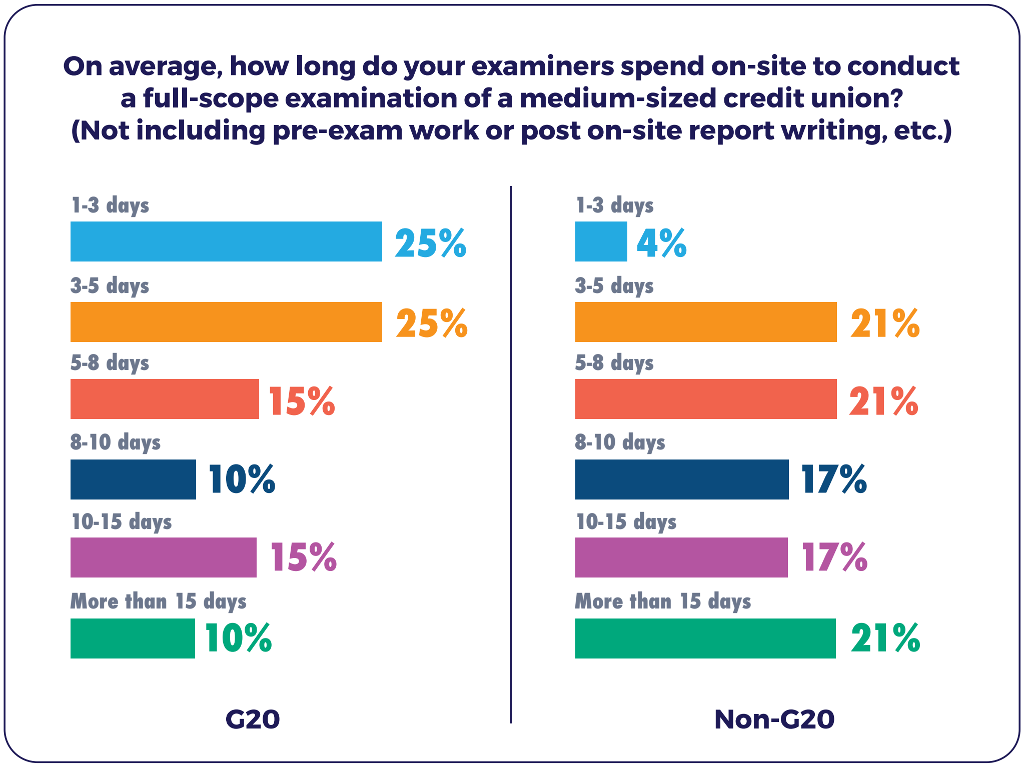

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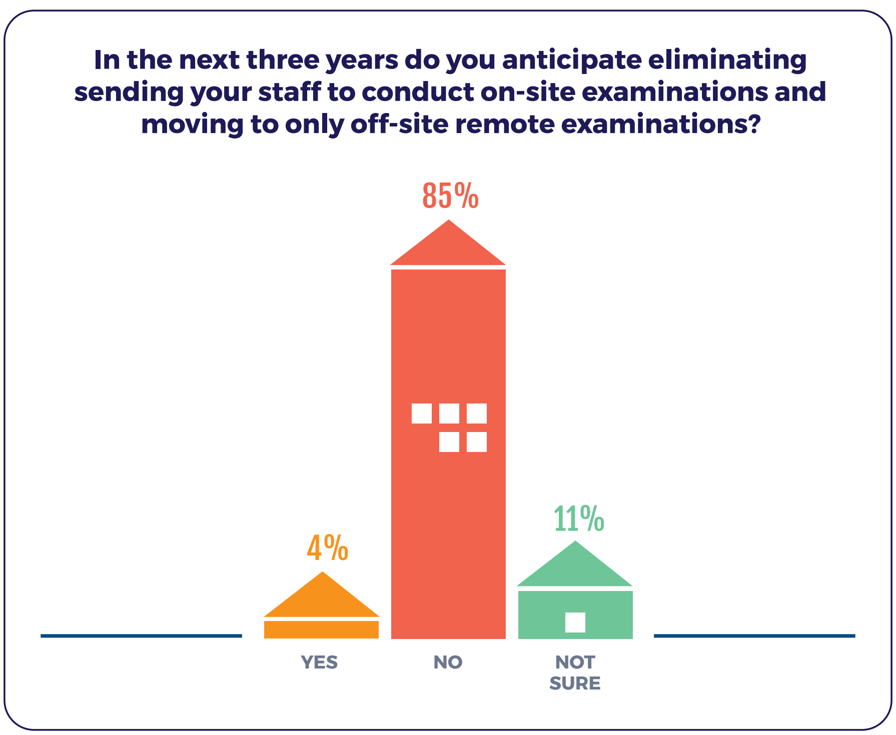
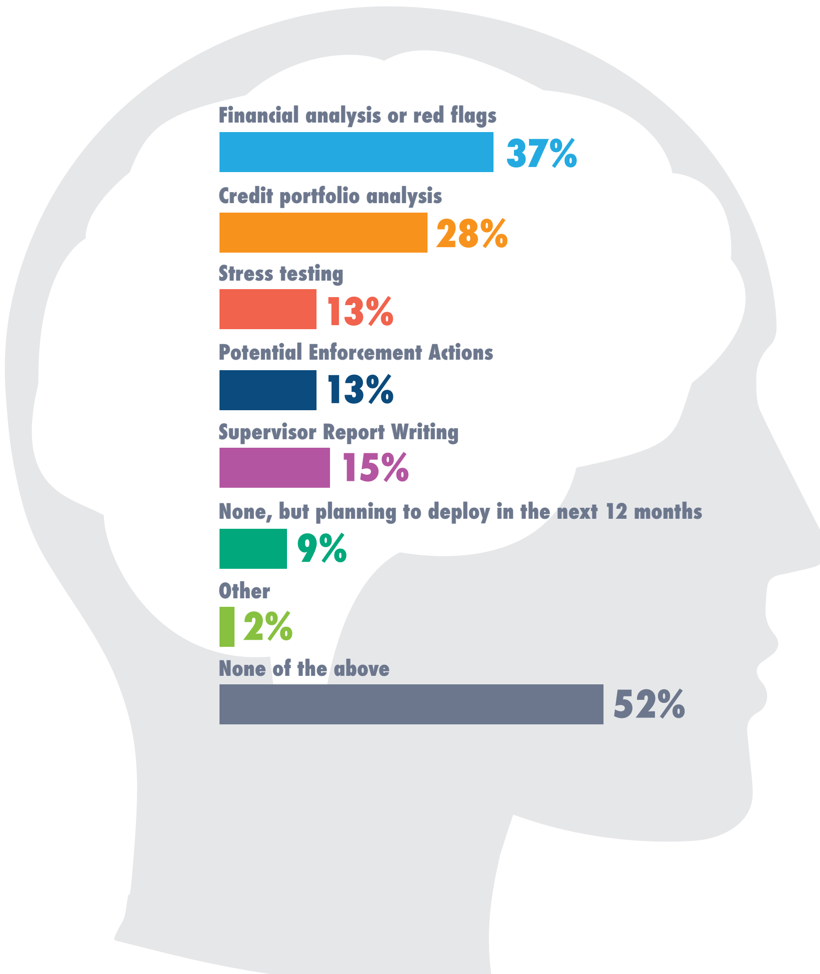
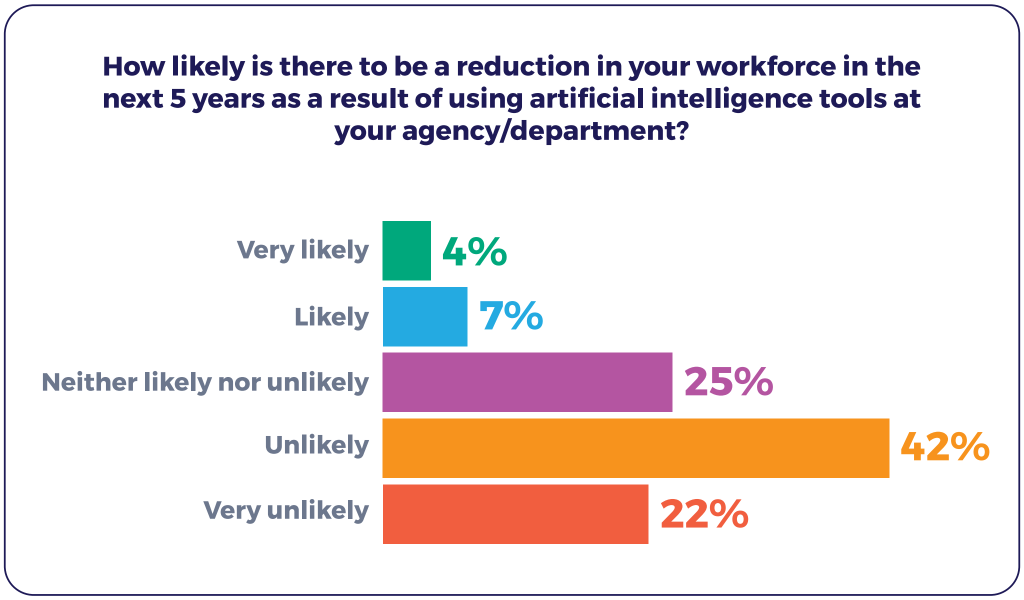


Figure 49

What, if any, aspects of artificial intelligence or predictive analytics do you use in your supervision of financial cooperatives? Select all that apply.(Not including pre-exam work or post on-site report writing, etc.)



Figures 50



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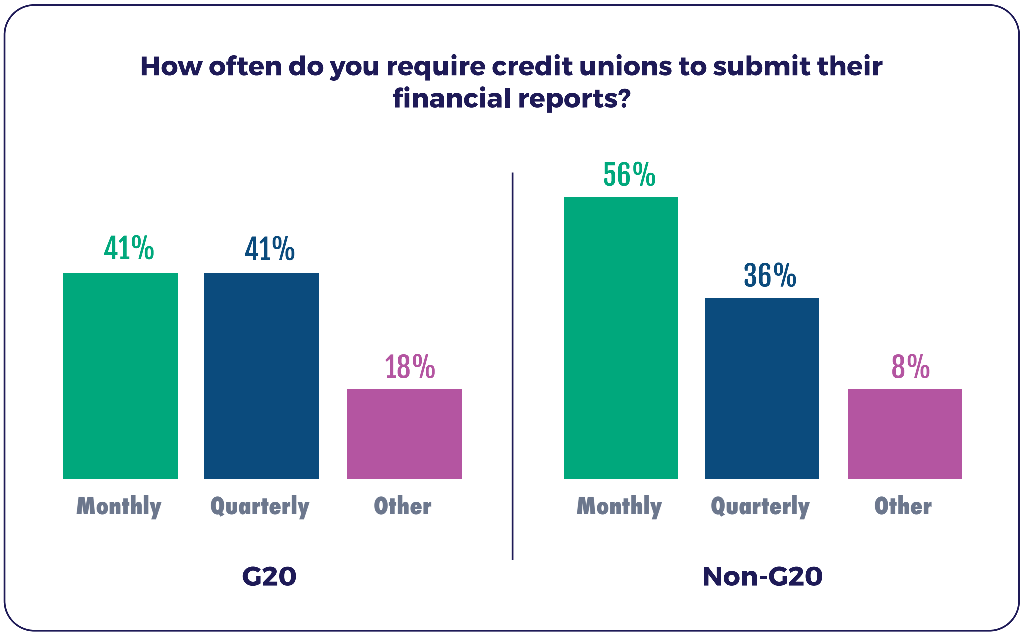

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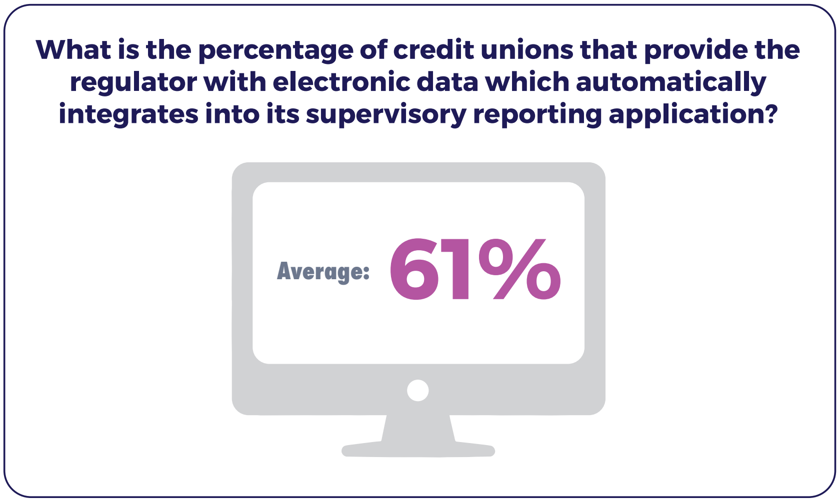

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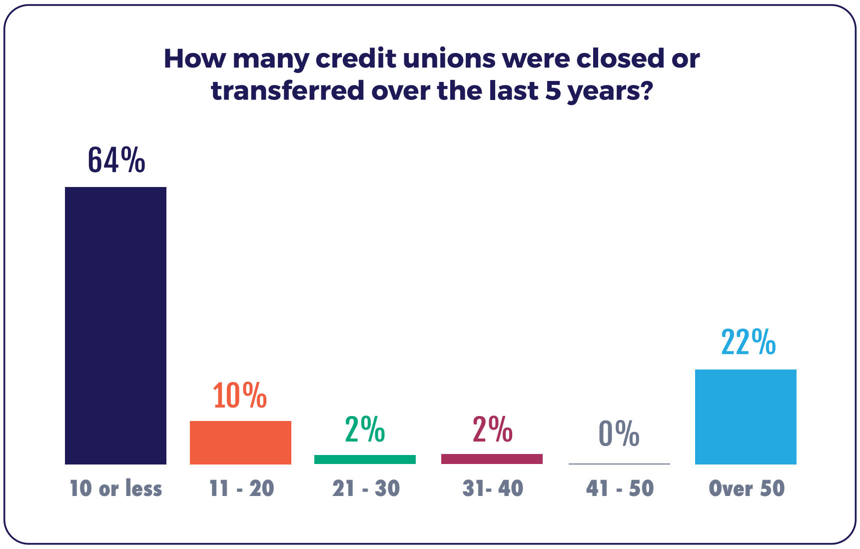

Figure 54

ICURN Engagement

The ICURN Guiding Principles for Effective Supervision have been adopted or are under consideration for adoption by two-thirds of survey respondents. Training is most needed by ICURN's non-G20 members (92%), while networking is the primary need for G20 members (76%). Additionally, both G20 (66%) and non-G20 (88%) supervisors identify their second largest need from ICURN as identification of best practices and guidelines, similar to what is provided in this report.

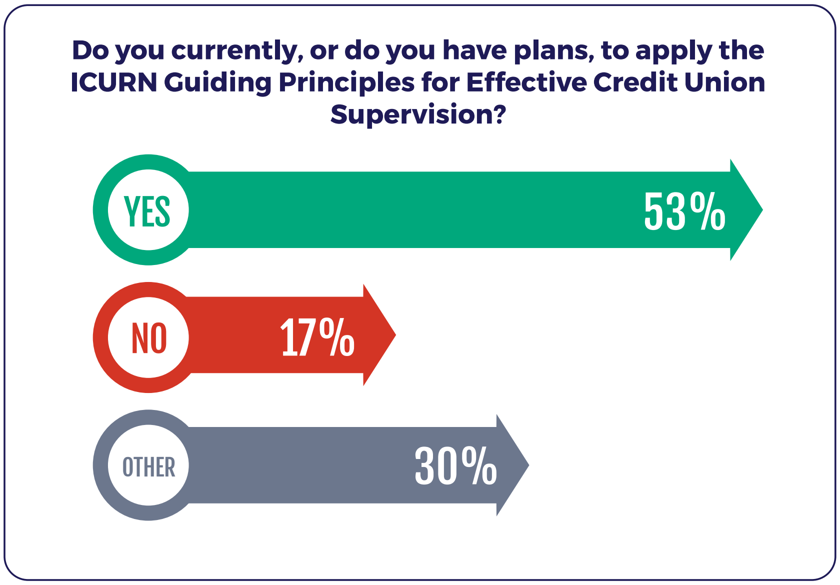

Figure 55

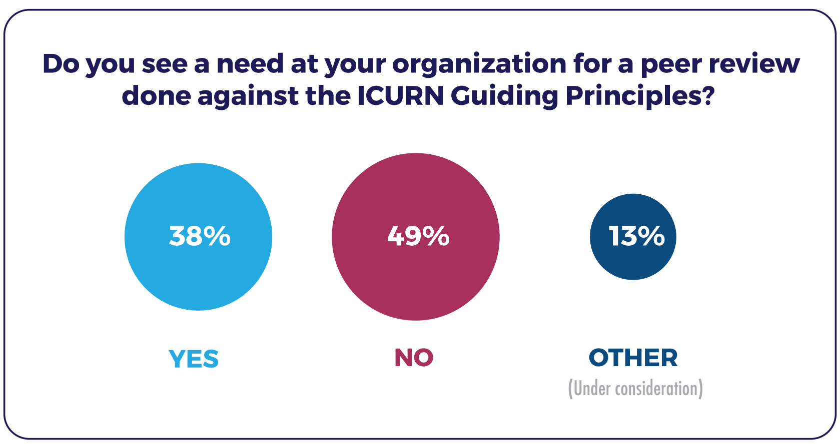

Figure 56

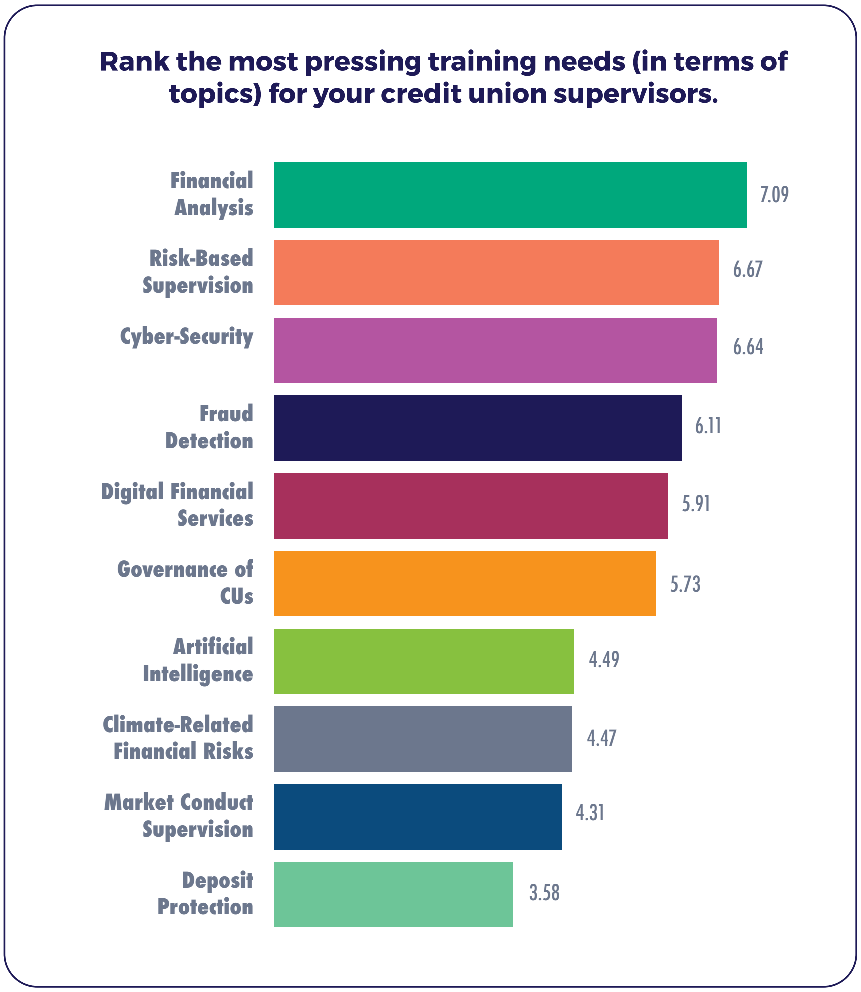
Rank the most pressing training needs (in terms of topics) for your credit union supervisors.
Financial Analysis
7.09
Risk-Based Supervision
6.67
Cyber-Security
6.64
Fraud Detection
6.11
Digital Financial Services
5.91
Governance of CUs
5.73
Artificial Intelligence
4.49
Climate-Related Financial Risks
4.47
Market Conduct Supervision
4.31
Deposit Protection
3.58

Figure 55

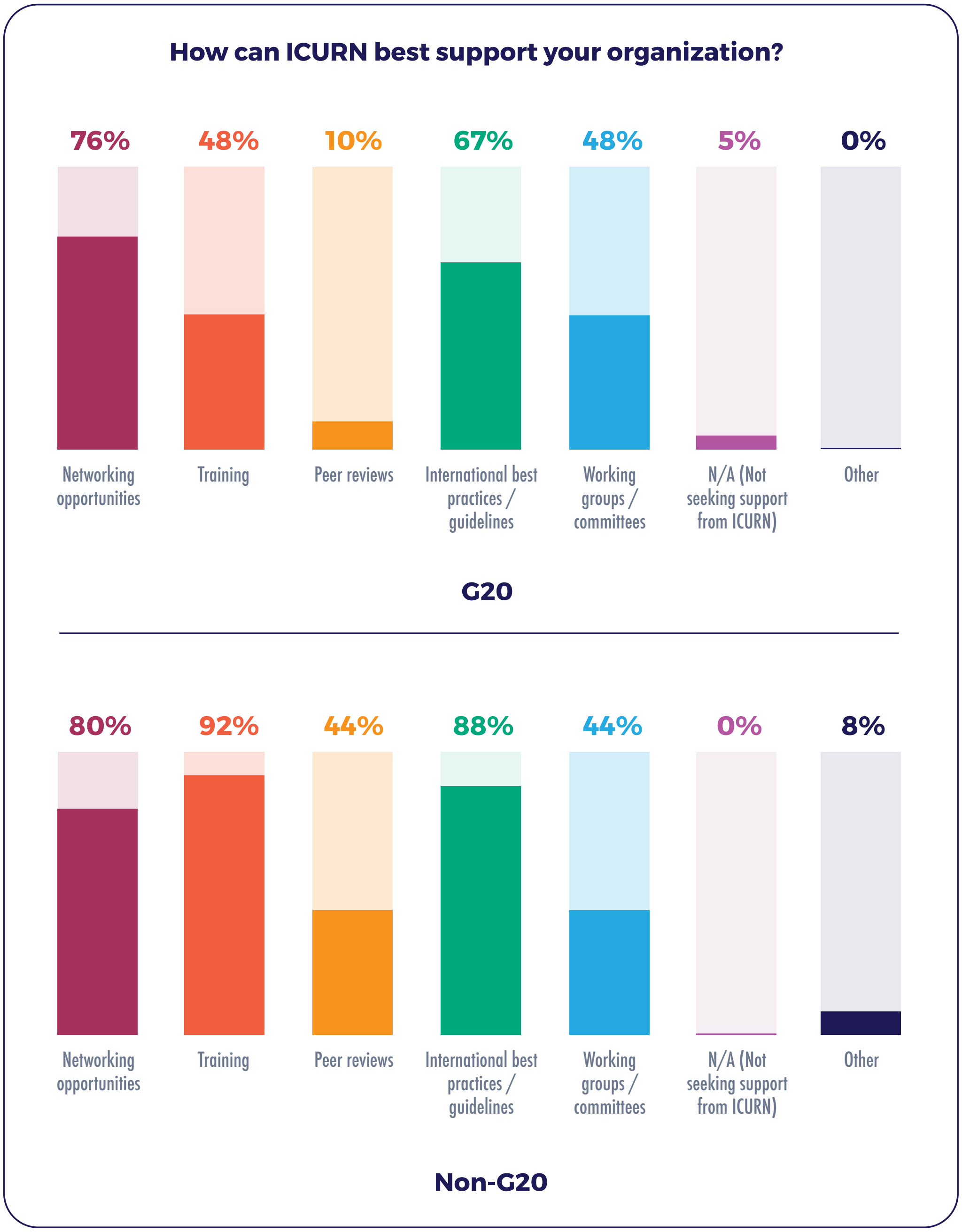
How can ICURN best support your organization?
76%
48%
10%
67%
48%
5%
0%
Networking opportunities
Training
Peer reviews
International best practices / guidelines
Working groups / committees
N/A (Not seeking support from ICURN)
Other
G20
80%
92%
44%
88%
44%
0%
8%
Networking opportunities
Training
Peer reviews
International best practices / guidelines
Working groups / committees
N/A (Not seeking support from ICURN)
Other
Non-G20

Figure 56

Scope and Methodology of Survey

Between February and May 2024 supervisors from 46 jurisdictions across 33 countries participated in the 64-question survey. Conducted on-line and designed by ICURN with input from its members, the survey aims to help supervisors benchmark their local settings against their global peers. This survey updates the 2019 baseline data to identify future trends and areas for further advancement. Similar surveys were conducted by ICURN in 2019 and 2006, but the 2024 survey is the largest to date, with a 48% increase in responses compared to 2019 and a 30% increase in questions. In 2024, 75% of respondents had also responded to the survey in 2019 allowing for a high degree of comparability. Most of the growth in new responses came from Latin America and the Caribbean, accounting for 35% of all respondents. The survey was also administered in Spanish as well as English.

The 64-question survey was organized according to the ICURN Guiding Principles for Effective Supervision of Financial Cooperative Institutions, which continues to gain traction globally. The survey covered the following areas: Demographic Background, Principle I: Registration and Licensing of Credit Unions, Principle II: Credit union structures and organization, Principle III: Prudential Requirements, Principle IV: Supervisory Powers, Responsibilities and Approach.

The 46 responses came from six continents with the following global distribution: 9 from Africa, 3 from Europe, 5 from the Asia-Pacific, 13 from North America and 16 from Latin America and Caribbean. For a complete list of respondents, see Annex 1.

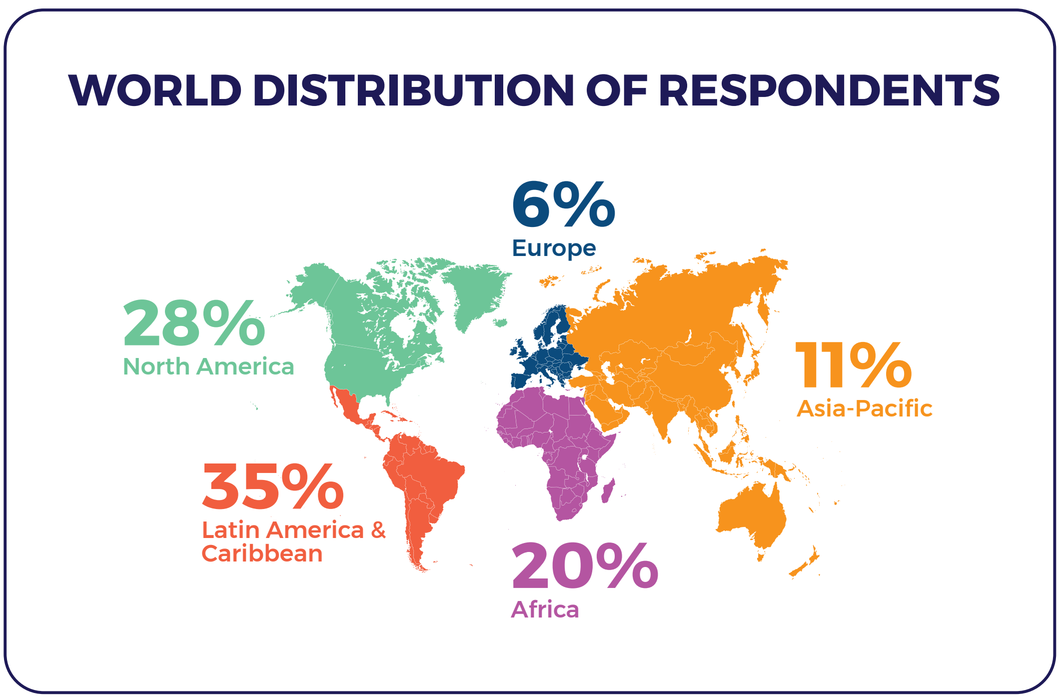

Figure 57

Annex 1: Survey Respondents

Country, Province	Organization
Antigua and Barbuda	Financial Services Regulatory Commission
Australia	Australian Prudential Regulatory Authority
Barbados	Financial Services Commission
Belize	Central Bank of Belize
Brazil	Banco Central do Brasil
Canada, Alberta	Credit Union Deposit Guarantee Corporation
Canada, British Columbia	BC Financial Services Authority
Canada, Manitoba	Deposit Guarantee Corporation of Manitoba
Canada, New Brunswick	Financial and Consumer Services Commission of New Brunswick
Canada, Newfoundland & Labrador	Credit Union Deposit Guarantee Corporation of NL
Canada, Nova Scotia	Nova Scotia Credit Union Deposit Insurance Corporation
Canada, Ontario	Financial Services Regulatory Authority of Ontario
Canada, Ottawa	Office of the Superintendent of Financial Institutions
Canada, Prince Edward	Prince Edward Island Credit Union Deposit Insurance Corporation
Canada, Québec	Financial Markets Authority
Canada, Saskatchewan	Credit Union Deposit Guarantee Corporation - Saskatchewan
Ecuador	Superintendent of Popular and Solidarity Economy
Eswatini	Financial Services Regulatory Authority
Guatemala	MICOOOPE Guarantee Fund Administrator
Haiti	Republic Bank of Haiti
India	Reserve Bank of India
Ireland	Central Bank of Ireland
Kenya	SACCO Societies Regulatory Authority
Kyrgyz Republic	National Bank of Kyrgyz Republic
Lesotho	Ministry of Trade, Department of Cooperatives
Malawi	Reserve Bank of Malawi
Mexico	Trust Fund for Auxiliary Supervision of Cooperative Savings Societies and Protection of their Savers
Mongolia	Financial Regulatory Commission of Mongolia
Paraguay	National Institute of Cooperatives
Peru	Superintendent of Banking Insurance and APF

Annex 1: Survey Respondents

Rwanda........National Bank of Rwanda
Seychelles........The Central Bank of Seychelles
South Africa........South African Reserve Bank: Prudential Authority
South Korea........Financial Supervisory Service
St Lucia........Financial Services Regulatory Authority
St. Kitts........Financial Services Regulatory Commission
St. Vincent and the Grenadines........Financial Service Authority
The Bahamas........The Central Bank of The Bahamas
Trinidad & Tobago........Co-operative Development Division
Turks & Caicos Islands........Financial Services Commission
Uganda........Uganda Microfinance Regulatory Authority
Uganda........Bank of Uganda
Ukraine........National Bank of Ukraine
United Kingdom........Bank of England
United States of America........National Association of State Credit Union Supervisors
United States of America........National Credit Union Administration