

2020 ICURN Member Baseline Survey Results

May 2020



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.

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I: Executive Summary & Key Survey Findings

From September, 2019 through January, 2020¹ ICURN conducted its Member Baseline Survey. The purpose of the survey is to provide information for supervisors to benchmark their local settings with those of their peers from around the world. Thirty-one credit union² regulators from 22 countries on six continents participated in the 49-question survey.

Compared to the last survey conducted by ICURN in 2006 there has been a shift from credit unions being supervised by Ministries of Cooperative or Agriculture (37% in 2006 and only 10% today) to more of them being supervised by central banks (11% in 2006 and 32% today). At the same time, the percentage of credit unions supervised by independent agencies has decreased slightly (from 32% to 29%) and those supervised by a financial sector supervisory authority has remained unchanged (16%).

Data gathered for five main areas were divided into responses from G-20 and non G-20 countries in order to observe any differences that are present. The G-20 countries that participated in the survey are: Australia, Brazil, Canada, India, Ireland (EU), South Africa, United Kingdom, and the United States. In Canada, nine provincial regulators participated in the survey. In South Africa, two different organizations (one responsible for prudential and the other for market conduct supervision) took the survey. Non G-20 survey participants include: Barbados, Belize, Eswatini, Guatemala, Kenya, Kyrgyz Republic, Lesotho, Malawi, Rwanda, Seychelles, St. Vincent & the Grenadines, Uganda, Ukraine, and Vietnam.

The survey revealed clear differences but also commonalities between supervisors in G-20 and non G-20 countries. The range of issues facing supervisors are diverse, however, there are several shared issues such as their own financial pressures and increasing cyber security risks. The survey has also reported large variations in terms of access to deposit insurance, the structure of supervision, funding sources and risk-based capital standards.

This is the second time ICURN has conducted such a survey with the first being done in 2006. ICURN will continue to periodically poll its members (with a possible increase in frequency) to aid in benchmarking, identify future trends and needs for further advancement.

1. Note that the survey was conducted before the onset of COVID-19.

2. The term “credit union” is used here to also refer to savings and credit cooperatives, cooperative banks and other financial cooperatives.

Key Survey Findings

1. Issues Supervisors Face³

The range of issues facing supervisors are as diverse as the ICURN membership itself. Nonetheless, we can see several common issues which include: 1) their own financial constraints, 2) cyber security, and 3) attracting and retaining talent (see p. 14). When breaking responses down into G-20 and non G-20 groups, it is evident that attracting talent is primarily a concern for G-20 countries. In non G-20 countries legal/regulatory systems are a more important challenge.

What are the most urgent issues that your organization faces?



Figure 1

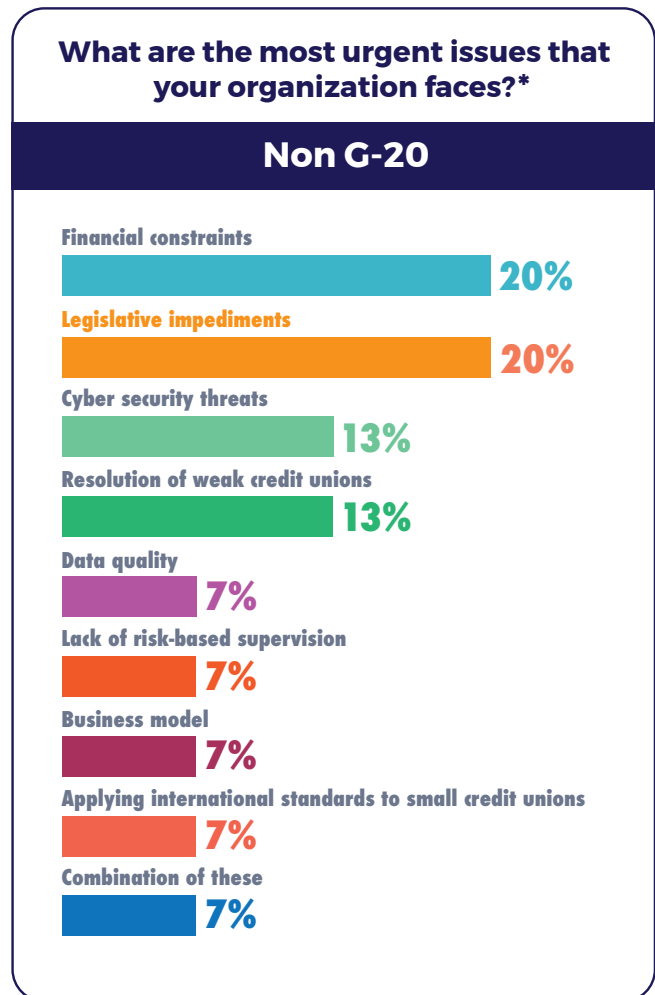


Figure 2

3. Note that the survey was conducted before the onset of COVID-19.

*Note: Percentage data does not always add to a perfect 100% due to the fact that each percentage was rounded to the nearest whole number.

2. Capital

For all the time and much ink spilled on Basel over the years, not using any risk weighting remains the predominant method to calculate credit union capital requirements. Even among G-20 supervisors only 56% use risk-based capital standards. In addition, the two main forms of capital are still retained earnings and member shares. There is surprisingly little uptake of subordinated debt and preferred shares as permitted forms of regulatory capital even as broader corporate debt markets have grown.

Section VI on Capital Framework provides data on the minimum amount of capital a new credit union must have to obtain a license (Figure 35 on p. 22) that shows 50% of respondents have no set minimum amount required. The same section offers additional details on the minimum capital adequacy ratio and which approach (i.e., standardized or international ratings-based) supervisors have taken to Basel capital standards.

Did you implement a risk-based capital standard among credit unions?



Figure 3

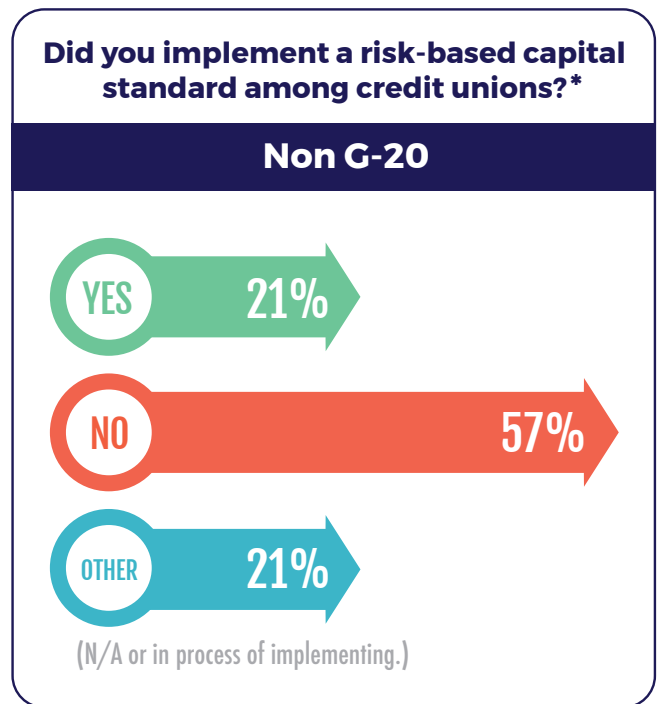


Figure 4

*Note: Percentage data does not always add to a perfect 100% due to the fact that each percentage was rounded to the nearest whole number.

3. Deposit Insurance

For banks, deposit insurance systems are active in 144 countries. For credit unions, 42% of the surveyed jurisdictions globally do not yet have access to deposit insurance (see p. 26). This area shows the biggest variance between the G-20 and non G-20 countries. Nearly 80% of non G-20 countries lack deposit insurance and 88% of G-20 jurisdictions do have deposit insurance for credit unions. Of those who do have deposit insurance, 53% of institutions take over five weeks to pay depositors when a failure occurs (see p. 29).

Do credit unions have deposit insurance in your country?

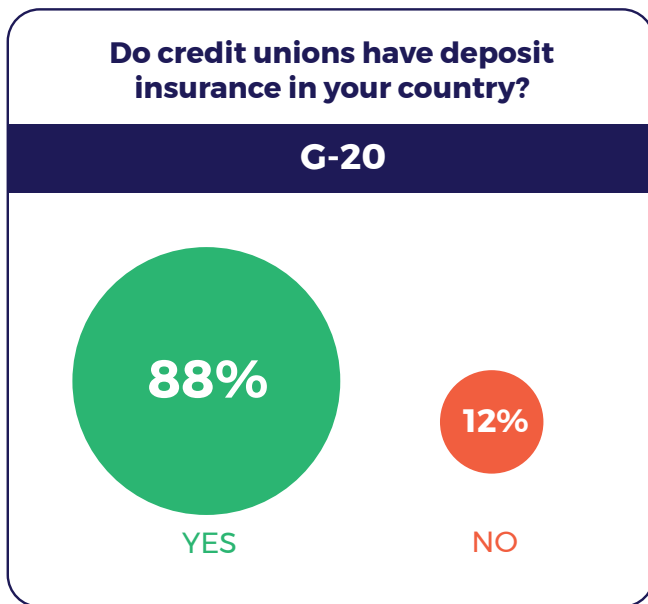


Figure 5

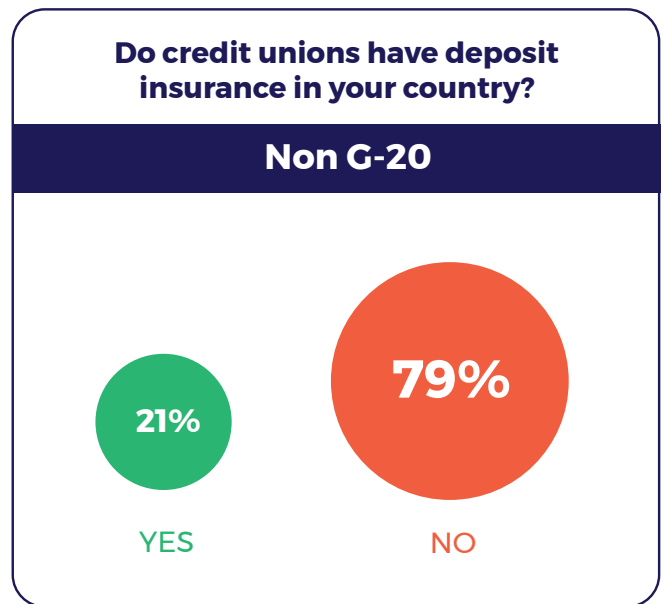


Figure 6

4. Funding Model

The survey shows a variety of structures for funding the supervision of credit unions. However, the funding model is clearly trending toward relying less on government allocation of resources, which is 16% overall (see p. 12) and down from 35% when surveyed in 2006. Today supervisors are relying much more on internally generated resources and the supervised entities to pay the full cost of supervision, even though the survey shows that 68% of supervisors do not assess fees on a risk-basis (see p. 12).

How is your regulatory agency paid for?

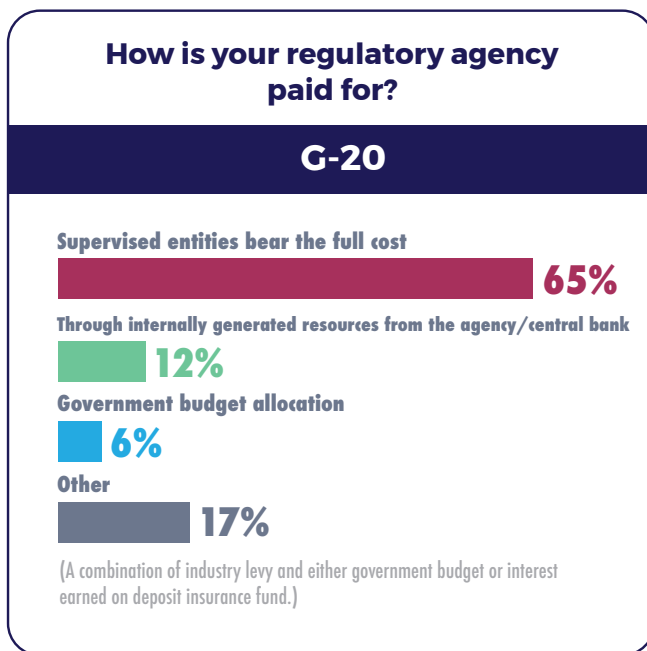


Figure 7

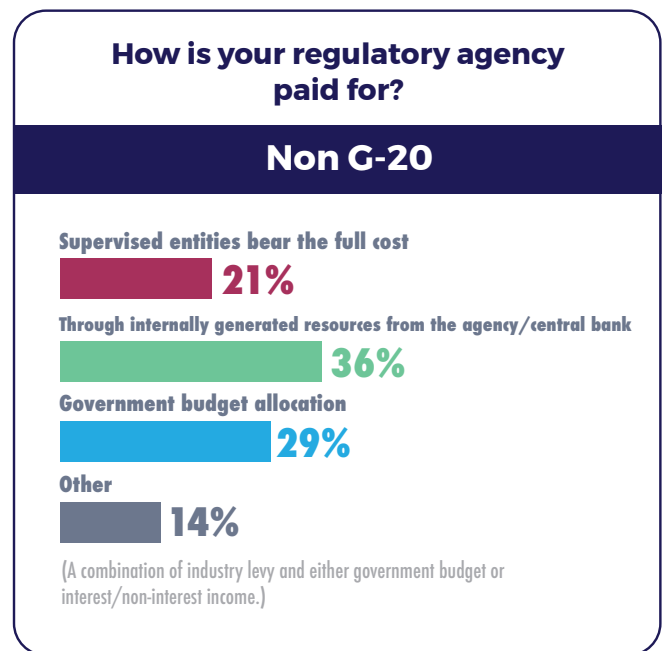


Figure 8

5. On-site Supervision

Relatively few supervisory agencies conduct on-site exams with large teams of supervisors. The survey shows 74% of regulators send up to 3 supervisors to conduct on-site exams (see p. 18). While the “gold standard” traditionally has been to visit a credit union every 12 months, the range of practice shows no clear norm: on-site exams generally occur between 12 to 36 months for medium-sized⁴ credit unions (see p. 17). The survey reports that the most common form of supervision is the risk-based supervisory structure and that regulators use some form of combined risk profiles to determine when to schedule on-site examinations (see p. 15). This represents a change from 14 years ago when on-site exams occurred a bit more frequently and were more driven by dates than risk-based profiles of credit unions.

Lastly, the survey identified a gap regarding cyber-security supervision, which was identified as one of their top concerns, yet 52% of respondents do not yet have regulatory requirements in place on cyber security (see p. 19).

*On average how often is a typical medium-sized credit union examined on-site?**

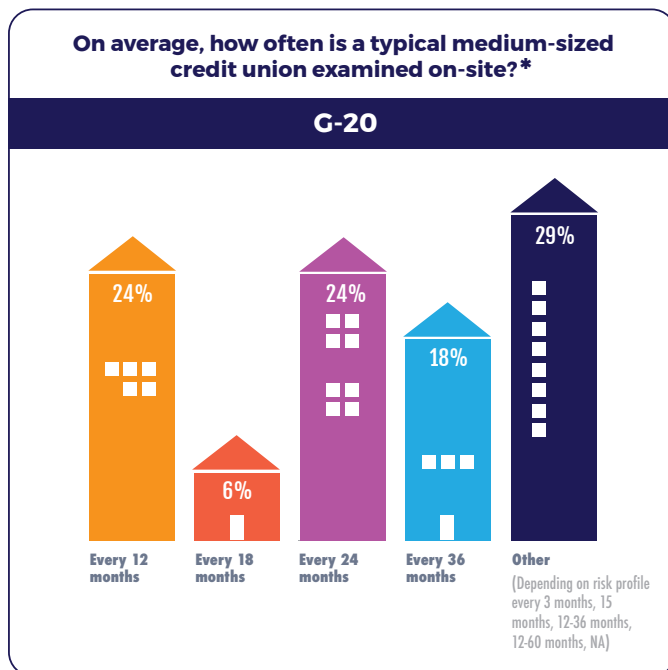


Figure 9

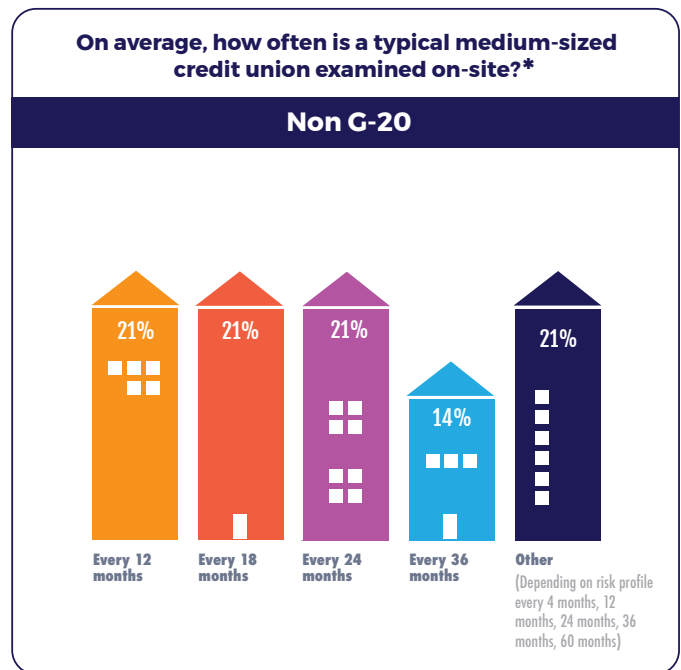


Figure 10

4. Given wide variances between countries we did not define a “medium-sized credit union” but rather let supervisors decide what that looks like in the context of their country.

*Note: Percentage data does not always add to a perfect 100% due to the fact that each percentage was rounded to the nearest whole number.

II: Scope and Methodology of Survey

In September, 2019 ICURN invited financial cooperative regulators from 60 countries and jurisdictions to participate in a 49-question Member Baseline Survey. This online survey was designed by ICURN with input from its members. Its purpose is to provide information to help supervisors benchmark their local settings with those of their peers from around the world. This survey creates an updated baseline of data to identify future trends and needs for further advancement. A similar survey was conducted by ICURN in 2006 when responses from 20 regulatory institutions were collected; 30% of the current respondents also completed the survey in 2006.

The 49 survey questions were organized into the following sections: Structure of Supervisor, Supervisory Approach, Powers and Licensing, Capital Framework, Training, Guiding Principles, Deposit Insurance, and ICURN Support. The survey occurred between September 2019 and January 2020.

A total of 31 responses from six continents were collected with the following world distribution: 9 from Africa, 3 from Europe, 4 from the Asia-Pacific area, 10 from North America and 5 from Latin America and Caribbean. For a complete list of respondents see Annex 1.

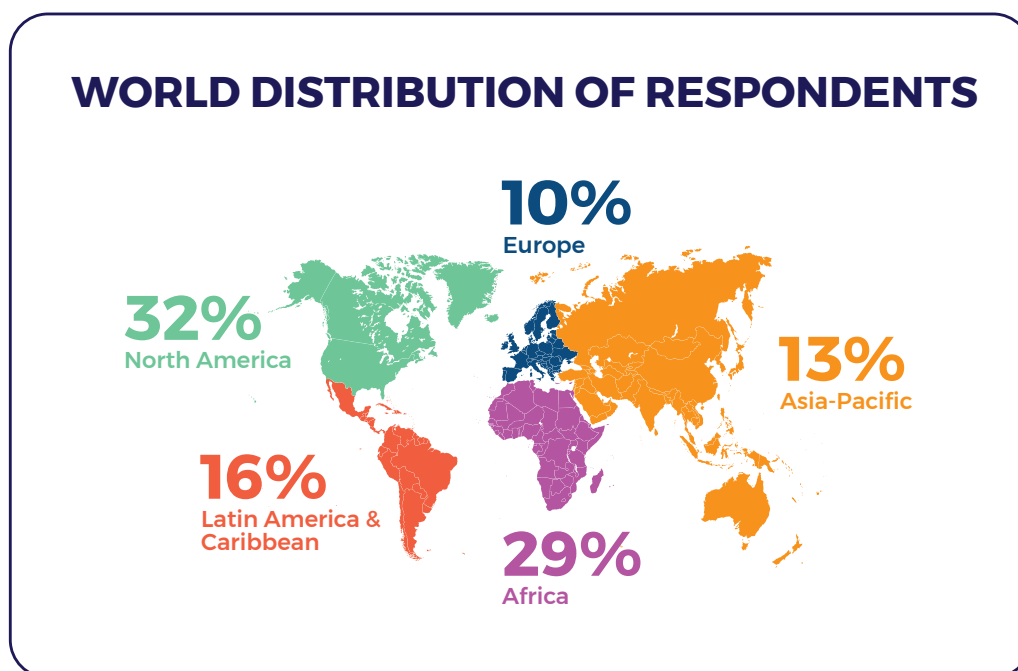


Figure 11

III: Structure of Supervisor

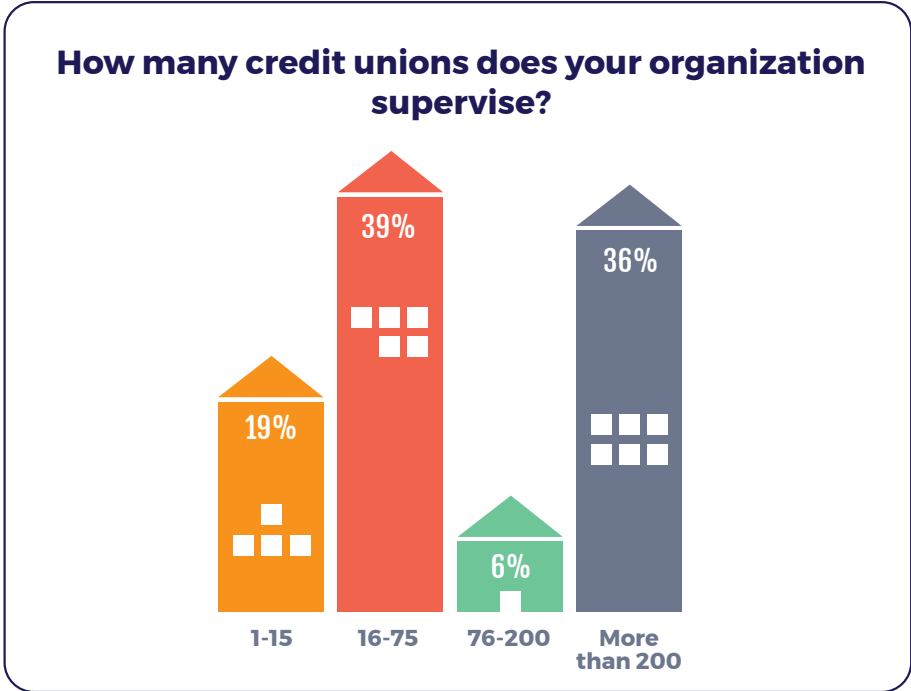


Figure 12

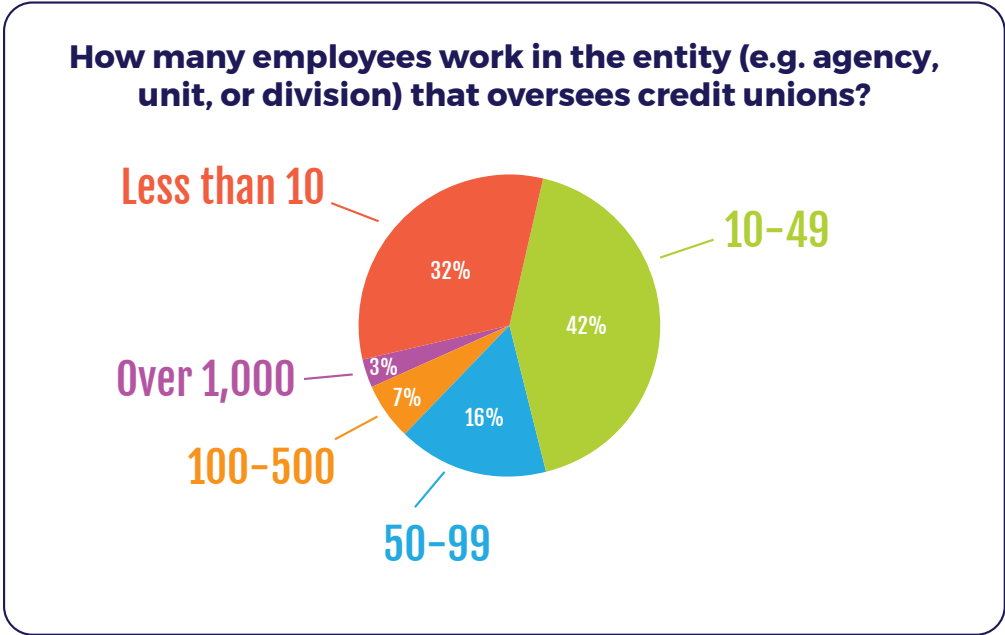


Figure 13

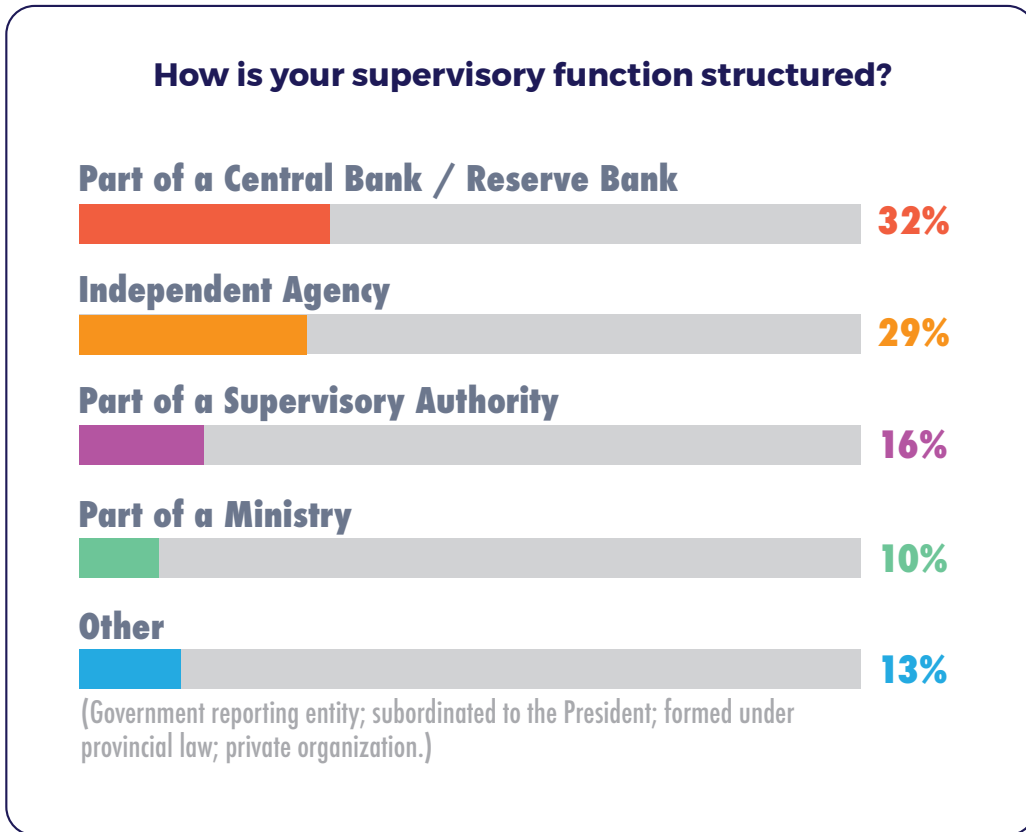


Figure 14



Figure 15

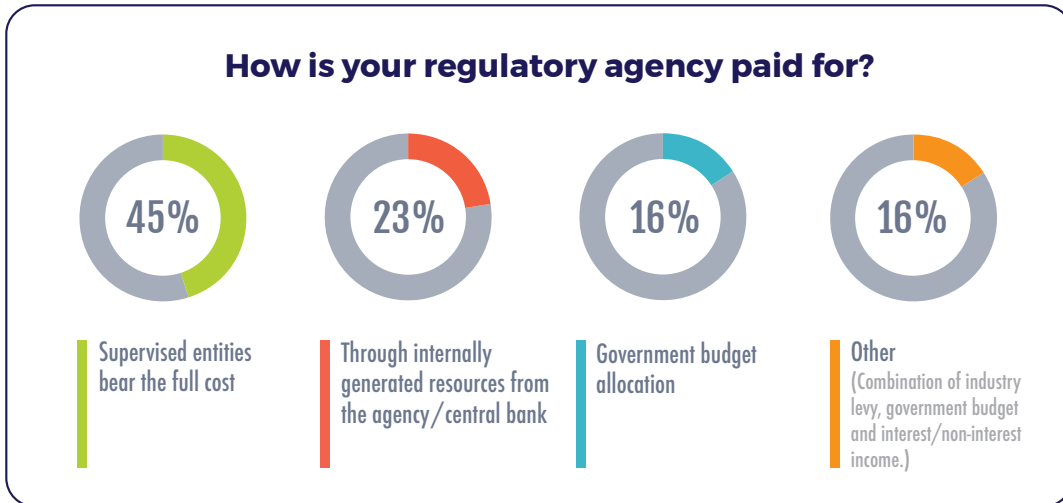


Figure 16

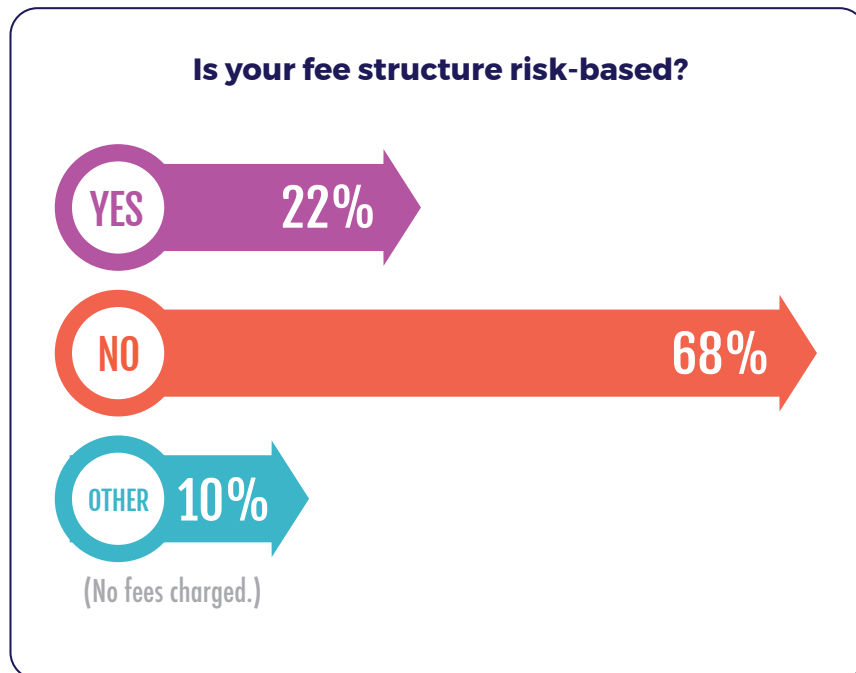


Figure 17

Is your board appointed by a government authority?*

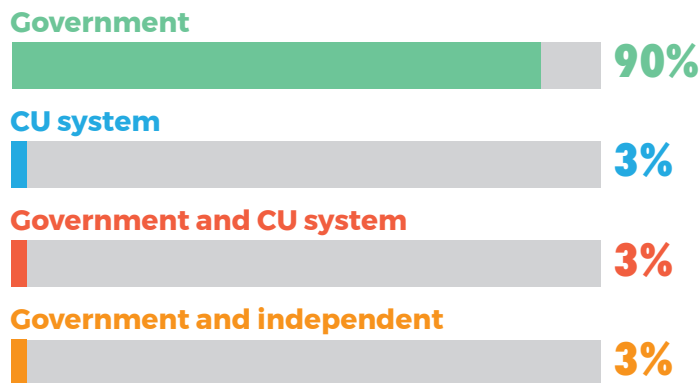


Figure 18

What are the terms of the board appointment?

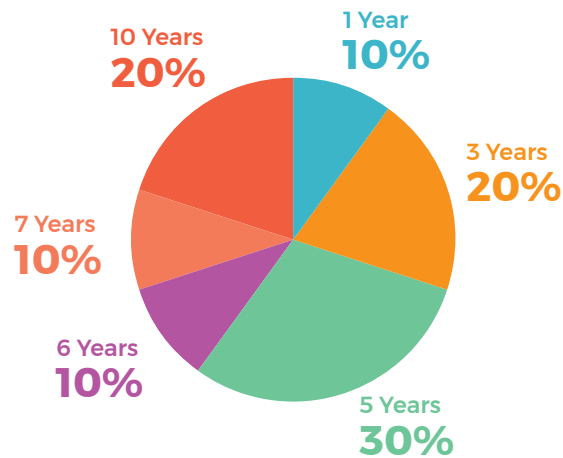
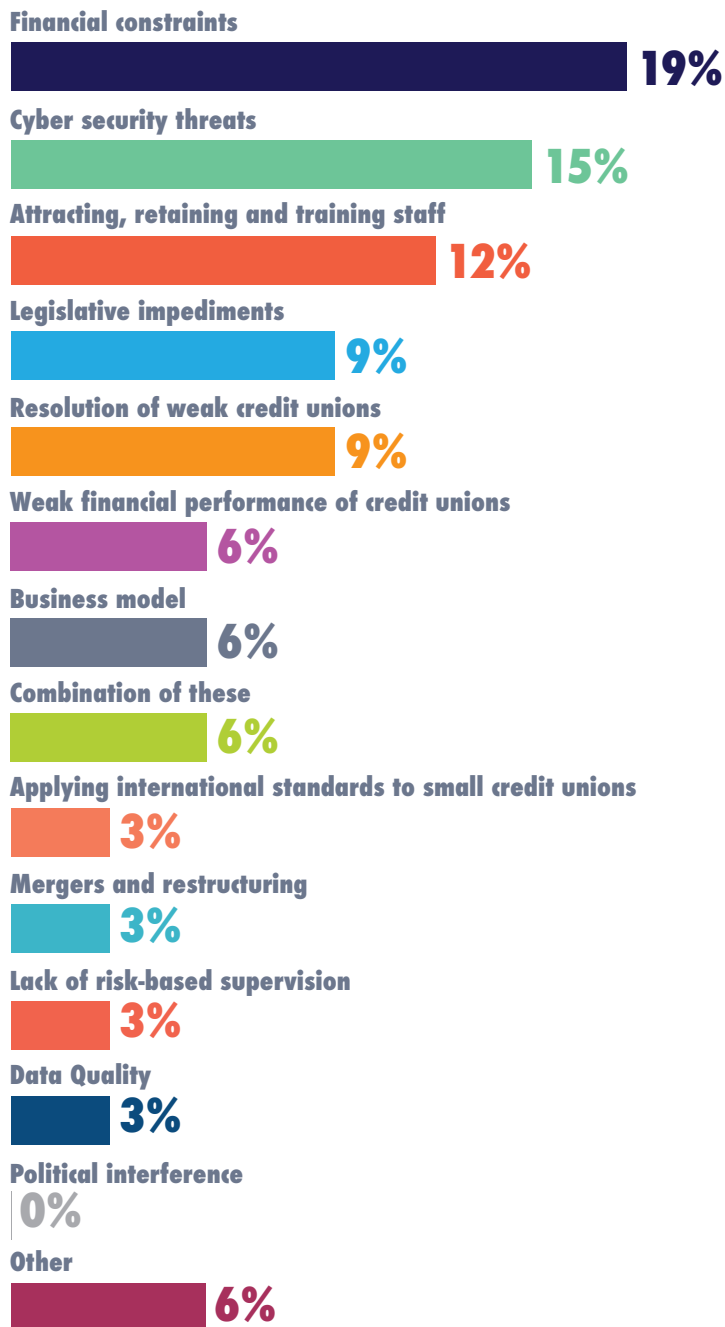


Figure 19

*Note: Percentage data does not always add to a perfect 100% due to the fact that each percentage was rounded to the nearest whole number.

What are the most urgent issues that your organization faces?



(Combination of these; responding to external reviews; complacency in CU system.)

Figure 20



IV: Supervisory Approach

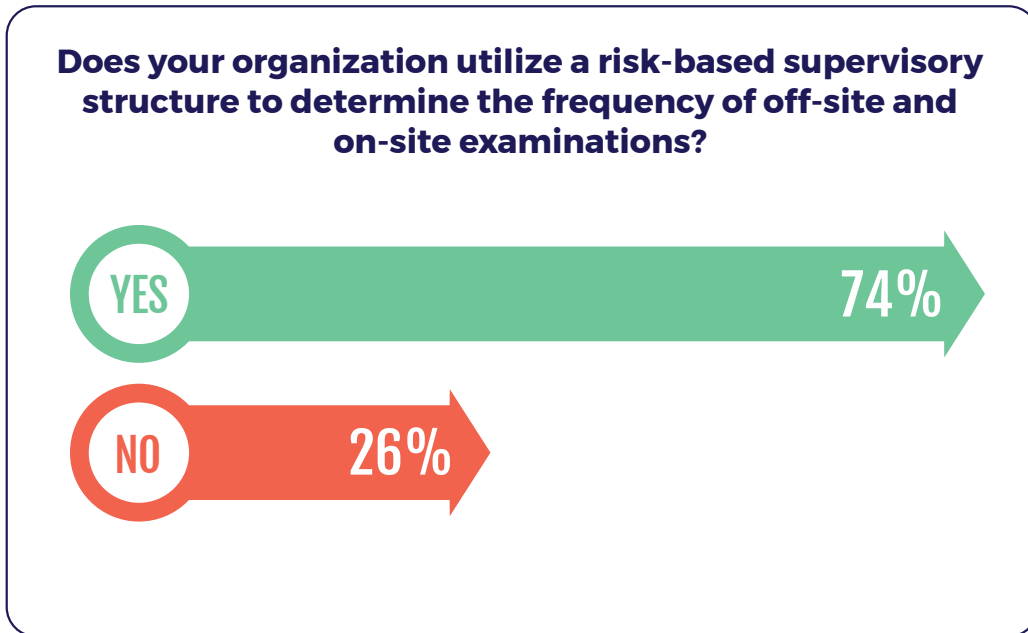


Figure 21

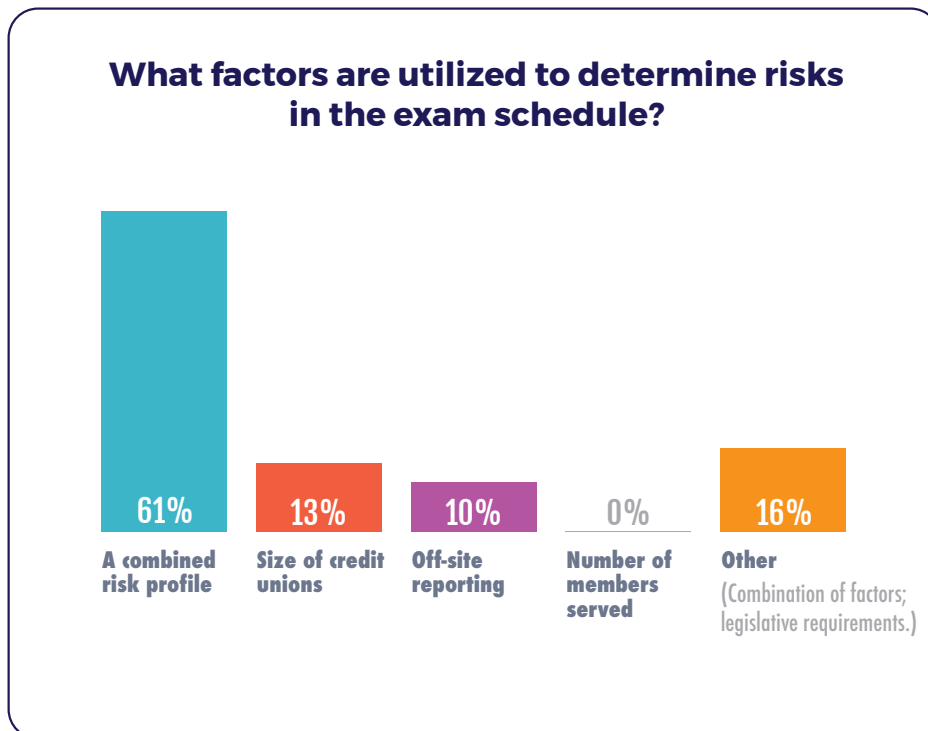


Figure 22

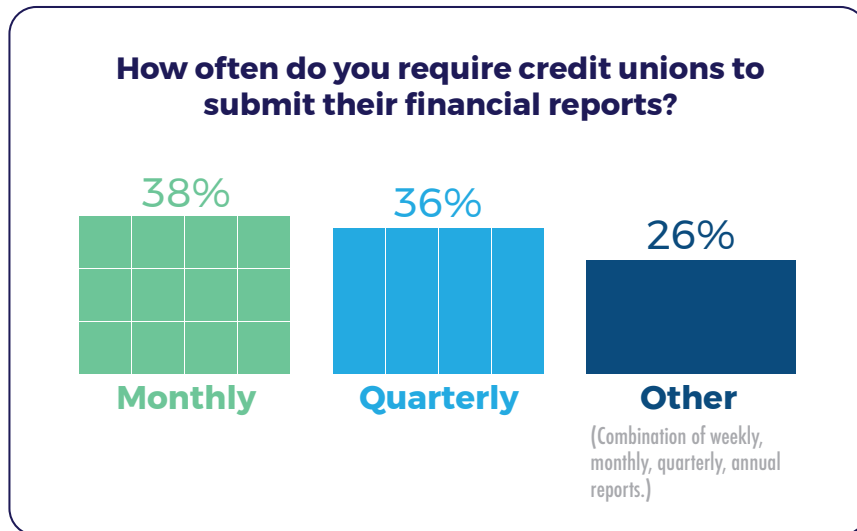


Figure 23

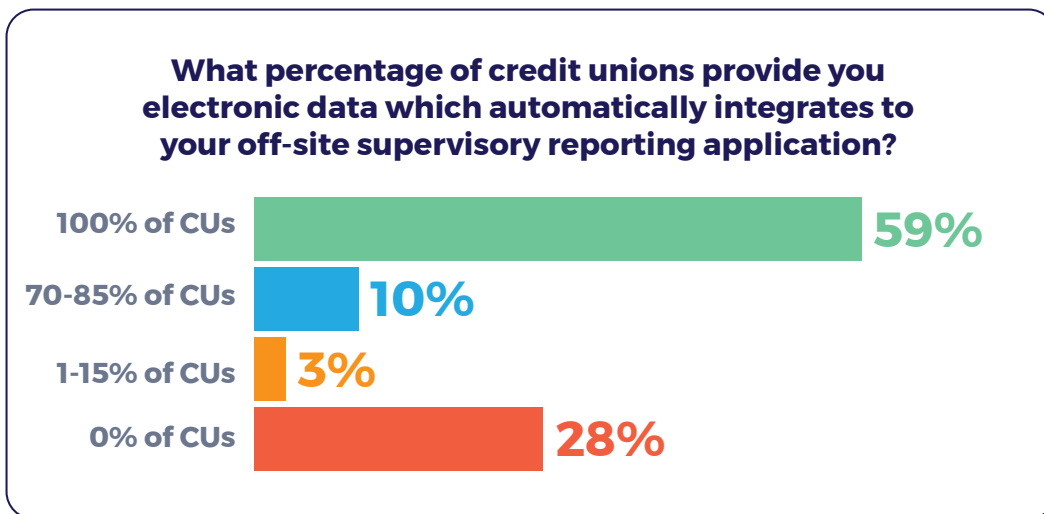


Figure 24

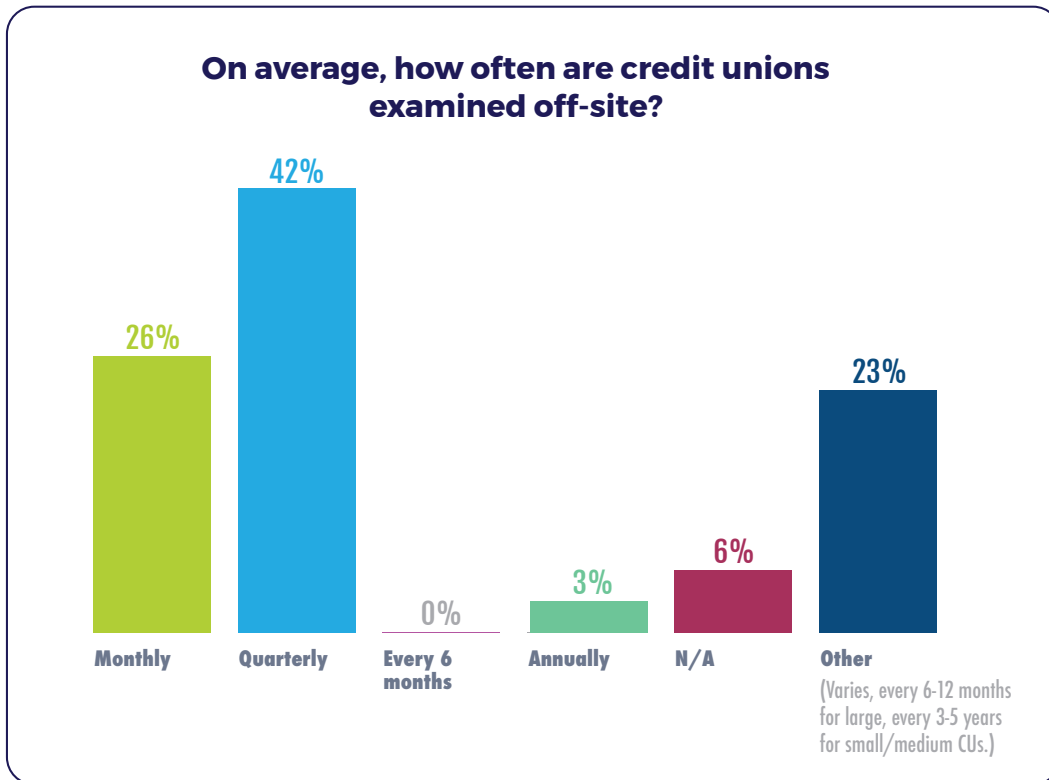


Figure 25

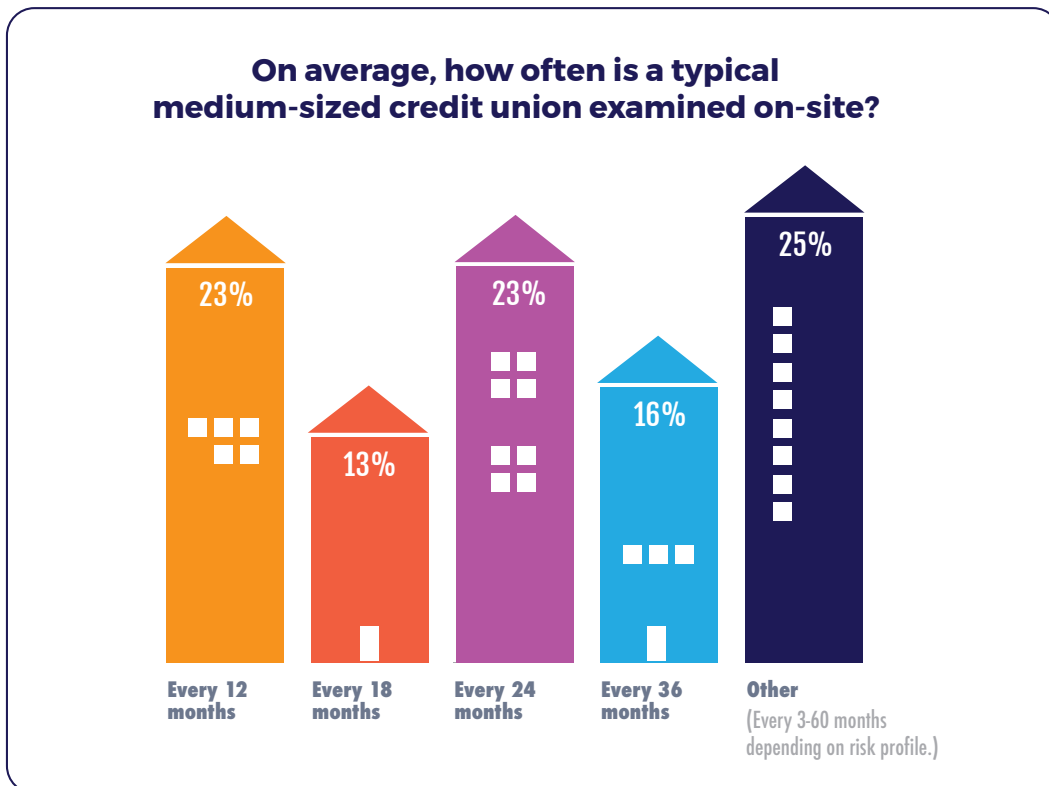


Figure 26

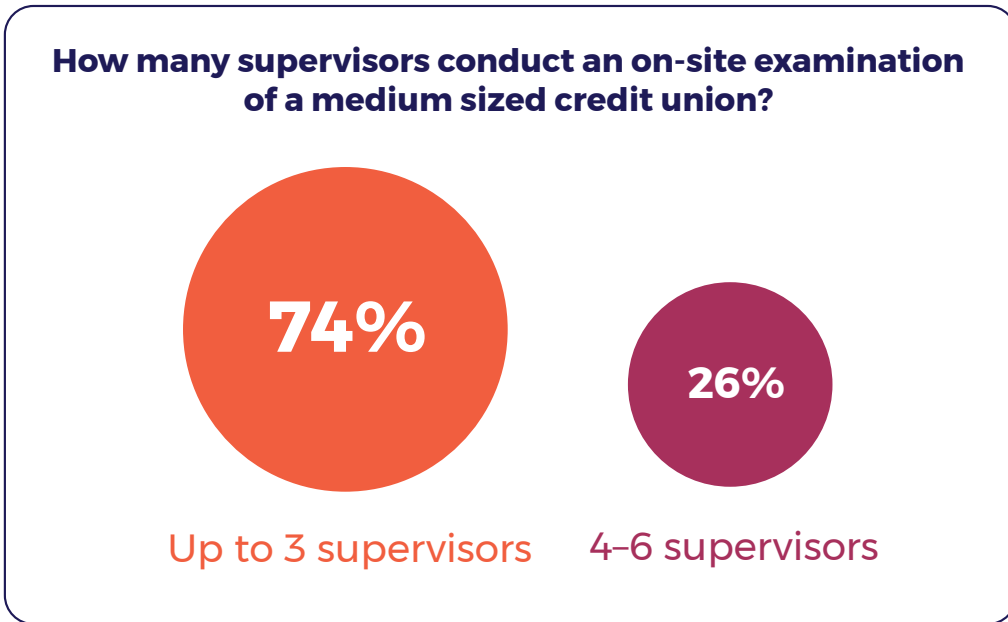


Figure 27

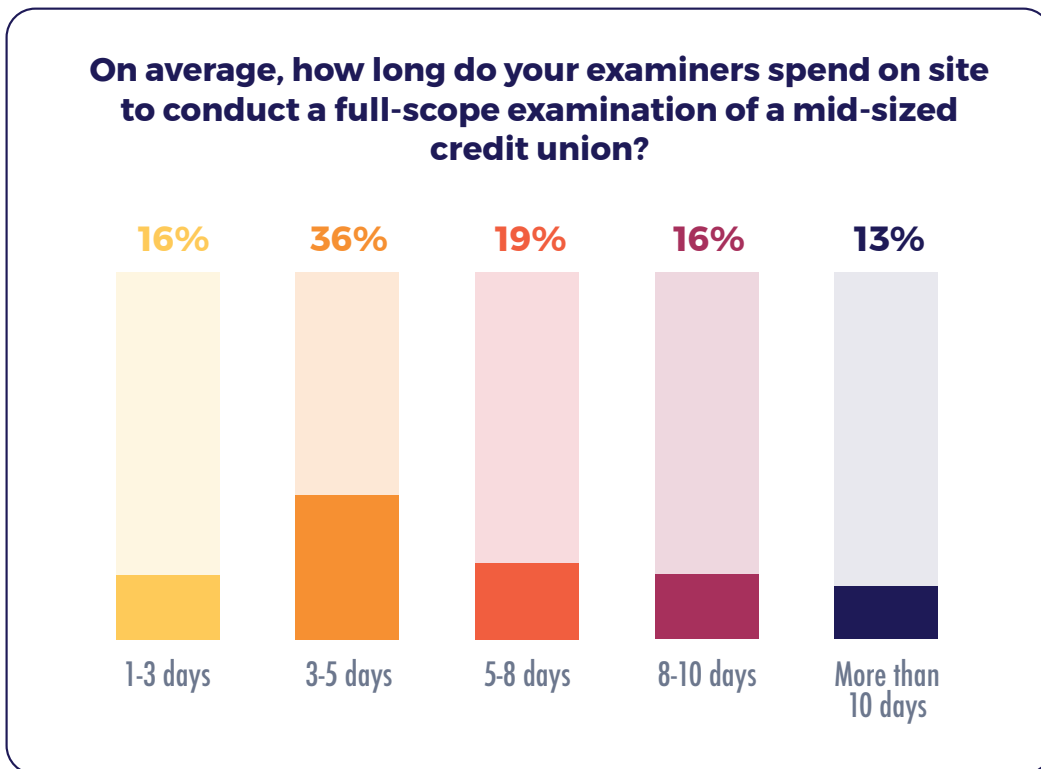


Figure 28

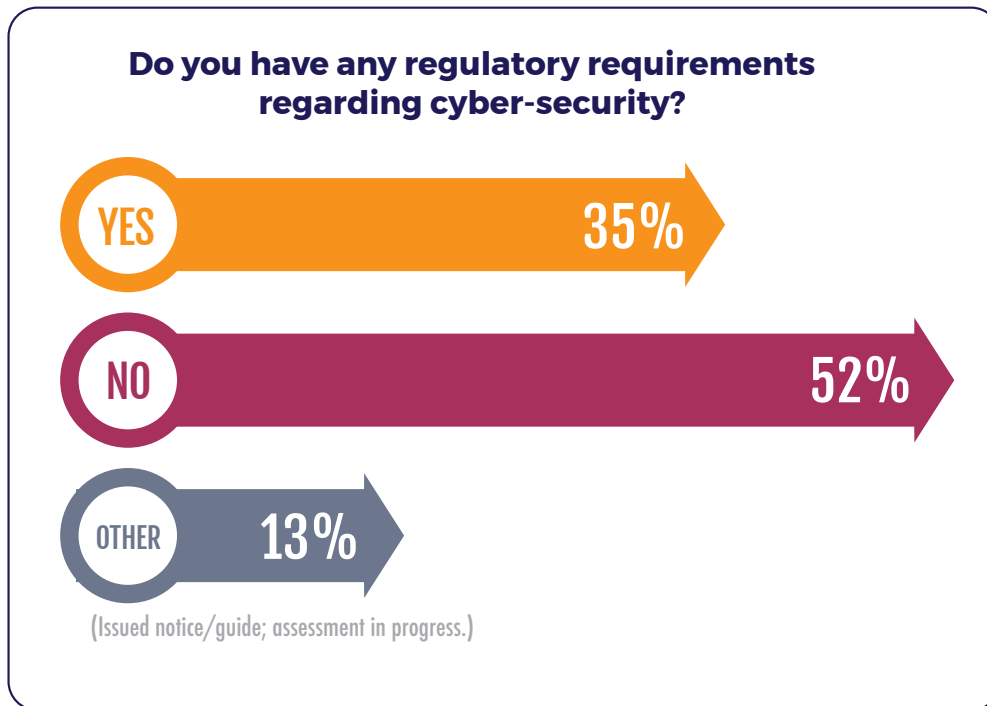


Figure 29



Figure 30

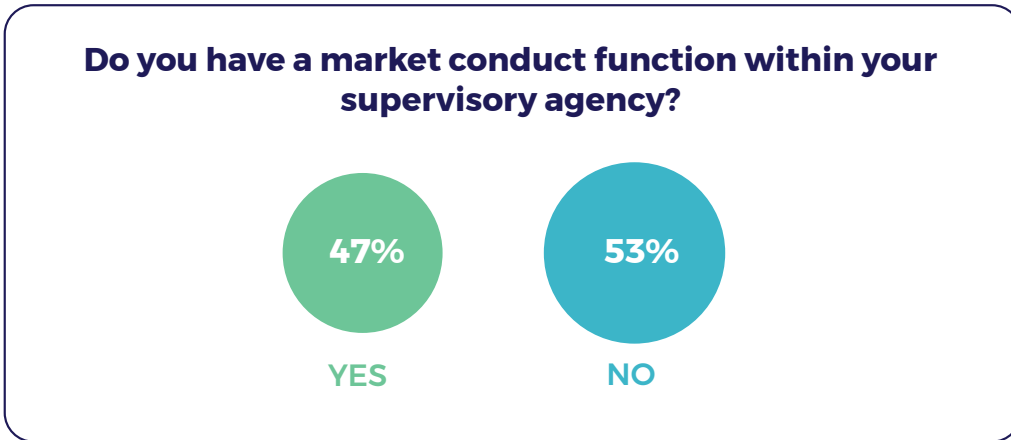


Figure 31

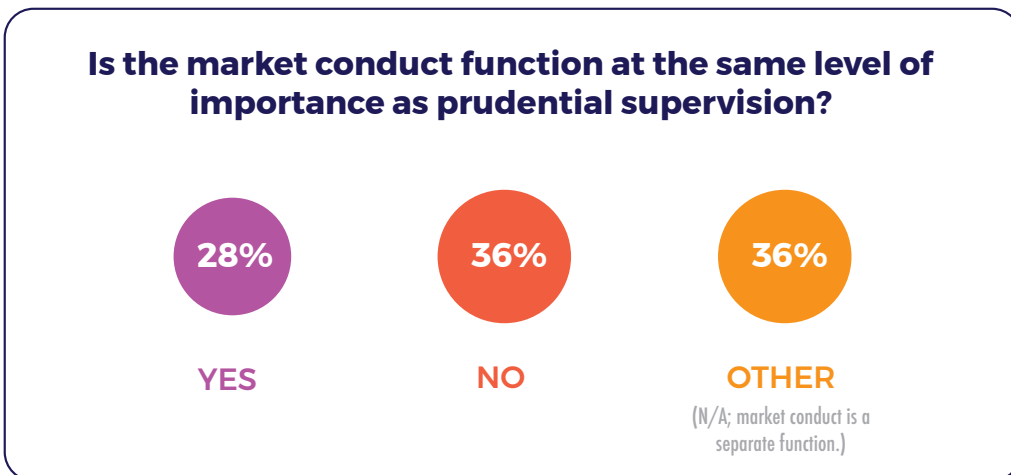


Figure 32

V: Powers and Licensing



Figure 33

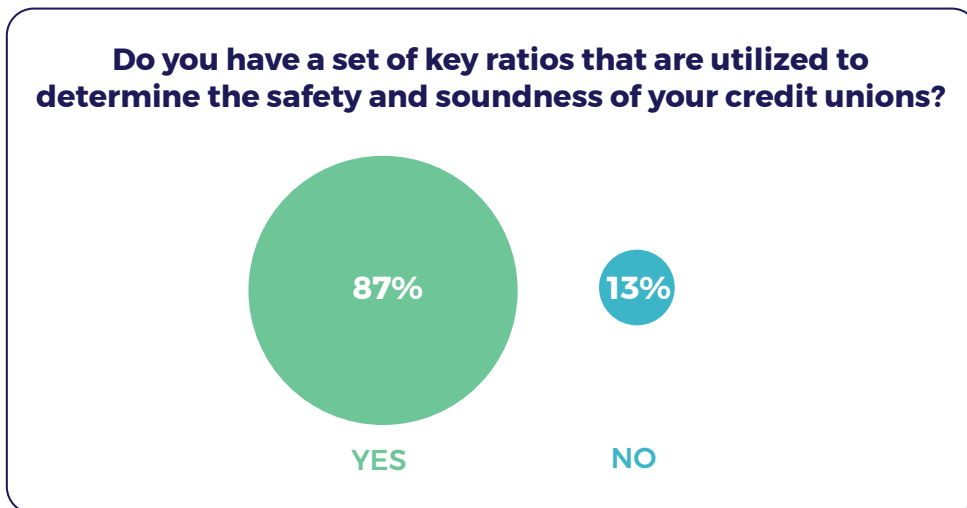


Figure 34

VI: Capital Framework

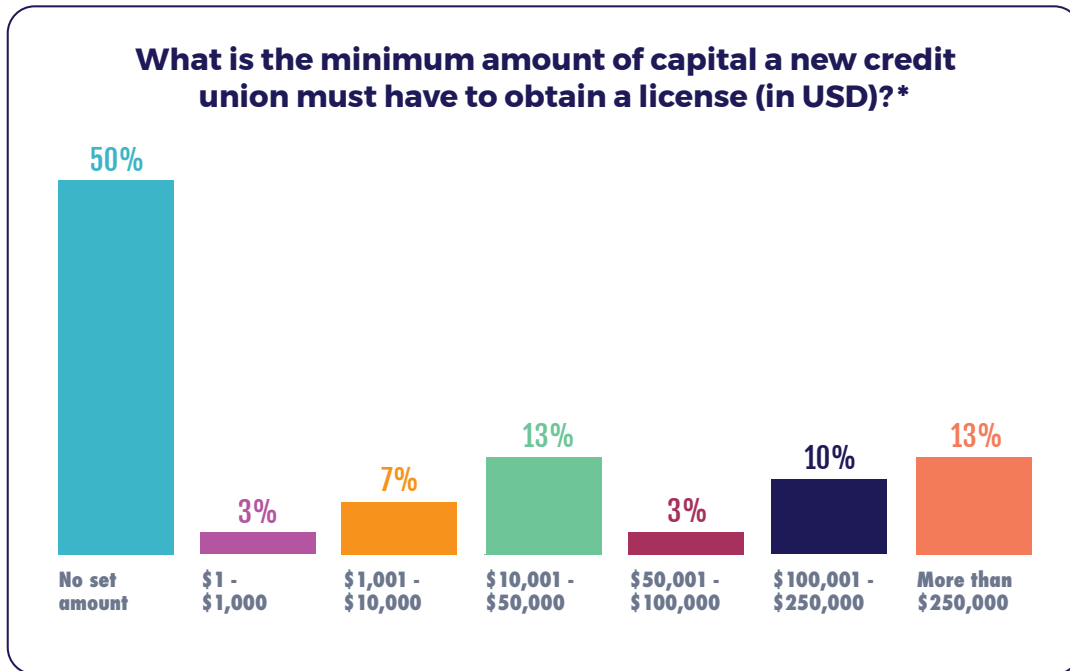


Figure 35

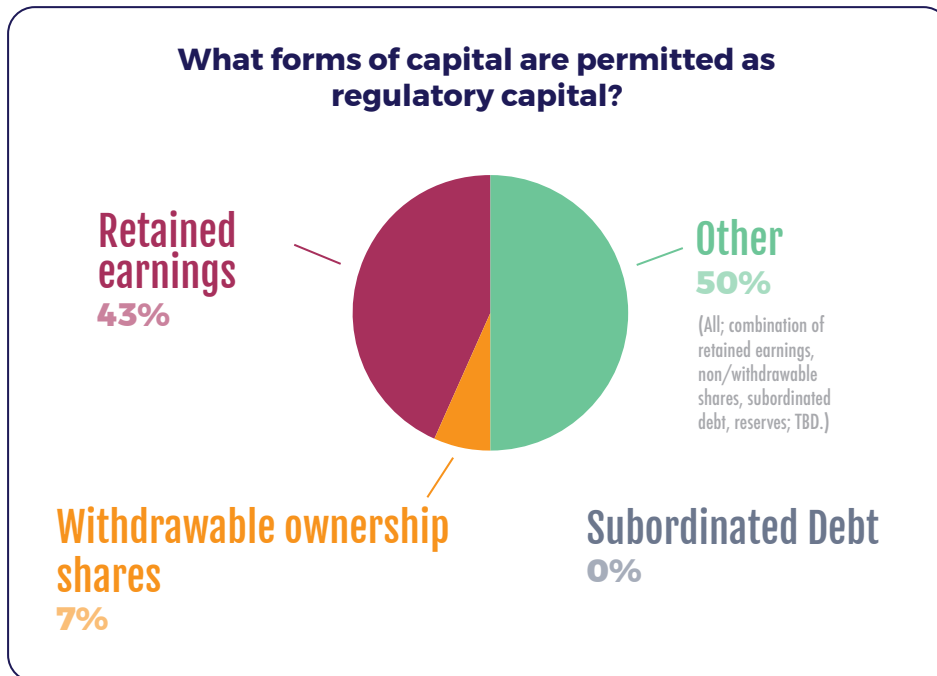


Figure 36

*Note: Percentage data does not always add to a perfect 100% due to the fact that each percentage was rounded to the nearest whole number.

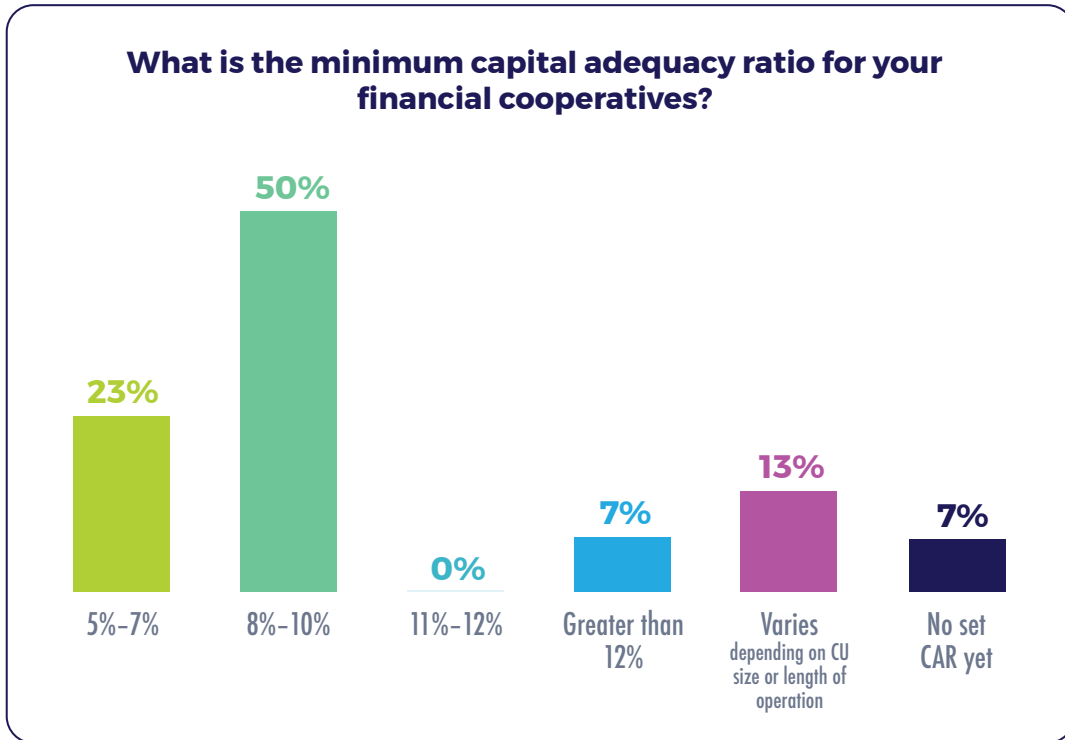


Figure 37

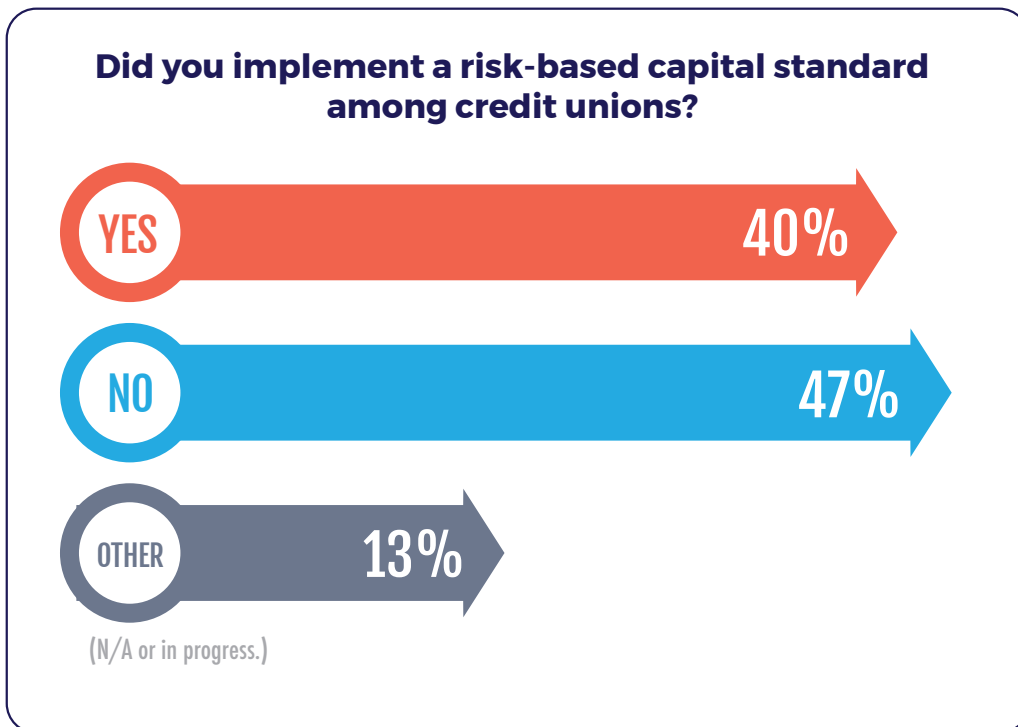


Figure 38

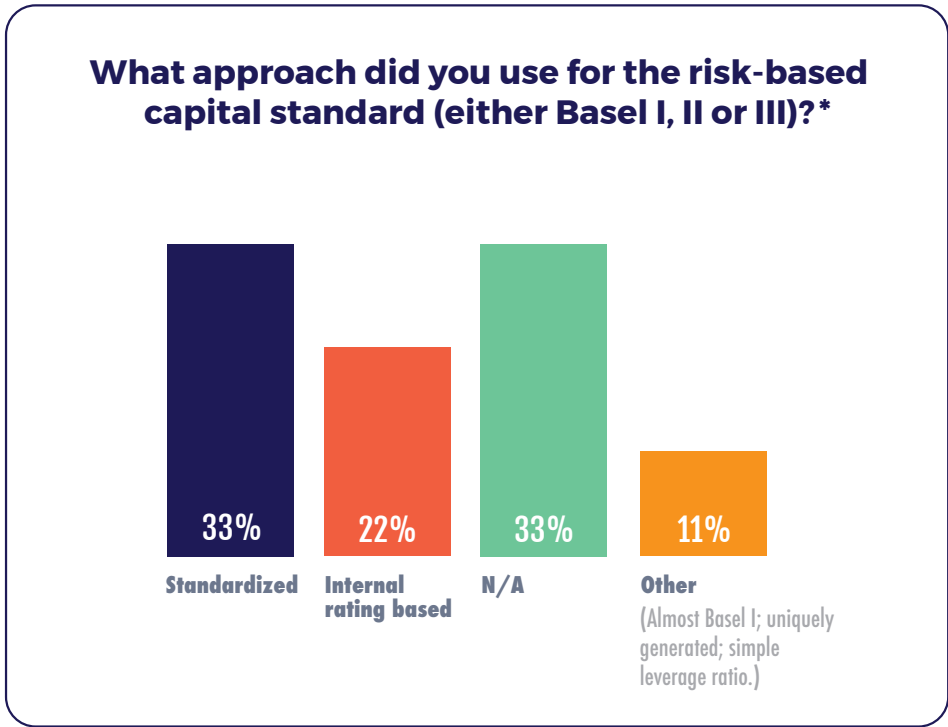


Figure 39

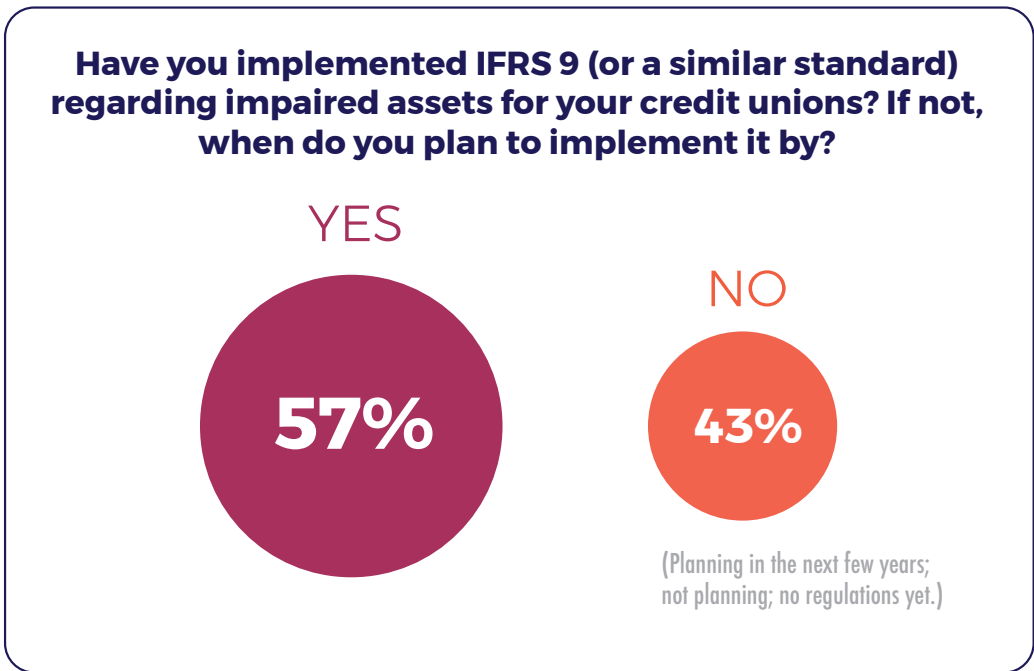


Figure 40

*Note: Percentage data does not always add to a perfect 100% due to the fact that each percentage was rounded to the nearest whole number.

VII: Training



Figure 41

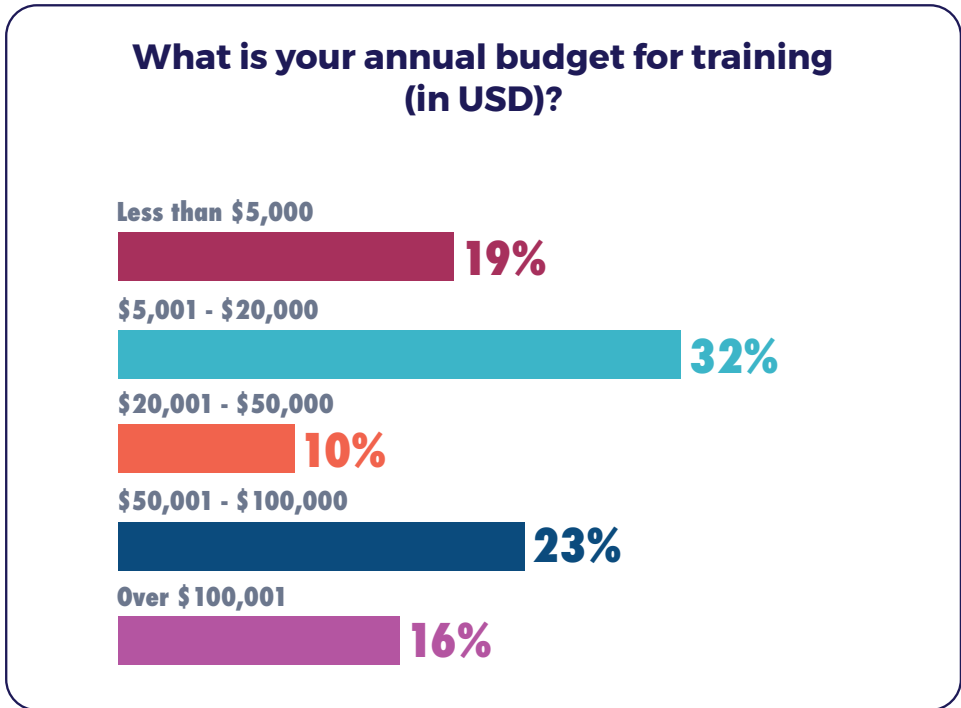


Figure 42

VIII: Deposit Insurance

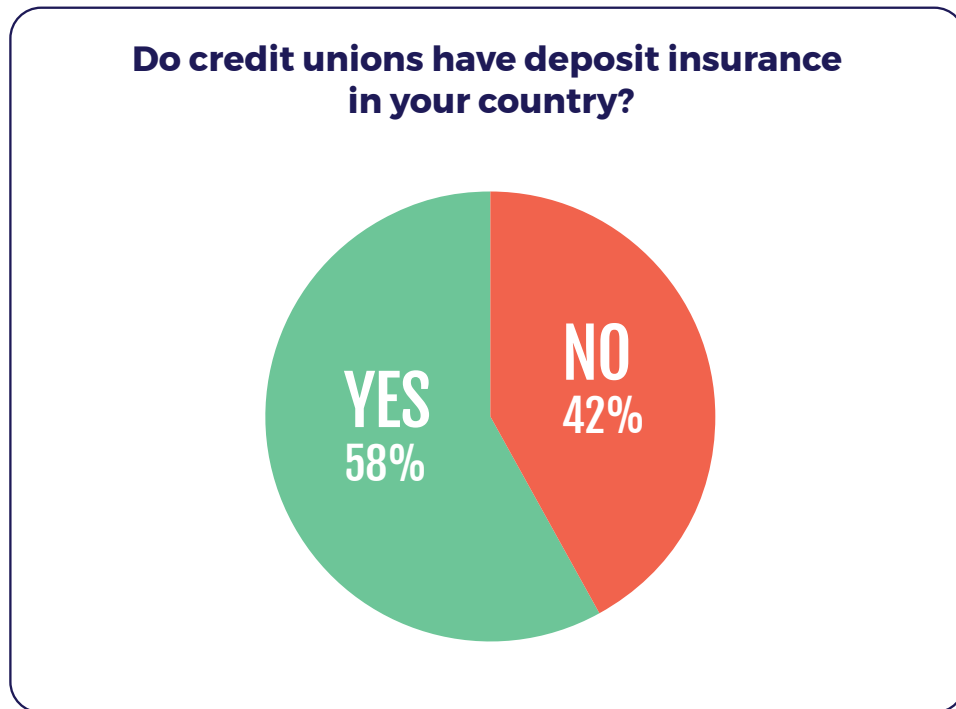


Figure 43

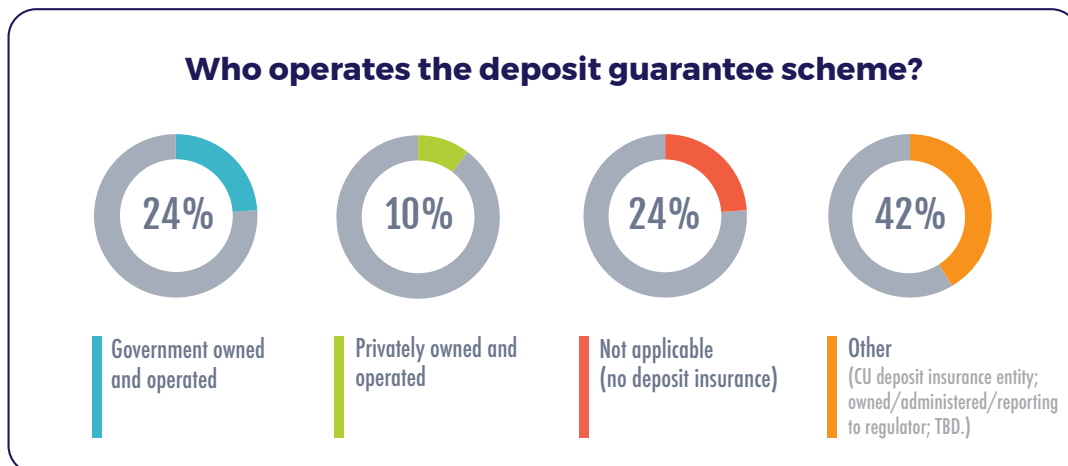


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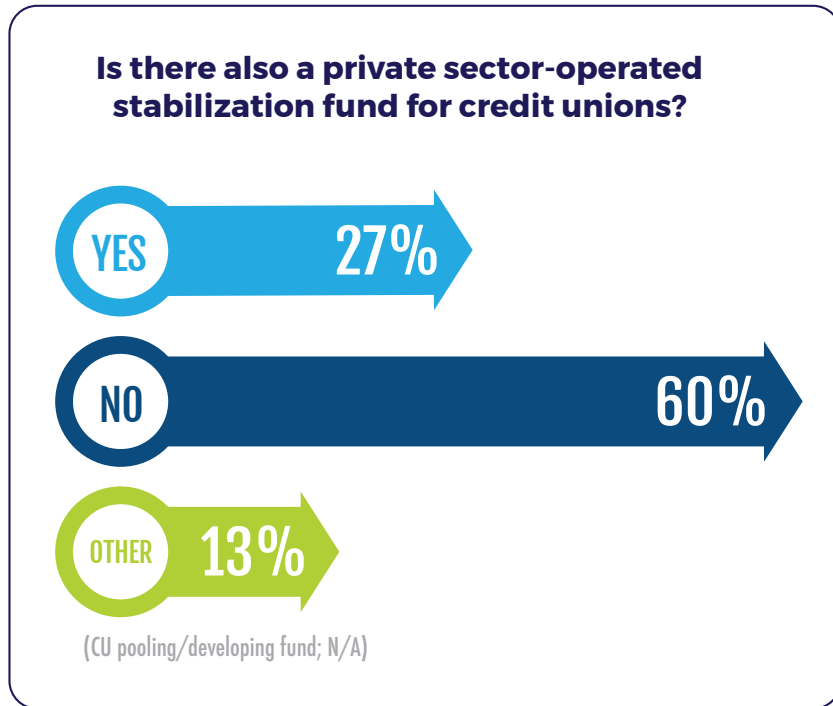


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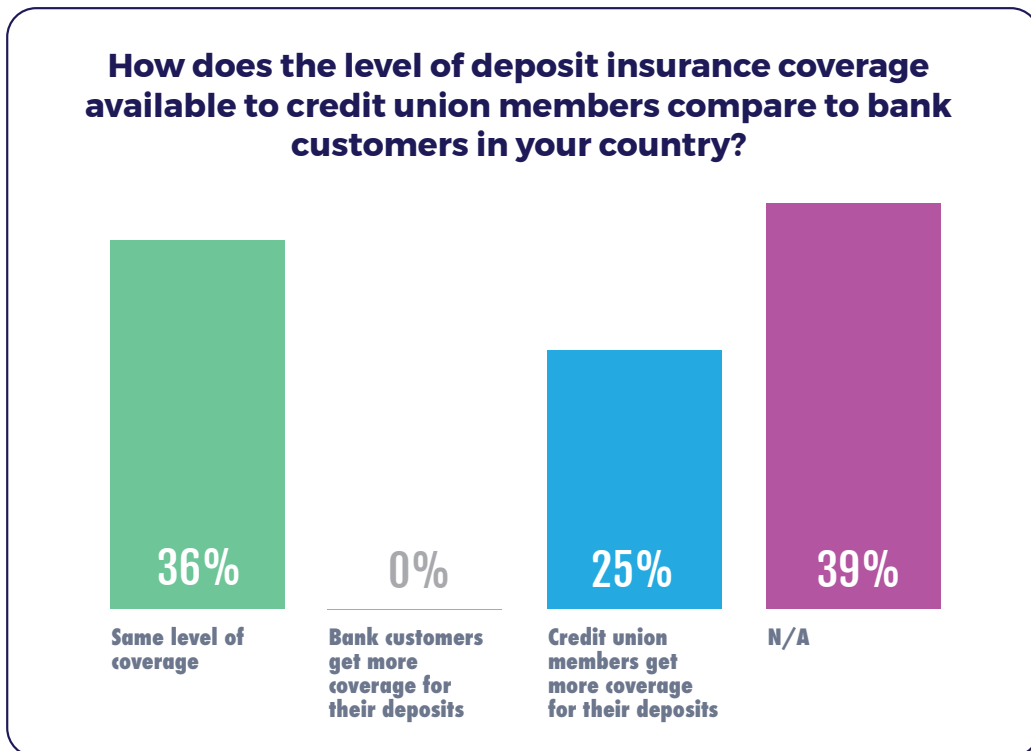


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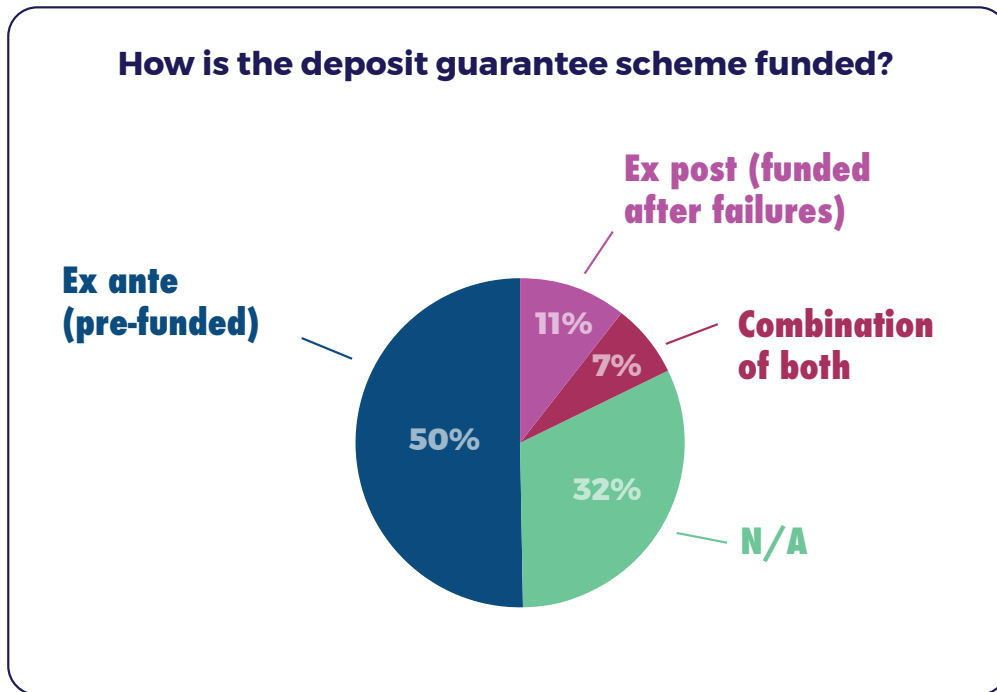


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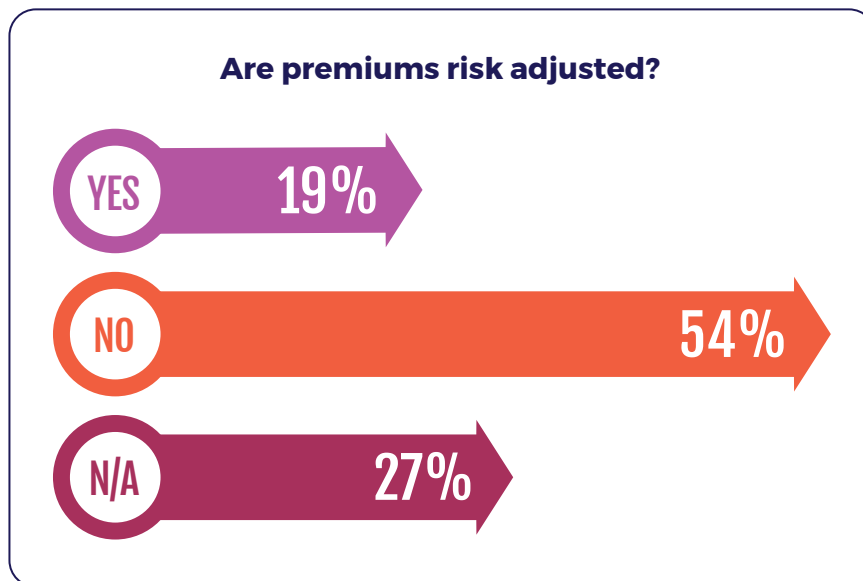


Figure 48

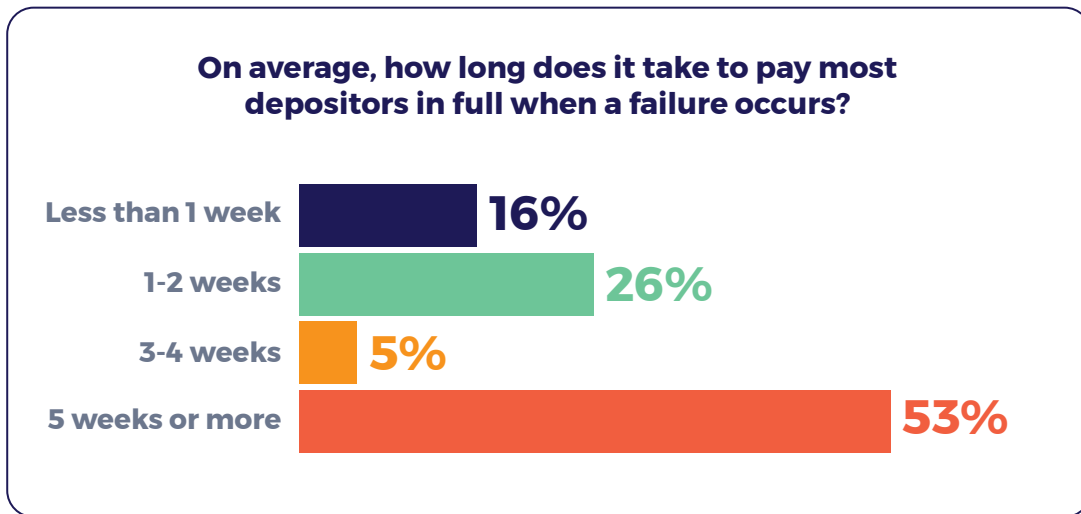


Figure 49

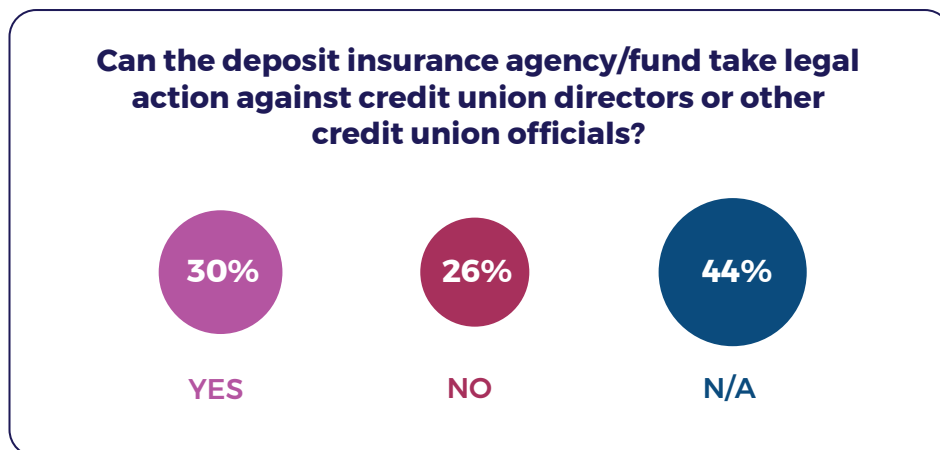


Figure 50

IX: ICURN Support



Figure 51

Annex 1: Survey Respondents

Country, Province	Organization
Australia.....	Australian Prudential Regulation Authority
Barbados.....	Financial Services Commission (Barbados)
Belize.....	Central Bank of Belize
Brazil.....	Central Bank of Brazil
Canada, Alberta.....	Credit Union Deposit Guarantee Corporation
Canada, British Columbia.....	BC Financial Services Authority
Canada, Manitoba.....	Deposit Guarantee Corporation of Manitoba
Canada, New Brunswick.....	New Brunswick Financial and Consumer Services Commission
Canada, Newfoundland & Labrador....	Credit Union Deposit Guarantee Corporation
Canada, Nova Scotia.....	Nova Scotia Deposit Insurance Corporation
Canada, Prince Edward Island.....	Credit Union Deposit Insurance Corporation
Canada, Saskatchewan.....	Credit Union Deposit Guarantee Corporation
Canada, Quebec.....	Autorite des Marches Financiers
Eswatini.....	Financial Services Regulatory Authority
Guatemala.....	Fondo de Garantía MICOOPE
India.....	Reserve Bank of India
Ireland.....	Central Bank of Ireland
Kenya.....	Sacco Societies Regulatory Authority
Kyrgyz Republic.....	National Bank of Kyrgyz Republic
Lesotho.....	Department of Co-op Development
Malawi.....	Reserve Bank of Malawi
Rwanda.....	National Bank of Rwanda
Seychelles.....	The Central Bank of Seychelles
South Africa.....	Prudential Authority South African Reserve Bank
South Africa.....	Financial Sector Conduct Authority
Saint Vincent and the Grenadines.....	Financial Services Authority
Uganda.....	Uganda Microfinance Regulatory Authority
United Kingdom.....	Bank of England - PRA
Ukraine.....	National Commission for State Regulation of Financial Services Markets
United States of America.....	National Credit Union Administration
Vietnam.....	Banking Supervisory Agency, State Bank of Vietnam