

Model Regulations *for* Credit Unions

Companion to Model Law for Credit Unions



World
Council
of Credit
Unions

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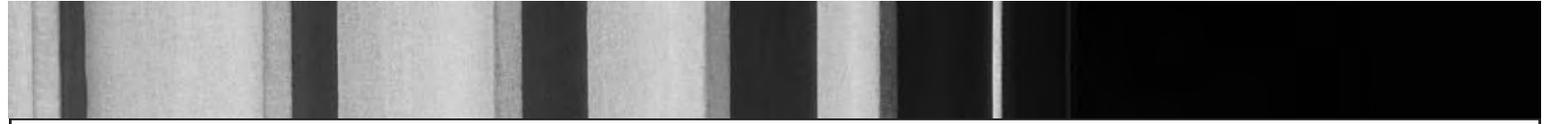
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Model Regulations for Credit Unions

World Council of Credit Unions

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Executive Summary

The degree of formal legislation and regulation for credit unions varies widely. In some countries, credit unions are subject to extensive legislation outlining their scope, function and powers, and should operate in a highly regulated environment. Yet in most countries, legislation and regulations have not been developed specifically for credit unions, or if legislation and/or regulations do exist, they are often weak and ineffective. These deficiencies are concerning because the lack of enabling regulations affects the safety and soundness of credit unions. If credit unions are to grow and to provide quality member products and services, adequate regulation is imperative.

The World Council of Credit Unions, Inc. (WOCCU) has developed the *Model Regulations for Credit Unions* (Model Regulations.) This is based on regulations from numerous countries, experience and documented best practices. It also incorporates many of the prudential ratios in WOCCU's International Credit Union Principles for Safety and Soundness and builds upon them to create a robust regulatory framework. To the best knowledge of the *Model Regulations* developers, this is the first of its kind to be developed and distributed for credit union-specific regulations.

It has been WOCCU's experience that countries looking to develop and update credit union-specific legislation benefit from having access to a universal guide that serves as a model from which to develop country specific legislation. *Model Regulations for Credit Unions* is designed to serve as a companion piece to WOCCU's *Model Law for Credit Unions*. The purpose of the *Model Regulations* is to aid credit union movement leaders, regulators and policy makers with the development of sound and appropriate regulations for credit unions. Further, it is the expectation that this *Model Regulations* serve as a catalyst to countries seeking credit union-specific regulations and to develop them using this as a reference. As such, these regulations are meant to serve as guidelines for adaptation as opposed to policy prescriptions.

The *Model Regulations* is divided into six main sections: 1) prudential regulations and operational regulations; 2) administrative regulations; 3) enforcement regulations; 4) general accounting and audit regulations; 5) deposit insurance; and 6) consumer protection regulations. Each main section is further divided into a series of regulations.

For the purpose of brevity, this executive summary discusses only 10 regulations from the complete set of 20 considered to be crucial for inclusion in the country's set of credit union regulations. Each of these regulations has an introductory paragraph describing the importance of the particular regulatory topic and any minimum requirements that the regulation should include. After each introductory paragraph, the regulation may include a definition section when needed, followed by the regulatory provision.

Regulation on Institutional Capital and Capital Adequacy

Capital adequacy requirements are the single most important regulatory requirement for the effective management of risk taking by credit unions. Capital for the purposes of calculating the capital adequacy of a credit union consists of institutional capital, defined as the sum of the funds within a credit union that are non-distributable and over which no person or outside entity has a legal claim. Institutional capital represents an accumulation of net income from prior operations in the form of retained earnings, regulatory reserves, cash donations and grants.

Ownership shares, if permanent and non-redeemable can also be a component of regulatory capital.

To calculate the capital adequacy ratio of the credit union, the credit union must divide its capital by its assets. The minimum capital adequacy ratio is 10% of total assets. Because of the importance of capital adequacy for credit unions, management should have a plan for achieving and maintaining an adequate capital level, and the board of directors should establish both short and long term goals for the institutional capital. WOCCU believes that a risk-weighted capital ratio (i.e. Basel II) should only apply to credit unions if the following conditions all apply:

- a) Credit unions have a strong risk-based prudential supervision in place AND
- b) Credit unions compete directly with banks that adopt Basel II AND
- c) Credit unions and their prudential supervisors thoroughly understand how to calculate capital ratios under Pillar 1 of the Basel II Accord.

Regulation on Asset Classification and Provision for Loan Loss Account

The provision for loan loss (PLL) is a contra-asset account established as a deduction against total loans, representing the estimated amount of possible or present losses in the loan portfolio. The PLL should be adequate to provide for the probable loan losses and should be equal to the amount required for the general reserve and the classified loans, which are loans that are past due or loans where repayment is questionable. The credit union's loans should be classified into the following categories: normal, overdue, substandard, doubtful and loss.

The analysis of the adequacy of the PLL should be conducted no less than once per month by credit union management. Each month, the board of directors should charge-off the loans that are classified as a loss. Following charge-off, the loan should be maintained in an off-balance sheet account.

Regulation on Loan Delinquency

A delinquent loan is defined as any loan in which the full payment has not been received per the loan contract. The ratio of total loans delinquent to total loans should not exceed 5%, with delinquency being calculated as of the last day of each month. Delinquent long-term loans with a monthly repayment schedule should be reported in the following categories: 1-30 days, 31-90 days, 91-180 days, 181-365 days, and greater than 365 days. Delinquent short term loans with daily and weekly repayments should be reported using the following categories: 1-7 days, 8-30 days, 31-60 days, 61-365 days and greater than 365 days. In addition, a separate report detailing what loans have been renegotiated during the period should be provided.

The delinquency calculation should be standardized among all credit unions under the same regulatory body. This will allow the regulator to better identify emerging and continuing problems and compare credit union statistics and trends. The delinquency calculation for one-payment loans is based on the loan agreement. When reporting a one-payment loan as delinquent the total principal balance is reported in the appropriate time-frame. If only loan interest payments are due throughout the life of the loan, delinquency will be calculated on the payment or non-payment of these interest payments. When reporting delinquency, report the entire principal balance as delinquent even though the missed payment was for interest only. This is important to ensure that the calculation measures the true risk of loss to the credit union assets.

Regulation on External Borrowing

External borrowing is defined as the funds that are received from outside the credit union's system in the form of a loan or non-member deposit from individuals, donors or other financial institutions in which the credit union has entered into an agreement and must repay the funds with or without interest at a later date.

External borrowing, both short-term and long-term, should be limited to no more than 15% of total assets. This limit ensures that a credit union does not become too dependent on external funds to fund daily operations or long-term needs. If a credit union wants to exceed this limit, it should seek approval from the regulatory body.

Regulation on Loans to Members, Employees and Officials and Loan Practices and Policy

Credit unions should have a written loan policy that is approved by the board of directors. The board should review the policy on an annual basis and revise where necessary. The loan policy should include the policy objective, eligibility requirements for receiving a loan, permissible loan purposes, acceptable types of collateral, loan portfolio diversification requirements, loan types, interest rates, terms, frequency of payments, maximum loan sizes per product type, maximum loan amounts as a percentage of collateral values, member loan concentrations, restrictions on loans to employees and officials, loan approval requirements, monetary loan limits, loan documentation requirements and co-signer requirements. Besides the loan policy, credit unions should also develop lending procedures. The operational management team is responsible for developing these procedures, keeping them up-to-date and ensuring they are indicative of current lending practices.

One of the critical components of the loan policy is the loan concentration limits. The credit union must not make a loan to a member or related parties if such loan would cause that member or group of related parties to exceed the lesser of 10% of total assets or 25% of the credit union's institutional capital. For purposes of this regulation, related parties are those dependent on the same source of income such as a family business. Officials or their families must not directly or indirectly receive any commission, fee or other compensation in connection with any loan made to a member.

A second critical component in the loan policy is the restriction placed on loans to employees, officials and their immediate families. The board of directors should approve all loans to these individuals by a simple majority vote; however, the official or employee requesting the

loan should not be present during the board discussion and vote. It is essential that the rates, terms and conditions on loans made to or guaranteed by an official, employee or their immediate families are not more or less preferential than the rates, terms and conditions of loans granted to other members of similar credit history subject to specific review.

For quality control purposes, the audit committee or its designee should perform a review of the loan portfolio at least semi-annually. The objective of this review is to determine the quality of the loan portfolio, discover any problem loans and provide suggestions for loan recovery in order to minimize losses. The committee should also determine compliance with loan policy and procedures and present its findings to the board of directors.

Regulation on Investments

Credit unions should develop a policy addressing their investment practice. The credit union's board of directors is responsible for formulating, reviewing and adjusting the investment policy, while the audit committee or its designee is responsible for ensuring compliance with the policy. The policy should state the purpose and objective of investment activities and the party responsible for making the investments. The policy should also include the permissible types of investments that the credit union can make, which include securities issued or guaranteed by the national government, deposits, obligations or other accounts of banking institutions, shares or deposits of a central credit union, central finance facility, federation or any deposit guarantee corporation for credit unions and shares, stocks, deposits or other obligations of any registered cooperative society. Finally, the policy should include diversification requirements that no more than 25% of the credit union's investment portfolio can be in any one type of investment or entity.

On a monthly basis, credit union management should prepare a report for the board of directors detailing all the investments held by the credit union, their interest rate, their maturity dates, their activity for the month and their book value as compared to their current market value.

Regulation on Fixed and Non-Earning Assets

Fixed assets are defined as premises, furniture, fixtures and equipment. Non-earning assets are defined as those assets other than fixed assets that earn no interest or yield, such as cash, non-interest bearing checking accounts, member collateral due to repossession, accounts receivable, prepaid expenses and accruals.

Investment in non-earning and fixed assets should be kept at a minimum, because these assets do not provide income or return, and therefore, do not build institutional capital. A credit union should not invest more than 5% of its total assets in fixed and non-earning assets. If a credit union wants to invest in fixed and non-earning assets in an amount greater than 5%, it should receive a waiver from the regulator. A credit union should only own property for carrying out its operations.

Regulation on Liquidity Management

The board of directors is responsible for formulating, reviewing and adjusting the liquidity policy of the credit union on an annual basis. This liquidity policy, also known as asset liability management (ALM), should address the party responsible for liquidity management, the party that may access a line of credit for liquidity purposes, how liquidity will be monitored, the minimum and maximum for total cash assets, the minimum and maximum for the amount of cash to be kept on-site, the process to monitor ALM and the frequency for analyzing the ALM position.

Credit union management is responsible for performing an evaluation of liquidity. This evaluation can include a review of the deposits and withdrawals over a past period as well as projected sources and uses of funds.

In order to control liquidity, credit unions should retain at least 15% of savings deposits in liquid assets or demand deposit type accounts to provide sufficient liquidity for share and savings withdrawals, external borrowing repayments and loan demand.

Regulation on Anti-Money Laundering

The anti-money laundering regulation is designed to enhance monitoring and detection of possible criminal activities at credit unions, such as money laundering, tax evasion and terrorist financing. Before accepting an individual as a member, credit unions should determine the true identity of each member by obtaining basic identifying data, verifying the identity, maintaining a record of the information used to verify identity and determining whether the member appears on any lists of suspected criminals and/or terrorists.

In addition to determining the identity of members, credit unions are subject to reporting requirements. Credit unions should record any cash transactions over a certain threshold set by the formal financial regulatory authority that are withdrawn or deposited during a business day. Credit unions should also file a suspicious activity report on any transaction, regardless of size, that appears to be fraudulent, structured or illegal.

As part of the anti-money laundering program, credit unions should establish an internal written anti-money laundering compliance program approved by the board of directors. This program should establish a system of internal controls to ensure compliance, designate a compliance officer, provide ongoing staff training and include independent testing.

Regulation on Supervisory Authority

In some countries, credit union chartering or licensing, regulation, supervision and member deposit insurance are performed by different entities; while in other countries all of these are handled by one entity. The supervisory authority should have the power to review the credit union's facilities, books, records, accounts, documents, financial statements, remove officers and officials, bring institutions under administration and liquidate them if necessary. The supervisory authority should also require credit unions to furnish periodic reports on their operations and financial conditions.

Regulations Matrix

WOCCU has developed a *Regulations Matrix* as an appendix to the Guide (located on enclosed CD). The Matrix compares and contrasts the various regulatory environments of 18 credit union sectors that have formal financial sector supervision or are striving for international standards: Bolivia, British Columbia, Canada, Colombia, Costa Rica, Ecuador, Great Britain, Guatemala, Kyrgyz Republic, Laos, Lithuania, Mexico, Nicaragua, Sri Lanka, Trinidad & Tobago, Uganda, United States and Uzbekistan. The *Regulations Matrix* highlights the regulatory provisions that need to be improved or expanded when compared to counterpart provisions in other country's regulations. The *Regulations Matrix* also serves as a tool for countries in the process of developing credit union or cooperative regulations by noting how various countries address certain regulatory provisions and by allowing the regulatory bodies to adapt the provisions to address the specific characteristics of their credit union sector and country. The extent of unpopulated fields in the *Regulations Matrix* is exemplary of the skeletal regulatory framework existing in the majority of credit union sectors.

In Conclusion

The *Model Regulations for Credit Unions* and the *Regulations Matrix* are useful tools for countries in the process of developing or revising financial regulations. They reflect WOCCU's extensive field experience and offer a best practices approach based on this experience. The *Regulations Matrix* highlights the regulatory environment for credit unions in a cross-selection of other countries.

Using the Model Regulations and the *Regulations Matrix* as a foundation, countries developing or revising regulations may adapt the provisions to their own unique regulatory environment.

User's Guide

Credit unions around the world are subject to varying degrees of formal governance, regulation and supervision. The governance framework and structure are generally similar from country to country. The ultimate authority within the legal framework is the law under which the institutions operate. In many countries, credit unions are chartered and regulated within the framework of a cooperative law. Cooperative laws are an attempt to establish a common legal and supervisory authority framework for all entities organized under the cooperative structure. Cooperatives for groups as diverse as taxi drivers, coffee growers, dairy farmers or artisans, as well as organizations offering financial products and services to members, are governed by the cooperative law. While credit unions are cooperative organizations, their specialization in financial services makes them different in many significant respects from other cooperative societies. Thus, the general cooperative societies acts that govern other cooperative business ventures are usually inadequate for credit unions, whose operations more closely resemble banking institutions.

The goal of any credit union movement should be to foster a law dedicated just to credit unions; that is, no other type of cooperative should be addressed in the law. The law should designate a supervisory authority and grant that authority the ability to regulate and supervise credit unions through the issuance of standard bylaws, regulations and prudential standards and the performance of off- and on-site supervision. With the authority granted in the law, the supervisory authority should be responsible for establishing, revising, revoking and monitoring compliance with the regulations and bylaws.

Credit unions' compliance with regulation, bylaws, prudential norms and law should be monitored with a results-oriented supervision program. Supervision can take many forms. The supervisory body may be the same entity that establishes regulation, or it may be an entity that is distinct and separate. The most desirable approach is to establish a department within the supervisory authority to supervise and regulate all credit unions using a risk-based system. Under this scenario, the supervisory authority provides necessary guidance by monitoring compliance with standard bylaws, regulations and prudential norms. If, because of costs, the supervisory body can only provide off- and on-site supervision to a limited number, then the credit unions that are large enough to cause the public to lose trust in the overall financial system if they fail should be supervised. Credit unions that are not considered large or able to negatively effect confidence in

a financial system should at the very least be given basic supervisory authority oversight and be required to follow standard bylaws, regulations and prudential standards.

In many countries legislation and regulation have not kept pace with the development of credit unions. In fact, prudential regulation and supervision are frequently non-existent. These deficiencies affect the safety and soundness of credit unions and put public deposits at risk. If the institutions are to grow and provide quality member services and products, effective prudential regulation and supervision is imperative.

Purpose of this Document

This document is provided as an example of well-developed regulations based on actual regulations from numerous countries, experience and documented best practices. Each section contains a description of the purpose and rationale for such a regulation, followed by model text that can be utilized in drafting credit union regulation. These regulations address minimum prudential, operational, administrative, enforcement, audit and consumer protection requirements and expand on these requirements by providing detailed and specific guidance in each of the areas of supervisory authority discussed.

Use of this Guide

Over the past 15 years the World Council of Credit Unions Model Law for Credit Unions has proved a useful tool for legislators, policymakers and credit union leaders seeking to reform their laws. The Model Regulations is intended to provide supervisory authorities with a framework and sample text for drafting regulations for credit unions. Together, the Model Law for Credit Unions and the Guide to International Credit Union Legislation provide policymakers with an integrated framework for revising or enhancing the operating environment for credit unions in a jurisdiction.

The World Council of Credit Unions recognizes the difficulty in establishing a single set of regulations that could be applicable across a myriad of countries and cultures. As such, it is anticipated that these regulations may be adapted to country contexts and environments without sacrificing safety and soundness.

PRUDENTIAL AND OPERATIONAL REGULATIONS

Purpose:

Prudential and operational regulations establish the minimum operating requirements for credit unions. These regulations should address institutional capital, funding provisions for loan loss, loan delinquency, external borrowing, loans, investments, fixed assets, shares, liquidity and records preservation.

I. REGULATION ON INSTITUTIONAL CAPITAL AND CAPITAL ADEQUACY

Purpose:

Capital adequacy requirements are the single most important supervisory authority requirement for the effective management of risk taking by credit unions. Capital enhances the safety and soundness of the institution, improves earnings, absorbs losses, supports new member services, finances non-earning assets and assists in meeting competitive pressures in the future.

This regulation at the very least should define institutional capital, establish the accounts or funds that are considered institutional capital, establish the minimum institutional capital-to-total-assets ratio, state net income retention requirements to build institutional capital to the minimum percentage, and state whether ownership shares are considered institutional capital.

An example of a comprehensive institutional capital regulation is as follows.

I.1. Definitions

I.1.1. Institutional Capital consists of the sum of the funds within a credit union that are non-distributable and over which no person or outside entity has legal claim.

I.1.2. Ownership Shares provide the basic form of ownership interest in the credit union. A credit union may offer an unlimited number of ownership shares at a par value established in the bylaws.

I.1.3. Regulatory Capital is the sum of institutional capital and permanent and non-redeemable ownership shares.

I.1.4. Member savings accounts, which represent member deposits, do not represent credit union capital or equity since the credit union must repay the member for these deposits. Savings cannot be used to satisfy credit union losses.

I.2. Institutional Capital

I.2.1. Institutional capital represents an accumulation of net income from prior operations in the form of retained earnings, cash donations, grants and statutory reserves. In the event of a credit union liquidation, merger or loss, these funds may be used to satisfy a loss.

I.2.2. Donations can be both cash and fixed assets. Any cash donation will be considered institutional capital as long as the donation is not compromised; that is, it is solely the possession of the credit union. The donor shall have no present or future right to reclaim the funds. Fixed-asset donations are not considered institutional capital.

I.2.3. Reserves are those funds that may be required to be set aside by the supervisory authority to build capital. These funds are considered part of institutional capital.

I.2.4. Subordinated debt shall be considered institutional capital as long as it has the following characteristics:

- The maturity of the instrument must be more than five years from the date on which the loan is made; during the last five years to maturity a cumulative discount factor of 20% per year should be applied.
- The terms of the subordinated debt must be set out in a written agreement that contains terms providing the above conditions.
- The debt ranks behind those of all subordinated creditors including the credit union's shareholders.

I.2.5. Net income is the remaining portion of gross income after all expenses, provisions and interest costs have been paid. It can be distributed as dividends on ownership shares to the members or transferred to retained earnings. Year-to-date net income is not included in institutional capital until it is transferred to retained earnings. Prior to its transfer to retained earnings it does not have the characteristics of permanent capital.

I.2.6. Provisions or allowances (such as the provisions for loan or investment loss) are not considered institutional capital as these accounts are used to provide for anticipated losses.

I.3. Ownership Shares

I.3.1. Ownership shares are liabilities of the credit union and are not considered part of institutional capital. Ownership shares which are permanent and non-redeemable may be considered part of regulatory capital. In addition, the portion of share capital that has been fixed and under which regulatory capital must not fall as a result of redemption of shares may also be considered regulatory capital.

I.3.2. Ownership shares shall not be used as collateral for a loan, but can be charged against if the member has a debt outstanding to the credit union.

I.4. Other Capital Accounts

I.4.1. The credit union's general meeting may appropriate retained earnings to establish accounts for education, employee benefits, travel and conference, contingencies, facilities development or improvement, or for social issues. These accounts are not considered institutional capital or regulatory capital.

I.4.2. When a country experiences high inflation a credit union may establish an evaluation account for revaluing the fixed assets. Re-evaluation of assets does not represent institutional capital or regulatory capital that can generate earnings or finance expansion. This is an accounting adjustment, which cannot absorb losses unless the credit union is liquidated and the fixed assets are sold.

I.4.3. Under no circumstances can any type of capital account be used by credit unions as collateral for external borrowing.

I.5. Minimum Capital and Net Income Requirements

I.5.1. Capital available for the purposes of calculating the capital adequacy of a credit union includes institutional capital and regulatory capital as described above. The minimum capital/risk total assets ratio is 10%. The supervisory authority may prescribe a higher capital for an individual or group of credit unions if it determines that its risk profile warrants a higher standard.

I.5.2. The possibility of paying dividends on ownership shares shall only occur when regulatory capital exceeds 5% of assets and the supervisory authority approves such dividends on an exception basis. If regulatory capital is less than 5% of total assets, all net income shall be allocated to retained earnings and establishing loan loss provisions.

I.5.3. Credit union management shall have a plan for achieving and maintaining an adequate capital level. In the annual budget and longer-term business plan, the board shall establish both short- (annual) and long-term (greater than 1 year) goals for the institutional capital to risk-weighted assets ratio. The board is responsible for achieving the minimum capital requirement.

II. REGULATION ON ASSET CLASSIFICATION AND CREATION AND USE OF THE PROVISION FOR LOAN LOSS ACCOUNT

Purpose:

The provision for loan loss (PLL) account and any other provisions that are established on the asset side of the balance sheet are used to disclose the amount credit union management believes is uncollectible in the loan or investment portfolio or for any other asset. So that an institution's financial statements are fully and fairly disclosed, the adequacy of the PLL account must be evaluated and necessary adjustments made no less than monthly prior to finalizing the financial statements. Without this account(s), the financial statements would not present a realistic picture of the credit union's asset quality. The lack of accurate and timely information on the quality of the loan portfolio can preclude management from taking corrective measures in a timely manner.

At a minimum, this regulation should discuss relevant definitions, the method used to evaluate the probable losses for problem loans and the adequacy of the PLL account, how frequently the adequacy of the PLL account is to be evaluated, and how probable losses will be handled for other types of assets.

An example of a comprehensive regulation discussing asset classification and the PLL account is as follows.

II.1. Definitions

II.1.1. PLL is a contra-asset account established as a deduction against total loans which represents the estimated amount of possible or present losses in the loan portfolio. This account shall be adequate to provide for probable loan losses and should be equal to the amount required for the general reserve or current (normal) loans and classified loans (see definition below). The adequacy of the account shall be maintained by making a monthly loan classification based on the percentages set forth in this regulation.

II.1.2. Classified Loans are loans that are past due or have some sort of deficiency that makes full repayment questionable. Classified loans make up the special reserve and are categorized as overdue, substandard, doubtful and loss. These loans are assigned to the categories based on the loan type, payment period and the number of days delinquent.

II.1.3. Delinquent loans are loans in which the full payments have not been made as specified in the loan contract.

II.1.4. Restructured loans are loans in which the original repayment terms have been altered due to changes in the borrowers' financial conditions. A loan is deemed as restructured if at least one of the following changes were made in an agreement between the credit union and borrower:

- a decrease in the interest rate or non-collection of interest.
- capitalization of delinquent interest or its addition to the new loan balance.
- an extension of the loan maturity.
- forgiveness of part or all of the interest and/or principal payments.
- other items which would not be provided to the borrower under normal conditions, but are provided as a result of the need for loan restructuring.

II.1.5. Short-term Loans are loans made to finance small-business activities, for small amounts of money with a short maturity. The payments are made daily or weekly, depending on the business' cash flow, and the loans are generally uncollateralized.

II.1.6. Long-term Loans are generally made for larger amounts and longer maturity and are repaid with monthly or periodic installments.

II.2. Loan Classification System

II.2.1. The loan classification system is applied to all loan types. Loans shall be reviewed and classified monthly prior to presenting the final version of the financial statements. The net loan amount (total loans minus provision for loan loss) shall represent the full and fair value of the loan portfolio.

II.2.2. Loan classification shall be made up of general and special reserves and performed using the following categories:

II.2.2.1. Normal loans are well-documented loans granted to financially sound members in situations where no weaknesses exist. All such loans must be performing in accordance with the contractual terms and are expected

to continue doing so. Loans in this category are normally protected by the sound net worth and paying capacity of the borrower. These loans represent the general reserve, which is established in anticipation of loans losses that are present in the loan portfolio, but have not appeared as of the classification date.

II.2.2.2. Overdue loans are loans that are 30-days to 12-months delinquent. Full interest and principal payments have not been received, thereby causing the loan to become delinquent. Management shall establish provisions for the loans classified as overdue in the amount of 35% of the unpaid outstanding principal balance.

II.2.2.3. Loss loans are loans that are more than 12-months delinquent. These loans are considered uncollectible and of such little value that they should not remain on the balance sheet. A loan classified as loss requires a 100% reserve of the unpaid outstanding principal. Such classification does not mean the loans do not have any recovery value, however, the credit union shall not continue accounting for such loans on their balance sheet, and shall attempt to liquidate such debts through sale of collateral recovered and/or through collection efforts.

II.3. Classification of Restructured Loans

II.3.1. All restructured loans shall be disclosed on the financial statement in a separate line apart from the loan portfolio. These loans shall continue to be reported on the loan delinquency report.

II.3.2. No loan shall be restructured more than one time.

II.3.3. When restructuring a loan, management shall note and maintain the following information in the borrower's loan file:

- Grounds or reason(s) for restructuring a loan.
- The specific changes in terms or conditions of a loan, which are present in the new loan agreement as compared with the originally agreed upon terms.

II.4. Maintenance of the PLL Account

II.4.1. No share dividends shall be paid prior to fully funding the PLL account.

II.4.2. Calculation of the required size of the PLL account shall be made as described above in Section II.2. The analysis of the adequacy of the PLL shall be conducted no less than once per month. The total sum needed based on the analysis performed shall be compared with the current balance of the account. In the case where the sum

provided by the analysis is greater than the account balance, the account shall be increased immediately to the needed amount or as agreed upon with the supervisory authority. If the current balance is greater than the amount indicated by the analysis, the PLL may be reduced.

II.4.3. The supervisory authority may require either more severe classifications of specific loans or additional provisions when the following conditions are present:

- The deterioration in general of the loan portfolio.
- A change or absence of credit union lending procedure.
- A record of losses experienced with a specific type of loan or in a particular sector.
- The lack of collection by management of problem loans.
- A concentration of large loans.
- Trends and conditions, in particular, the high concentration of borrowers in one or several industries or regions.
- Natural disasters, such as a drought, flood or any other disaster that would have a significant effect on borrowers' ability to repay.
- Other conditions noted as a result of an annual audit or supervisory authority examination.

II.4.4. The PLL account shall be created and maintained as needed regardless of the credit union's profit. The allocation to the PLL account shall be expensed on the income statement in the current period.

II.5. Use of the Loan Loss Reserves

II.5.1. The board of directors is responsible for ensuring the PLL account is adequate.

II.5.2. When the board approves a loan for charge off, the loan number and borrower name along with the charge-off amount shall be noted in the board minutes. Only loan principal is charged off to the PLL. Any accumulated interest associated with the charged-off loan shall be reversed no later than the date of charge off.

II.5.3. Loans classified as loss shall be charged off the books. Under no circumstances may loans remain on the books that are more than 365-days delinquent without written consent from the supervisory authority. Losses shall be charged off by the board during their monthly meeting and reported at the annual general meeting.

II.5.4. Charge-off of the loan is not recognized as a cancellation of the loan and interest. The loan shall be maintained in an off-balance sheet account. The credit union may continue to accumulate interest on the loan (strictly in off-balance sheet accounts) to maintain adequate records on the full liability of the borrower.

II.5.5. If the debtor repays more than the charged-off principal amount, the remainder of the funds received will be credited to interest due, followed by to fees owed.

II.5.6. When a loan is adversely classified (overdue or loss), the credit union shall not provide any additional funds to the borrower, either for the current loan, or in the form of a new loan.

II.5.7. The PLL account may not be distributed to members except in the case of credit union liquidation and only after all of the creditors and debts have been paid.

II.6. Provisions for Other Asset Losses

II.6.1. Apart from the loan portfolio, credit unions may have other assets, such as deposits with credit unions and/or banks under statutory management and liquidation; investments in associates, subsidiaries and joint ventures; and sundry debtors which may be subject to loss or diminution in value. Credit unions should regularly review the other assets and make necessary provisions as needs arise.

II.6.2. Provisions should be made where an actual loss of an asset occurs, or when the recoverable amount of the asset is less than its carrying value. Provisions so made should not be combined with the PLL on the financial statement, but should be shown as contra-assets accounts.

II.6.2.1. Provision for loss accounts are established by crediting a provision on the balance sheet and debiting the appropriate expense account in the income statement.

III. REGULATION ON LOAN DELINQUENCY

Purpose:

Loan delinquency can quickly have a negative effect on profitability, liquidity, capital adequacy and the long-term future of the credit union. Because of this, credit union management and supervisory authorities must have a way to measure delinquency and identify a problem or trend before it affects the credit union's future viability. Therefore, the delinquency calculation method and loan delinquency ratio must be standardized so that the supervisory authority can identify emerging and continuing problems and compare credit union statistics and trends.

At a minimum, this regulation shall state that when a loan is considered delinquent, the delinquency shall be determined using a standardized calculation, specifically the maximum delinquent loan-to-total loan portfolio ratio, and

management will calculate that delinquency level using the outstanding loan balance, not just the delinquent amount.

An example of regulation that comprehensively addresses delinquency is as follows.

III.1. Definitions

III.1.1. A delinquent loan is defined as any loan in which the full payment has not been received per the loan contract. The loan shall be reported as delinquent when a full payment has not been received; the day at which the loan shall be reported delinquent depends on the loan repayment schedule. Loans with monthly payments shall be considered delinquent when a full payment has not been made in the past 31 days. If the credit union is making short-term loans that have daily or weekly payments, then loans should be considered delinquent one day after the contracted payment has not been received. Depending on the payment schedule, the payment could be interest-only; all of the principal and interest due (a one-payment loan); all of the principal and the accrued interest due since the last payment; or the daily, weekly or monthly principal and interest payment(s).

III.1.2. Any loan in which the payment made is less than a full payment per the loan contract is considered in arrears and shall be classified delinquent depending on the number of days since the last payment.

III.1.3. When disclosing delinquency, the entire outstanding loan balance is to be reported as delinquent, not just the amount of the delinquent payments.

III.1.4. The credit union shall maintain a total loan delinquency to total loans ratio of not more than 5%.

III.1.5. Delinquency shall be calculated as of the last day of each month and a delinquency report generated. Delinquent long-term loans with a monthly repayment schedule should be reported using the following categories:

- Delinquent loans between 1-30 days.
- Delinquent loans between 31-90 days.
- Delinquent loans between 91-180 days.
- Delinquent loans between 181-365 days.
- Delinquent loans greater than 365 days.

Delinquent short-term loans with daily and weekly repayments should be reported using the following categories:

- Delinquent loans between 1-7 days.
- Delinquent loans between 8-30 days.
- Delinquent loans between 31-60 days.
- Delinquent loans between 61-365 days.
- Delinquent loans greater than 365 days.

III.2. Delinquency Calculation

III.2.1. The delinquency calculation shall measure the total percentage of delinquency in the loan portfolio, using the criterion of outstanding delinquent loan balances instead of accumulated delinquent loan payments. The sum of all delinquent loan balances should be divided by the total (gross) loan portfolio outstanding.

Delinquent Loans / Total Loans goal - < 5%

If this ratio is more than 5% or increasing, the amount of available funds to meet liquidity needs will be reduced because of non-repayment on loans.

III.2.2. The delinquency calculation for one-payment loans is based on the loan agreement. If a single payment comprised of principal and interest is due at loan maturity, then the loan will be considered delinquent after one day has passed from that maturity. When reporting a one-payment loan as delinquent, the total principal balance should be included and reported within the appropriate timeframe.

III.2.3. If only loan interest payments are due throughout the life of the loan, delinquency will be calculated on the payment or non-payment of these interest amounts. When reporting delinquency, the entire principal balance is considered delinquent even though the missed payment was for interest only.

III.2.4. If the loan balance is outstanding after the loan maturity date, the number of months in arrears should be increased for each month the balance remains outstanding.

III.2.5. Accrual of loan interest shall be discontinued after a loan is 60-days delinquent.

IV. REGULATION ON EXTERNAL BORROWING

Purpose:

A credit union's ability to borrow depends on its financial condition, adequacy of its capital base, presence of highly liquid collateral, general macroeconomic conditions and other factors. Because of this, the regulation at a minimum must establish the maximum amount an institution can borrow. Supervisory authorities should, however, keep in mind that the established maximum may be higher for start-up credit unions and those that have been in existence less than three years. External funding is frequently used to start a credit union. These

funds allow the credit union to grow and offer more services than would be possible if the credit union had to use only its own member funds.

An example of a comprehensive external borrowing regulation is as follows.

IV.1. Definitions

IV.1.1. External borrowing is defined as funds received in the form of a loan or non-member deposit from individuals, donors or other financial institutions in which the credit union has entered into an agreement and must repay the funds with or without interest at a later date.

IV.2. External Borrowing Limits

IV.2.1. A credit union may borrow funds from specialized credit institutions and/or specialized organizations serving credit unions, commercial banks, government bodies, international financial institutions and outside sources based on credit contracts.

IV.2.2. External borrowing, with terms both short (less than 1 year) and long (more than 1 year), shall be limited to no more than 5% of total assets for credit unions with net institutional capital of 8% or more. External borrowing should be limited to no more than 10% of total assets for a credit union with net institutional capital of 10% or more. A credit union may borrow up to 15% of total assets if its net institutional capital is 12% or more.

IV.2.3. The supervisory authority may, at its discretion raise these limits on an exception basis as it sees fit.

V. REGULATION ON LOANS TO MEMBERS, EMPLOYEES AND OFFICIALS, AND LOAN PRACTICES AND POLICY

Purpose:

Loans generally represent the largest asset on a credit union's balance sheet. Adequate risk management is important to reduce the inherent risks. In order to minimize the risks, the regulation should define the following: the related terms and state maximum amounts that may be loaned to any borrower or group of related borrowers, acceptable loan types, interest rate terms whether fixed or variable, penalties and fees that may be assessed, restrictions on loans to employees and officials and loan policy and procedure requirements.

A comprehensive regulation on loans to members, employees and officials and loan practices and policy is as follows.

V.1. Definitions

V.1.1. The following definitions pertain to this regulation:

V.1.1.1. Institutional Capital represents an accumulation of net income from prior operations in the form of retained earnings, cash donations, grants, subordinated debt and supervisory authority reserves.

V.1.1.2. Regulatory Capital is the difference between assets minus liabilities, or the total of institutional capital, ownership shares (that are permanent and non-redeemable) and other capital accounts.

V.1.1.3. A Lien is the credit union's legal right to hold property; in other words, a lien gives the credit union the right to repossess and sell the collateral used to "secure" the loan if the borrower does not repay the loan. In order to secure the loan, the credit union must place a lien on the collateral with the appropriate legal authority.

V.1.1.4. Collateral is security pledged as a guarantee for the payment of a loan if the member fails to repay.

V.1.1.5. Secured Loans are those loans in which the borrower offers collateral to the credit union to secure the loan.

V.1.1.6. Unsecured Loans are loans granted based on a borrower's character and past credit history. A guaranteed or co-signed loan is considered an unsecured loan, as there is no collateral.

V.2. Maximum Loan Maturity

V.2.1. No loans may be made to any member or related parties for loan purposes such as family businesses or closely related family members (those dependent on the same source of income) if such loans cause that member or group of members to be indebted to the credit union in an aggregated amount in excess of 25% of the credit union regulatory capital or 10% of total assets, whichever is lower. With regard to unsecured loans or the unsecured portions of loans (i.e. there is no collateral guaranteeing repayment of the loan), these loans or amounts may not exceed 10% of credit union's regulatory capital.

V.2.2. The principal amount of all loans extended by a credit union shall be repaid in full, regardless of the ownership share contribution of the member receiving the loan.

V.3. Credit Committee Minutes

V.3.1. Supervisory authority representatives shall have unlimited access to all records of the credit committee.

V.4. Interest Rates, Fees and Penalties

V.4.1. A credit union may charge either fixed or variable-interest rates on loans. Loan interest rates may be established by management and shall be approved by the board of directors.

V.4.2. Loan fees may be charged to recover the direct costs associated with granting a loan.

V.4.3. Interest shall be calculated on the outstanding loan balance as of the payment due date.

V.4.4. The effective loan interest rate to be paid by the borrower shall be disclosed to him/her prior to granting the loan. This effective rate should include interest charges, fees and compulsory savings or deposit requirements.

V.4.5. A credit union may assess penalties for late loan payments whether the payment consists of interest, principal or both. The institution may assess a penalty the next day after the loan payment is missed or after a specified amount of time as set forth in credit union loan policy.

V.4.6. No official or employee of a credit union or immediate family member of an official or employee of a credit union may receive, directly or indirectly, any commission, fee or other compensation in connection with any loan made by the credit union. For the sake of this point:

- Compensation includes non-monetary items.
- Immediate family is a spouse or other family member living in the same household or under the direct influence of the official or employee.
- An official is any member of the board of directors, credit, or audit committees.
- This regulation does not prohibit payment by the credit union of salary to employees for performing their job duties.

V.5. Loans to Officials

V.5.1. The board of directors shall approve all loans to employees, officials, their immediate family and related parties. These loans will be approved or denied by a simple majority vote of those board members present at the meeting. The official or employee who is the loan's

recipient shall be excused from the meeting during the discussion and decision on the loan application.

V.5.2. The rates, terms and conditions on any loan either made to or guaranteed by an employee, official, an immediate family member of an employee or official, or any individual having a common ownership, investment or interest in a business enterprise with an employee or official or with an immediate family member or an employee or official shall not be more or less favorable than the rates, terms and conditions for comparable loans to other credit union members, subject to specific review (see V.4.6 for related definitions.)

V.6. Liens and Collateral

V.6.1. No credit union member shall have the automatic right to a loan. Loans shall be extended by credit unions based on the member's capacity to repay, capital, collateral value, member credit history and character.

V.6.2. Loans may be granted to members for prudent purposes and they may be secured or unsecured. A guaranteed or co-signed loan is considered an unsecured loan unless there is collateral.

V.6.3. Ownership shares may not be used as collateral to secure a loan. Credit union savings deposits may be used as collateral to secure a loan.

V.6.4. Credit unions shall only accept moveable or real estate property as collateral for which it holds the first lien. In other words, there may be no prior lien placed on the collateral by any other financial institution or person(s).

V.6.5. All collateral used as security for a loan shall be located within a reasonable geographic proximity of the credit union's office and never outside of the country in which the credit union is located.

V.6.6. If the owner of the collateral is not the borrower, the borrower must have written permission to use the collateral to secure the loan and proof that it is adequately insured, if insurance is available, to cover the loan balance. The credit union must have the legal right to place a lien on the collateral.

V.7. Loan Policy

V.7.1. The loan policy shall be in writing and approved by the board of directors. Annually the board of directors shall review and revise the policy as necessary. Operational management is responsible for ensuring that written loan

procedures remain up to date and are indicative of current lending procedures.

V.7.2. Adequate loan policy shall address, at a minimum, the following items:

- Policy objective.
- Eligibility requirements for receiving a loan.
- Permissible loan purposes and acceptable types of collateral.
- Loan portfolio diversification with regards to collateral and loan types.
- Loan types, interest rates, terms, frequency of payments and conditions.
- Maximum loan sizes per product type.
- Maximum loan amounts as a percentage of the collateral values.
- Determination of the borrower's ability to repay the loan.
- Borrower and related borrower limit loan concentrations.
- Restrictions on loans to employees and officials.
- Loan approval authority and limitations for the Credit Committee and other authorized individuals.
- Monetary loan limits for officials and employees with loan approval authority.
- Required loan documentation.
- Requirements of co-signers or guarantors.
- Unacceptable loan purposes for which loans shall be denied.

V.7.3. Due to the risk associated with some loan types, such as commercial, agricultural, real estate and large unsecured loans, only officials or employees with at least two-years experience in granting these loan types shall be given that authority.

V.7.4. Loan procedures shall define the method used to determine a borrower's ability to repay a loan and the condition of the collateral. Procedures may include: an interview with the borrower; collection of adequate financial information; how financial information presented, including income and expense, is verified and analyzed; and projection of future cash flows to ensure loan repayment, calculation of appropriate financial ratios, and the physical examination and valuation of collateral.

V.7.5. Collateral value shall be determined by a credit union employee or official with appropriate experience, or an appraiser considered experienced in valuing collateral. The individual determining the value of the collateral must be selected directly by the credit union and have no direct or indirect interests or involvement, financial or otherwise, in the collateral being appraised.

V.7.5.1. The appraisal produced to determine the collateral's value shall contain at a minimum the appraisal date, the name of the individual performing the appraisal, the collateral's market value, and the method used by the appraiser to provide the collateral value.

V.8. Quality Control Review

V.8.1. The Audit Committee or its designee shall periodically (and no less than semi-annually) perform a review of the credit union's loan portfolio.

V.8.1.1. The review's objective shall be to determine the quality of the loan portfolio, indicate to management any problem loans, research the cause of the problem loans, and provide suggestions for loan recovery in order to minimize losses. The Committee shall also determine compliance with the loan policy and procedures. This report shall be presented to the board at its regular meeting.

VI. REGULATION ON INVESTMENTS

Purpose:

Credit unions are founded by their members in order to accept share and savings deposits, grant loans and provide other financial services. Loan demand can fluctuate throughout the year, causing periods of excess liquidity and other periods with insufficient liquidity. The primary objective of the investment portfolio is to provide for and complement liquidity and cash management activities. Excess funds shall be converted into earning assets with the objective that all investments are made in safe and sound institutions and within legal limits. The investment yield is important; however, investment safety and liquidity are always the primary concerns. At a minimum, the regulation should identify the body or individual(s) authorized to make investments, the permissible investments and the percentage of the portfolio that can be invested in any one type of investment and in any one institution or entity.

A comprehensive regulation on investments is provided below.

V.1. Definitions

VI.1.1. Concentration Risk is the risk associated with investing a majority of the investment portfolio in one type of investment or in one entity. Without adequate diversification, the credit union could lose all or a part of investments due to the concentration.

VI.1.2. Asset Structure refers to the composition of the assets of the credit union. The principal activity of the credit unions is to mobilize deposits and provide loans to members.

- Total Loans/Total Assets Ratio Goal: 70– 80%

This ratio measures the percentage of total assets that are invested in the loan portfolio. Management should not exceed 80% because of a possible liquidity shortage.

VI.2. Formulation of Investment Policy

VI.2.1. The credit union's board of directors shall be responsible for formulating, reviewing and adjusting the investment policy. The investment policy shall address:

- Purpose and objectives of the investment activities.
- Types of investments that can be made.
- Who has authority to make the investments and the extent of this authority.
- Need for adequate investment diversification across investment type and/or entity.

VI.2.2. The board shall annually review and revise the policy as needed.

VI.3. Responsibility and Authority

VI.3.1. The credit union's Audit Committee or its designee shall be responsible for ensuring compliance with the investment policy. The committee shall determine if the policy is being complied with by periodically (no less than quarterly) reviewing the investment portfolio.

VI.3.2. On a quarterly basis the credit union manager shall prepare a report for board of directors that details:

- All investments held by the credit union.
- Interest rate(s) and maturity date(s) for those investments.
- Any investment activity for the month.
- Comparison of the book value (or the actual cost of the investment) where possible to the current market value, if available. If there is a loss when the book and market values are compared, management should relate the potential loss to the credit union's institutional capital to illustrate the impact of the potential loss on solvency.

VI.3.3. Investment maturities shall not exceed _____ months except for a share investment in a second-tier cooperative. When making investments with a _____ month maturity, the board shall take into consideration seasonal fluctuations in demand for credit. Prior to investing, the source of the credit union's excess funds shall be

determined along with the next time period in which loan demand will increase.

VI.4. Approved Investments

VI.4.1. The credit union may invest only in the following:

- Securities, obligations or other debt instruments issued or guaranteed by the national government or any agency or political subdivision of the government.
- Deposits, obligations or other accounts of banking institutions, organized under national law.
- Loans to, shares or deposits in any legally registered central credit union, central finance facility, federation or any deposit guarantee corporation for credit unions.
- Shares, stocks, deposits in loans to or other obligations of any registered cooperative society, organization, company or association providing services associated with the general purposes of CUs or engaging in activities related to the operations of a credit union.
- Shares of a cooperative society registered under national law, other than one described in the above point.
- Other investment-type securities or obligations as may be authorized by the supervisory authority.

VI.5. Prohibited Activities

VI.5.1. Investments are to be purchased with the intention to "hold to maturity." At no time shall the portfolio be used to trade securities for profit placing the credit union's capital at risk.

VI.5.2. No investments shall be made with credit union officials, employees or related parties, and immediate family members may not receive anything of value in connection with investment transactions. All investment transactions must be transparent and performed as an arm's length transaction.

VI.6. Accounting Record and Safekeeping of Investments

VI.6.1. Each investment shall have a subsidiary ledger that details the following information: name of investment, amount, interest rate, maturity and parties that approved the investment.

VI.6.2. All original investment documentation shall be kept in a fire-proof safe.

VII. REGULATION ON OWNERSHIP OF FIXED AND NON-EARNING ASSETS

Purpose:

Investment in non-earning and fixed assets should be kept at a minimum needed to operate the credit union since these assets do not provide income or return, and therefore do not build institutional capital. Regulation for these assets should at a minimum define the assets considered fixed and non-earning, establish the maximum investment that may be made in these assets as compared to total assets, state the length of time that Other Real Estate Owned (OREO) may be kept on the books, and discuss how the credit union may dispose of the OREOs.

A comprehensive regulation on fixed and non-earning assets regulation is provided below.

VII.1. Definitions

VII.1.1. Premises includes any office, branch office or other facility where the credit union transacts or will transact business.

VII.1.2. Furniture, Fixture and Equipment includes all office furnishings, office machines, computer hardware and software, heating and cooling equipment or other items of a material value.

VII.1.3. Fixed Assets refers to premises and furniture, fixtures and equipment as these terms are defined above.

VII.1.4. Market Value is the most probable price a property will bring in a competitive and open market under all conditions constituting a "fair sale." Fair sale is defined as follows:

- The buyer and the seller are each acting independently, prudently and knowledgeably.
- Payments are made in cash or similar financial arrangement.
- Sale price is unaffected by special financing or other concessions granted by anyone associated with the sale.

VII.1.5. Non-Earning Assets are those assets other than fixed assets that earn no interest or yield, including cash, non-interest-bearing checking accounts, member collateral due to repossession, accounts receivable, prepaid expenses, accruals and other assets.

VII.1.6. Other Real Estate Owned (OREO) is defined as real estate and assets of material value that are transferred to the credit union because of non-repayment of a member loan. The credit union receives title to and possession of the property.

VII.1.7. Immediate Family is a spouse or other family member living in the same household or under the direct influence of the official, member or employee.

VII.2. Permissible Level of Investment in Fixed Assets

VII.2.1. A credit union may not invest in fixed and non-earning assets in an amount greater than 5% of total assets. Donated fixed assets and OREOs are not included in this percentage.

VII.2.2. If a credit union wants to invest in fixed and non-earning assets in an amount greater than 5%, it must receive a waiver from the supervisory authority. The request for waiver shall include the credit union business plan, a detailed description of the investment, the cost, an explanation of need, how it will improve member service and a study that shows the impact the investment will have on profitability and institutional capital.

VII.2.3. The supervisory authority shall approve or deny the request as stated in VII.2.2. within 30 calendar days. The credit union shall receive written notification informing them of the decision. The notification shall include an aggregate amount or percentage of assets that is approved for investment in fixed assets. The institution under no circumstances shall exceed this limit.

VII.2.4. When property is acquired for future credit union expansion, at least partial utilization of the property as related to credit union operations shall be accomplished within two years from the date of purchase unless the supervisory authority authorizes a longer time period.

VII.3. Prohibited Transactions

VII.3.1. No credit union may acquire, sell or lease premises without the prior written approval of the supervisory authority to or from the following:

- A board member, member of the credit or audit committees, or employee or immediate family member of any such individual.
- Businesses in which any of the previously mentioned individuals are a director, officer or partner and have an interest of greater than 10% in the corporation or partnership.

VII.3.2. All transactions with business associates or family members not specifically prohibited by 3.1 must be fully disclosed, conducted at arm's length and in the best interest of the credit union.

VII.4. Other Real Estate Owned (OREO)

VII.4.1. If the credit union is unable to sell the OREO in a year, the institution shall reduce the value of the asset by 50% each year for two years until the OREO value is reduced to zero. The reduction in the asset shall be made through a contra-asset account titled "Provision for OREO." After three years total, the OREO shall be written off the accounting records.

VII.4.2. Real estate and other assets of material value received by the credit union as partial or full payment for a borrower's indebtedness shall be accounted for at the lower of the outstanding loan balance or the market value on the date the asset is transferred to the OREO account. Any losses due to the loan balance being greater than the market value shall be charged to the provision for loan losses when the asset is transferred to the OREO account.

VII.4.3. Any direct costs and expenses associated with the acquisition of the title to the property and its maintenance (legal and notary fees, normal repair and maintenance expenses, license fees, property or other tax) shall be expensed as a credit union expense when incurred.

VII.4.4. Any declines in the value of the property, as established by subsequent appraisals, must be charged to the Provision for OREO (contra-asset account). This entry has the effect of reducing the value of the property. Under no circumstances shall future decreases in value be charged to the Provision for Loan Loss account since an OREO represents a credit union asset, not a loan.

VII.4.5. Upon transfer of a property to the OREO category, the market value of the property shall be determined by an appraisal upon acquisition or if the recorded investment in the loan is equal to or less than 10% of the institutional capital. Evaluation of the property may be performed by a qualified employee or official, provided that appropriate steps have been taken to ensure independence of the individual.

VII.4.6. When an appraisal is performed by an appraiser, he/she must be selected directly by the credit union and have no direct or indirect interest or involvement, financial or otherwise, in the property being appraised.

VII.4.7. The OREO shall be advertised publicly for sale once the asset has been moved to the OREO account. Disposition of the asset must occur within three years by sale or write-off as described in VII.4.1.

VII.4.8. If the OREO is sold for more than the member owes on the OREO to the credit union, the excess shall be returned to the member.

VII.4.9. When the OREO is sold, the credit union may accept a note for all or part of the proceeds of the sale.

VII.4.10. The credit union shall maintain adequate written documentation which shall provide evidence of management's efforts to dispose of the property within the time frame established in this regulation and include any legitimate offers to buy the OREO.

**VIII. REGULATION ON OWNERSHIP
SHARES AND SAVINGS DEPOSITS****Purpose:**

Member savings generally represents the largest liability on the credit union's balance sheet. Whereas, the credit union accepts risk when making loans, the member accepts a certain degree of risk by placing their savings in the credit union. The regulation should, at a minimum, address the types of accounts that may be offered, any specific terms, conditions and disclosures for the savings and share accounts and how dividends and interest are to be calculated, accounted for and paid.

A comprehensive regulation on savings and ownership shares may be as simple as the following.

**VIII.1. Terms and Conditions of Savings and
Ownership Share Accounts**

VIII.1.1. The interest rates, terms and conditions for savings accounts shall be established by each credit union.

VIII.1.2. The minimum amount for opening an ownership share account shall be identified in the credit union's bylaws.

VIII.1.3. Withdrawals from ownership shares shall require a written notification as provided in the credit union bylaws. Withdrawals shall be allowed only upon membership termination and provided that the credit union is meeting institutional capital requirements and has adequate liquidity.

VIII.2. Dividends and Interest

VIII.2.1. Share dividends are based on current earnings; therefore, the annual dividend rate is not guaranteed. No dividend shall be paid unless the credit union has at least 5% institutional capital, established all required provisions against losses on loans and complied with any additional requirements established by the supervisory authority.

VIII.2.2. If there is a contract as with term deposits, then it shall describe the terms and conditions of the deposit and it shall guarantee the member a stated interest rate. Due to the contractual nature of these deposits, the credit union is required to make the interest payments as described in the contract.

VIII.2.2.1. If the savings account is not bound by a contract, the credit union officials may change the interest rate as dictated by external market forces or internal credit union funding needs.

VIII.2.2.2. Interest on savings accounts may be fixed or variable in nature, paid at various rates, and the interest payments may occur at different frequencies depending on the type of deposit and its terms.

VIII.2.3. Interest due on savings and term deposits shall be accrued no less than monthly unless the interest payments are made to the members monthly.

VIII.3. Record Keeping

VIII.3.1. Ownership shares and savings deposits and withdrawals shall be recorded in the member's passbook and in the credit union's records on individual member ledger cards (manual systems) or statements (computerized systems).

VIII.3.1.1. Each ownership share and savings account shall have an account number. Deposits or withdrawals in ownership share or savings account will be accounted for separately in the respective account.

VIII.3.2. Term deposits shall be evidenced by a certificate that clearly states the member's name, the certificate and account number, the date of the deposit, the amount of the deposit, the term of the deposit, the interest rate, whether the interest rate is fixed or variable, dates of interest payments, penalties for early withdrawal and signatures of both the credit union representative and the member(s).

VIII.3.2.1. The original term deposit certificate will be maintained at the credit union. The member may either receive a copy of the term deposit or passbook with the above information included.

IX. REGULATION ON LIQUIDITY MANAGEMENT

Purpose:

In many countries credit unions do not have access to a liquidity facility. Consequently, credit unions may be subject to severe liquidity risks. To confront liquidity risks some credit unions have joined together to develop centralized liquidity pools. These pools can be adequate to meet demands posed by seasonal liquidity needs in individual credit unions. However, liquidity pools are not normally adequate to meet liquidity risk on a larger scale, so each credit union must manage their liquidity effectively.

Members generally want access to longer-term loans, yet they prefer to keep their savings in accounts with no maturity or a very short one. This situation requires that credit union management analyze and manage liquidity so as to diminish this risk. Adequate liquidity must be maintained while maximizing profitability; proper liquidity management shall never be secondary to profitability.

In order to decrease liquidity risk and avoid a liquidity crisis, a regulation addressing liquidity management, at a minimum should include: the related definitions, the minimum amount of liquidity required as a percentage of withdrawable deposits, the method for evaluating liquidity, and identified liquidity sources.

An example of a comprehensive liquidity management policy is as follows.

IX.1. Definitions

IX.1.1. Volatile Funds are member savings deposits that are placed in a credit union for the interest rate or return only and are characterized by a high probability of withdrawal from the credit union at the first sign of trouble or the credit union's inability to pay a high rate of return.

IX.1.2. Liquid Assets are assets easily converted into cash (e.g. cash, current accounts, commercial bank deposits.)

IX.1.3. Illiquid Assets are assets that cannot be converted into cash quickly because they are longer-term in nature or there is no market in which the asset can be quickly sold.

If the credit union needs to sell illiquid assets to raise cash in a short period of time, the credit union may have to sell them at a loss.

IX.1.4. Liquidity Risk is the risk that cash or cash equivalent provided by normal operations will be inadequate to meet share and savings withdrawals, external borrowing repayments, member loan demand and operating expenses.

IX.1.5. Interest Rate Risk is the risk that, due to increases in the market interest rates, savings deposit interest rates may increase while the interest on fixed-rate loans and investments remains the same, thus causing a potential profitability problem.

IX.1.6. Asset Liability Management (ALM) is the process of planning, monitoring and controlling asset and liability volumes, maturities, rates and yields.

IX.1.7. Rate-sensitive Assets are assets that have no maturity, such as money market accounts or assets with a short maturity that are affected by market interest rate changes. As interest rates increase or decrease, so does the interest rate on the money market account versus a long-term fixed-rate loan.

IX.1.8. Rate-sensitive Liabilities are liabilities affected by market interest rate changes. The interest rate on the certificate may only be changed when the certificate matures.

IX.1.9. Equity is the difference between assets minus liabilities, or the total of institutional capital, regulatory capital and other capital accounts.

IX.2. Formulation of Liquidity/ALM Policy

IX.2.1. The credit union's Board of Directors shall be responsible for formulating, reviewing and adjusting the liquidity/ALM policy. The policy shall address:

- Who is responsible for liquidity management and ALM.
- Who may access or establish a line of credit for liquidity purposes.
- How liquidity will be monitored: for example, what liquidity management systems will be used, what time frames will be used in cash flow analysis, their level of detail and the intervals for updating ratio and cash flow analysis.
- Minimums and maximums for total cash assets and for the amount to be kept on-site at the credit union.
- Minimums and maximums for other liquidity related ratios.

- What process or method will be used to monitor ALM.
- How often the ALM position will be analyzed and discussed.

IX.2.2. The board shall annually review and revise the policy as needed.

IX.3. Concentration Limits to Reduce Liquidity Risk

IX.3.1. No member or immediate family members, which shall include the spouse, parents and children of a member, whether living in the same household or not, and any other individual living together in the same household as the member, may own more than 10% of the total ownership shares and savings deposits of the credit union together or separately.

IX.3.2. No loan may be made to any member or group of members operating family businesses, or closely related family members dependent on the same income source, if such a loan causes that member or group of members' credit union indebtedness to exceed in aggregate 25% or more of the credit union's regulatory capital.

IX.4. Liquidity Management Ratios

IX.4.1. In addition to meeting any Central Bank reserve requirements, the credit union shall have at least 15% of savings deposits in liquid assets or demand deposit type accounts to provide sufficient liquidity for share and savings withdrawals, external borrowing repayments, loan demand and operating expenses. This ratio shall be reported to the supervisory authority as required.

IX.4.1.1. The liquidity ratio calculation is as follows:

- Liquid Assets (those with no maturity or a maturity of less than 30 days) minus Liabilities due in 30 days or less / Average Savings Deposits over the past three months = or > than 15%.

IX.5. Liquidity Evaluation

IX.5.1. In addition to calculating and analyzing the ratios in Section IX.4., management shall perform a liquidity evaluation.

IX.5.2. This evaluation shall be performed no less than monthly; the frequency of the evaluation will depend on the credit union's liquidity situation.

IX.6. Liquidity Management Vehicles

IX.6.1. Short-term liquidity may be met by maintaining adequate balances in cash and investing in short-term financial securities; the securities must be able to be promptly sold or converted into cash without suffering a loss.

IX.6.2. Credit unions may raise funds to meet liquidity needs through member shares and deposits and/or by accessing external borrowing sources. The funds obtained shall be at market prices so as not to attract volatile funds.

IX.6.3. External borrowings including lines of credit are a source of short- and long-term funds that can be used to satisfy liquidity needs. Credit union management must be cognizant of the problems associated with using loans from external sources as a long-term liquidity source and should focus on attracting member deposits.

IX.6.4. Credit unions shall have direct access to the Central Bank's liquidity facility on terms no more or less favorable than other depository institutions of a similar profile.

IX.7. Interest Rate Risk

IX.7.1. Credit union management shall take appropriate steps to manage interest rate risk by reviewing and managing the balance sheet structure. This process shall include:

- A determination of rate-sensitive assets and liabilities.
- The matching of the maturities for rate-sensitive assets, such as loans and investments with similar term rate-sensitive liabilities, such as loans from external sources and member deposits.
- The matching of fixed assets with institutional capital.
- The matching of liabilities and member deposits with no maturity with short term (maturity of < 30 days) assets.
- A written analysis of the credit union's balance sheet structure and documentation of matching the rate-sensitive assets with rate-sensitive liabilities.
- Adequate written liquidity and ALM policies that are commensurate with the size and sophistication of the credit union.

X. REGULATION ON RECORDS PRESERVATION, DISASTER PREPAREDNESS AND SECURITY PROGRAMS

Purpose:

If there is a disaster and the credit union has not adequately preserved the records, the implications can be very serious, with the worst-case scenario being closure of the credit union due to lack of adequate information. At a minimum, the regulation on records preservation shall include: identifying the individual responsible for storing records; identifying the records needing to be stored; designating a schedule for how often records in storage are updated; designation of an acceptable storage location, essential elements of a disaster preparedness plan and security program.

The following is an example of a comprehensive regulation on records preservation, disaster preparedness and security.

X.1. Definitions

X.1.1. Acceptable off-site location is defined as any location far enough from the credit union office to avoid simultaneous loss of both sets of records in the event of disaster.

X.2. Records Preservation Implementation

X.2.1. The credit union accountant or designated staff member is responsible for storing duplicate vital records at an off-site location which has acceptable security and is geographically distant from the credit union office.

X.2.2. Records shall be stored within 30 days after the end of each quarter. Previously stored records, except for those marked "permanent", may be destroyed when the current records are stored.

X.2.2.1. If the credit union is computerized, the daily files should be copied to a memory device on a daily basis and stored off-site.

X.2.3. A records-preservation log (or book) shall be maintained at the credit union showing the records stored, where the records were stored, when the records were stored and who sent the records for storage.

X.2.4. Stored records may be in any format which can be used to reconstruct the credit union's records. Acceptable formats include paper originals or copies, micro-film or computer storage devices.

X.3. Vital Records to be Stored

X.3.1. The original records shall be stored at the credit union. A copy of the originals shall be stored off-site as of the most recent month-end as follows:

- A list of share, savings and/or deposit account balances and loan balances for each member's account.
 - 1) The list of balances will be individually identified by member name or number.
 - 2) Multiple loans and savings on one account will be listed separately.
 - 3) Information sufficient to enable the credit union to locate each member, such as address and telephone number, shall also be included unless the board of directors determines that such information is readily available from another source.
- A financial report which lists all of the credit union's asset, liability and equity accounts and outstanding balances.
- A list of the credit union's bank and investment accounts, including the account names and numbers, copies or duplicates of titles for all fixed assets owned by the credit union, copies of external borrowing agreements and payment schedules with outside sources, and copies of insurance policies. This information may be marked "permanent" and updated only when changes are made.
- A copy of all loan contracts or instruments that hold members liable for debt repayment to the credit union. This information shall be updated as loans are paid off or new loans are granted.

X.4. Disaster Preparedness

X.4.1. Each credit union shall have a written Disaster Preparedness Plan. The size and sophistication of the credit union's plan shall be commensurate with the complexity of credit union operations.

X.4.1.1. The plan shall address critical areas such as the safety of credit union staff and the maintenance of critical systems and services. A critical system or service can be physical (building, roads, parking lot), human (employees, members, consultants) or technical (hardware, software, interfaces, external systems, power sources, telecommunications).

X.4.1.2. In order to identify critical systems and services credit union management must determine how the loss of a system(s) or service(s) would impact the continued operation of the credit union and, if a system or service were non-operational, how long the credit union could continue to function without it.

X.4.2. The written plan at a minimum shall:

- Identify who is responsible for approving the plan.
- How often it should be reviewed.
- Who is responsible for implementing the plan or identifying alternative individual(s) should the primary person(s) be unavailable.
- Establish the duties and responsibilities of the group of employees that will be responsible for assessing the situation, providing information and establishing member service as quickly as possible.
- Identify alternative credit union locations should the credit union office be destroyed.
- Identify the most essential information needed to operate the credit union.
- State how often the plan will be tested.

X.5. Security Program

X.5.1. Each credit union should have a security program that is designed to protect each credit union office from robberies, burglaries, fraud and embezzlement in order to prevent destruction of vital records used in daily operations and to assist in the identification of persons who commit or attempt such crimes. This program's effectiveness shall be reviewed annually and revised as necessary.

X.5.2. To prevent robberies, burglaries, fraud and embezzlement, credit unions shall have, at a minimum, the following in place:

- Locking doors and windows.
- Locking safe requiring dual controls to gain entry and access that is limited to only those employees who must have access to perform their job duties.
- Locking cash box located in a secure area and locked in a safe at night.
 - 1) Access to the cash box shall be limited to the cashier only; no more than one individual shall work out of a cash box.
- Computer and/or manual records maintained in an area of restricted access;
 - 1) Access to the computer shall be with a password. Passwords shall not be shared by employees and changed every 30 days, if possible.
- Records or copies of records maintained in a fire proof safe or container after business hours.
- A security guard, if financially feasible.
- Adequate loan and share internal controls so that no one individual may process the entire transaction (i.e. segregation of the processing, approval and disbursement steps).

XI. REGULATION ON ANTI-MONEY LAUNDERING

The anti-money laundering (AML) regulation is designed to enhance monitoring and detection of possible criminal activities at a credit union, including money laundering, tax evasion and terrorist financing. The regulation's primary objective is to provide a paper trail of financial transactions to help detect and prevent money laundering activities. Credit unions, like other financial institutions, must have in place policies, procedures and adequate internal controls to detect any type of unusual activity in member accounts related to illicit activities. Supervisory authority may come from a government agency or financial institutions supervisory authority. The responsibility for determining supervisory authority compliance is usually delegated to the appropriate financial supervisory authority agency.

A comprehensive regulation on anti-money laundering is provided below.

XI.1. Member Identification

XI.1.1. Each credit union shall have in place written policies and procedures sufficient to allow employees to adequately determine the true identity of each member, their economic activities, the origins and destinations of transactions, whether transaction volume is appropriate and account activity is "normal" based on past account history and the member's economic activities.

XI.1.1.1. To enable each credit union to determine the true identity of each member, the identification procedures in place, at a minimum, shall provide for:

- Obtaining basic identifying data for each person opening an account.
- Verification of the identity of each customer to the extent reasonable and practical.
- Maintenance of records and information used to verify the identity.
- Determination of whether the customer appears on any lists of suspected criminals and/or terrorists based on information provided by law enforcement officials.

XI.1.1.2. At a minimum, each credit union shall obtain the following information prior to opening or adding a member to an existing account:

- Name
- Date of Birth (for individuals)

- Residence or business address
- Identification Number from official government-issued documentation such as a passport number, citizen identification number, business license, driver's license, etc. The identification used shall bear a photo of the member.

This information shall be retained for five years after the account is closed.

XI.2. Transactions of _____ (suggested – an amount not to exceed \$10,000 US) or More

XI.2.1. For each single or multiple cash transaction (deposit, withdrawal, exchange of currency such as exchanging small currency notes for larger denominations, purchases of cashier's checks, traveler's checks, money orders or wire transfers) performed during one day and in an amount of _____ or more, the appropriate supervisory authority report shall be completed and remitted to the designated individual or agency within 15 business days of the transaction.

XI.2.1.1. If a credit union has branch offices, multiple cash transactions in one day made on a member account at different branches shall be aggregated and reported if the total amount is equal to _____ or more.

XI.2.2. The following information shall be verified and collected for cash transactions of _____ or more:

- Name and address of the member on whose behalf the transaction is being performed.
- Name and address of the individual performing the transaction.
- Name and address of the credit union where the transaction took place.
- The amount of transaction.
- The name and address of the beneficiary of the transaction, if different than the member.
- Member account number affected by the transaction.
- Type of transaction performed.
- Serial numbers for all purchased instruments bearing numbers.
- Date, hour and location of transaction.
- Name and signature of the credit union compliance officer and employee preparing the report.

XI.3. Suspicious Activity Reporting

XI.3.1. A Suspicious Activity Report shall be filed on any transaction in any credit union department if the employee determines that it is suspicious in nature.

XI.3.1.1. The report must be filed with the supervisory authority within 15 business days after the date of the initial detection of the suspicious activity.

XI.3.2. The following information shall be provided on the Suspicious Activity Report:

- Name and address of credit union.
- Name, address and account number of the member account in which the suspicious activity took place.
- Name and address of the individual making the transaction, if different than the member.
- Description of the suspicious activity.
- Amount of funds and the type of transaction performed.
- Name and signature of the credit union compliance officer and employee preparing the report.

XI.4. Credit Union Internal AML Compliance

XI.4.1. Each credit union shall have an internal written AML compliance program that is approved by the board of directors. The program shall include:

- A system of internal controls to ensure ongoing compliance.
- Independent testing of compliance with the requirements of this regulation, the employee's knowledge of the regulation requirements and the adequacy of the employee training program.
- Designation of a credit union employee with appropriate experience and background as the compliance officer.
- Compliance monitoring by the designated employee.
- On-going staff training program.

XI.5. Compliance Officer, Independent Testing and Employee Training

XI.5.1. Each credit union shall designate a credit union employee, or volunteer if there are no employees, as the AML compliance officer. This individual shall have day-to-day responsibility for compliance and shall be responsible for developing written internal control procedures to prevent money laundering at the credit union, verifying compliance with all AML regulations, monitoring daily transactions to detect unusual transactions, determining that all policies and procedures are adequate to discover suspicious activity, coordinating periodic training, ensuring that all reports are made to the supervisory authority within the specified time frames, and following-up on audit findings to ensure they are addressed and corrected.

XI.5.2. Compliance with AML requirements shall be independently tested at least annually by an internal or external auditor.

XI.5.2.1. The audit shall, at a minimum, test the effectiveness of the internal procedures for compliance with AML requirements by verifying that the written AML policies and procedures meet all requirements, the credit union can determine the true identity of their members, the required report is filed within the designated time frame for large currency transactions and suspicious activity, and the compliance officer and employees are adequately trained.

XI.5.3. All credit union personnel that have contact with members shall receive appropriate AML training that is ongoing and incorporates a review of all AML regulations and requirements, current developments such as new money laundering schemes and methods in which AML activities can be detected or resolved.

XI.6. Penalties for Non-compliance

XI.6.1. Any credit union official or employee who fails to comply with this regulation and its requirements is subject to monetary penalties as described in Section XVI.5 Monetary Penalties of the Regulation on Administrative Actions and Sanctions.

ADMINISTRATIVE REGULATIONS

Purpose:

To establish regulations that explain the procedures for licensing and chartering credit unions, merging them and liquidating credit unions.

XII. REGULATION ON CREDIT UNION CHARTERING OR LICENSING

Purpose:

The regulation on chartering or licensing has only minimal requirements. The lack of entry requirements has resulted in a large number of credit unions that are unable to offer their members the products and services they want and are unable to compete financially because they lack economies of scale. Licensing such institutions that are unable to demonstrate sustainability is a mistake and a burden on the entity in charge of their regulation and supervision and potentially damaging to the reputation of credit unions. Prior to chartering or licensing a credit union, the supervisory authority should be confident that the credit union will become viable.

At a minimum, the regulation on chartering or licensing should address the minimum number of founding members and capital, the process and procedure to apply for a charter or license, the approval process and the recourse that applying credit unions can follow if they disagree with the supervisory authority's decision.

The following is an example of a comprehensive regulation on chartering or licensing.

XII.1. Founding Members of the Credit Union

XII.1.1. Individuals intending to establish a credit union shall have an appropriate common bond that is associational, occupational or geographic in nature and shall be of legal age and physically living in the country where the credit union is located.

XII.1.2. There shall be no less than 300 founding members. The founding members shall purchase at least the minimum amount of ownership shares as prescribed in the bylaws in order to obtain full membership.

XII.1.3. No member or immediate family members may own more than 10% of the total ownership shares and savings deposits of the credit union. Family members are

defined as the spouse, parents and children of a member, whether living in the same household or not, and any other individual living together in the same household as the member.

XII.1.4. Share ownership shall be evidenced by an ownership certificate and/or passbook. The credit union shall have no less than the minimum amount of total ownership share capital as periodically announced by the supervisory authority. The minimum monetary amount for credit unions is _____. The minimum amount must be accumulated as of the date of the application.

XII.1.5. The founding members shall elect from among themselves suitable persons with financial, business, accounting and/or management backgrounds to fill positions on the board of directors, audit and credit committees until the first annual general meeting.

XII.1.5.1. The following individuals shall not be suitable to be officials in the credit union:

- Persons who have been convicted of criminal offenses by a court.
- Persons against whom criminal charges have been brought and the court decision is pending.
- Former managers, members of boards, credit, or audit committees of organizations that were declared bankrupt as a result of these persons' actions.
- Current officials and senior management of other financial institutions.
- Persons whose methods of management and carrying out business were found dishonorable and/or dangerous, causing loss in other financial institutions.

XII.2. Requirements to Apply for Credit Union Charter or License

XII.2.1. The official founding document of a credit union shall be its charter or license, which shall be granted by the supervisory authority. Upon receipt of the charter or license, the founding members shall register with other government entities as required.

XII.2.2. Each chartered or licensed credit union shall include the word "credit union" in its name. No other business or financial institution may use the word "credit union" in its name.

XII.2.3. No credit union may be named after an individual.

XII.2.4. Credit unions may be multi-purpose in nature but the financial statements and governance of the financial intermediation activities must be separate and distinct from other activities. The credit union may not hold investments of more than 5% in non-financial activities. Under no circumstances can credit union deposits fund the non-financial activities.

XII.2.5. The board of directors of a credit union shall apply to the supervisory authority for the charter or license within 30 days of meeting all of the requirements described below.

XII.2.5.1. The following information shall be submitted to the supervisory authority to be considered for credit union registration:

- Completed application.
- Notification of the credit union's place of business.
- Proposed credit union bylaws.
- Full legal names of the founding members, home addresses, passport and/or national identification numbers and individual and aggregate ownership share balances.
- Minutes of the general meeting in which: the bylaws are approved, the Board of Directors, Credit and Audit Committees are elected or appointed and the officials provide confirmation that they have agreed to fulfill the duties relative to their position.
- Proposed credit union manager.
- Educational background, related work experience and professional qualifications of the officials and the proposed manager.
- Evidence the founding members have gathered the required ownership share capital.
- Feasibility study demonstrating the viability of the credit union. This study should include the mission statement and overall goals, market research performed, proposed organizational structure and financial projections for the initial three years of operations.
- The management information system that will be used to perform and account for all transactions and provide reports.

XII.2.6. The credit union bylaws shall be developed based on the standard credit union bylaws provided by the supervisory authority.

XII.2.7. Any amendments to the standard bylaws shall be approved by a majority of credit union members present at the general meeting and the supervisory authority. Amendments shall be effective only upon written approval of the amendments by the supervisory authority.

XII.3. Decision on Credit Union Charter or License

XII.3.1. The supervisory authority shall make the decision on credit union chartering or licensing within 60 calendar days after receipt of all the documents mentioned in point XII.2.5.1, provided that the requirements of the law and regulation have been met.

XII.3.2. Before issuing a charter or license the supervisory authority shall determine:

- whether the credit union will operate responsibly by persons considered appropriate and capable of managing a financial institution.
- the past business record and experience of the applicants.
- the nature and sufficiency of the financial resources of the applicants.
- the soundness and financial sustainability of the plans submitted by the applicants.
- whether public interest will be served by chartering or licensing the credit union.

XII.3.3. The supervisory authority may conduct an independent, on-site investigation of each credit union applying, if they deem it necessary to assure that the proposed credit union will be viable.

XII.3.4. No business may be performed by the founding applicants, with the exception of the requirements set forth in Section 2, prior to receiving the credit union charter or license and registering as required with other government entities.

XII.3.4.1. The founding members will be liable for any transactions performed prior to receiving a credit union charter or license and registering as required with other government entities.

XII.4. Duration and Inalienability of the Credit Union Charter or License

XII.4.1. The credit union charter or license shall be valid for an unlimited term.

XII.4.2. The rights stipulated in the charter or license may not be transferred or assigned to any third parties. Such assignment shall cause the charter or license to be revoked and the credit union shall be required to cease any further activities.

XII.5. Acceptable Currencies

XII.5.1. Credit unions may accept deposits, shares and loans from external sources and make loans and investments only in the national currency unless the credit union has received prior approval from the supervisory authority to accept and transact business in other currencies.

XII.6. Standardized Accounting

XII.6.1. All credit unions shall use the standardized chart of accounts provided by the supervisory authority for all accounting transactions.

XII.6.2. Credit unions shall account for all transactions using International Accounting Standards.

XII.7. Denial of Credit Union Application

XII.7.1. The supervisory authority may deny a credit union application based on the following reasons:

- Non-submission of documents needed for chartering or licensing.
- Founding documents and other necessary information that fails to comply with the requirements set forth by this regulation.
- Inadequacy of the minimum ownership share capital or minimum number of founding members.
- Economic non-viability of the feasibility plan.
- Persons designated as officials or management executives who have been convicted of a criminal offense, liable for losses caused by their activity at other financial institutions or organizations, or currently are employed in another financial institution.

XII.7.2. Upon denying an application, the supervisory authority shall make written notice to the applicants within 14 calendar days after the denial decision is made. The notice shall state the grounds for the denial, and officially inform the applicants with return of the documents.

XII.7.3. If the proposed credit union founding members can positively address all the reasons that caused the refusal, the application may be resubmitted at any time.

XII.7.4. If the operations of the credit union do not begin within six months from the date of the charter or license, then the charter or license shall be automatically revoked.

XIII. REGULATION ON MERGERS

Purpose:

Merger is defined as the consolidation of the assets, liabilities and equity of a credit union that will discontinue operations upon completion of the merger with an ongoing or continuing credit union. Transferring the rights and obligations of the merged credit union makes their charter or license and bylaws null and void.

At a minimum this regulation should address who is responsible for making the merger decision, what the process is to be followed by credit unions and who will approve or deny the merger request.

With this in mind, the following is presented as an example of a comprehensive regulation on credit union mergers.

XIII.1. Merger Decision

XIII.1.1. A credit union may be reorganized through voluntary merger with another credit union by a positive vote of the credit union members. Adequate notice as set forth in the bylaws shall be given to members for any meeting held to vote on credit union merger. The supervisory authority shall also approve the merger.

XIII.1.2. The decision made by the general or special meeting of the members at both credit unions is the grounds for submitting a merger request to the supervisory authority for permission to merge credit unions.

XIII.1.3. Ninety, 60 and 30 days before a merger vote, a credit union must notify its members in writing and prominently post the notice in visible locations in all offices of the credit union.

XIII.2. Merger Process and Documentation

XIII.2.1. The credit unions are responsible for preparing and submitting all documentation necessary for a merger.

XIII.2.2. All costs related to a credit union merger shall be paid by the credit unions that merge.

XIII.2.3. Credit unions participating in the merger shall have a merger agreement that explains the following:

- Reason for the merger.
- Location of the principal credit union office and any branch office locations after the merger.
- Agreements that have been reached for notifying and paying creditors of the merging credit union.

- Assignment or transfer to the continuing credit union all of the merged credit union's assets, rights, property, liabilities and equity along with any additional agreements, documents and other instruments of conveyance which may be necessary.
- The continuing credit union's assumption of and agreement to pay all the liabilities of the merging credit union and agreement that the continuing credit union will issue the same monetary amounts in shares and deposits to the members as was deposited at the merging credit union as of the effective date of the merger, notwithstanding any adjustments to the value of the ownership shares for credit union losses of the merged credit union. (Share value adjustments shall be made prior to merging the credit unions.)
- Information on any credit union organizational changes, such as change in number of officials, new management positions, and/or employees.
- Procedures for the conversion of ownership shares if the par values are different for each credit union.
- Transfer procedures of savings and loans to the continuing credit union if the products offered by each merging credit union are different.
- Procedures for merging the management information systems of the credit unions should there be different systems.
- Any other important procedures or terms of the merger.

XIII.2.4. The following documents shall be attached to the merger agreement to obtain the supervisory authority's approval for the credit union's merger:

- Minutes of the general or special meeting of the credit unions approving the merger, including results of the election.
- Pre-merger financial statements for the proposed credit unions planning to merge and a consolidated balance sheet, income statement and delinquency list for the credit unions as of the merger.
- Documentation of the assignment of the merging credit union's assets, liabilities and equity to the continuing credit union.
- Proposed changes to the continuing credit union's bylaws.
- Evidence that the member verification has been completed as discussed in XIII.2.6 of this regulation.
- A combined list of the members of the affiliating and continuing credit unions.

The continuing credit union should retain one copy of the information in sections XIII.2.3 and 2.4 at the credit union office and the information shall be available to all members upon their request.

XIII.2.5. The supervisory authority has the right to require additional information or documents necessary to make the final decision on approval or denial of the merger.

XIII.2.6. A 100% verification of the member share, deposit and loan balances of each credit union shall be conducted prior to merging the credit unions. The verification shall be completed by the Audit Committee of each credit union, or their designee, without the assistance of operational management.

XIII.3. Merger Approval or Denial

XIII.3.1. The supervisory authority shall approve or deny the application for merger within 30 calendar days of receiving all necessary and required information.

XIII.3.2. The supervisory authority's approval for the credit union's merger is based on a qualitative evaluation of the following factors concerning the merged credit unions:

- Professional background and character of the continuing credit union's management.
- Appraisal of the continuing credit union's financial statements and financial future.
- The impact on the continuing credit union's institutional capital.
- Adequacy of the continuing credit union's premises, equipment, and management information system.

XIII.3.3. Upon supervisory authority approval, the credit union shall, not later than 30 calendar days, notify all the creditors of the forthcoming changes in writing, post the information in all credit union offices, and place the relevant information in the most widely used public media.

XIII.3.3.1. The supervisory authority may conduct an on-site visit, if necessary, to review or assess any of the factors in XIII.3.2.

XIII.3.4. The supervisory authority may deny a credit union merger request due to any of the following:

- The proposed merger is not in the best interest of the members.
- Violation of law, bylaws or regulations.
- Absence of the assignment of assets, liabilities and equity of the merged credit union to the continuing credit union.
- Failure to comply with requirements of this regulation.

XIII.3.5. The merger shall be completed within 6 months from the date of the supervisory authority's approval.

XIII.3.6. The merger is considered complete when the continuing credit union receives the supervisory authority's approval and the merged credit union's charter or license is terminated.

XIV. REGULATION ON VOLUNTARY AND INVOLUNTARY LIQUIDATION

Purpose:

Liquidation is the process of selling the credit union assets, paying or discharging the liabilities, and returning to the members any equity remaining after all liabilities have been paid. The end result of liquidation is the closure of the credit union. Liquidation can be voluntary, with members voting to liquidate the credit union; it can be involuntary, a situation under which supervisory authority forces the credit union to liquidate; or liquidation can occur due to a court order. The objective of an involuntary liquidation process is a rapid satisfaction of all credit union creditor demands in order to minimize losses.

At a minimum, this regulation should discuss how voluntary and involuntary liquidation decisions are made, state the process to be followed for all types of liquidations, identify the individual or committee with decision-making authority and the limits of that authority, state any operational restrictions, provide guidance on the payment of creditor claims and establish the types of claims that have payment priority.

The following is presented as an example of a comprehensive regulation on voluntary and involuntary liquidations.

XIV.1. Definitions

XIV.1.1. Credit union liquidation is a discontinuation of credit union activities.

XIV.1.2. A Liquidation Committee or Agent is appointed by the general membership or during a special meeting in the case of a voluntary liquidation and by the supervisory authority in the case of an involuntary liquidation.

XIV.1.3. A Claim is a creditor's claim against the credit union in liquidation.

XIV.2. Right to Liquidate a Credit Union

XIV.2.1. Credit union liquidation shall occur due to the following:

- A positive decision by 75% of the members present at a general or special membership meeting called to

vote on the voluntary liquidation of the credit union, if subsequently approved by the supervisory authority. At least 30% of the membership must vote on the liquidation.

- By order of the supervisory authority or by order of the court on the basis the credit union committed a serious breach of the law.
- A decision by a general or special membership meeting to change and convert the credit union's legal status to another legal form.
- If the number of members is less than required by the law.
- Due to a bankruptcy court decision.

XIV.3. Role of the Supervisory Authority

XIV.3.1. The supervisory authority shall have the responsibility for supervising both voluntary and involuntary credit union liquidations.

XIV.3.2. The credit union shall continue to be supervised by the supervisory authority until the liquidation is complete.

XIV.4. Voluntary Liquidation Process

XIV.4.1. Voluntary liquidations shall occur only when a credit union has the ability to meet its obligations to creditors and members.

XIV.4.2. The credit union board of directors shall be responsible for the following:

- Conserving the value of the assets.
- Expediting the liquidation.
- Equitably distributing assets to the members.

XIV.4.3. The decision to voluntarily dissolve a credit union shall be delivered to the supervisory authority within 30 calendar days of the positive vote made by membership at the annual general or special meeting.

XIV.4.4. The voluntary liquidation process shall be carried out as follows:

- The board of directors of the credit union shall notify the members in writing and through visible posting in all offices of the credit union 90, 60 and 30 days in advance of the proposed liquidation.
- The proposal to liquidate shall be submitted to the general or special meeting of the membership. In order for the liquidation to be approved, 30% of the members must vote and 75% of the voting members must vote in favor of the liquidation. Members opposed to liquidation must be given sufficient opportunity to make their views heard at the expense of the credit union, before

the voting commences. The credit union may not utilize any form of prizes or raffles to solicit voting.

- Upon an affirmative liquidation vote by the credit union members, the general membership or the members present at the special meeting shall appoint a Liquidation Committee. The credit union members may delegate all or part of the board's responsibility to the Liquidation Committee and may authorize reasonable compensation for the liquidation services provided.
- Upon decision to liquidate by the members, the Board of Directors or the Liquidation Committee shall develop a written liquidation plan providing for the liquidation of assets and payment of creditors and members within one year of the proposed liquidation date.
- Upon approval of the liquidation by the membership, the credit union shall cease accepting savings and share deposits, as well as discontinue withdrawals, granting loans, transfers between member accounts, and investment of excess funds. The collection of loans and interest and payment of necessary expenses shall continue.
- The Liquidation Committee shall submit a formal request to the supervisory authority for approval. The formal request shall be submitted to the supervisory authority together with the minutes of the general or special membership meeting approving the liquidation, including reasons for the liquidation, the financial statements as of the most recent month end, and the names of the individuals on the Liquidation Committee.
- The supervisory authority shall approve or disapprove the voluntary liquidation request within 30 calendar days of receiving the request. In the case of disapproval, the supervisory authority shall notify the credit union of the reasons for denial. If necessary, the supervisory authority may require the credit union to revise the plan and liquidation schedule or request additional documentation and/or information.
- Upon receipt of the supervisory authority's permission, the Liquidation Committee shall announce the decision in the most widely used public media per XIV.8.1 of this regulation.

XIV.4.5. Upon supervisory authority approval, the credit union liquidation shall proceed as follows:

- Inventory and examination of assets.
- Valuation of assets and asset sale.
- If excess funds remain after payment of member deposits, creditors, shares and other obligations (per XIV.8.3 of this regulation), the remaining net assets must be donated to another cooperative organization in the country for the purpose of education on cooperatives.
- Finalization of liquidation by supervisory authority.

XIV.5. Reporting Requirement

XIV.5.1. Upon completion of the liquidation, the Liquidation Committee shall submit to the supervisory authority a final report and the credit union liquidation balance sheet (containing zero balances for all accounts signifying that the credit union has no remaining assets, liabilities, or equity) within 14 calendar days of the date of the completion of the liquidation.

XIV.6. Operational Restrictions in Involuntary Liquidation

XIV.6.1. Upon decision of the supervisory authority or court to revoke a charter or license, the supervisory authority shall issue an involuntary credit union liquidation order. The liquidation process shall be completed within one year of the date the supervisory authority or court issued the order.

XIV.6.2. From the date of the supervisory authority's or court's decision to revoke a charter or license or the date of its involuntary liquidation order until the completion of the liquidation process, the following restrictions shall apply:

- The powers of the general membership meeting, elected officials and other credit union committees are suspended, including power over property and repayment obligations, as well as credit union management rights.
- The credit union shall cease accepting savings and share deposits, allowing withdrawals, granting loans, transferring funds between member accounts, and investing excess funds; however, the collection of loans and interest and payment of necessary expenses shall continue.
- Actions made by or on behalf of a liquidating credit union will not have legal effect unless they are made by the Liquidation Committee or agent.
- Terms of all credit union debt commitments will be considered expired.
- Accrual of penalties and interest with respect to all types of credit union indebtedness shall be suspended.
- Demands or request for payment by or of the credit union may be made only through the Liquidation Committee.
- Court decisions made prior to the commencement of the liquidation process, regarding material demands upon the credit union shall be passed to the Liquidation Committee or agent for execution in priority of receipt.

XIV.7. Appointment and Duties of the Liquidation Committee in Involuntary Liquidation

XIV.7.1. Within three business days after the supervisory authority or court's decision to liquidate, a Liquidation Committee or qualified agent shall be appointed by the supervisory authority. The Liquidation Committee or agent shall assume complete authority with respect to the supervisory authority's liquidation decision.

XIV.7.2. Since the Liquidation Committee or agent is nominated and appointed by the supervisory authority, its responsibilities include:

- Determine and manage the credit union's assets so as to preserve their value.
- Perform management functions on behalf of the credit union, regarding the liquidation process and termination of credit union activities.
- Protect credit union documentation and property, as well as other pledged property.
- Hire employees on a contractual basis in order to complete the liquidation process.
- Establish credit union employee wages and other employee payments, taking into consideration the credit union's financial condition.
- Appear before the court on behalf of the liquidating credit union.
- Sell credit union property if available funds are insufficient to satisfy creditor and member claims.
- Determine correctness of creditor claims and satisfy legally presented demands.
- Do all things necessary for the liquidation of the credit union and distribution of its property.
- Report no less than quarterly to the supervisory authority, to discuss the liquidation process, including information on sold assets and the sales prices.
- Complete the liquidation process in one year from the date of the liquidation order.

XIV.7.3. Terms of compensation for the Liquidation Committee or agent and other persons involved in the liquidation process shall be agreed upon with and approved by the supervisory authority.

XIV.7.4. Liquidation expenses shall be paid for by the liquidating credit union. During the settlement of the credit union's liabilities, such expenses relating to the liquidation shall be paid as prescribed in XIV.8.3 of this regulation.

XIV.7.5. Payments made, or other use of credit union assets, during the three months prior to the appointment of the Liquidation Committee or agent to a creditor or any

related parties of the credit union may be deemed invalid by the committee or agent if there is evidence of impropriety or preferential treatment. The committee or agent shall have the right to appeal to the court to declare that a disputed payment or action is invalid and that the credit union should be reimbursed.

XIV.7.6. The Liquidation Committee or agent shall be responsible for all losses caused to the credit union as a result of its or his/her willful misconduct, gross negligence, or intentional, or illegal actions, and omissions. In that case, the supervisory authority shall have the right to terminate the engagement of the Liquidation Committee or agent and appoint another.

XIV.7.6.1. The Liquidation Committee or agent shall not be responsible for losses related to normal operational risk.

XIV.8. Satisfaction of Member and Creditor Claims for Voluntary and Involuntary Liquidations

XIV.8.1. Within seven calendar days of the Liquidation Committee or agent's appointment to the position, they shall publish relevant information relating to the credit union liquidation in the most widely used public media of its members.

XIV.8.1.1. The published information shall state procedures and terms for submitting claims, the necessary documentation that shall be submitted to support their claims and addresses where creditors can submit their claims.

XIV.8.1.2. The published information shall require any person indebted to the credit union to render an account and pay to the liquidator at the time and place specified in the notice any amount owed.

XIV.8.1.3. The published information shall require any person possessing property of the credit union to deliver it to the liquidator at the time and place specified in the notice.

XIV.8.2. Where a notice has been issued per XIV.8.1 of this regulation, any statement of claim which is not received by the liquidator before the expiration date of 30 days from the date of publication shall not be treated as a claim eligible for payment under liquidation but shall be treated as an ordinary debt due from the credit union.

XIV.8.2.1. Every depositor of a credit union under involuntary liquidation shall be deemed to have filed his or her claim for the amount shown in the books of the credit union.

XIV.8.3. Claims against a credit union in liquidation shall be satisfied in the following order:

- Secured creditors shall receive their security. If the claim exceeds the value of the security, the creditor shall have an unsecured claim and be paid as stated below.
- Payment of the cost of activities carried out by the Liquidation Commission.
- Payment to employees for all wages and salaries due net of any liabilities to the credit union.
- Taxes due and owing to the government.
- Payment to general and unsecured creditors.
- Any uninsured portion of member deposits (assuming there is deposit insurance).
- Interest on deposits that has been earned and accrued on an account but not yet added to the member accounts.
- Membership shares paid in greater than the minimum requirement for membership as set forth in the bylaws
- Membership share accounts meeting the minimum requirement.

XIV.8.4. If the available cash of the credit union is insufficient to satisfy the amounts owing to claimants, the Liquidation Committee may sell other assets and complete the payments as provided by law.

XIV.8.5. If the assets of the credit union in liquidation are insufficient to meet its debts, its available assets shall be distributed among the claimants in proportion to the amounts owed and with proper sequence.

XIV.8.6. If there is no individual(s) to accept the property of the credit union in liquidation, then it shall be transferred to _____.

XIV.8.7. The supervisory authority shall announce publicly the deletion of the credit union.

XIV.9. Retention of Credit Union Records

XIV.9.1. All records of the liquidated credit union necessary to establish that creditors were paid and that assets were equitably distributed to the members shall be retained by a member of the Liquidation Committee in the case of a voluntary liquidation and by the supervisory authority for an involuntary liquidation for a period of five years following the cancellation of the credit union charter or license.

XIV.10. Cancellation of Credit Union Registration

XIV.10.1. Within 14 calendar days after the receipt of all necessary information, the supervisory authority shall cancel the charter or license for both voluntary and involuntary liquidations.

ENFORCEMENT REGULATIONS

Purpose:

Enforcement regulations identify what entities have regulation and supervision authority; establish their duties, powers and responsibilities; and specifically state the penalties, actions and sanctions that may be taken against a credit union that does not comply with regulations, rules, pronouncements and directives of the regulating and supervising authority.

XV. REGULATION ON SUPERVISORY AUTHORITY

Purpose:

In some countries, credit union chartering or licensing, regulation, supervision and member deposit insurance are performed by different entities; in other countries all of these are handled by one entity. The entity(s) responsible for credit union oversight should have the power to review the credit union's facilities, books, records, accounts, documents and financial statements. In addition, the entity has the power to remove officers and officials, bring institutions under administration and liquidate them if necessary. The supervisory authority should also require credit unions to furnish periodic reports on their operations and financial conditions. This regulation should establish the powers and entity that supervises, licenses, regulates and insures credit union member deposits.

An example of a comprehensive regulation on supervisory authority can be as follows.

XV.1. Supervisory Authority

XV.1.1. The supervisor shall be responsible for supervising credit unions to ensure they comply with the provisions of the law, regulations and bylaws.

XV.1.2. For the purpose of supervising credit unions, the supervisory authority may:

- At any time, at the supervisor's discretion, enter any premises of the credit union or any premises in which it is believed on reasonable grounds that books, records, accounts, or documents relating to the credit union's business are kept.
- Require any officer, employee or agent of the credit union to produce any of the institution's accounting, financial and non-financial records or documents.

- Search any credit union premises for monies, financial and non-financial records, books, or documents.
- Open or cause to be opened any strong room, safe or other container in which it is suspected, on reasonable grounds that there are any of the credit union's securities, books, records, accounts or documents.
- Examine and make extracts from and copies of any of the credit union's securities, books, records, accounts or documents.
- Remove any of the credit union's securities, books, records, accounts or documents from the credit union's premises, for as long as may be necessary for the purpose of examining them or making extracts from or copies of them.
- Require any officer, employee or agent of the credit union to explain any entry in the credit union's books, records, accounts or documents and to provide the supervisory authority with such information concerning the credit union's management or activities.

XV.1.3. The supervisory authority shall require credit unions to furnish quarterly reports of its operations in such form as prescribed in Appendix A as well as a balance sheet and income statement. The supervisory authority may request any credit union to report more frequently.

XV.1.3.1. In examining the reports, the supervisory authority shall be completely satisfied with regards to:

- Compliance by the credit union with capital adequacy requirements.
- The composition of assets, liabilities and equity accounts.
- The quality of earning assets.
- Financial, operational and business risks.
- Any other matter that in the opinion of the supervisory authority is relevant to the performance of its job under this regulation and the law.

XV.1.3.2. If the supervisory authority is not satisfied with the reports they may request additional information from the credit union that is needed or may make an on-site visit.

XVI. REGULATION ON ADMINISTRATIVE ACTIONS AND SANCTIONS

Purpose:

This regulation describes the types of administrative actions and sanctions that the supervisory authority may take or enforce against a problem credit union in order

to reverse negative operational changes, remove officials or take control of an institution. An examiner may decide that an administrative action or sanction is necessary if:

- Management is involved in unsafe or unsound practices that put credit union assets and member deposits at risk of loss.
- The credit union has committed a serious violation of law, bylaws or regulations.
- Management made no attempt to correct a problem after its disclosure during the most recent contact.
- If management or officials are unresponsive or unwilling to take the necessary corrective actions.

At a minimum this regulation should include any relevant definitions and a description of each of the actions or sanctions that may be taken against a credit union. It is important that for each action or sanction, the regulation states why the action can be taken, who can take the action, what the process involved is with each action or sanction and what the final result of the action will be.

The following is a comprehensive example of the most common actions and sanctions that are used against an institution, its management and officials.

XVI.1. Definitions

XVI.1.1. The Supervisory Authority Examiner is the supervisory authority employee that performs the off-site analysis and on-site contacts at credit unions.

XVI.1.2. On-site Examination is the periodic contact performed by the supervisory authority examiner. The examiner visits the credit union and reviews all necessary books and records to determine the credit union's financial position and quality of its management.

XVI.1.3. The Plan of Action is a result of the on-site examination. This document outlines the credit union's problems, how the problems can be resolved, who is responsible for resolving them and the time frame for problem resolution. The plan is developed by the examiner in conjunction with credit union management.

XVI.1.3.1. In deciding which action needs to be taken, the supervisory authority examiner shall consider the following:

- Financial condition of the credit union.
- Interests of the membership.
- Interest of management and officials in the continuation of the credit union.
- Ability of management and the officials to manage the credit union effectively.
- Local and macro-economic conditions.

XVI.2. Memorandum of Understanding and Agreement

XVI.2.1. The Memorandum of Understanding and Agreement (MUA) is the least forceful of the actions discussed in this regulation and is used when the Plan of Action (defined above) provided at the end of an on-site examination has proved to be ineffective. The MUA format shall be standardized.

XVI.2.2. The MUA shall describe all of the corrections to be made, who is responsible for making those corrections, and the timeframes in which the corrections shall be made. The MUA shall state that if the necessary corrections are not made then the supervisory authority may take a more forceful action to safeguard the credit union assets.

XVI.2.3. The MUA shall be drafted by the supervisory authority and signed by the most senior supervisory authority official, the credit union's examiner and signed by its manager and the board of directors. The MUA will be addressed to the credit union board of directors.

XVI.2.4. The examiners shall make regular supervision contact at credit unions with an MUA.

XVI.2.4.1. During each supervision contact the examiners shall determine the compliance with the MUA and document compliance on a permanent work paper that is a part of the credit union's permanent file.

XVI.2.5. The MUA shall be removed upon correction of all material issues addressed in the MUA with concurrence of the chief supervisory authority official.

XVI.3. Cease and Desist Order

XVI.3.1. The Cease and Desist Order (The Order) is specifically used to stop a harmful practice or anticipate and prevent harmful practices from occurring. An order allows problem resolution in a solvent credit union while preserving and strengthening its managerial integrity.

XVI.3.2. An order is issued if the credit union is:

- Engaging or has engaged in any unsafe business practice.
- Violating or has violated law, bylaws, regulation or any other written agreement between the credit union and the supervisory authority.

XVI.3.2.2 An order may either temporarily or indefinitely require the credit union to:

- Stop any improper or unacceptable practice.
- Put a limit to lending.
- Stop or suspend any declaration of dividends.
- Stop the credit union from awarding any bonuses, salary increases or other benefits to credit union employees or officials.
- Convene a meeting of the members to discuss the remedial measures to be taken.
- Direct the credit union to suspend all or any of its business.
- Impose any other actions as the supervisory authority may deem appropriate under the circumstances.

XVI.3.3. The order shall state the specific action that shall be ceased, who is to cease from doing the action, and in what time period. The order shall state that if the necessary corrections are not made the supervisory authority may take a more forceful action to safeguard credit union assets.

XVI.3.4. The order shall be drafted and signed by the chief supervisory authority official and the credit union's examiner and signed by its manager and the Board of Directors. The order will be addressed to the board.

XVI.3.5. Examiners shall make supervision contacts as needed at credit unions with an order in place.

XVI.3.5.1. During each supervision contact the examiners shall determine the compliance with the order and document compliance with the order on a permanent work paper that shall be maintained in the credit union's permanent file.

XVI.3.6. The order shall be removed upon correction of all material issues addressed in the order and with concurrence of the chief supervisory authority official.

XVI.4. Removal of Officials

XVI.4.1. The supervisory authority may remove an official from office when they have:

- Directly or indirectly violated the law, bylaws, or regulations.
- Engaged or participated in any unsafe or unsound practice in connection with the credit union.
- Committed or engaged in any act, omission or practice that constitutes a breach of fiduciary responsibility, and
- Because of the violation, practice, or breach described above the:
 - 1) Credit union has or will suffer financial loss or other damage.

- 2) Interest of the members has or could be prejudiced.
- 3) Any party receives financial gain or others benefit because of the violation, practice, or breach, and
- 4) Such violation, practice, or breach:
 - a) Involves personal dishonesty by the party.
 - b) Demonstrates the party's unfitness to serve the credit union or to participate in its affairs.

XVI.4.2. The removal of an official by the supervisory authority shall be used when the official will not voluntarily resign.

XVI.4.3. Any party who has been removed or suspended from office is also automatically removed, suspended, and prohibited from participating in the affairs of any financial institution in the future without the written consent of the appropriate supervisory authority.

XVI.4.4. The notice to remove an official from office is drafted and signed by the chief supervisory official and the credit union's examiner and addressed to the credit union and the official to be removed. It shall contain a specific statement of facts constituting the grounds for removal and that the removal shall be immediate.

XVI.4.5. Individuals to be removed can, if they disagree with their removal, contest their removal to the supervisory authority or undertake an appeals process.

XVI.5. Conservatorship

XVI.5.1. Conservatorship is a procedure whereby the supervisory authority takes immediate possession and control of a credit union's business and assets and may operate the credit union until:

- The supervisory authority permits it to resume business on its own, subject to any terms and conditions the supervisory authority may impose, or
- The supervisory authority merges or liquidates the credit union.

XVI.5.2. When deciding to establish conservatorship, the supervisory authority shall take into consideration the following:

- The probability of improvement of the financial condition of the credit union to a level that is sustainable without outside assistance.
- The possibility of retaining a large part of the membership, assets, liabilities, and equity of the credit union.

XVI.5.3. The supervisory authority may place a credit union under conservatorship if the institution:

- Is involved in unsafe or unsound business practices.

- Willfully and continuously fails to comply with compulsory instructions issued by the supervisory authority.
- Has abandoned the credit union or is totally incapable of coping with severe financial problems that must be immediately brought under control;
- Has engaged in illegal or unsafe practices, but those practices cannot be readily identified.
- Does not operate in the members' best interests.
- Conceals or refuses to make available the books and records for inspection by the examiner.

XVI.5.3.1. Credit union financial soundness and the member's best interests are considered threatened if:

- Institutional capital is less than 5% and on a declining trend.
- The credit union is unable to pay its obligations to depositors and creditors.
- The credit union has experienced losses or potential losses amounting to more than 10% of its institutional capital in each of three consecutive fiscal quarters; and/or more than 50% of its institutional capital regardless of the time period.

XVI.5.4. The initial time period for a conservatorship is 12 months.

XVI.5.5. All expenses associated with the conservatorship are paid by the credit union.

XVI.5.6. The supervisory authority shall appoint a custodian or individual to take control of all credit union business and affairs.

XVI.6. Statement of Conservatorship

XVI.6.1. The supervisory authority shall issue the Statement of Conservatorship to credit union officials within 24 hours of making the decision. Upon receipt the credit union must suspend all transactions and business until the custodian is in charge of operations. The custodian shall be in place within 7 calendar days of the date of the statement. Management of the credit union is obliged to hand over to the custodian seals, stamps, forms, items of value, keys of offices and safes, as well as any other credit union property and documents.

XVI.6.2. The Statement of Conservatorship shall state:

- Grounds for conservatorship.
- Proposed custodian who will temporarily be in charge of managing the daily affairs of the credit union.
- Name and address of the credit union.
- Starting date and duration of the conservatorship.
- A list of restrictions on the custodian's powers, if any.

XVI.6.3. The Statement of Conservatorship may be appealed before the court according to applicable legislation.

XVI.7. Powers, Duties and Requirements for Custodians

XVI.7.1. The custodian's objective is to make changes to preserve and return the credit union to solvency for its members and to form efficient and effective management. The custodian shall eliminate the existing violations and implement effective measures directed at improvement of the financial position.

XVI.7.2. The custodian of the credit union may not be a member of the credit union, a creditor or a related party of the credit union, or a close relative of such persons.

XVI.7.3. The credit union is responsible for paying the salary of the custodian.

XVI.7.4. Effective from the moment the conservatorship is ordered, the following applies:

- The custodian operates on behalf of the credit union.
- All powers of management, board of directors and the audit and credit committees related to the credit union, and the general meeting of members are suspended and transferred to the custodian.
- No attachment or lien except a lien created by the supervisory authority, shall attach to any property or asset of the credit union concerned as long as the supervisory authority continues to manage the credit union.
- Any gratuitous transfer of any asset of the credit union made within one year before the conservatorship shall stand revoked and all such assets shall be surrendered to the supervisory authority.
- Any lending to any official or any related person of an official on preferential terms or without adequate security made within six months prior to the conservatorship shall be rescinded; and that official or person related to the official shall immediately refund the monies advanced and pay any interest due.

XVI.7.5. The custodian has the right to:

- Hire employees for temporary administration of the credit union at his/her discretion.
- Establish salary for the employees of the credit union under conservatorship taking into consideration the credit union's financial position.
- Dismiss employees of the credit union in compliance with the current labor laws.
- Make decisions regarding closing of branches.
- Suspend distribution of dividends on ownership shares and interest on deposits for those accounts in which the interest is not contractually guaranteed, as well as

bonuses to credit union employees and compensation to officials.

- Change or amend any agreements to lend or invest the credit union's resources.
- Declare partial or full restrictions on the withdrawal of shares and savings deposits for a period not longer than one year, in the case that institutional capital falls below 2% provided that appropriate measures are taken to preserve the approximate value of the deposits.
- Make claims on behalf of the credit union to determine the legitimacy of creditor claims.
- Sell assets and liabilities of the credit union.
- Take other measures in accordance with the conservatorship plans and within the custodian's powers.

XVI.7.6. All material transactions on behalf and at the expense of the credit union without notification and written approval of the custodian are considered invalid.

XVI.7.7. The custodian shall monitor the assets of the credit union. This means:

- Ensuring safety of the credit union's property, equipment and material assets using the necessary means.
- Placing items of value including cash, securities and vehicles under the management of the custodian.
- Replacing door locks and changing combinations and passwords.
- Reporting any facts that raise suspicions of criminal activities to the supervisory authority.
- Establishing immediate control over credit union accounts in other financial institutions, due to their liquidity and inability to be protected from illegal access. The withdrawal or transfer of these funds may be permitted only by the custodian.
- Obtain new account signature cards for individuals with signing authority for the bank accounts.

XVI.7.8. The custodian shall:

- Reconcile all cash accounts and cash held on-site at the credit union.
- Perform a physical inventory.
- Review status of accounts payable.
- Prepare a balance sheet in accordance with International Accounting Standards (IAS);
- Maintain credit union accounting using only IAS methods.
- Submit all of this information to the supervisory authority.

XVI.7.9. When the conservatorship period expires, unless prolonged by the supervisory authority, the custodian shall submit to the supervisory authority a written report on the financial condition of the credit union and its future prospects. The report should include the financial statements and other documentation that the custodian

used to prepare the analysis. The report should contain one of the following recommendations:

- Termination of conservatorship and restoration of powers to the annual general meeting, newly elected officials, and newly employed management.
- Prolonging the conservatorship.
- Merging the credit union.
- Revoking the charter or license and liquidation of the credit union.

XVI.7.10. Termination of conservatorship due to the improvement of the credit union's financial condition and activities involves termination of all restrictions established by the supervisory authority or by the custodian with regards to the credit union. However, all changes and amendments made to the policies and procedures and the credit union's personnel during the term of conservatorship shall remain valid.

XVI.7.11. For losses caused to the credit union as a result of intentional or reckless actions, the custodian is responsible according to applicable legislation. However, the custodian is not responsible for losses, which are attributed to normal operational risks.

XVI.8. Powers of the Supervisory Authority During Conservatorship

XVI.8.1. During the conservatorship, the supervisory authority has the right to:

- Make recommendations to the custodian on how to measure the success of the conservatorship.
- Amend the custodian's plan prior to or during implementation of the conservatorship.
- Request and receive a report from the custodian on progress made since the last report was submitted.
- Extend the initial time period of the conservatorship.
- Replace the custodian if not satisfied with their actions or results.
- Terminate the conservatorship, revoke the credit union charter or license, and commence liquidation at any time during the process.

XVI.9. Monetary Penalties

XVI.9.1. The supervisory authority shall be in charge of determining, assessing and collecting monetary penalties from the credit unions.

XVI.9.2. Any credit union that fails to submit any report required by the supervisory authority commits an offense and is obliged to pay a fine not exceeding _____.

XVI.9.3. Credit union employees and/or officials that knowingly submit incorrect reports and information to the supervisory authority shall pay a penalty of not more than _____ and the credit union not more than _____.

XVI.9.4. If a breach of the credit union law, bylaws or regulation by a credit union does not constitute a criminal offense, administrative monetary penalties shall be imposed as follows:

XVI.9.4.1. For a breach of procedure in making amendments to the credit union bylaws, the credit union or the responsible party shall be fined _____;

XVI.9.4.2. For undertaking activities not stipulated in the law, bylaws or regulations, the credit union shall be subject to a fine of not more than _____; or

XVI.9.4.3. For violating the terms of an MUA or a Cease and Desist Order, the credit union or responsible party shall be subject to a fine of not more than _____.

XVI.9.5. If the credit union knowingly commits any of the violations described above, exhibits reckless conduct or a breach of fiduciary duty and the violation, practice or breach is part of a pattern of misconduct, or causes more than a minimal loss to the credit union, the supervisory authority or court shall assess a penalty of not more than _____.

XVI.9.6. The Monetary Penalty Order shall be drafted and signed by the individual or entity authorized to assess the penalty and addressed to the chairman of the board of directors with a copy of the order sent to the guilty party. It must specifically state the reason for the penalty, how much the penalty is, when and where it shall be paid, and what the credit union and/or individual may do if they do not agree with the penalty.

XVI.9.7. The credit union shall have the right to contest the Monetary Penalty Order in court if they do not agree with it.

XVI.10. Prohibitions

XVI.10.1. The supervisory authority may prohibit any individual seeking to be an official or employee from participating in credit union activity and affairs if it is found that the individual has been charged with a crime involving monetary loss, fraud, perjury, breach of contract or a crime that may pose a threat to the interest of the credit union members or threaten to impair public confidence in the credit union.

XVI.10.2. The supervisory authority may recommend to all credit unions that they do not do business or discontinue doing business with any individual or legal entity that has been charged with a crime involving monetary loss, fraud, perjury, breach of contract or a crime that may pose a threat to the interest of the credit union members or threaten to impair public confidence in the credit union.

XVI.10.2.1. If the credit union wants to do business or continue business with such parties indicated in XVI.10.2 of this regulation they must provide the supervisory authority with written justification and receive approval prior to transacting business or continuing to do business with these parties.

XVI.10.3. The prohibition order shall be drafted and signed by the chief supervisory official and addressed to the credit union board of directors and the prohibited party. It should state specifically the reason(s) for the prohibition and that it is immediate.

XVI.10.3.1. If the affected party does not agree with the prohibition order, they may contest the Order in a court of law. The prohibition order shall remain in effect until the court decides differently.

XVI.11. Revocation or Suspension of Charter or License

XVI.11.1. The supervisory authority may suspend or revoke the charter or license of a credit union by issuing a Revocation Order, which may be issued under the following circumstances:

- Abandonment of the credit union operations and affairs by the officials.
- A refusal by the officials to liquidate the credit union voluntarily.
- Serious operational deficiencies that the officials have not acted to correct and which, if allowed to continue, may cause insolvency.
- Other serious violations of the law, bylaws or regulations that cannot be reversed and that may cause insolvency.

XVI.11.2. The Revocation Order shall be drafted and signed by the chief supervisory official and addressed to the credit union board of directors. It shall contain a statement that explains the reasons for the revocation or suspension of the charter or license, that it is effective immediately and the specific steps the credit union officials may take if they do not agree with the order.

XVI.11.3. The assets, books and records of the credit unions immediately become the property of the supervisory authority.

XVI.11.4. Any party who is an official at a credit union in which the charter or license is revoked is prohibited from participating in the affairs of any financial institution without the written consent of the appropriate supervisory authority.

XVII. REGULATION ON DEPOSIT INSURANCE

Purpose:

Deposit insurance encourages members to keep their funds on deposit with the credit union and provides automatic protection and compensation for members if the credit union should fail. A well-designed and well-understood deposit insurance system can contribute to the stability of a country's financial system.

Deposit insurance systems are funded by the premiums paid by the credit unions benefiting from the protection. These premiums can be a percentage of the credit union's insurable deposits or a risk-weighted premium that is dependent on the assessed risk of the institution. Although the structure of the deposit insurance system varies from country to country, it is typically sponsored by a government organization or a private company.

This regulation at a minimum should include the scope of insurance coverage, minimum eligibility standards to obtain coverage, notice of coverage requirements, the standard premiums, minimum compensation should the system fail, examinations by the insurance agency and notice of termination of coverage.

The following is an example of a comprehensive regulation on deposit insurance.

XVII.1. Definitions

XVII.1.1. Deposit insurance provides protection up to an amount specified by law for members' deposit accounts if the credit union becomes insolvent.

XVII.1.2. Agency refers to the government organization that sponsors the deposit insurance system.

XVII.2. Scope of Deposit Insurance Coverage

XVII.2.1. Membership in the deposit insurance system is compulsory for all licensed credit unions.

XVII.3. Eligibility for Deposit Insurance Coverage

XVII.3.1. All licensed credit unions shall meet the following financial criteria to be eligible for membership in the deposit insurance system:

- Institutional capital requirements set forth in Regulation I.5.
- Loan delinquency limits set forth in Regulation III.1.
- External borrowing limits set forth in Regulation IV.2.
- Lending policies set forth in Regulation V.8.
- Investment policy and limits set forth in Regulation VI.2.

XVII.3.2. All licensed credit unions shall adhere to audit and account verification requirements set forth in Regulation XVIII.

XVII.3.3. The credit union shall adhere to consumer protection requirements set forth in Regulations XIX and XX.

XVII.3.4. The credit union shall adhere to record retention requirements set forth in Regulation X.2. and Regulation X.3.

XVII.3.5. Credit union management shall not have been convicted of a crime involving dishonesty or breach of trust unless the agency consents.

XVII.3.6. The granting of deposit insurance coverage to a credit union shall not cause undue risk to the insurance system.

XVII.3.7. The credit union's activities must remain consistent with the credit union law, bylaws and charter.

XVII.4. Notice of Insurance Coverage

XVII.4.1. Each insured credit union shall provide notice to its members of the availability of deposit insurance.

XVII.4.2. Each insured credit union shall inform its members of the maximum amount of deposit insurance coverage for their credit union account.

XVII.4.3. All deposit account advertisements shall include a notice if the account carries deposit insurance coverage.

XVII.4.4. All deposit account advertisements shall include the maximum deposit insurance coverage available for the account.

XVII.4.5. The credit union shall notify members if any deposit account offered by the credit union does not carry deposit insurance.

XVII.5. Insurance Premium

XVII.5.1. In the first five years of its charter, each new credit union shall pay an initial capital contribution of 1% of the credit union's insurable deposits to the deposit insurance system as required in the credit union law.

XVII.5.2. On an annual basis, each credit union shall pay an annual levy or operating fee in the amount of 1% of its insurable deposits to the deposit insurance system. The amount of insured deposits is calculated at the end of the preceding calendar year.

XVII.5.3. The deposit insurance agency shall inform the credit union the date its annual levy or operating fee is due.

XVII.5.4. If at the end of the calendar year the deposit insurance fund exceeds 3% of total protected deposits, the deposit insurance agency may make a proportionate distribution to the insured credit unions.

XVII.5.5. If at the end of the calendar year the deposit insurance fund falls below 1% of protected deposits, the deposit insurance agency can require credit unions to pay an additional annual levy or operating fee.

XVII.5.6. The credit union shall carry the amount of its deposit insurance premium as an asset on its financial statements.

XVII.6. Depositor Compensation

XVII.6.1. If the credit union becomes insolvent; the deposit insurance system shall pay credit union members an amount equal to their deposits, including principal, accumulated and accrued interest, on record with the credit union.

XVII.6.2. The amount paid by the deposit insurance system to credit union members shall not exceed the per-account limit set forth in the credit union law.

XVII.6.3. The compensation shall be sent to the credit union member's last known address on file at the credit union within 30 days of the credit union liquidation. This compensation payment may come directly from the agency or from the agency's designated representative working on behalf of the agency.

XVII.6.4. The agency may exempt the accounts of credit union management or board members from deposit insurance coverage, if the agency determines that they have willfully caused the credit union to become insolvent.

XVII.7. Examination by Deposit Insurance Agency

XVII.7.1. The deposit insurance agency shall examine any insured credit union or any credit union applying for insurance. To conduct this review, the agency must have access to all records, financial statements, reports and contracts of the credit union.

XVII.7.2. The credit union shall submit financial statements to the agency within two weeks of the end of each financial quarter. The financial statements shall be consistent with International Accounting Standards.

XVII.7.3. If the credit union is not adhering to the requirements of XVII.3, the agency may impose one or more of the following to protect the deposit insurance system:

- Merger (Regulation XIII)
- Involuntary liquidation (Regulation XIV)
- Administrative Actions and Sanction (Regulation XVI)
- Technical assistance
- Financial assistance

XVII.7.4. The agency may issue a fine or a levy against any credit union not adhering to the requirements set forth in XVII.2.

XVII.8. Termination of Insurance Coverage

XVII.8.1. The agency shall notify a credit union if deposit insurance has been terminated at least 30 days prior to the effective date of the termination.

XVII.8.2. The credit union shall notify its members immediately in writing if the deposit insurance agency has revoked its deposit insurance coverage.

GENERAL ACCOUNTING AND AUDIT REGULATIONS

Purpose:

Accounting transparency, standardization and adequate disclosure are the objectives of this regulation. The accounting and audit regulation should establish the minimum requirements for credit union accounting and auditing so that these functions are standardized. Without standardization it is impossible for the supervisory authority and members to understand, use, and compare the financial statements and reports as they can be prepared using different methods.

XVIII. REGULATION ON GENERAL ACCOUNTING REQUIREMENTS, EXTERNAL AND INTERNAL AUDITS, AND MEMBER ACCOUNT VERIFICATIONS

Purpose:

At a minimum this regulation should specifically identify: the accounting principles that all credit unions are required to use, how often the external audit is required, who may perform the external audit, any professional requirements for external auditors, the duties and responsibilities of the external auditor and the Audit Committee. The regulation should also establish the minimum requirements for internal auditing and the member account verification.

A comprehensive example of an accounting and auditing regulation is as follows.

XVIII.1. General Accounting Provisions

XVIII.1.1. All credit unions shall produce a balance sheet and income statement no less than once a month detailing all accounting transactions for the month. The financial information shall be as of the close of business on the last day of the month. As of March 31, June 30, September 30, and December 31, the financial statements shall detail the accounting transactions for the month, the quarter to date and the year to date.

XVIII.1.2. All credit unions shall use the same fiscal year as defined in local law. If the fiscal year is not defined at the country level, the year shall begin on January 1 and terminate on December 31.

XVIII.1.3. All credit unions shall use the chart of accounts and associated descriptions as prescribed by the supervisory authority to account for all transactions.

XVIII.1.4. Accounting transactions shall be performed and financial statements prepared in accordance with generally accepted accounting principles and International Accounting Standards (IAS).

XVIII.1.5. Every credit union shall provide to its members upon request a copy of its annual financial statements and external auditor's report.

XVIII.1.6. As required by the supervisory authority, credit unions shall submit a copy of their financial statements no less frequently than as of June 30 and December 31 of each year.

XVIII.2. External Audit Requirements

XVIII.2.1. Each credit union shall have an audit performed annually by an independent external auditor of their books and records that meets supervisory authority and professional audit requirements.

XVIII.2.2. The period audited shall be the most recently completed fiscal year. The credit union shall within six months after the end of its fiscal year submit to the supervisory authority its audited financial statements, approved by the annual general meeting, the auditor's report and any other correspondence between the credit union and the auditors.

XVIII.2.3. The individual that performs the annual audit shall be a certified and/or licensed auditor in good standing and have experience in auditing financial institutions, preferably credit unions. The proposed auditors shall present proof of the license or certification with their audit bid to the Audit Committee.

XVIII.2.3.1. If it is impossible to find a certified, licensed or approved accountant due to a lack of expertise in the area where the credit union is located, then the Audit Committee shall contract with an individual that has accounting and/or auditing background and/or experience.

XVIII.2.4. An auditor shall not be allowed to perform the annual audit if:

- The auditor is related to officials or credit union employees.

- The auditor has provided consulting services to the credit union in the areas of lending, accounting, finance, administration or any other operational areas.
- The auditor has performed the external audit three consecutive years.
- The auditor is a member of the credit union.

XVIII.3. External Audit Responsibilities of the Audit Committee

XVIII.3.1. The Audit Committee shall contact the supervisory authority for a list of approved external auditors. Only external auditors approved by the supervisory authority may be used unless prior approval has been received from the supervisory authority.

XVIII.3.2. The Audit Committee shall request bids from eligible auditors and select an auditor from the bids received.

XVIII.3.3. The Audit Committee shall sign a contract with the external auditor outlining the terms and agreements that specifically states the work to be completed by the auditor to satisfactorily complete the external audit.

XVIII.3.4. The credit union is required to change external auditors every three years. The supervisory authority may waive this requirement upon written request from the credit union if there is a lack of qualified individuals where the credit union is located.

XVIII.3.5. The Audit Committee shall present the audited financial statements and the auditor's report to the general meeting.

XVIII.4. External Auditor Duties

XVIII.4.1. Auditors shall:

- Use auditing forms and methods that are in accordance with the requirements for licensed or certified accountants, IAS, the supervisory authority, and meet the terms of the contract or agreement between the auditor and the credit union.
- Have access to any present or former credit union director, officer or employee to obtain information or explanations.
- Receive by written inquiry necessary information from third parties.
- Store audit work papers for three years from the date of the written report.
- Inform the Audit Committee of any conflicts of interest that would not allow the auditor to perform the external audit.

XVIII.4.2. The duties and rights of an external auditor in relation to the credit union shall be to:

- Perform an audit of the financial statements of the credit union to detect irregularities, and illegal acts in the conduct of credit union business.
- Review all the credit union books, records and documentation, receive explanations for any questions that arise and receive additional information necessary to perform the audit.
- Keep all of the information confidential except when discussing the results with the supervisory authority, credit union operational management and officials.
- Review unconditionally and copy any information and/or material necessary to perform the audit and to have unlimited access credit union management.
- Communicate to the credit union's board of directors any evidence of irregularities or illegal acts committed during the course of the credit union's business, whether or not they may have led to material misstatements in the credit union's accounts or records.
- Warn the board of directors of:
 - 1) The credit union's inability to meet the prescribed capital requirements or liquidity requirements.
 - 2) Credit or operational risks.
 - 3) Any act or matter which has contributed to a loss of credit union monies or assets, and/or requires rectification or attention by the credit union.
 - 4) Any other matter which the auditor becomes aware of in the performance of their duties or functions which may be detrimental to the interest of the credit union members or violates the principles of sound financial management or the maintenance of adequate internal controls and systems.
- Obtain sufficient, relevant and reliable evidence necessary to form a professional auditing opinion.
- Ascertain, evaluate and test internal controls before placing audit reliance on them.
- Exercise reasonable care and skill in accordance with the current professional standards and practices and perform the audit in accordance with IAS and such other regulations, directives, policies and guidelines as the supervisory authority may issue.
- Submit to the credit union an audit report that provides information on the accounting and auditing procedures that were used to perform the audit and a final summary (including the auditor's opinion if an opinion audit is performed) on the credit union's financial statements, any necessary accounting adjustments, the corrections needed, recommendations for making the corrections, and any other audit conclusions.
- Present the results in writing and orally to credit union officials and management.

XVIII.4.3. The duties of the external auditor in relation to the supervisory authority shall be to:

- Communicate to the supervisory authority any evidence it may have that irregularities or illegal acts have been committed by officials, employees or the credit union itself.
- Inform the supervisory authority, if there are reasonable grounds to believe that the credit union is insolvent or that there is a significant risk that it may become insolvent.
- Report to the supervisory authority if the officials and/or employees refuse to provide all of the necessary documentation to perform a comprehensive annual audit.
- Present all work papers or copies of such papers to the supervisory authority when requested or required.
- Submit to the supervisory authority in writing all shortcomings and illegal acts committed by the credit union, employees, or officials.

XVIII.5. Annual Audit Report

XVIII.5.1. The Audit Committee shall send a copy of the final audit report in its entirety to the supervisory authority within 14 calendar days after the receipt of the report.

XVIII.5.2. The Audit Committee shall follow up on all audit findings and recommendations to ensure that the corrections have been made. The Audit Committee shall report to the credit union board of directors and supervisory authority on measures taken to implement recommendations and corrections of all external audit findings reported within 30 calendar days from the receipt of the audit report by the credit union.

XVIII.6. Responsibilities of the Audit Committee

XVIII.6.1. The Audit Committee shall:

- Complete an annual work plan for internal auditing.
- Evaluate the reliability of the information produced by the credit union accounting and computer systems.
- Perform internal audits of all operational areas throughout the year that evaluate the effectiveness, efficiency and economy of the institution's operations.
- Evaluate compliance with laws, regulations, policies and operating procedures.
- Provide investigative services to officials and management when necessary.
- Ensure that reports and information submitted to the supervisory authority are accurate and provided in a timely manner.
- Ensure that accounting procedures and controls are adequate.

- Verify that management has implemented and maintains appropriate internal controls throughout the credit union.
- Select the external auditor, provide assistance to the external auditors when needed, review the audit report and findings and ensure that all audit findings and recommendations are implemented.

XVIII.7. Verification of Member Accounts

XVIII.7.1. The Audit Committee or its designee shall perform a random sampling verification of member loan, savings and share accounts every two years. Under no circumstances may the committee's designee be a credit union employee.

XVIII.7.2. This verification shall be performed by comparing the amount on the credit union records to the amount on the member statements or in their passbooks.

XVIII.7.2.1. Account statements shall be sent to the members and the statement shall instruct the member to contact the Audit Committee if any of the account balances are different than what they have in their records. If account statements cannot be mailed, the Audit Committee shall use an alternative procedure in which they contact the member and verify their passbook balances with credit union records. Under no circumstances may employees be involved in the verification.

XVIII.7.3. The Audit Committee is to retain the records for the member account verification until it completes the next member account verification.

XVIII.8. Sanctions for Non-compliance

XVIII.8.1. Failure to comply with the requirements of this Regulation may cause the supervisory authority to:

- Require that the recommendations and corrections identified in the external audit or member account verification be made within a specified timeframe and if not, the supervisory authority may use other more forceful administrative actions.
- Reject the external audit and require that a new one be performed by a qualified external auditor.
- Reject the member account verification and require that a new one be performed by the Audit Committee or if they are not capable by a qualified, independent third party.

CONSUMER PROTECTION REGULATIONS

Purpose:

Consumer protection may be addressed in legislation drafted specifically to protect the rights of consumers or in regulation by the financial institution's supervisory authority.

Regulations addressing consumer protection are necessary to protect consumers from unscrupulous individuals, companies and financial institutions. The objective of consumer protection is to safeguard members' interests and allow them to know their rights and make wise, well-informed decisions. Specifically, the Savings and Share Disclosure regulation should enable members and potential members to make informed decisions about these accounts at credit unions and meaningful account comparisons between credit unions and other financial institutions. The Lending Disclosure and Fair Credit Practices regulation should promote the informed use of consumer credit by requiring disclosures about loan terms and conditions, eliminate abusive debt collection practices, and provide adequate disclosures to those individuals that act as a guarantor/co-signer for a loan.

XIX. REGULATION ON SAVINGS AND SHARE DISCLOSURES

Purpose:

The Savings and Share Disclosure regulation should at a minimum require credit unions to disclose the annual percentage yield and dividend and/or interest rates on shares and deposits, disclose fees imposed, state minimum balance requirements, state the method used to calculate dividends or interest and disclose other terms concerning accounts to members or potential members before they open an account. The regulation also should provide periodic member statements that include information about fees imposed, dividends earned, interest paid and the annual percentage yield on the funds as of the statement, and follow advertising requirements to decrease the possibility of misleading advertisements.

The following is an example of a comprehensive regulation on savings and share disclosures that provides an acceptable level of member and potential member protection.

XIX.1. Definitions

XIX.1.1.1. Advertisement is a commercial message, appearing in any medium, which promotes directly or indirectly the availability of, or a deposit in, an account.

XIX.1.1.2. Annual Percentage Yield (APY) is the percentage rate reflecting the total amount of dividends or interest paid on an account, based on the dividend or interest rate and the frequency of compounding for a 365-day period.

XIX.1.1.3. Compounding occurs when interest or dividends are credited to a member account periodically and the interest or dividends are included in the account balance when future interest or dividend payments are calculated. Compounding has the effect of increasing the interest or dividend paid or yield on an account by increasing the account balance on which those amounts are paid.

XIX.1.1.4. Dividends are declared or prospective earnings paid to member share accounts. Dividend payments are not guaranteed; in other words, they are based on a credit union's current income and the institution's ability to meet all supervisory authority requirements prior to disbursing the dividends.

XIX.1.1.5. Dividend Rate is the declared or prospective annual dividend rate paid on a share account, which does not include compounding.

XIX.1.1.6. Fixed-rate Account is a deposit account in which the interest rate does not change for a specified time frame as disclosed in the deposit agreement.

XIX.1.1.7. Interest is any payment to a member deposit account for the use of funds in a non-dividend bearing account. Interest payments are guaranteed.

XIX.1.1.8. A Periodic Statement is a statement setting forth information about an account that is provided to a member on a regular basis throughout the year.

XIX.1.1.9. Variable-rate Account is a deposit account in which the interest rate may change after the account is opened.

XIX.2. General Disclosure Requirements

XIX.2.1. Savings and share disclosures shall reflect the terms of the legal obligations between the member and the credit union.

XIX.2.2. Credit unions shall make savings and share disclosures clearly in writing and in a form the member or potential member may keep.

XIX.2.2.1. Disclosures for each account offered by a credit union may be presented separately or combined with disclosures for the credit union's other accounts, as long as it is clear which disclosures are applicable to which accounts.

XIX.2.2.2. All interest or dividend rates shall be quoted to members or potential members as the rate earned on an annual basis.

XIX.2.2.3. Whether in writing or orally, the credit union shall provide the dividend and interest rate to be paid on shares and savings and the APY. In the case of dividend-bearing accounts, the credit union shall disclose the prospective dividend rate and prospective APY. For interest-bearing accounts, the credit union shall disclose the current interest rate and APY as established by the board of directors or annual general meeting.

XIX.2.3. A credit union shall provide account disclosures to a member or potential member upon request and before an account is opened.

XIX.2.3.1. If a member does not receive disclosures upon opening an account the credit union shall mail or deliver the disclosures no later than 14 calendar days after the account is opened.

XIX.2.4. If an account is held by more than one member, disclosures may be made to any one of the members.

XIX.3. Content of Account Disclosures

XIX.3.1. The disclosures for dividend-bearing accounts shall state the prospective dividend rate and APY and the method employed to determine the account balance used to calculate the dividend payment. In addition, the disclosures must clearly state that dividends may not be paid if current income is inadequate and/or the credit union does not meet regulatory capital and other requirements.

XIX.3.2. For interest-bearing accounts, the credit union shall disclose the current interest rate and APY as established by the board of directors or annual general meeting and the method employed to determine the account balance used to calculate the interest payment.

XIX.3.3. Disclosures shall clearly state whether the account has a fixed or variable interest rate.

XIX.3.3.1. For fixed-rate accounts, the disclosures shall clearly state, in addition to the interest rate, APY and the method employed to determine the account balance used to calculate the amount of interest, the time period for which the rate is fixed, when interest begins to accrue and when interest payments will be made.

XIX.3.3.2. For variable-rate accounts, the disclosures shall state the fact that the interest rate may change, how the interest rate is determined, if an index is used to establish the variable rate, when interest begins to accrue, when the rate will change, and any limitation on the amount the rate may change.

XIX.3.4. In addition to the above disclosure requirements, the following disclosures shall be made:

- Frequency of the interest or dividend calculation, compounding, and when interest or dividends are credited to an account.
- Forfeitures by members of dividends or interest when they close an account before accrued dividends or interest have been credited to the account.
- Any minimum balance requirements for opening an account, avoiding the imposition of a fee or obtaining a disclosed APY.
- The amount of any fee that may be imposed in connection with an account and the conditions under which the fee may be imposed.
- Any limitations on the number or monetary amount of withdrawals or deposits.

XIX.3.5. For term certificates of deposit, disclosures shall include the certificate maturity date, when interest will be paid and if it will be credited to the certificate or another account, if interest credited to the certificate will be compounded, and, if applicable, notification that a penalty may be imposed for early withdrawal and how that penalty is calculated.

XIX.3.6. A credit union shall give advance notice to affected members of all changes in terms described above if the change reduces the APY or adversely affects the members. The notice shall include the effective date of the change and shall be mailed or delivered at least 30 calendar days before the effective date of the change.

XIX.4. Periodic Statements

XIX.4.1. If a credit union mails or delivers a periodic statement, the contents of that statement shall include the APY, the amount of dividends and interest credited to the account, any fees imposed on the account during the statement period, a description of the fee imposed and the total number of days in the statement period, or the beginning and ending dates of the period.

XIX.5. Advertising

XIX.5.1. An advertisement concerning shares or savings deposits shall not be misleading or inaccurate and shall not misrepresent credit union savings and share products and services. If advertisements state an interest or dividend rate, it shall state the rate as an APY and may state the prospective dividend and current interest rate.

XIX.5.2. For variable rate accounts, advertising must contain a statement that the rate may change after the account is opened.

XIX.5.3. Advertising shall include the minimum balance required to earn the advertised APY, the minimum account opening deposit, any fees associated with opening an account and advertisements for certificates of deposit shall include the account term and any early withdrawal penalties.

XX. REGULATION ON LENDING DISCLOSURE AND FAIR CREDIT PRACTICES

Purpose:

Regulations addressing lending disclosures typically require that credit unions provide borrowers with accurate, comparable and transparent information about the cost of a loan. Fair credit practices establish what is considered to be fair credit and collection treatment both for borrowers and guarantors/co-signers. The goal of the regulation is to allow members to compare loan rates and terms from one financial institution to another and to receive fair, consistent treatment from all credit unions. Primary elements of this regulation are: disclosure requirements that, at a minimum, require lenders to clearly state in contracts and other public documents, interest rates, how the APR is calculated, the true cost of a loan expressed in monetary terms, the balance computation method used to compute the interest due for each payment, any advertising restrictions, requirements for open-ended loans, if applicable, and the establishment of fair credit and debt collection practices.

The following is an example of a comprehensive regulation on lending disclosure and fair credit practices that provides an acceptable level of member and potential member protection.

XX.1. Definitions

XX.1.1. Advertisement is a commercial message in any medium that promotes, directly or indirectly, a credit transaction.

XX.1.2. Amount Financed is the borrower's net loan amount; that is, the loan amount less any prepaid finance charge.

XX.1.3. Annual Percentage Rate (APR) is a measure of the cost of credit expressed in a percentage on an annual basis. The APR takes into account all relevant factors and provides a uniform measure for comparing the cost of credit from one financial institution to another. The APR is often considered to be the finance charge expressed as a percentage.

XX.1.4. Closed-end Credit is a fixed-term credit arrangement where the specific amount of credit, the length of time for repayment and the payment amounts are all established before the loan is granted. A closed-end credit agreement terminates once the borrower has made the agreed-upon payments.

XX.1.5. Effective Interest Rate takes into consideration all of the terms of the loan contract, such as loan interest paid based on the "flat method," which has the effect of increasing interest paid because interest due is calculated on the original balance, not the amount outstanding as of the payment date.

XX.1.6. Finance Charge is a measure of the cost of consumer credit represented as a monetary amount. It includes any charge payable, directly or indirectly, by the consumer and imposed by the creditor as a condition of the extension of credit. Along with the APR disclosures, the finance charge is central to the credit cost disclosure.

XX.1.7. Late Payment Fee is any fee imposed for a late loan payment.

XX.1.8. Open-End Credit has a maximum amount or loan limit established by the credit union which the borrower can use. This limit is based on the borrower's financial capacity and credit reputation. Borrowers can access their open-end credit (or line of credit) as needed without having to go through the loan application and approval process each time. As borrowers make payments and reduce loan balances, they may again access the amount

of credit equal to the loan limit minus the outstanding balance. The open-end credit may have a fixed expiration date or remain available until either the borrower or lender cancels it.

XX.1.9. Nominal Interest Rate is the interest rate “stated” by the credit union.

XX.1.10. Prepaid Finance Charge is any finance charge paid to the credit union before or at the loan closing, or withheld from the proceeds of the credit at any time. Prepaid finance charges effectively reduce the amount of funds available for the member’s use.

XX.1.11. Refinancing occurs when an existing credit obligation is repaid and replaced by a new obligation by the same member.

XX.2. General Disclosure Requirements

XX.2.1. The disclosures shall reflect the terms of the legal obligations between the parties.

XX.2.2. The credit union shall make the disclosures required clearly and in writing and in a form the member may keep.

XX.2.3. Required disclosures shall be grouped together, segregated from everything else and shall not include any information that is not required.

XX.2.4. The credit union shall make the required disclosures to the member no later than loan closing.

XX.2.5. If the loan is to be granted to more than one member, the disclosures may be made to any member who is liable for the obligation.

XX.2.6. Refinanced loans require that new disclosures be made.

XX.2.7. The credit union shall provide a 15-calendar-day advance written notice to each member affected by a change in any term disclosed in the initial disclosure statement.

XX.2.8. The credit unions shall grant borrowers a period of time known as a “cooling off period” of two to three business days to withdraw from a credit transaction without a penalty imposed. The member may waive this right in writing.

XX.2.8.1. Unless a member waives the “cooling off period,” no funds shall be disbursed until the cooling off period has expired.

XX.2.9. With the exception of open-end credit, the credit union shall provide each borrower, no less than annually, a statement of activity for each outstanding loan which provides adequate detail of each transaction made during the year.

XX.2.9.1. For loans with a maturity of less than one year, an account statement is not required.

XX.3. Content of Disclosures

XX.3.1. For each loan transaction, the creditor defined as the credit union making the disclosures shall disclose the following information as applicable:

- Amount financed.
- Prepaid Finance Charge, if applicable.
- Finance Charge (including all interest and fees paid) or the total monetary amount of payments less the amount financed.
- The Date finance charges begin to accrue.
- Other Charges, including the amount of any charge other than a finance charge that may be imposed.
- Nominal APR.
- Effective APR or the “real” cost of the credit.
- Maximum interest rate that may be imposed during the term of the loan.
- Loan Balance Computation Method used to determine the balance on which interest is calculated for each payment period.
- Payment Schedule, defined as the number, amounts and timing of payments scheduled to repay the obligation. The payment schedule includes principal, interest, and any other finance charges paid in the loan payments.
- Total of Payments is the sum of all the payments called for in the payment schedule.
- Prepayment Penalty, if any, is a fee charged for repaying the loan in full ahead of the payment schedule.
- Late Payments are those made after the due date as stipulated by the loan agreement.
- Notice of Security Interest, which the credit union will acquire in the property, or collateral offered as part of the transaction.
- Required Deposit are member funds on deposit sometimes required as a condition of the specific transaction.

- Variable Loan Rate Terms describes changes in the loan's APR that may occur during the life of the loan. In such cases the credit union must disclose circumstances under which the rate may increase, any limitations on the amount of the increase, the index or formula used in making adjustments, how often the interest rate can change, and the effect of the increase on the loan payments or maturity.

XX.4. APR Calculation

XX.4.1. A clear and precise formula for APR calculation shall be used as designated by the supervisory authority so that members may make meaningful comparisons between credit rates at different financial institutions. APR is the equivalent interest rate considering all the added cost to a given loan, it is a function of the loan amount, the interest rate, the total added cost, and the terms. APR would equal the interest rate if there is no additional cost to a given loan. The annual percentage rate(s) to be disclosed:

$$r = (1 + [i/q])^q - 1$$

r = Annual Percentage Rate

i = Interest Rate

q = Number of Compounding Periods

XX.5. Prompt Crediting of Payments

XX.5.1. Credit unions shall credit payments to member accounts as of the date of receipt.

XX.6. Advertising

XX.6.1. An advertisement concerning credit shall not be misleading or inaccurate and shall not misrepresent credit union credit products and services.

XX.6.2. If an advertisement for credit states specific credit terms, it shall state only those terms that actually are or will be offered by the credit union.

XX.6.2.1. Advertisements shall always state the APR, if a rate of finance charge is quoted. If the APR can increase during the loan, the advertisement shall state that fact.

XX.7. Open-end Lending

XX.7.1. In addition to the disclosure requirements set forth in XX.3.1 the open-end lending disclosures shall include:

- Minimum Finance Charge, defined as any charge that could be imposed during the month or statement period.
- Transaction Charge, generally imposed for the use of the open-end credit.
- Grace Period, or the date by which any credit extended may be repaid without incurring a finance charge.
- Over-the-Limit Fee, imposed for exceeding the maximum loan limit.

XX.8. Open-end Lending Periodic Statements

XX.8.1. Credit unions shall provide their borrowers with open-end loans a periodic statement for each statement cycle when a finance charge is imposed.

XX.8.1.1. Credit unions shall deliver the statement within 14 calendar days of the end of the statement cycle.

XX.8.2. The periodic statement shall disclose:

- Previous balance, defined as the outstanding account balance at the beginning of the statement cycle.
- Identification of all transactions during the statement period.
- Balance on which the finance charge is computed.
- Amount of finance charge.
- APR.
- Other charges.
- Closing date of statement and new loan balance.
- Contact information for notice of billing errors.

XX.9. Fair Credit Practices

XX.9.1. In connection with the extension of credit, it is prohibited for credit union employees to accept anything of value or "compensation" from a potential borrower in exchange for the receipt of a loan.

XX.9.2. When a loan application is denied, the credit union shall provide to the applicant in writing the reasons for rejection of the loan application.

XX.9.3. It is considered unfair to misrepresent the nature and extent of guarantor/co-signer liability to any individual. The guarantor/co-signer shall be adequately informed prior to becoming potentially liable for a loan.

XX.9.3.1. A clear and conspicuous disclosure statement shall be given in writing to the guarantor/co-signer prior to becoming obligated. This statement shall include the name and address of the credit union, the loan number, amount and date, and a signature line for the guarantor/co-signer to acknowledge receipt of the disclosure statement. Additionally, the statement shall include the following or a substantially similar disclosure:

- As a guarantor/co-signer, you are being asked to guarantee this debt. If the borrower does not pay the debt, you will have to pay it. Be sure you can afford to pay if you have to, and that you want to accept this responsibility.
- As a guarantor/co-signer, you may have to pay up to the full amount of the debt if the borrower does not pay. You may also have to pay late fees or collection costs, which increase this amount.
- The credit union can collect this debt from you without first trying to collect from the borrower. The creditor can use the same collection methods against you that can be used against the borrower, such as suing you or garnishing your wages. If this debt is ever in default, that fact may become a part of your credit record.
- This is a disclosure notice only; it is not the contract that makes you liable for the debt.

XX.10. Fair Debt Collection Practices

XX.10.1. Delinquency fees may not be assessed when the only delinquency on a member account is attributable to late fee(s) or delinquency fees assessed on earlier installments or payments made.

XX.10.2. A debt collector may not engage in any conduct, the natural consequence of which is to harass, oppress, or abuse any person in connection with the collection of a debt. The following conduct is considered unacceptable:

- Use or threat of use of violence or other criminal means to harm the physical person, reputation, or property of any person.
- Use of obscene or profane language.
- Engaging any person in conversation on the telephone or in person with the intent to annoy, abuse or harass until they repay the debt.

XX.10.3. A debt collector may not use any false, deceptive, or misleading representation or means in connection with the collection of any debt. Violations include:

- The false representation of the character, amount or legal status of any debt.
- The false representation or implication that any individual is an attorney or that any communication is from an attorney.
- The threat to take any action that cannot legally be taken or that is not intended to be taken.
- Communicating or threatening to communicate to any person credit information that is known to be false.

XX.10.4. A debt collector may not collect interest, fees, charges or expenses unless they are mentioned in the loan agreement or contract.

APPENDIX A

Financial Performance Indicators for Credit Unions

Key Performance Indicators	Standard of Excellence	(Data)
Provisions / Loans Delinquent > 12 Months	100 %	
Net Loans / Total Assets	70-80 %	
Deposits / Total Assets	70-80 %	
External Credit / Total Assets	5 %	
Institutional Capital / Total Assets	Minimum 10 %	
Total Delinquency / Total Loan Portfolio	< 5 %	
Non-Earning Assets / Total Assets	< 5 %	
Financial Costs: Member Shares / Avg. Member Shares	Market Rates >= cost on savings	
Operating Expenses / Avg. Assets	5%	
Net Income / Average Assets (unadjusted ROA)	Enough to reach goal of 10% Institutional Capital/Total Assets	
Liquid Assets - ST Payables / Total Deposits	Minimum 15 %	
Growth of Membership (over previous year)	Minimum 15 %	
Growth of Total Assets (over previous year)	> Inflation +10%	

PORTFOLIO QUALITY			
Outstanding balance of loans > 30 days past due			
Portfolio at Risk			
Value of loans written off during period			
Loan loss rate			
PORTFOLIO AGING (end of quarter)	No. Loans	Value of Loans	% Portfolio
Current loans			
Loans 1-30 days past due			
Loans 31-60 past due			
Loans 61-90 days past due			
Loans >90 days past due			
Total			

This data should be complemented with submitting full balance sheets and income statements in the following page format.

BALANCE SHEET

ASSETS	Data (Year 1)
EARNING ASSETS	
<i>Loans to Members</i>	
Short Term (< =1 Year)	
Medium-Term (1-3 Years)	
Long-Term (> 3 Years)	
Other Special Loans	
Loan Loss Allowances	
Total Net Loans	
<i>Liquid Investments</i>	
Liquidity Reserves - CFF	
Other Liquidity Reserves	
Short-Term CFF Deposits	
Short-Term Bank Deposits	
Short-Term Securities and Investments	
Other Liquid Investments 1	
Other Liquid Investments 2	
Other Liquid Investments 3	
Total Liquid Investments	
Liquid Investments Allowances	
Total Liquid Investments	
<i>Financial Investments</i>	
Shares - League/Affiliation	
Long-Term CFF Deposits	
Long-Term Bank Deposits	
Long-Term Securities & Investments	
InterBranch Investments	
Other Financial Investments 1	
Other Financial Investments 2	
Other Financial Investments 3	
Total Financial Investments	
Financial Investments Allowances	
Total Financial Investments	
<i>Non-Financial Investments</i>	
Various	
Non-Financial Investments Allowances	
Total Non-Financial Investments	
Total Earning Assets	
NON-EARNING ASSETS	
<i>Liquid Assets</i>	
Cash & Equivalents	
Current Accounts (Checking)	
Foreign Currency	
Liquidity Reserves - CFF	

Other Liquidity Reserves	
Other Liquid Assets	
Total Liquid Assets	
Accounts Receivable	
Debtors	
Interest Receivable	
Notes Receivable	
Payroll Deductions Receivable	
Interbranch loans interest receivable	
Other Accounts Receivable	
Receivable Loss Allowances	
Total Accounts Receivable	
Fixed Assets	
Land	
Buildings (Cost)	
Leasehold Improvements	
Furniture & Equipment	
Revaluation of Fixed Assets	
Accumulated Depreciation - Buildings	
Accum. Depreciation - Leasehold Improv.	
Accum. Depreciation - Furniture & Equip.	
Accumulated Depreciation – Revaluations	
Total Net Fixed Assets	
Other Assets	
Assets in Liquidation	
Organization Expenses	
Prepaid Expenses	
Other Deferred Assets	
Revaluation of Other Assets	
Accumulated Amortization	
Total Other Assets	
Problem Assets	
Doubtful Assets	
Accounting Discrepancy - Assets	
Other Problem Assets	
Problem Assets Allowances	
Total Problem Assets	
Total Non-Earning Assets	
LIABILITIES	
INTEREST BEARING LIABILITIES	
Savings Deposits	
Regular Savings	
Term/Fixed Savings	
Youth Savings	

Special Savings	
Pledged Savings	
Total Savings Deposits	
External Credit	
External Credit - CFF (<= 1 Year)	
External Credit - CFF (> 1 Year)	
External Credit - Banks	
Other External Credit - External Institutions	
InterBranch Loans	
Total External Credit	
Total Interest Bearing Liabilities	
NON-INTEREST BEARING LIABILITIES	
Short-Term Accounts Payable (<=30 Days)	
Interbranch deposits account payable	
External Credit Payments (<=30 Days)	
Provisions (e.g. Employee Benefits)	
Accounting Discrepancy - Liabilities	
Other Liabilities	
Total Non-Interest Bearing Liabilities	
Total Liabilities	
CAPITAL	
SHARE CAPITAL	
Mandatory Shares	
Voluntary Shares	
Total Member Share Capital	
TRANSITORY CAPITAL	
Asset Revaluations	
Education & Social Reserves	
Monetary Reserves	
Other Reserves	
Accounting Discrepancy - Capital	
Undistributed Net Income	
YTD Net Income (loss)	
Total Transitory Capital	
INSTITUTIONAL CAPITAL	
Statutory & Legal Reserves	
Retained Earnings	
Other Reserves	
Donations	
Undistributed Losses	
YTD Net Income (Loss)	
Total Institutional Capital	
Total Capital	
Total Liabilities and Capital	

INCOME STATEMENT

INCOME	Data (Year 1)
INCOME FROM LOANS	
Interest Income from Loans	
Delinquent Penalty Interest Income from Loans	
Commissions/Fees from Loans	
Insurance Premiums for Loans	
<i>Net Loan Income</i>	
Income from Liquid Investments	
Income from Financial Investments	
Income from Non-Financial Investments	
Fees, commissions income (loans-unrelated)	
Income from Other Sources	
<i>Gross Income</i>	
COSTS/EXPENSES	
FINANCIAL COSTS	
Interest Expense on Savings Deposits	
Insurance Premiums for Savings	
Taxes on Interest Paid For Savings	
Financial Cost - Savings Deposits	
Financial Cost on External Credit	
Financial Costs on Interbranch Loans	
Dividend Expense on Shares	
Insurance Premiums for Shares	
Taxes on Interest Paid for Shares	
Financial Cost - Shares	
Other Financial Costs	
<i>Total Financial Costs</i>	
GROSS MARGIN	
<i>Operating Expenses</i>	
Personnel	
Governance	
Marketing	
Administration	
Depreciation	
<i>Total Operating Expenses</i>	
Provision for Risk Assets	
NET INCOME FROM OPERATIONS	
<i>Other Income/Expenses</i>	
Income from Grants	
Previous periods adjustments (Net)	
Extraordinary income (Net)	
<i>Total Other Income Expenses</i>	
Income Tax	
Net Income/Loss	

APPENDIX B

Overview of Regulations Matrix (on CD)

WOCCU has also developed the *Regulations Matrix*, which is included in the accompanying CD to the Model Regulations for Credit Unions. The *Regulations Matrix* serves as an analytical tool that compares and contrasts the regulatory environment of distinct credit union sectors around the world. The *Regulations Matrix* also serves as a tool for countries in the process of developing credit union or cooperative regulations by noting how various countries address certain regulatory provisions and by allowing the regulatory bodies to adapt the provisions to address the specific characteristics of their credit union sector and country.

The *Regulations Matrix* contains specific provisions of 18 distinct credit union sectors:

1. Bolivia
2. Canada - British Columbia
3. Canada – Ontario
4. Colombia
5. Costa Rica
6. Ecuador
7. Great Britain
8. Guatemala
9. Kyrgyz Republic
10. Laos
11. Lithuania
12. Mexico
13. Nicaragua
14. Sri Lanka
15. Trinidad & Tobago
16. Uganda
17. United States
18. Uzbekistan

As a basis for analysis, the *Regulations Matrix* contains the above sectors' provisions for the following model regulatory provisions:

Supervisory Authority

Institutional Capital

- Institutional Capital Determined By
- Definition of Institutional Capital
- Required Amount of Institutional Capital
- Procedure to Increase Institutional Capital
- Responsibility for Achieving and Maintaining Capital

Loan Classification

- Provision for Loan Loss
- Restructured Loan Provision for Loss
- Maintenance of Provision for Loan Loss
- Responsibility for Provision of Loan Loss and Charge Off
- Interest of Charged Off Loans
- Off Balance Sheet for Charged Off Loans
- Recovery of Charged Off Loans

Delinquent Members

- Reporting Delinquency
- Delinquency Calculation
- Preference of Credit Payments
- Delinquent Loans Non-Accrual of Interest

External Borrowing Limits

- Loan Limits - Concentration
- Loan Interest Rates
- Loans to Credit Union Officials
- Loan Policy
- Loan Documentation and Analysis
- Quality Control Review

Investment Policy

- Approved Investments
- Prohibited Investments
- Investment Limits

Fixed Assets Limits

- OREO Limits
- OREO Appraisal
- OREO Provisions
- OREO Disposition

Share Minimum

- Withdrawal of Shares
- Limits on Shares and Deposits
- Dividends
- Interest on Shares and Deposits

Liquidity Evaluation

- Liquidity Ratio Calculation
- Liquidity Ratio



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Mixed Sources

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Records Preservation Responsibility

- Vital Records

Founding Members**Registration and Licensing**

- Using "Credit Union"
- Common Bond
- Minimum Capital for Formation
- Bylaws
- Chart of Accounts

Merger Process and Approval

- Voluntary Liquidation Prerequisites
- Voluntary Liquidation Process
- Involuntary Liquidation Supervisor
- Involuntary Liquidation Order
- Involuntary Liquidation Order of Satisfaction of Claims

Administrative Actions and Sanctions Initiated By

- Memorandum of Understanding and Agreement
- Cease and Desist Order
- Removal of Officials
- Monetary Penalties
- Prohibitions
- Conservatorship
- Revocation or Suspension of Registration
- Establishment of Additional Regulatory Reserves

Accounting Method

- Statements
- Publication of Statements
- Submission to Regulator

External Auditor Requirements

- External Audit Report

Internal Auditor Requirements

- Internal Audit Function

The most visible feature of the *Regulations Matrix* is the extent of unpopulated fields, exemplifying the skeletal regulatory framework existing in the majority of credit union sectors. Even among the populated fields, the *Regulations Matrix* highlights the regulatory provisions that need to be improved or expanded when compared to counterpart provisions in other country's regulations.

Regulations Matrix

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Overview of Regulations Matrix

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16. Uganda
17. United States
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As a basis for analysis, the Regulations Matrix contains the above sectors' provisions for the following model regulatory provisions:

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The most visible feature of the Regulations Matrix is the extent of unpopulated fields, exemplifying the skeletal regulatory framework existing in the majority of credit union sectors. Even among the populated fields, the Regulations Matrix highlights the regulatory provisions that need to be improved or expanded when compared to counterpart provisions in other country's regulations.

	Supervisory Authority
Bolivia	Members: Instituto Nacional de Cooperativas (INALCO); Public: Superintendencia de Bancos y Financieras (SBEF)
Canada– British Columbia	Office of the Superintendent of Financial Institutions (Superintendent), Financial Institutions Commission of B.C.
Canada–Ontario	Office of the Superintendent of Financial Institutions (Superintendent), Financial Services Commission of Ontario
Colombia	La Superintendencia de la Economía Solidaria (Superintendencia)
Costa Rica	Instituto Nacional de Fomento Cooperativo (INFOCOOP)
Ecuador	Superintendencia de Bancos y Seguros (Superintendencia)
Great Britain	Financial Services Authority (FSA)
Guatemala	Corporación Financiera de Cooperativas de Ahorro y Crédito de Guatemala (FENACOAC)
Kyrgyz Republic	Financial Company of Support and Development of Credit Unions (FCSDCU) and National Bank of Kyrgyz Republic (NBKR)
Laos	Bank of Lao PDR (Bank)
Lithuania	Bank of Lithuania
Mexico	Comisión Nacional Bancaria y de Valores (CNBV). Federation supervisory committees have auxiliary role.
Nicaragua	Instituto Nacional de Fomento Cooperativa (INFOCOOP)
Sri Lanka	Registrar of Co-operative Development (Registrar)
Trinidad & Tobago	Central Bank of Trinidad & Tobago–proposed
Uganda	SACCO Supervisory Board (SSB)
United States	National Credit Union Administration (NCUA)
Uzbekistan	Central Bank

	Institutional Capital Determined By
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	Superintendencia and members
Costa Rica	Bylaws
Ecuador	Bank Board
Great Britain	FSA
Guatemala	
Kyrgyz Republic	NBKR
Laos	
Lithuania	Bank of Lithuania
Mexico	CNBV
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Central Bank of Trinidad & Tobago
Uganda	Ministry of Finance, Planning and Economic Development (MFPED) and SSB
United States	NCUA Board (federally insured)
Uzbekistan	

	Definition of Institutional Capital
Bolivia	
Canada– British Columbia	Share capital (no rights), contributed surplus, subordinated debt, secondary capital, retained earnings, reserve disclosed on the balance sheet, deferred tax liabilities and assets. Must discount certain items: accrued but unpaid dividends and capital items that the credit union has to repay, redeem or purchase before dissolution.
Canada–Ontario	Shall maintain, in relation to its operations, adequate and appropriate forms of capital and liquidity.
Colombia	Permanent shares.
Costa Rica	Legal reserve, education reserve, social wellbeing reserve and other reserves specified by bylaws.
Ecuador	Not institutional capital: contribution certificates or ownership shares.
Great Britain	Audited reserves, interim net profits, subordinated debt, initial capital, revaluation reserves. Negative reserves and any interim net losses must be deducted from capital.
Guatemala	
Kyrgyz Republic	Accumulation of net income from prior operations in the form of retained earnings, cash donations and grants. Not institutional capital: fixed asset donations, gifts, reserve accounts for education, employee benefits, travel, conferences, contingencies, facilities development, improvement, re-evaluation of assets or social issues.
Laos	Funds that are non-distributable and to which no person or institution has legal claim and are an accumulation of net income from prior operations in the form of retained earnings, cash donations and grants. Non-institutional capital: ownership shares, reserve accounts for education, employee benefits, travel, conference, contingencies, facilities development or for social issues.
Lithuania	Reserves formed out of the credit union's profit.
Mexico	Must maintain a minimum capital level and net capital ratio, which relates to the credit and market risks of operation. The net capital ratio cannot be less than the minimum capital level.
Nicaragua	Consists of member savings, reserve fund, education fund, re-investment fund, personal property and real property.
Sri Lanka	
Trinidad & Tobago	Retained earnings including reserve fund and permanent shares.
Uganda	Represents an accumulation of net income from prior operations in the form of retained earnings, cash donations, (not fixed assets donations) grants and regulatory reserves. Funds are permanent and cannot be used as collateral for external borrowing. Non-institutional capital: ownership shares, reserve accounts.
United States	Net Worth defined as a retained earnings balance at quarter-end consisting of undivided earnings, regular reserves and any other appropriations designed by management or regulatory authorities. Use a risk-based portfolio of assets, liabilities or contingent liabilities expressed as a percentage of the credit union's quarter-end total assets.
Uzbekistan	Statutory fund, retained earnings, donations, grants and other equity.

	Required Amount of Institutional Capital
Bolivia	Public: 20% institutional capital / total risk weighted assets (category 1); 15% (category 2); 10% (category 3)
Canada– British Columbia	6% risk weighted assets
Canada–Ontario	Lieutenant Governor in Council may make regulations for the maintenance of adequate capital, prescribe phase-in periods for capital adequacy requirements based on a graduated scale and report on capital adequacy.
Colombia	20% of profits following the payment of any losses to create and maintain a reserve fund, 20% for the education fund, 10% for the solidarity fund. Remainder can be determined by the bylaws or the assembly of members.
Costa Rica	Legal fund must be at least 10% of surplus, permanent and not distributed to members. Must pay Consejo Nacional de Cooperativas (CONACOOB) 2% of surplus and El Centro de Estudios y Capacitación de Cooperativas (CENECOOP) 2.5% of liquid surplus. Minimum of 6% of surplus must be placed in the social well being reserve. Requirements for other reserves in the bylaws.
Ecuador	Minimum of 40% of annual surplus must be set in the legal and non-distributable reserve fund.
Great Britain	Version 1 credit unions: 10% of total assets; 5% capital to total assets (more than 5 million pounds in assets or a has more than 5,000 total members); 5% capital to total assets (more than 7,000 pounds in assets). Version 2 credit unions: 8%.
Guatemala	No less than 5% (institutional capital/total assets)
Kyrgyz Republic	Minimum of 20% of total assets (Minimum of 12% institutional capital + minimum of 8% share capital / total assets)
Laos	Minimum of 10% (institutional capital/total assets) which must be reached within three years of licensing and thereafter maintained.
Lithuania	At least 20% of post-tax profit until the reserves account for 10% of the amount of long-term investments and extended loans.
Mexico	100,000 UDIS and 8% net capital/weighted assets (less than 2,750,000 UDIS); 225,000 UDIS and 8% (between 2,750,000 and 50,000,000 UDIS); 5,000,000 UDIS and 9% (between 50,000,000 and 280,000,000 UDIS); 25,000,000 UDIS and 9% (over 280,000,000 UDIS). Risk weighted assets consisting of 0%, 20% and 100%.
Nicaragua	2% of the surplus of the money for legal reserves shall be for INFOCOOP. 10% of the surplus, if any, from the provisions will be placed in the legal reserves.
Sri Lanka	Minimum of 25% of income must be transferred to reserves.
Trinidad & Tobago	Minimum of 8% of total assets. Credit unions engaged in non-financial business are required to have additional capital. New credit unions have 36 months to meet required level of institutional capital. Existing credit unions have a 36 month transition period to meet required levels following passage of the Credit Union Act.
Uganda	Minimum 10% (institutional capital/total assets).
United States	7% or more (well capitalized); 6-6.99% (adequate); 4-5.99% (under); 2-3.99% (significantly under); less than 2% (critically under). New credit unions: 7% or more (well); 6-6.99% (adequate); 3.5-5.99% (moderate); 2-3.49% (marginal); 0-1.99% (minimal); less than 0% (uncapitalized).
Uzbekistan	Minimum of 15% of total credit union assets.

	Procedure to Increase Institutional Capital
Bolivia	
Canada– British Columbia	If institutional capital does not comprise at least 8% risk-weighted assets, credit union shall not directly or indirectly acquire control of more than 10% of voting shares in any corporation, make or invest in commercial loans that would exceed 7.5% of total assets or acquire land for investment purposes that would exceed 2% of total assets unless Superintendent approves.
Canada–Ontario	Superintendent may require a credit union to increase capital or to provide additional liquidity if there are reasonable grounds to believe the credit union is not complying with the Act and regulations regarding the management of risk in making loans and investments and in managing the business.
Colombia	When part of the reserves have been used, the amount shall be transferred from the profit of the credit union to replenish the reserves. Bylaws should specify how to increase institutional capital.
Costa Rica	Two-thirds vote of the assembly of members can change the amount of institutional capital under the guidance of a public accountant.
Ecuador	Common contribution certificates that the credit unions issue shall be incorporated into institutional capital.
Great Britain	Version 1: If the general reserve is less than 10% of its total assets, a credit union must transfer to its general reserve at least 20% of its profits for that year. Version 2 credit union: 8% risk adjusted capital to total assets.
Guatemala	Credit unions that do not reach the 10% level as of the close of the fiscal year should use 10% of operating profits to create other capital reserves that will contribute to achieving an adequate level of institutional capital. If levels fall below 5%, the credit union will be placed on an oversight list by the rating agency and will have to develop a plan to remedy.
Kyrgyz Republic	Ensure gross income is sufficient to cover all operating expenses, provisions and interest costs, keep expenses at a minimum, keep loan and other losses at a minimum, pay local market rates on member savings and deposit accounts, control asset growth, offer products and services the members desire and the credit union can afford, market effectively and discuss importance of capital accumulation with members.
Laos	Retain net profits until the institutional capital/total assets ratio is 10%. Cannot pay share dividends until the minimum capital requirement is met.
Lithuania	When part of the reserves have been used, the amount shall be transferred from the profit of the credit union to replenish the reserves.
Mexico	Suspend the payment of dividends or the distribution of the remainder of capital to members. Transfer equity benefits to members while the credit union lacks the minimum capital.
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Central Bank may restrict permitted activities until the credit union reaches the required level of institutional capital.
Uganda	Retain at least 50% of the net income before paying dividends until the institutional capital/total assets is equal to 10%.
United States	Mandatory action for existing undercapitalized, significantly and critically undercapitalized: increase net worth and transfer earnings to its regular reserves; submit a net restoration plan; restrict increase in assets; restrict member business loans. Additional discretionary actions exist, including merger, conservatorship or liquidation.
Uzbekistan	Check the bylaws for other reserves to secure stability and absorb possible losses.

	Responsibility for Achieving and Maintaining Capital
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	Assembly of members.
Costa Rica	
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	Board establishes long- and short-term goals for institutional capital-to-total-assets ratio. Management must have a plan for achieving and maintaining an adequate capital level.
Laos	
Lithuania	
Mexico	Must compute the capital monthly and send the results to the Federation, which informs the CNBV.
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	SSB ensures minimum capital for year is achieved. SACCO management must have a plan for achieving and maintaining adequate capital.
United States	NCUA Board has discretion to require a credit union to adjust net worth.
Uzbekistan	

	Loan Classification
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	Established in the bylaws.
Ecuador	
Great Britain	
Guatemala	Delinquent regular loans: 31-90 days, 91-180 days, 181-365 days and over 365 days. Renegotiated, Modified or Refinanced Loans: 31-180 days and over 180 days.
Kyrgyz Republic	Delinquent: 30-180 days (doubtful), over 180 days (loss).
Laos	Delinquent: 1-30 days (general reserve), 31-90 days (substandard), 91-180 days (doubtful), over 180 days (loss).
Lithuania	
Mexico	Assets less than 2,750,000 and between 2,750,000 and 50,000,000: 1 day; 1-7 days, 8-30 days, 31-60 days, 61-90 days, 91-120 days, 121-180 days and over 180 days. Assets between 50,000,000 and 280,000,000: 0 days, 1-7 days, 8-90 days, 91-180 days and over 181 days.
Nicaragua	Delinquent: 1-12 months and over 12 months.
Sri Lanka	
Trinidad & Tobago	
Uganda	Delinquent: 31- 90 days (overdue), 91-180 days (substandard), 181-365 (doubtful) and over 365 days (loss).
United States	
Uzbekistan	

	Provision for Loan Loss
Bolivia	
Canada– British Columbia	
Canada–Ontario	Credit union shall make a monthly provision for doubtful loans.
Colombia	
Costa Rica	
Ecuador	
Great Britain	35% (over 3 months delinquent), 100% (over 12 months).
Guatemala	35% (31-365 days delinquent), 100% (over 365 days).
Kyrgyz Republic	5% general reserve (normal), 50% (doubtful, which comprises a specific reserve), 100% (loss, which comprises a specific reserve).
Laos	10% of total outstanding loan balance (general reserves), 25% (substandard), 50% (doubtful), 100% (loss).
Lithuania	
Mexico	Assets less than 2,750,000 UDIS and between 2,750,000 and 50,000,000 UDIS: 1% (0 days), 4% (1- 7 days), 15% (8-30 days), 30% (31-60 days), 50% (61-90 days), 75% (91-120 days), 90% (121-180 days), 100% (over 181 days). Assets between 50,000,000 and 280,000,000: 1% (0 days), 4% (1-7 days), 50% (9-90 days), 90% (91-180 days), 100% (over 181 days).
Nicaragua	35% (delinquent between 1-12 months), 100% (over 12 months).
Sri Lanka	15% (delinquent 1-3 months), 35% (3-12 months), 100% (over 12 months overdue).
Trinidad & Tobago	
Uganda	10% of unpaid outstanding principal balance (overdue), 50% of unpaid outstanding principal balance (substandard), 75% of unpaid outstanding principal balance (doubtful) and 100% of unpaid outstanding principal balance (loss).
United States	Called the Allowance for Loan Loss. Each credit union shall establish and maintain a regular reserve account for absorbing losses that exceed undivided earnings and special reserves as required by the NCUA board or state officials. Shall be made in accordance with GAAP and fairly represent probable losses for all categories. Shall not affect requirement to transfer earnings to regular reserves.
Uzbekistan	

	Restructured Loan Provision for Loss
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	35% (1-180 days delinquent), 100% (over 180 days delinquent).
Kyrgyz Republic	50% of the principal balance if the loan must be provisioned.
Laos	25% of outstanding principal balance of restructured loans must be provisioned, even if not delinquent.
Lithuania	
Mexico	Needs the approval of the credit committee.
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	10% of principal balance (not delinquent), 50% (31 days delinquent), 75% (91 days delinquent) and 100% (181 days delinquent).
United States	
Uzbekistan	

	Maintenance of Provision for Loan Loss
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	Quarterly, a credit union should maintain a general provision for bad and doubtful debts of at least 2% of the net liability to the credit union borrowers not covered by other provisions.
Guatemala	Monthly, a credit union shall write off loans delinquent over 365 days, restructured, refinanced, uncollectible loans over 180 days delinquent, loans with a frequency of payment less than one month and loans with maturity dates equal or over 1 year.
Kyrgyz Republic	Analysis of the adequacy of the reserve for loan loss must be conducted at least once per month and the account adjustment made with other month-end adjustments. The total sum needed shall be compared with the current balance of the account.
Laos	Analysis of adequacy must be conducted no less than once per month and the account adjustment made with other month end adjustments. The total sum needed based on the analysis performed shall be compared with the current balance of the account.
Lithuania	
Mexico	The CNBV and the Federation can order the credit union to increase the amount of reserves, taking into account the credit risk assumed by the entity in its operations.
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	Analysis of adequacy must be conducted at least once per month and the account adjustment made with other month end adjustments. The total sum needed, based on the analysis performed, shall be compared with the current balance of the account.
United States	
Uzbekistan	

	Responsibility for Provision of Loan Loss and Charge Off
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	Audit committee is responsible for adequacy of reserves for loan loss. Board approves monthly analysis of reserves, any increase to the reserves and loans for charge off.
Laos	Board of directors must approve a loan for charge off.
Lithuania	
Mexico	Credit union calculates the provisions.
Nicaragua	The credit union is responsible for the administration of the legal reserves for loan loss.
Sri Lanka	
Trinidad & Tobago	
Uganda	Board of directors determines adequacy of provisions and approves loans for charge off.
United States	Board of directors may authorize losses to be charged to the regular reserve after depleting the balance of undivided earnings account and other reserves.
Uzbekistan	

	Interest of Charged -Off Loans
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	Any accrued interest associated with the charged-off loan must be reversed no later than the day of charge-off.
Laos	Any accrued interest associated with the charged off loan must be reversed no later than the date of the charge off. Only loan principal is charged off to the provision for loan losses.
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	All accrued interest associated with the charged-off loan shall be reversed no later than the date of charge off. Only the loan principal is charged off to the provision for loan loss.
United States	
Uzbekistan	

	Off Balance Sheet for Charged -Off Loans
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	Amount charged to loan-loss provision for the write-off shall be registered in memorandum accounts, and a non-accounting register organized by borrower shall be maintained for collection purposes.
Kyrgyz Republic	Charged-off loan must be maintained in an off-balance sheet account for at least 5 years and may continue to accrue interest. If debtor does not pay in 5 years, the assets must be removed from the off-balance sheet accounts.
Laos	Charged-off loan must be maintained in an off balance sheet account for at least 5 years and may continue to accrue interest. If debtor does not pay in 5 years, the assets must be removed from the off-balance sheet accounts.
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	Charged-off loan must be maintained in an off balance sheet account for at least 5 years and may continue to accrue interest. If debtor does not pay in 5 years, the assets must be removed from the off-balance sheet account.
United States	
Uzbekistan	

	Recovery of Charged -Off Loans
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	Payment should be applied to loan loss provisions (if deficient), then to any other type of provision required and then to profits for the fiscal year.
Kyrgyz Republic	Payment will proceed first to interest and then to fees.
Laos	Payment will proceed to interest, then principal and finally fees.
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Even if a loan is written off as an expense, collections should continue.
Uganda	Amount will be credited first to the interest due and then to fees.
United States	
Uzbekistan	

	Delinquent Members
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	May remain as a member of credit union.
Kyrgyz Republic	
Laos	Members with delinquent loans cannot receive additional funds for the current loan or new loans.
Lithuania	
Mexico	Credit unions with assets between 50,000,000 and 280,000,000 UDIS should try to restructure delinquent loans with new terms and conditions.
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	May remain as a member of credit union but shall not receive any additional funds.
United States	
Uzbekistan	

	Reporting Delinquency
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	Monthly delinquency report for regular, renegotiated, modified and refinanced loans.
Kyrgyz Republic	Calculated as of the last day of each month. Entire outstanding loan balance is delinquent, not just the amount of the delinquent payments.
Laos	Calculated as of the last day of each month. Entire outstanding loan balance is delinquent, not just the amount of the delinquent payments.
Lithuania	
Mexico	Calculated at the last day of each month.
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	Calculated as of the last day of each month. Entire outstanding loan balance is delinquent, not just the amount of the delinquent payments.
United States	
Uzbekistan	

	Delinquency Calculation
Bolivia	
Canada– British Columbia	
Canada–Ontario	Creditors can offset debts with shares.
Colombia	
Costa Rica	Creditors can offset debts with shares.
Ecuador	
Great Britain	
Guatemala	Loans with a frequency of payment less than 1 month, delinquency occurs after 1 late payment. Loans with a payment frequency period greater than 1 month, delinquency occurs on first missed payment. If the payment of interest is agreed at a shorter term than the amortization of principal, the loan is considered delinquent after 31 days.
Kyrgyz Republic	Determine the number of full payments due. Determine the actual number of payments made. Subtract the number of payments made from the number of payments due to get the number of delinquent payments. Note if interest only payment is due, delinquency is calculated on the non-payment of interest payments and the entire principal balance.
Laos	Delinquent loans greater than 30 days cannot exceed 10% of total loan portfolio.
Lithuania	
Mexico	Calculate the number of days delinquent. Depending on the number of days late, the credit union may have to provision a certain percentage.
Nicaragua	
Sri Lanka	Credit union can offset a member's shares, capital, dividends, bonus or any profits if the member has any debt to the credit union, another credit union or any registered society. Credit union has a right to claim defaulted debtors personal property, raw materials, produced goods and real estate purchased with a loan provided that any government and landlord claims are satisfied first.
Trinidad & Tobago	Creditors can offset debts with shares.
Uganda	Determine the amount of unpaid principal balance. Subtract the assumed unpaid principal balance from the actual loan balance to determine the amount of principal in arrears. Add the interest due to the loan principal in arrears. Divide the loan principal in arrears plus interest due by the scheduled payment amount to arrive at the number of months in arrears.
United States	
Uzbekistan	

	Preference of Credit Payments
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	Legal or collections costs, late fees, interest, then principal.
Laos	
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	Legal or collection fees, late fees, interest then principal.
United States	
Uzbekistan	

	Delinquent Loans Non-Accrual of Interest
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	Must stop accruing interest if loan is delinquent more than 60 days or repayment of the principal or interest in full is not expected. Can continue to record interest in an off-balance sheet account until past due interest and principal is repaid in full.
Laos	Must stop accruing interest if loan is delinquent more than 60 days or repayment of the principal or interest in full is not expected. Non-accrual may be restored to accrual status if all past-due interest and principal is repaid in full.
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Interest shall not be included in income for delinquent loans unless the loan is fully secured and is in the process of collection or is 100% secured after set off of deposits and shares.
Uganda	Interest stops accruing if the loan is delinquent more than 60 days or repayment of principal or interest in full isn't expected. Can continue to record interest in an off-balance sheet account until past due interest and principal is repaid in full.
United States	
Uzbekistan	

	External Borrowing limits
Bolivia	
Canada– British Columbia	
Canada–Ontario	Maximum aggregate of 25% capital and deposits. Bylaws may permit a credit union to borrow an aggregate amount up to 50% of its regulatory capital and deposits if approved by the Superintendent. Credit union may pledge its assets as security for short-terms liquid funds up to 50% of its capital.
Colombia	
Costa Rica	The National Bank of Costa Rica can grant medium- and long-term credit to credit unions. Interest will be determined by the National Banking System.
Ecuador	
Great Britain	Version 1: Cannot borrow except on a short-term basis above an amount equal to 20% of the total shareholding in the credit union. Version 2: Cannot borrow above an amount equal to 50% of the total shareholding in the credit union. Cannot consider subordinated debt obtained by the credit union in determining borrowing limits.
Guatemala	May not exceed 5% of total assets (10% if authorized by FENACOAC). Term of loans must greater than 3 years. Cost of credit should provide an adequate margin that covers operating costs, protection costs and generates the surplus necessary for the planned growth of institutional capital. Funds should be applied to investment specific projects.
Kyrgyz Republic	No limits before 2006. Limit is 3 times institutional capital (April 2006), 2.5 times (April 2007), and 2 times (April 2008). New credit unions must wait 3 months before borrowing and limit is 3.5 times institutional capital (year 2), 3 times (year 3), 2.5 times (year 4) and 2 times (year 5). Cannot use any type of capital account as collateral.
Laos	May not exceed 5% of total assets. Cannot use any type of capital accounts as collateral.
Lithuania	External borrowing is prohibited to form the share capital of the credit union.
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Maximum of 5% total assets, inclusive of borrowing from other credit unions and from other cooperative institutions.
Uganda	Cannot exceed 15% of total assets without permission of SSB. Cannot use any type of capital account as collateral.
United States	
Uzbekistan	

	Loan Limits - Concentration
Bolivia	Members: Cannot loan for amounts superior to members' additional shares. Public: Loan to individual or a group of individuals cannot exceed 3% of equity. Offer of credit with a superior rate cannot be higher than 1% of equity. Credit extended to a financial entity cannot exceed 20% equity except when authorized by the SBEF. Cannot extend credit to executives of the credit union or individuals linked with them. Outstanding loans held by the executives must be paid before assuming their positions.
Canada– British Columbia	Maximum amount a credit union may lend under any single commercial loan is the greater of the value of the borrower's unencumbered non-equity shares and money on deposit or \$25,000. To make loans that exceed these limits, the Superintendent shall review whether the credit union has adequate commercial lending experience and expertise, whether the credit union has an adequate capital base and whether the investment and lending policies have appropriate criteria and procedures for managing and monitoring such loans.
Canada–Ontario	Loans only can be made to members. Superintendent may grant variations from prescribed lending limits.
Colombia	
Costa Rica	There are no fixed limits in the total that a credit union can lend to its members.
Ecuador	
Great Britain	Version 1: Maturity of 5 years for unsecured and 10 years for secured. Cannot lend more than £15,000 in excess of the member's shareholding. Version 2: Maturity of 10 years for unsecured and 25 years for secured. May lend £15,000 in excess of the borrowing member's shareholding or 1.5% of total shares in excess of the member's shareholding. Both: Cannot make business loans, cannot enter regulated mortgage with a term more than 25 years, individual large exposures cannot exceed 25% of capital and sum of all large exposures cannot exceed 500% of capital.
Guatemala	Loan to individual cannot exceed 10% of accounting net worth at close of prior fiscal year (total of shares + institutional capital). Loan amount shall not exceed 70% of the appraised value of the collateral.
Kyrgyz Republic	During the first 12 months of operation, no member may borrow an amount in excess of 3 times share capital contribution. A loan to a member or group of related members cannot exceed 15% of credit union capital, which includes institutional capital and share capital.
Laos	Loan to member or group of members cannot exceed of 10% of total net worth of the SCU. Maturity of a loan cannot exceed 3 years. Loans must be repaid in cash by the borrower. SCU loans must be secured by either collateral or guarantees in compliance with the Secured Transactions Law and Decree. Savings deposits can be used as collateral to secure a loan but not ownership shares.
Lithuania	Maximum cannot exceed tenfold the amount of the member's share contribution and 10% of the amount of accumulated deposits with the credit union, as determined on the basis of the last balance sheet. Must be secured loans: pledge, mortgage security or guarantee.
Mexico	Total credit cannot exceed 5,000 UDIS and credit limit per person cannot exceed 7% of net capital (assets less than 2,750,000 UDIS); Credit limit for a person cannot exceed 5% of net capital or 7% of net capital for a corporate body (assets between 2,750,000 and 50,000,000 UDIS). Credit limit for a person cannot exceed 3% of net capital or 7% of net capital for corporate body (assets between 50,000,000 and 280,000,000 UDIS).
Nicaragua	Maximum loan or credit limit to one member will be established by the board of directors of each credit union.
Sri Lanka	Loans secured by goods other than agricultural produce must receive approval by the general meeting. Limited: Maximum loan size is decided according to bylaws; Unlimited: Changes to maximum loan size require approval of Co-operative Development Department.
Trinidad & Tobago	Credit exposure to a single member or in an aggregate amount whether secured or unsecured should not exceed 25% of total institutional capital. Loans to related parties must be done at an arm's length basis, and the transactions must be closely monitored. The terms cannot be more favorable than those offered to the general membership.
Uganda	Loan to member or group of members cannot exceed 10% of SACCO equity. Unsecured loan cannot exceed 10% of SACCO institutional capital.
United States	Loans and lines of credit cannot exceed 10% of the credit union's total unimpaired capital and surplus. Maturity of a loan cannot exceed 12 years (not applicable for lines of credit). Maturity for residential real estate loans cannot exceed 40 years. Maturities for second mortgages secured by a residential dwelling, mobile homes used as a residence and loan to finance the improvement of a residential dwelling cannot exceed 20 years. Cannot discriminate based on race, color, national origin, religion, sex, handicap or familial status.
Uzbekistan	Loan to member or related group of members cannot exceed 25% of the credit union's capital. Maximum amount of unsecured loan issued to one borrower cannot exceed 10% of the capital. Cannot use a credit union's statutory fund (minimum capital) for loans.

	Loan Interest Rates
Bolivia	
Canada– British Columbia	The interest rate assessment report showing the comparison between the profile of interest rates payable to it and the profile of interest rates payable by it must be reviewed and approved at least annually. Will be paid each successive third month and the bank rate will be set by the Bank of Canada on the 15th day of the month preceding the interest payment. Interest can never be less than 3%.
Canada–Ontario	Credit unions are required to disclose the cost of borrowing. The Lieutenant Governor in Council may make regulations requiring the disclosure of interest rates and the manner of calculating and paying the interest.
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	Fixed or variable rates to cover operating expenses, loan loss provisions, provide for adequate profitability and meet institutional capital requirements. Effective interest rate must be disclosed prior to granting the loan. Interest should be accrued when it is earned, rather than when it is actually paid.
Laos	Established by the SCU to cover cost of fund, administrative costs, loan loss provisions, profit and to meet institutional capital requirements. Loans fees may be charged to recover direct costs. Effective interest rate must be disclosed prior to granting the loan.
Lithuania	Determined by the board of the credit union.
Mexico	Interest rates for credit are established as percentage points and tied to a national rate in UDIS. Cannot adjust interest rate during the contract period with borrower.
Nicaragua	The board of directors establishes the interest rates and describes the guarantees and conditions relating to the interest rates in the policy.
Sri Lanka	
Trinidad & Tobago	
Uganda	Fixed or variable as determined by board of directors to cover operating expenses, loan loss provisions, provide for adequate profitability and meet institutional capital requirements. Loan fees may be charged to cover the direct costs associated with granting a loan. Effective loan interest rate must be disclosed prior to granting the loan.
United States	A federal credit union may extend credit to its members at rates not to exceed 15% a year on the unpaid balance inclusive of all finance charges. NCUA may set temporary maximum rates. Variable rates are permitted if the effective rate over the term of the loan (or line of credit) does not exceed the maximum permissible rate. Board of directors may authorize an interest refund to members.
Uzbekistan	

	Loans to Credit Union Officials
Bolivia	Public: The board of directors, the supervisory committee and the credit committee cannot receive loans from the credit union while serving in their positions. Existing loans at the time of election to the credit union board or committees cannot be refinanced or extended.
Canada– British Columbia	
Canada–Ontario	The credit union may lend to an officer, a member of a committee or a director an amount in excess of the aggregate of their deposits; however, the credit committee and board must approve the loan before it is made and review it annually.
Colombia	Loans to the board or supervisory committee members must conform to the bylaws and rules of each credit union. Loans to legal representatives must be approved by the board and comply with the bylaws and rules of the credit union. Spouses, partners and individuals related to the board and supervisory committee can receive lending and consulting services.
Costa Rica	
Ecuador	
Great Britain	Cannot make a loan to one of its officers or relative of any person connected with an officer or paid employee on terms more favorable than those to other members.
Guatemala	Loans to directors, employees and their family members must be approved according to the credit procedures and policies applied to the rest of the members. Delinquency among executive committee is strictly prohibited. If delinquency occurs, board may suspend or remove executive committee member.
Kyrgyz Republic	Credit committee must approve all loans to officials and their immediate family by a simple majority of those present at the meeting. Managing board will approve all loans made to the credit committee and their immediate family. Rates must not be more favorable than loans to other credit union members.
Laos	Loans to elected officials and their immediate family must be approved by a majority of two-thirds of the members of the credit committee. Loans to the credit committee and their immediate family must be approved by a majority of two-thirds of the board of directors. Rates, terms and conditions cannot be more favorable.
Lithuania	
Mexico	
Nicaragua	Regulated by the bylaws of the credit union.
Sri Lanka	
Trinidad & Tobago	Loans to officers, directors and employees must comply with the requirements under the Credit Union Act, and the terms cannot be more favorable than are to other members. The credit committee must report these loans to the board and supervisory committee. Officials receiving the loan cannot participate in the discussion or vote.
Uganda	Board of directors must approve all loans to officials and their immediate family by a simple majority of board members present at the meeting. An official receiving a loan must be excused from voting. Rates, terms and conditions must not be more favorable than loans to other SACCO members.
United States	The board of directors must approve a loan to an official (as endorser or guarantor) in any case where the aggregate of the loan(s) exceeds \$20,000 pledged shares. Rates, terms and conditions must be non-preferential.
Uzbekistan	The credit union cannot enter into contracts with the board members, credit committee, audit commission, employees and their immediate families if terms are more favorable than those to other members.

	Loan Policy
Bolivia	
Canada– British Columbia	The policy must contain criteria for distinguishing and evaluating applications for commercial loans and leases, managing default risk and interest rate risk, realizing security, criteria for managing, monitoring, classifying and accounting non-productive loans and entering into off balance sheet transactions for hedging.
Canada–Ontario	Established by the board and must reflect the standard of a reasonable and prudent person. Superintendent may order a revision of the policy. The Lieutenant Governor in Council may make regulations respecting the management of risk, security interest, disclosures, conditions and interest rates.
Colombia	Bylaws can extend credit to non-members for social reasons or for collective well-being.
Costa Rica	General limits regarding credit will be established by the regulations and the board.
Ecuador	
Great Britain	Credit union must establish, maintain and implement an up-to-date lending policy approved by the management committee. Version 2 credit union must provide the FSA with a copy of its lending policy statement.
Guatemala	Credit union must develop a credit policy.
Kyrgyz Republic	Written credit policy must be approved by general meeting. Members of board and daily management are responsible for its development and execution. General meeting must review and revise policy annually as necessary.
Laos	The SCU must have a credit policy.
Lithuania	
Mexico	Board of directors of credit union must establish a credit manual that defines the credit limits, such as the type of creditors and products the credit union offers. Board must approve any revisions to the manual.
Nicaragua	General condition for offering credit is established by the internal regulations (policy) of the credit union and regulated by the board of directors.
Sri Lanka	
Trinidad & Tobago	Board must approve a policy for granting secured and unsecured loans. Policy should include terms, conditions of repayment, maximum amounts that can be borrowed and acceptable forms of security.
Uganda	SACCO must have a written policy and procedures approved by the board that define and describe the goals of the SACCO's loan activity. Board shall review and revise policy annually as necessary.
United States	Board of directors of each federal credit union must establish written policies for loans and lines of credit, which must include an overdraft provision if the credit union advances money to cover an account deficit without having a credit application on file.
Uzbekistan	Written loan policy must be approved by the credit union board. The policy must include a provision on the establishment of loan terms and conditions, loan limits, acceptable types of collateral and requirements to adequately monitor disbursed loans.

	Loan Documentation and Analysis
Bolivia	
Canada– British Columbia	
Canada–Ontario	Credit committee considers all loan applications. Bylaws may permit loan officers to perform duties of the credit committee. The credit union must disclose to the member the cost of borrowing and other loan terms including prepayment, penalties for failure to repay and changes to the loan agreement.
Colombia	
Costa Rica	Credit committee will make decisions on credit applications.
Ecuador	
Great Britain	
Guatemala	Purpose or use of loan, ability of the borrower, guarantor, co-guarantor to pay, lending limits, credit history of member, sufficiency of collateral used to guarantee payment, commercial and personal references and evaluation of domestic stability of borrower and guarantors.
Kyrgyz Republic	Credit committee makes all decisions on loans.
Laos	
Lithuania	
Mexico	Identification of the applicant, documentation of ability to pay, contract and credit titles, credit history, signature of applicant, any correspondence with applicant, proof of domicile, guarantee, any documentation of a restructuring of a loan. Credit committee makes decision.
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Credit committee will make decisions on credit applications. (Net loans / Total loans) = Between 70%-80%
Uganda	Application, verification of income and expenses, ownership, condition and value of collateral, adequate insurance protection, financial condition of co-signor or guarantor, projection of future cash flows to ensure loan repayment and calculation of appropriate financial ratios.
United States	Credit committee or loan officer ensures a credit application is kept on file for each borrower.
Uzbekistan	

	Quality Control Review
Bolivia	
Canada– British Columbia	Credit approval procedures must be reviewed and approved at least annually.
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	Audit committee periodically reviews loan portfolio and reports to the board.
Laos	
Lithuania	
Mexico	Supervisory committee reviews the credit operations and the controls methods in the credit manual.
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	Supervisory committee reviews the loan portfolio at least twice a year. Board reviews management reports about loans on a monthly basis.
United States	
Uzbekistan	

	Investment Policy
Bolivia	
Canada– British Columbia	The investment committee must ensure the credit union has procedures in place to implement the investment policy. The policy must be reviewed and approved annually.
Canada–Ontario	Established by the board and must reflect the standard of a reasonable and prudent person. Superintendent may order a revision of the policy. The Lieutenant Governor in Council may make regulations respecting the management of risk.
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	Any investment that does not meet the agreed payment of principal and interest over 30 days must be provisioned 35% or 100%, if over 180 days. Any investment that exceeds 20% of the credit union accounting net worth that does not comply with the approved requirements must be 100% provisioned.
Kyrgyz Republic	General meeting formulates, reviews and adjusts the investment policy. Board reviews the policy at least annually and makes changes if necessary. Audit committee is responsible for ensuring the investment policy is carried out adequately and achieves the goals for which it was created.
Laos	Board of directors is responsible for the investment policy.
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Credit unions are required to adopt a reasonable and prudent person approach to avoid speculative investments and undue risk while obtaining a reasonable return.
Uganda	Board of directors and management formulates, reviews and adjusts investment policy annually. Must have provisions for potential investment loss. Amount of provision must be based on the potential loss.
United States	Board of directors establishes a written investment policy, which should address the purpose and objective of investment policy, characteristics of investments, interest rate risk, liquidity risk, credit risk and concentration risk, investment authority, authorized brokers-dealers, investment trading activities and investments outside the scope of the board policy.
Uzbekistan	The board of directors decides on the investment of excess funds.

	Approved Investments
Bolivia	
Canada– British Columbia	
Canada–Ontario	The credit union may invest only in such types of securities or property and on such conditions as are prescribed. Credit union can make investments that are not authorized as long as the total book value of the investments does not exceed a prescribed amount and adheres to the prescribed conditions. (The regulations do not specify the details of the amount or conditions.)
Colombia	Entities supervised by the bank superintendent or the credit union superintendent, other financial cooperatives, other multi-active and integrated cooperatives, the fund for the credit union superintendent, financial services entities, personal property, real property and other businesses that conform to the social object of Law 79 of 1988.
Costa Rica	
Ecuador	
Great Britain	Deposits or loans to a UK domestic firm authorized to accept deposits, deposits or loans to an institution which is authorized in any other European Environment Agency (EEA) state to accept deposits, sterling denominated securities issued by the government of any EEA State and fixed interest sterling denominated securities guaranteed by the government of any EEA State.
Guatemala	Institutions regulated and supervised by the banking regulator of Guatemala, securities or instruments that are guaranteed by the government of Guatemala and foreign institutions which are regulated in their own countries and have deposits that are guaranteed in currency.
Kyrgyz Republic	Government securities, financial institution deposits, the FCSDCU and credit union associations that have been approved by the NBKR.
Laos	Investments approved by the bank and deposits in financial institutions regulated by the bank.
Lithuania	Government securities.
Mexico	
Nicaragua	
Sri Lanka	Any securities other than first mortgage and property, any bank or person acting as a banker and any shares or securities of other registered societies.
Trinidad & Tobago	Securities issued or guaranteed by the government of Trinidad & Tobago, other domestic securities registered by the Trinidad & Tobago Securities and Exchange Commission, deposits offered by credit unions, securities and deposits offered by other financial institutions licensed by the Central Bank of Trinidad & Tobago and mutual funds registered and domiciled in Trinidad & Tobago.
Uganda	Deposit instruments (maturity less than 1 year) of financial institutions supervised and regularly inspected by the Bank of Uganda, shares of second tier cooperatives and short-term government securities (maturity less than 1 year).
United States	Variable rate investments, corporate credit union shares/deposits, registered investment company, collateralized mortgage obligation/real estate mortgage investment conduit, municipal security, U.S. dollar deposits, eurodollar deposits, banker's acceptances, deposit notes, bank notes and European financial options contracts.
Uzbekistan	Government securities

	Prohibited Investments
Bolivia	
Canada– British Columbia	Cannot invest in land except land acquired in settlement or partial settlement of loans and held for less than 7 years if the investment would result in the credit union having a total investment, directly or indirectly, in land that exceeds the aggregate 10% of its assets.
Canada–Ontario	Credit unions are prohibited from investing in another credit union without approval of the Superintendent.
Colombia	Cannot invest in its own member entities.
Costa Rica	Speculative or usury investments.
Ecuador	
Great Britain	
Guatemala	Investment in speculative instruments with unknown returns and terms.
Kyrgyz Republic	Investments intended to be held to maturity; credit union officials, employee and immediate family may not receive anything of value in connection with the investment transactions and any additional limitations by the NBKR or the FCSDCU.
Laos	
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Investments in securities of a related party and investments in real estate.
Uganda	Investments purchased with the intention to hold to maturity; SACCO officials, employees and immediate family members may not receive anything of value in connection with investment transactions and any restrictions placed by the SSB.
United States	Derivatives, zero coupon investments with a maturity date that is more than 10 years from the settlement date, mortgage servicing rights, certain commercial mortgages, stripped mortgage backed securities, residual interests in collateralized mortgage obligations, real estate mortgage investment conduits and small business related securities.
Uzbekistan	

	Investment Limits
Bolivia	
Canada– British Columbia	Must require a specified percentage of total assets be held in low risk investments.
Canada–Ontario	Shall not directly or indirectly exceed a prescribed percentage of its regulatory capital and deposits. Must divest securities within 2 years after their acquisition or within timeframe specified by the Superintendent.
Colombia	Up to 15% of institutional capital.
Costa Rica	
Ecuador	
Great Britain	Version 1: Maturity cannot exceed 12 months. Version 2: Maturity cannot exceed more than 5 years.
Guatemala	Investments cannot exceed 20% of accounting net worth (total shares + institutional capital) per institution in which they invest, except those investments made in FENACOAC.
Kyrgyz Republic	No one type of investment or investment in one entity may exceed 10% of the credit union's institutional capital and capital shares.
Laos	No investment in one particular entity may exceed a certain percentage of the investment portfolio without prior approval of the Bank. Exact percentage not specified.
Lithuania	Bylaws must set forth the time limits of investment into government securities.
Mexico	
Nicaragua	Cannot invest more than 25% of share capital in cooperative organizations.
Sri Lanka	
Trinidad & Tobago	15% of institutional capital for shares of any entity as an investment. 20% of institutional capital for investment in other entities as an aggregate. 15% ownership participation in non-financial entities.
Uganda	No one type of investment or investment in one entity may exceed 10% of SACCO's institutional capital without prior approval of SACCO Supervisory Unit.
United States	
Uzbekistan	May not exceed 20% of credit union's capital.

	Fixed Assets Limits
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	Cannot exceed 1%.
Kyrgyz Republic	Cannot exceed 10% of the total of institutional capital and capital shares (not including OREO). Need approval of the FCSDCU to exceed 10%.
Laos	Cannot exceed a specified % of total assets (not including donated fixed assets and OREO). Exact percentage not specified.
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Cannot exceed 5% of total assets. Credit unions are restricted from directly or indirectly acquiring land except where necessary for conducting its business, housing its officers or employees or satisfying debts due to a 5-year limit on holding.
Uganda	Cannot exceed 10% of total assets (not including OREO) otherwise need approval of the SSB.
United States	Cannot exceed 5% of credit union’s shares and retained earnings if have \$1 million or more in assets. Credit unions that qualify for the regulatory flexibility program are exempt from the 5% limitation.
Uzbekistan	If a credit union invests more than 10% of total assets in real estate, the credit union must get the approval of the Central Bank. If real estate is part of OREO, the credit union has a half year to bring the ratio back to 10%.

	OREO Limits
Bolivia	
Canada– British Columbia	
Canada–Ontario	Lieutenant Governor in Council may make regulations defining the interests of the credit union in real property and determining the method of valuing those interests.
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	Credit union may keep special assets as long as they are used for the credit union. Credit union must register the cost of adjudicating the asset in accounting and receive a resolution of approval from the board of directors.
Kyrgyz Republic	Cannot remain on the credit union's books for more than 1 year beginning on the date originally transferred to the credit union.
Laos	Cannot remain on SCU's books for more than 1 year beginning on the date when ownership of the property is transferred to the SCU. SCU may hold the property for an additional year if it made a good faith attempt to dispose of the property and disposal would have been detrimental.
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	(Non earning liquid assets / Total Assets) = Less than 1%.
Uganda	Cannot exceed 5% of total assets. Cannot remain on the SACCO's book for more than 1 year beginning on the date when ownership of the property is transferred to the SACCO.
United States	
Uzbekistan	

	OREO Appraisal
Bolivia	
Canada– British Columbia	
Canada–Ontario	If appraised value of an asset as determined by the Superintendent varies materially from the credit union's appraisal, the Superintendent shall send to the credit union, auditor, audit committee and stabilization authority written notice of the value of the asset.
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	Credit unions must perform a technical appraisal, following banking criteria, to determine value of asset. Appraisals should be included in credit union credit policies.
Kyrgyz Republic	The market value of the property must be determined by an appraisal if the recorded investment in the loan is equal or less than 5% of institutional capital. Staff or official may perform evaluation if independent.
Laos	Market value must be determined and placed in writing. Independent staff or official may perform appraisal if investment is equal or less than 5% of institutional capital.
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	Market value of real estate and assets owned must be determined by an appraisal if the recorded investment in the loan is equal or less than 5% of institutional capital.
United States	Appraisal by a licensed appraiser is necessary for certain real estate transactions, transactions of \$1 million or more, nonresidential and complex residential transactions over \$250,000. Staff appraisers must be independent of lending, investment and collection.
Uzbekistan	

	OREO Provisions
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	Must provision if credit union cannot liquidate: 50% over 24 months from adjudication or acceptance and 100% over 30 months from adjudication or acceptance.
Kyrgyz Republic	Decrease in value of the property should be charged to a specifically established reserve account.
Laos	Any losses between the overall loan cost and market value, minus estimated costs of disposition, must be charged to the provision for loan losses. Any further declines in the value must be charged to a specifically established reserve.
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	Must provision any decline in value during the appraisal. If the SACCO cannot sell assets owned in a year, the SACCO shall reduce the value of the assets by 33% for 3 years until the value is reduced to 0.
United States	
Uzbekistan	

	OREO Disposition
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	Should liquidate within 24 months from the date of acceptance or acquisition. If cannot liquidate within this term, the credit union must provision. Cannot adjudicate assets to directors, employees or related parties.
Kyrgyz Republic	Sale that results in gain must be accounted as non-operating income. Sale that results in a loss must be accounted as non-operating loss.
Laos	Sale that results in gain must be accounted as non-operating income. Sale that results in a loss must be accounted as non-operating loss.
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	Sale that results in gain must be accounted as non-operating income. Sale that results in a loss must be accounted as non-operating loss.
United States	
Uzbekistan	

	Share Minimum
Bolivia	Determined by the General Assembly.
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	50,000 colones.
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	Established in the credit union's charter.
Laos	Established in the SCU's bylaws.
Lithuania	
Mexico	
Nicaragua	Established in credit union's bylaws.
Sri Lanka	Limited: Up to 10 shares; Unlimited: 1 share.
Trinidad & Tobago	
Uganda	Established in the SACCO's bylaws.
United States	
Uzbekistan	

	Withdrawal of Shares
Bolivia	Members: Allowed if the return is consistent with law and credit union can cover its outstanding obligations. Public: Allowed if 90-days notice is given unless there are accumulated losses, it breaches the technical and legal requirements or causes total shares to fall below 90% of the existing balance.
Canada– British Columbia	
Canada–Ontario	Conditions in which shares can be redeemed is set forth in the articles of the credit union.
Colombia	Credit union can set a partial or total redemption of shares. Must prevent members from withdrawing shares if the number of shares will fall below the requisite minimum. Need two-thirds approval of members to redeem shares. Assembly of members must set any special shares.
Costa Rica	General conditions for savings are established by regulations and the board. Members have a right to have their account balances returned to them as specified in the bylaws when withdrawing membership.
Ecuador	Can be withdrawn at any time.
Great Britain	
Guatemala	
Kyrgyz Republic	Allowed as prescribed in the charter or upon termination of membership. Requires a 6-month notice.
Laos	Allowed as prescribed in the bylaws or upon termination of membership.
Lithuania	Members can request the credit union return share contributions. Shares can be bequeathed.
Mexico	Allowed if withdrawal does not affect the minimum capital level of the credit union and conforms with the capitalization index in the regulations.
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Member savings and non-permanent shares can be withdrawn on demand or with a required period of notice.
Uganda	Allowed only upon membership termination and if SACCO is meeting institutional capital requirements and has adequate liquidity.
United States	
Uzbekistan	

	Limits on Shares and Deposits
Bolivia	Members: Credit union cannot capture deposits or give out certificates of participation. Members and Public: No ownership shares can be guaranteed.
Canada–British Columbia	Equity shares are not membership shares if the cost is more than \$5,000 of that type of equity. Credit union must file a disclosure statement with the B.C. Ministry of Finance and Corporate Relations for the issuance of equity shares.
Canada–Ontario	Credit union with a lien on deposits and shares may set off any sum toward the payment of the liability. Credit union must pay the Minister any unclaimed property defined as inactive for 7 years. Shares are not insurable by the Deposit Insurance Corporation of Ontario. Transfers of shares are prohibited. Credit union shall maintain a separate stated capital account for each class of shares.
Colombia	No person can have more than 10% of the shares and no business can have more than 49% of the shares. Employees should not receive preferential treatment with respect to shares. Members' liability is limited to the amount of shares. Shares cannot be transferred to a third party except as permitted in the bylaws and regulations.
Costa Rica	There are no limits on the total and maturity time for deposits and savings. The value of shares cannot be less than 50,000 colones but no more than 200,000 colones. The assembly of members can issue or reduce shares. The assembly can offer investment shares but the maximum percentage of these shares must be equal to assets on the balance sheet 6 months prior to issuance.
Ecuador	
Great Britain	Shares in a credit union must not be held in the joint names of more than 2 members. Member cannot have shares or accept deposits exceeding the greater of 10,000 pounds or 1.5% of the total shareholdings in the credit union.
Guatemala	Member cannot own more than 10% of all ownership shares (assets less than 300,000 Queztales) or 15% (assets over 300,000 Queztales). No individual or related group can have 50% of the resources deposited as reserves in the Central Finance Fund of FENACOAC. If this limit is exceeded, 100% of the excess must be deposited in the reserve fund.
Kyrgyz Republic	Share capital cannot serve as a guarantee for loans. Member liability is limited to the amount they have invested in capital shares. No member or group of related members can own more than 10% of the total capital shares or savings deposits when the total member savings deposits are greater than 100,000 Som.
Laos	Ownership shares may not be used to secure a loan. Member liability is limited to the amount they have invested in ownership shares and may not be transferred to a third party. No member or group of related members may own more than 10% of all ownership shares and savings.
Lithuania	Maximum amount of shares allowed to be acquired by 1 member is set forth in the bylaws. Bylaws set the share payment procedures and the procedure for the transfer of shares.
Mexico	An individual cannot control more than 2% of the capital of the credit union. A business, directly or indirectly, cannot control more than 10% of the capital of the credit union.
Nicaragua	Can have a provisional share account if the member contributes less than the par value of the share.
Sri Lanka	Deposits from non-members are allowed if specified in the bylaws. Limited: Each member can have up to 10 shares but no individual can have more than 20% of outstanding shares.
Trinidad & Tobago	Withdrawable shares are liabilities. Permanent, non-withdrawable shares are equity. A dormant account is defined as no activity for more than 5 years or when the credit union is unable to contact the member via mail at the end of the financial year. After 5 years, the credit union must publish a list of dormant accounts in the newspaper and then must escheat to the reserve fund.
Uganda	Cannot use ownership shares to secure or repay a loan. Can use savings deposits to secure or repay a loan. No member or group of members can have more than 10% of total ownership shares and savings deposits of SACCO.
United States	A credit union may enforce its statutory lien against a member's account for any outstanding financial obligations. Maximum amount of all public unit and nonmember shares cannot exceed 20% of the total shares of the credit union or \$1.5 million, whichever is greater.
Uzbekistan	

	Dividends
Bolivia	Dividends are prorated according to the total and maturity of the ownership shares of each member as regulated by INALCO for member credit unions and SBEF for public credit unions. Cannot distribute dividends if there are accumulated losses and/or deficiencies in reserves. If illegally distributed, the board of directors and the executive committee are personally responsible.
Canada– British Columbia	
Canada–Ontario	Subject to the bylaws. Board declares dividends and the credit union may pay them in money or property. The credit union cannot pay out dividends if it does not comply with the regulations for adequate capital and liquidity.
Colombia	
Costa Rica	Set in the bylaws.
Ecuador	
Great Britain	A version 1 credit union pays dividends out of interim profits more than once a year and cannot pay different dividends on different accounts, unlike a version 2 credit union.
Guatemala	
Kyrgyz Republic	Dividends can be paid after all credit union expenses, provisions and interest costs have been paid. Not guaranteed.
Laos	
Lithuania	Paid from the profit which remains after the payment of taxes and after the deduction of funds to reserves and other capital. Paid in proportion to amount of shares.
Mexico	
Nicaragua	
Sri Lanka	Limited: Balance of net income after subtracting reserve requirement can be distributed to pay dividends but cannot exceed 10% of net income. Unlimited: Need approval of Registrar before distributing dividends.
Trinidad & Tobago	May be paid only if made from realized, ordinary, non-dividend surplus. Any impairment of institutional capital must be first corrected and all impaired assets and loans losses must be written off.
Uganda	Will grant if SACCO has met all institutional capital requirements, financial requirements established by the SSB and established adequate provisions against losses on loans.
United States	Board of directors declares dividends on share, share draft and share certificate accounts and are available only from undivided earnings. Payment of dividends cannot cause the credit unions' net worth classification to fall below adequately capitalized.
Uzbekistan	

	Interest on Shares and Deposits
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	Permitted to pay limited interest contributed from social capital as established by the assembly of members and within the limits of the Central Bank of Costa Rica. Members will earn interest up until they withdraw the funds.
Ecuador	
Great Britain	Interest of a member in a joint account must be treated as 50% of the shareholding in that account.
Guatemala	
Kyrgyz Republic	Interest rate changes as market interest rates change and/or the funding needs of the credit union change. May be variable or fixed. If fixed, credit union must pay stated rate in contract.
Laos	Interest rates are determined by each SCU. May be variable or fixed. If fixed, credit union must pay stated rate in contract.
Lithuania	
Mexico	The credit union reserves the right to adjust the rate of interest. Each product or type of deposit account can have a different rate of interest.
Nicaragua	Board of directors determines interest rates for shares and time deposits. The policy will establish the guarantees and the conditions relating to interest.
Sri Lanka	
Trinidad & Tobago	Deposits are remunerated in the form of periodic interest payments.
Uganda	Interest rate changes as market interest rates change and/or the funding needs of the SACCO change. May be variable or fixed depending. If fixed, credit union must pay rate stated in contract. Must be accrued no less than monthly.
United States	
Uzbekistan	

	Liquidity Evaluation
Bolivia	
Canada– British Columbia	Must complete a liquidity return form to the B.C. Ministry of Finance and Corporate Relations Financial Institutions Commission. Liquid assets include cash on hand, deposits, government treasury bills, security instruments guaranteed by government, banker's acceptance with a maturity of less than 1 year and loans on demand with maturity of less than 100 days.
Canada–Ontario	Lieutenant Governor in Council may make regulations regulating adequate and appropriate forms of liquidity.
Colombia	National government can require credit unions to maintain a liquidity fund in a second-tier association under the auspices of the Superintendencia.
Costa Rica	
Ecuador	Bank board authorizes the establishment of the liquidity fund, consisting of contributions from second-tier credit unions and supporting international organizations. All credit unions under the Superintendencia must participate and others may if they are financially solvent and meet prudential norms.
Great Britain	A credit union must establish, maintain and implement an up-to-date liquidity management policy statement approved by the management committee. Version 2 credit union must send to the FSA a copy of its liquidity management policy statement.
Guatemala	Adjusted monthly. If there is a reserve mismatch for 2 consecutive months or 3 non-consecutive months in 1 calendar year, it will be added to the oversight list of the Rating Agency and FENACOAC will provide follow-up and make an accounting adjustment.
Kyrgyz Republic	General meeting formulates, reviews and adjusts the asset liability management policy. Board monitors the asset liability management position and makes any necessary changes. Manager performs daily liquidity assessment.
Laos	
Lithuania	Determined by the Bank of Lithuania.
Mexico	The CNBV and the Federation can order the credit union to increase the amount of reserves, taking into account the credit risk assumed by the entity.
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Credit unions have access to the Central Bank's liquidity discount window.
Uganda	Performed at least monthly and reports must be submitted to the board.
United States	
Uzbekistan	Board is responsible for developing and revising the liquidity management policy.

	Liquidity Ratio Calculation
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	Liquid assets (maturity less than 30 days) - liabilities due in 30 days or less / savings deposits + 30 days shares \geq 15%.
Laos	Liquid assets (maturity less than 30 days) - liabilities due in 30 days or less / savings deposits \geq 15%.
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	(Liquid assets-short term payables) / total deposits \geq 15%.
Uganda	Liquid assets (maturity less than 30 days) - liabilities due in 30 days or less / savings deposits \geq 15%.
United States	
Uzbekistan	Credit union must use liquid assets (cash, short-term government securities, demand deposits with banks) + investments with maturity of 30 days.

	Liquidity Ratio
Bolivia	
Canada– British Columbia	10% of aggregate deposit and other debt liabilities. Cannot exceed 1.5% of aggregate value of all credit union assets in British Columbia.
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	Version 1 credit union: Must have 10% of its total relevant liabilities in liquid assets. Version 2 credit union: Minimum of 5% of its total relevant liabilities in liquid assets.
Guatemala	Minimum of 20% deposits as liquid reserves deposited in central finance facility of FENACOAC.
Kyrgyz Republic	15% of day shares and savings deposits in liquid funds or demand deposit account.
Laos	Minimum of 15% of savings deposits in liquid funds or demand deposit accounts.
Lithuania	
Mexico	Minimum of 10%.
Nicaragua	20% of captured deposits.
Sri Lanka	
Trinidad & Tobago	15% in relation to total liabilities.
Uganda	15% of savings deposits in liquid funds or demand deposit accounts.
United States	
Uzbekistan	Minimum of 20%.

	Records Preservation Responsibility
Bolivia	
Canada– British Columbia	
Canada–Ontario	Lieutenant Governor of Council may make regulations regarding record retention.
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	Chief Accountant is responsible for storing records at an off-site location. The NBKR establishes a list of documents to be stored and required period for storage.
Laos	
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	Accountant is responsible for storing duplicate vital records at an off-site location.
United States	Board of directors is responsible for establishing a vital records preservation program.
Uzbekistan	

	Vital Records
Bolivia	
Canada– British Columbia	
Canada–Ontario	Must be kept in English or French in the credit union’s head office. Include articles, bylaws, resolutions, register of board, committees officers, securities, members, books of account, accounting records and meeting minutes.
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	List of share, savings and/or deposit account balance and loan balances for each member, financial report of credit union, a list of investment accounts and a copy of all loan contracts or instruments.
Laos	
Lithuania	
Mexico	Accounting records, bylaws, board minutes, minutes from other sessions, financial statements, contracts or obligations with third parties and loan documents.
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	List of share, savings and/or deposit account balance and loan balances for each member, financial report of SACCO, a list of SACCO bank and investment accounts and a copy of all loan contracts or instruments.
United States	List of share, deposit and loan balance for each member’s account, financial report of credit union, and a list of the credit union’s financial institutions, insurance policies and investments.
Uzbekistan	

	Founding Members
Bolivia	Minimum of 10 founding members.
Canada– British Columbia	
Canada–Ontario	Minimum of 20 or more to incorporate a credit union.
Colombia	No limit on the number of members that can join a credit union.
Costa Rica	Minimum of 20 founding members. Members can join or withdraw voluntarily.
Ecuador	No less than 50 founding members. Institutions belonging to the financial system, stock market, private insurance system and social security system cannot participate in the establishment of a credit union.
Great Britain	Minimum of 21 founding members as specified in the Credit Unions Act of 1979 above the age of 16.
Guatemala	
Kyrgyz Republic	Minimum of 10 founding members or 50 founding members for credit unions participating in an Asian Development Bank project. Founding members cannot terminate membership until 1 year from date of credit union licensing.
Laos	Minimum of 250 founding members. Founding members cannot terminate their membership until 1 year from the date of SCU licensing.
Lithuania	Minimum of 50 natural persons of the Republic of Lithuania.
Mexico	
Nicaragua	Members must be legal or natural and more than 16 years old without regard to race, nationality, religion, political ideas or sex. Must have a good reputation.
Sri Lanka	Minimum of 10 founding members above the age of 18. Members are permitted free of charge to inspect the credit union's laws, rules, bylaws and list of members.
Trinidad & Tobago	
Uganda	Minimum of 100 founding members. Founding members cannot terminate membership until 1 year from date of SACCO registration.
United States	
Uzbekistan	Minimum of 50 founding members. Founding members shall appoint a person to represent the credit union's interests to fulfill registration and licensing requirements.

	Registration and Licensing
Bolivia	Members: Licensed and controlled by INALCO. Public: Licensed by SBEF.
Canada– British Columbia	Must file an Application to Incorporate and an Application for Business Authorization with the British Columbia Ministry of Finance and Corporate Relations Financial Institutions Commission.
Canada–Ontario	Minister issues the certificate of incorporation. The Superintendent must evaluate the sufficiency and regularity of the articles and bylaws before the Minister issues the certificate. Superintendent must approve the lending license. Credit unions may amend their articles of incorporation.
Colombia	Need the authorization of the Superintendencia to begin operations. Superintendencia must investigate the financial solvency of the credit union prior to approval. The national government can establish lower requirements if there are insufficient financial services in a certain area or if there is a bond of association. Need to present a certificate of accreditation to the Departamento Administrativo Nacional de Economía Solidaria to register articles of incorporation.
Costa Rica	Ministerio de Trabajo y Seguridad Social authorizes and registers a credit union for operation, and INFOCOOP must be notified regarding the registration process. Credit unions are exempt from national and municipal taxes with respect to the formation, registration, modification of statutes and legal requisites.
Ecuador	Superintendencia authorizes and provides license to credit unions that provide financial intermediation with the public in general. Approved credit unions must be registered in the Mercantile Registry where the credit union records its main domicile.
Great Britain	Credit union must apply to the FSA for permission to accept deposits. Credit union applicants will need to decide to apply as a version 1 or version 2 credit union.
Guatemala	Regulator qualifies credit union and credit union must register in the Mercantile Registry where it has established its main domicile.
Kyrgyz Republic	The NBKR registers and licenses credit unions. The FCSDCU issues license to accept member savings deposits after receiving operating license and registers credit unions in Chui Oblast and Bishkek City.
Laos	Bank of Lao PDR first issues license. Ministry of Commerce or the Provincial Department of Commerce then issues business license. Tax Department of the Ministry of Finance or the Provincial Tax Department issues registration.
Lithuania	Regulated by the legal acts of the Republic of Lithuania. Must be licensed by the Bank of Lithuania.
Mexico	
Nicaragua	Need approval of INFOCOOP to expand scope of activities.
Sri Lanka	Registrar of Co-operative Societies issues registration. Limited: Members have unrestricted access to the financial services of the credit union and the Registrar and board of directors retain power. Unlimited: Non-members can only save with credit union and cannot vote or be on the board of directors.
Trinidad & Tobago	Registered under the Cooperative Societies Act and licensed under the Credit Union Act. Commissioner for the Cooperative Development is responsible for registration and deregistration. Deregistration also requires the prior approval of the Central Bank.
Uganda	MFPEP registers, issues certification for operation and licenses SACCOs. SACCO must pay an annual registration and regulation fee.
United States	Credit union must annually pay NCUA an operating fee.
Uzbekistan	Board of the Central Bank will approve the credit union state registration and license. Credit union must pay a state registration fee in the amount of .1% of the minimum statutory fund.

	Using "Credit Union"
Bolivia	Must use "Limitada" or the abbreviation "Ltda" in name.
Canada– British Columbia	
Canada–Ontario	Must use "credit union" or "caisse populaire."
Colombia	Must use "cooperativa" or "cooperativo."
Costa Rica	Must use "cooperative."
Ecuador	
Great Britain	Must use "credit union" in England and Scotland. Must use "credit union" or "under credyd" in Wales.
Guatemala	
Kyrgyz Republic	Must use "credit union."
Laos	Must use "savings and credit union."
Lithuania	Must use "kredito unija."
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Must use "credit union."
Uganda	Must use "SACCO."
United States	
Uzbekistan	

	Common Bond
Bolivia	Credit union can be open to members only or to the public.
Canada– British Columbia	Based on community or geographic area, religious, ethnic, social, occupation or employment interest.
Canada–Ontario	Bond of association or related to members. May admit outside bond if number does not exceed 3% of members or approved by board.
Colombia	Requires a bond. Can also be multi-active (offering a variety of services) or integrated (develop social objective).
Costa Rica	Can extend services to non-members with prior approval of INFOCOOP.
Ecuador	No common bond. Services available for members and public.
Great Britain	Appropriate membership qualification that creates a common bond.
Guatemala	
Kyrgyz Republic	Associational, occupational or territorial in nature.
Laos	Associational, occupational or geographic in nature.
Lithuania	Employment place, professional group, residing in same location, being a family member of someone who qualifies for membership.
Mexico	
Nicaragua	As specified in cooperative law 499.
Sri Lanka	Limited: Unrestricted geographical area. Unlimited: Territory where members reside, work, own real estate.
Trinidad & Tobago	
Uganda	Associational, occupational or geographic in nature.
United States	
Uzbekistan	

	Minimum Capital for Formation
Bolivia	Members Only: No required minimum for less than 10,000 members. If more than 10,000 founding members must have same amount of capital as credit unions open to the public. Public: Category 1: 150,000 Bolivianos; Category 2: 250,000; Category 3: 630,000; Category 4: Minimum capital established by banking entity. Minimum capital is achieved through savings certificates, reserves and conferred donations.
Canada– British Columbia	
Canada–Ontario	
Colombia	To be accredited, credit unions must meet and maintain a minimum number of shares equivalent to 500 million pesos.
Costa Rica	
Ecuador	Bank Board determines minimum capital amounts for new credit unions by considering the geographic location and diverse areas of economic influence in region. Contribution certificates are common and compulsory.
Great Britain	Version 1 credit union: £1,000; Version 2 credit union: £5,000.
Guatemala	
Kyrgyz Republic	30,000 Som or 100,000 Som for credit union participating in an Asian Development Bank project.
Laos	30 million Kip at the date of licensing.
Lithuania	May not be less than Lt 15000.
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	Urban SACCOs: 1,810,000 Shillings (USD \$1,000); Rural SACCOs: 905,000 Shillings (USD \$500).
United States	
Uzbekistan	\$20,000 USD for credit unions in Tashkent; \$10,000 USD for credit unions in other localities.

	Bylaws
Bolivia	
Canada– British Columbia	
Canada–Ontario	Passed by the board of directors and the general meeting of members. After confirmed, bylaws must be sent to the Superintendent.
Colombia	Remain in effect indefinitely. Amendments must be approved by the Departamento Administrativo Nacional de Cooperativas and the members.
Costa Rica	The bylaws specify many critical components of credit union operation that are not detailed in the law, such as initial capital levels, par share value and the charging of a membership fee.
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	
Laos	Field of membership, admission and termination of membership in the SCU shall be regulated by the bylaws. Amendments or additions to the bylaws must be approved by the bank.
Lithuania	Required as the legal document governing the activities of the credit union and must be approved by the general meeting of members. Can prohibit a member from joining another credit union.
Mexico	Credit union must have an ethics code, a manual of internal controls, credit policy.
Nicaragua	
Sri Lanka	Bylaws must be consistent with Co-operative Societies Law or any rules under the law to be registered. Must be submitted to registrar. Credit unions are allowed to amend the bylaws.
Trinidad & Tobago	Required to conform to both Cooperative Societies Act and Credit Union Act before being approved by the Commissioner for the Cooperative Development.
Uganda	Approved by SSB and annual general meeting. Amendments to bylaws shall be approved by a majority of members present at annual general meeting and SSB.
United States	
Uzbekistan	

	Chart of Accounts
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	The FCSDCU shall provide the standardized chart of accounts which must be used.
Laos	The bank shall provide the standardized chart of accounts which must be used.
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Requires the credit union to conform to common standards and utilizes a chart of accounts to ensure consistency in reporting across the financial sector.
Uganda	SSB shall provide the standardized chart of accounts which must be used.
United States	
Uzbekistan	The board of the Central Bank has approved a chart of accounts for credit unions, listing all the accounts in the general ledger. Uses a five-digit coding system of balance sheets accounts.

	Merger Process and Approval
Bolivia	Public: Need approval of the SBEF.
Canada– British Columbia	Must file an Application for Consent to Amalgam with the British Columbia Ministry of Finance and Corporate Relations Financial Institutions Commission.
Canada–Ontario	Credit unions proposing to amalgamate must enter into agreement prescribing the conditions and the mode of carrying out the process. Membership shares that are not converted to shares of the amalgamated credit union must be paid out. Subject to the approval of the Superintendent and a two-thirds approval of the members and shareholders. Minister must then issue a certificate of amalgamation and publish notice.
Colombia	Superintendencia will authorize a merger but the general assembly must meet and approve by a two-thirds vote. Bylaws must contain regulations for merging. Existing credit union absorbs the shares of the merging credit union.
Costa Rica	A special meeting of members is needed to approve a merger with other cooperatives, federations, unions or confederations.
Ecuador	The resolution must be submitted to the Superintendencia, which requires technical and financial reports of the two credit unions. The value of contribution certificates shall be decided by the general assembly of members of the entity that resulted from the merger. The continuing entity shall assume all the assets and liabilities of the merging entity.
Great Britain	
Guatemala	
Kyrgyz Republic	
Laos	
Lithuania	Credit unions shall merge in the manner prescribed by the Law on Competition. Each credit union must prepare a re-organization plan that includes evaluation by an independent auditor. Auditor must present the evaluation to the general meeting of members. Bylaws set procedures for re-organization.
Mexico	
Nicaragua	
Sri Lanka	Requires two-thirds majority of members present at the general meeting and the previous approval of the Registrar of Co-operative Development. All members and creditors must be notified in writing of the merger resolution. All members have an option to withdraw shares, deposits or loans within one month of notification of the merger.
Trinidad & Tobago	Voluntary decision that must be approved by membership of the participating credit union and the Central Bank. All debts, obligations and liabilities of the merging credit union shall be deemed to have been assumed by the continuing credit union.
Uganda	Two-thirds of members at the general meeting, the MFPED and SSB must approve. The merging SACCO shall assign or transfer all assets, rights, property, liabilities, equity, agreements, documents and instruments of conveyance to the continuing SACCO. The continuing SACCO shall assume all liabilities of the merging SACCO. Both supervisory committees must conduct a 100% verification of the member shares, deposits and loan balances.
United States	Board of directors approves proposition for merger. Credit union must then submit the merger plan, resolutions of the board, proposed merger agreement, proposed notice of special meeting of members, copy of the ballot to be sent to members, application and agreement for insurance of members' accounts and call reports to the Regional Director of NCUA or state regulator. Members of the merging credit union must vote on the proposal at the annual meeting.
Uzbekistan	

	Voluntary Liquidation Prerequisites
Bolivia	Public: Can only occur when the assets of the credit union are greater than its liabilities.
Canada– British Columbia	
Canada–Ontario	Credit unions that have no assets and no liabilities can liquidate.
Colombia	Credit unions can voluntarily liquidate.
Costa Rica	
Ecuador	
Great Britain	Must first cease carrying on regulated activities, repay all shares and deposits and discharge, satisfy or resolve complaints against the credit union.
Guatemala	
Kyrgyz Republic	
Laos	Can only occur when a SCU has the ability to meet its obligations to creditors and members.
Lithuania	General meeting can pass a resolution to liquidate only if no bankruptcy proceedings have been issued against the credit union. Occurs if the duration of the credit has expired, the number of members falls below 50 or the share capital decreases below Lt 15,000.
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Need approval of the Central Bank to ensure no undue risk to members' savings or adverse impact to the public confidence in the financial system of Trinidad & Tobago.
Uganda	Only can occur when a SACCO has the ability to meet its obligations to creditors and members.
United States	Withdrawal of shares, granting of loans and investments must cease when board presents liquidation proposal to members. Collection of loans and interest, payment of expenses and clearing of share drafts and credit card charges continues.
Uzbekistan	

	Voluntary Liquidation Process
Bolivia	Public: Need approval of the general assembly of members and SBEF. The credit union must have a plan to return liabilities and savings. The liquidation shall be made public in a daily circulation and recorded in the National Cooperative Registry.
Canada– British Columbia	
Canada–Ontario	Must be authorized by a special resolution of members and approved by the Superintendent. Members appoint a liquidator to file and publish the resolution. Once resolution is passed, credit union must stop carrying on its business except as required to wind up. Liquidator must settle the list of contributions, make arrangements with creditors and make an account to the members.
Colombia	
Costa Rica	Process is set in the bylaws. Need approval of two-thirds of a special meeting of members.
Ecuador	Need two-thirds vote of the members of the assembly.
Great Britain	Credit union can write to the FSA expressing its wish to cancel its permission. Credit union must explain the full circumstances to the FSA and give notice to all members of its application for cancellation of its permission.
Guatemala	
Kyrgyz Republic	
Laos	Need two-thirds approval of members present at a special membership meeting to voluntarily liquidate. Must be subsequently approved by the Bank and be made known to the public.
Lithuania	Bylaws set the liquidation process.
Mexico	
Nicaragua	Need approval by submitting an application, having an on-site inspection of the books and the reporting any loss of capital. The liquidation committee audits all operations of the liquidation process, publishes a warning of the liquidation, requests that creditors verify the amount they are owed and presents the liquidation project to INFOCOOP.
Sri Lanka	Need three-fourths of the membership to approve liquidation.
Trinidad & Tobago	
Uganda	Need two-thirds vote by the members present at a general or special membership meeting. If approved, SACCO shall cease accepting savings and share deposits, withdrawals, granting loans, transfers between accounts and investment of excess funds. Liquidation request shall be submitted to SSB for approval, and if approved, liquidation must be made public knowledge.
United States	Members must approve the liquidation proposal by a majority vote. If approved, board of directors shall appoint a liquidating agent. Notice of the liquidation approval must be sent to the Regional Director of NCUA along with balance sheets and income statements. Board shall develop a written liquidation plan, which must also be sent to NCUA.
Uzbekistan	

	Involuntary Liquidation Supervisor
Bolivia	Public: SBEF.
Canada– British Columbia	
Canada–Ontario	Superintendent.
Colombia	Superintendencia.
Costa Rica	
Ecuador	Bank board.
Great Britain	
Guatemala	
Kyrgyz Republic	
Laos	Bank of Lao PDR.
Lithuania	Liquidator appointed by the supervisory institution.
Mexico	
Nicaragua	
Sri Lanka	Registrar.
Trinidad & Tobago	
Uganda	SSB.
United States	NCUA or state regulators.
Uzbekistan	

	Involuntary Liquidation Order
Bolivia	Public: Ordered by the SBEF, which will notify the National Institute of Cooperatives that involuntary liquidation has occurred and the legal status of the credit union should be cancelled.
Canada– British Columbia	
Canada–Ontario	Superintendent may dissolve if incorporation was obtained by fraud or mistake, it exists for an illegal purpose, it has less than 20 members, it is not carrying on business or it has violated the Act or regulations. Superintendent will appoint a liquidator to carry out the dissolution. Court may require a meeting of members, inspection of records or delivery of property back to the credit union.
Colombia	Superintendencia will authorize a liquidation, but the general assembly must meet and also approve by two-thirds vote. Bylaws should contain instructions for liquidation. Liquidation will occur if the number of members falls below the required threshold, if the credit union fails to achieve its social objective or if the credit union violates the law.
Costa Rica	Subject to the approval the Labor Tribunal, INFOCOOP will dissolve if the number of members or institutional capital has fallen below the legal requirement, the credit union cannot comply with social objectives or it does not distribute surplus according to the law and bylaws.
Ecuador	When a credit union has not overcome the reasons that forced it to conduct a regularization program, the Bank board shall force liquidation pursuant to the General Law of Financial System Institutions.
Great Britain	The Credit Union Act of 1979 grants the FSA the power to petition the court for the winding up of a credit union.
Guatemala	
Kyrgyz Republic	
Laos	Order by the Bank or a court (including bankruptcy) on the basis that the SCU has committed an offense.
Lithuania	Registrar of Enterprises cancels the registration or by a court decision. The credit union may only enter into contracts associated with the liquidation.
Mexico	
Nicaragua	
Sri Lanka	Registrar can dissolve if the credit union is found unsafe, if the number of members has been reduced to less than 10, if the credit union has not begun operations one year after registration or if the credit union has not operated for 2 years.
Trinidad & Tobago	
Uganda	Order by SSB or court to revoke registration. Liquidation process must be completed within 1 year of the order. There must be a publication once a week for 4 consecutive weeks in a widely read newspaper pertaining to the liquidation.
United States	Credit union board may challenge revocation of charter and involuntary liquidation prior to order. Once NCUA Board issues liquidation order, it will allow or disallow a claim within 180 days from the date of the claim.
Uzbekistan	

	Involuntary Liquidation Order of Satisfaction of Claims
Bolivia	
Canada– British Columbia	
Canada–Ontario	Each of the members or shareholders remain liable to the creditors to the extent of the amount received by the member or shareholder upon distribution, other than refunds of deposits.
Colombia	Liquidation costs, salaries and certain loans, fiscal obligations, mortgage loans, obligations to third parties, shares for members. Anything remaining will be transferred to the cooperative entity specified in the bylaws or to a third tier cooperative. Deposits are excluded from order.
Costa Rica	Must first cover salaries and loans of employees, then satisfy the debts of the association, pay savings and investment balances of members and then distribute the surplus to members.
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	
Laos	Payment of expenses relating to liquidation shall be paid in priority.
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	Liquidation costs, repayment of government loans and guaranteed loans, discharge of other liabilities, share capital, dividends, interest rebates and remainder is deposited into a surplus fund.
Trinidad & Tobago	
Uganda	Cost of activities carried by liquidation committee, wages and salaries due employees, secured creditors, money assets of depositors, other creditors, ownership shares (paid more than minimum requirement, followed by minimum paid.)
United States	Secured creditors, unsecured creditors (administrative costs and liquidation expenses, wages and salaries, taxes owed, debts owed the US or NCUA, general creditors and shareholders with uninsured shares.)
Uzbekistan	

	Administrative Actions and Sanctions Initiated By
Bolivia	Public: SBEF.
Canada– British Columbia	
Canada–Ontario	Superintendent.
Colombia	
Costa Rica	INFOCOOP.
Ecuador	Superintendencia.
Great Britain	
Guatemala	
Kyrgyz Republic	FCSDCU.
Laos	
Lithuania	Supervisory institution.
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Central Bank.
Uganda	SSB.
United States	NCUA.
Uzbekistan	

	Memorandum of Understanding and Agreement
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	Superintendencia can request and approve regularization programs and order all necessary corrective activities.
Great Britain	Outlined in Industrial & Provident Societies Act.
Guatemala	
Kyrgyz Republic	Occurs when the plan of action proves to be ineffective. It describes the corrections to be made, responsible parties and timeframes. It shall be removed only upon correction of all material issues.
Laos	
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	Drafted by the SACCO supervisory unit and addressed to the board of directors. It is used when the plan of action provided at the end of an on-site examination has proven to be ineffective and describes the corrections to be made, the responsible parties and the timeframes.
United States	
Uzbekistan	

	Cease and Desist Order
Bolivia	
Canada– British Columbia	
Canada–Ontario	Superintendent may issue an order if the credit union is acting in contravention of the Act or regulations or it is adversely affecting the interest of members, depositors or shareholders.
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	Allows the FCSDCU to stop a harmful practice or prevent harmful practices from occurring such as engaging in unsafe business practices and violating the law, regulation or any other agreements. Order will be addressed to the credit union managing board.
Laos	
Lithuania	Supervisory institution can warn the credit union for its shortcomings and violations and set the term for elimination of these shortcomings and violations.
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Central Bank can issue cease and desist orders if it engages in unsound practices, threatens a loss to the members' deposits, or threatens the financial system of Trinidad & Tobago. The board is required to inform the membership and publish in a newspaper.
Uganda	SSB can stop harmful practices or prevent harmful practices from occurring. Order is drafted by the SSB and addressed to the board of directors.
United States	
Uzbekistan	

	Removal of Officials
Bolivia	
Canada– British Columbia	
Canada–Ontario	Director, officer, employee or agent may be ordered to comply with the Act, regulations, articles of incorporation or bylaw.
Colombia	The Superintendencia can remove an official, administrator, supervisory committee member, legal representative, financial auditor or employee and must communicate this with all entities under its supervision.
Costa Rica	
Ecuador	Superintendencia can designate a controller and remove the board of directors. The alternate directors will become regular directors. During this process, members cannot transfer or withdraw their contribution certificates or receive the surpluses.
Great Britain	Prosecution of criminal offenses outlined in the Credit Union Act of 1979.
Guatemala	
Kyrgyz Republic	Removal of an official or manager by the FCSDCU occurs when the individual will not voluntarily resign and has directly or indirectly violated the law, bylaws, rules or regulations, engaged in any unsafe and unsound practice or breached fiduciary responsibility.
Laos	
Lithuania	Supervisory institution can impose administrative penalties on managers for violation of laws.
Mexico	
Nicaragua	
Sri Lanka	Registrar has the power to replace board of directors as directed by the bylaws. The newly appointed board members are fully responsible for any loss sustained during the administration period.
Trinidad & Tobago	The Central Bank has the power to issue a removal order. Applies to any director, officer or the entire board. Board must inform the membership and fill the vacancy. If the board is affected, the Central Bank will ensure the continuity of operations.
Uganda	Removal of an official by the SSB occurs when the official will not voluntary resign and has directly or indirectly violated the law, bylaws, rules or regulations, engaged in any unsafe and unsound practice or breached fiduciary responsibility.
United States	NCUA can require the change of senior executive officers, directors or committees members.
Uzbekistan	

	Monetary Penalties
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	Superintendencia can impose sanctions on directors, managers, auditors or employees with a fine up to a minimum of 200, payable to the National Treasury. Superintendencia can also impose a fine up to 200 on the credit union, payable to the National Treasury.
Costa Rica	
Ecuador	Superintendencia can impose civil and penal sanctions.
Great Britain	The FSA can financially penalize credit unions for late submission or outstanding submission of reports.
Guatemala	
Kyrgyz Republic	The NBKR may assess monetary penalties against a credit union if it fails to observe the law, legislation, rules and regulations of the NBKR and FCSDCU. Penalty shall be assessed based on the seriousness of the violation; however it shall not exceed 1% of the amount of capital shares.
Laos	
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	The Central Bank can assess and impose monetary penalties for breaching the Credit Union Act. Examples include the late or inaccurate submission of statutory filings, audited financial statements or other information requested by the Central Bank. Interest is payable on overdue penalties. The credit union can challenge by appealing to the Tax Appeal Board through the High Court.
Uganda	SSB must determine, assess and collect monetary penalties from the SACCOs for failing to submit required reports, knowingly submitting incorrect reports, breaching laws, bylaws or regulations, breaching the procedure for making amendments to the bylaws, undertaking activities not stipulated in the law, bylaws, or regulations, exhibiting reckless conduct, breaching fiduciary duty and causing more than a minimal loss.
United States	NCUA can issue monetary penalties and recover attorney fees and other expenses.
Uzbekistan	Central Bank can impose penalties if the rules for financial operation are not followed.

	Prohibitions
Bolivia	
Canada– British Columbia	
Canada–Ontario	Superintendent may order a credit union to dispose of its investments not made in accordance with the Act. If the amount realized from disposal is less than the amount paid by the credit union, the directors are jointly and severally liable for the delinquency. Superintendent may order a credit union to call any loans that are not authorized by the Act, regulations or bylaws.
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	The FCSDCU may prohibit an individual seeking to be an official from participating in credit union activity and affairs if it is found that the individual has been charged with a crime involving monetary loss, fraud, perjury, breach of contract or a crime that may pose a threat to the interest of the credit union members or threaten to impair public confidence in the credit union.
Laos	
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Can impose limitations on the activities of the credit union or constraints on conducting or promoting business.
Uganda	The SSB may prohibit an individual seeking to be an official from participating in SACCO activity and affairs if it is found that the individual has been charged with a crime involving monetary loss, fraud, perjury, breach of contract or a crime that may pose a threat to the interest of the SACCO members or threaten to impair public confidence in the SACCO.
United States	Can suspend or prohibit an official if charged with a felony.
Uzbekistan	

	Conservatorship
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	Superintendencia can take possession of a credit union, following the same procedures established for the Bank Superintendencia, and put the credit union under administration. The general assembly must meet if conservatorship occurs.
Costa Rica	INFOCOOP can force the general members to be replaced by an assembly of delegates (minimum of 50.) This process must be specified in the bylaws. The board and supervisory committee will act as delegates but outside the scope of their normal office.
Ecuador	
Great Britain	Outlined in Industrial & Provident Societies Act.
Guatemala	
Kyrgyz Republic	The FCSDCU controls and operates credit union until it can resume business on its own subject to any terms and conditions. Time period for conservatorship is 6 months and the FCSDCU shall select the individual in charge of the conservatorship. All expenses associated with the conservatorship are paid by the credit union.
Laos	
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Central Bank can appoint an administrator where the credit union is determined by the Central Bank to be insolvent, it has not complied with the Credit Union Act, it has failed to comply with a cease and desist order or it has not observed policies, procedures or standards. Administration will continue until the issues are addressed, it is consolidated with another credit union or the High Court winds up the credit union.
Uganda	SSB takes controls the SACCO until it permits the SACCO to resume business on its own, subject to any terms and conditions. Initial time period for conservatorship is 12 months. Assigned custodian must return the SACCO to solvency and form efficient and effective management. Custodian may not be a member of the SACCO, a creditor or a related party of the SACCO.
United States	NCUA can order conservatorship for undercapitalized credit unions or to reduce risk of loss to share insurance fund.
Uzbekistan	

	Revocation or Suspension of Registration
Bolivia	
Canada– British Columbia	
Canada–Ontario	Superintendent may order a credit union to discontinue doing business if the Superintendent believes the continuance of the credit union is not in the interest of members, depositors or shareholders.
Colombia	Superintendencia can order the dissolution of the credit union for violating the provisions of the laws and bylaws. The Superintendencia can also order the cancellation of the credit union's registration.
Costa Rica	
Ecuador	
Great Britain	The Industrial & Provident Societies Act provides for the cancellation or suspension of registration by the FSA.
Guatemala	
Kyrgyz Republic	The NBKR can suspend a credit union license for up to 3 months if the credit union has not executed the prescribed corrective measures. Can also terminate license for non-performance of requirements, failure to implement corrective measures or conducting unauthorized activities.
Laos	The bank can suspend a SCU license for a period of up to 3 months for a SCU that has previously received supervisory warnings if the SCU has not executed the corrective measures and sanctions.
Lithuania	The supervisory institution can suspend or revoke the license to perform one or several operations or its license to operate.
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	Central Bank may wind up a credit union. It may also act on the recommendation of the Commissioner. Commissioner must first de-register the credit union before the Central Bank can wind it up.
Uganda	SSB may suspend or revoke the registration of a SACCO that has violated any provision of the law, bylaws or regulations. The assets, books and records of the SACCO immediately become the property of the supervisory body.
United States	NCUA can revoke or suspend license or insured status if it finds that the credit union has violated any provision or its charter, bylaws, Credit Union Act or regulations.
Uzbekistan	

	Establishment of Additional Regulatory Reserves
Bolivia	Public: SBEF can intervene to strengthen the soundness of the credit union when the credit union's capital levels do not meet the required levels.
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	
Guatemala	
Kyrgyz Republic	The FCSDCU may require a credit union to establish special reserves to protect the interests of the credit union members when the established reserves do not provide sufficient protection. May only be removed from the books by the approval of the FCSDCU.
Laos	
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	SSB may require a SACCO to establish additional regulatory reserves when necessary to protect the interests of SACCO members. Reserves shall be established in an account entitled Regulatory Reserve and may not be transferred out except upon termination of order.
United States	NCUA can issue, review and enforce orders imposing prompt corrective action. NCUA must issue a notice to the credit union containing its net worth ratio and classification, specific restrictions it plans to impose, proposed date the discretionary supervisory action will take effect and that credit union must file a written response.
Uzbekistan	

	Accounting Method
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	Superintendencia will determine the accounting regulations.
Costa Rica	
Ecuador	
Great Britain	
Guatemala	Modified cash method: will recognize income when received and financial costs and expenses will be recognized when accrued. Income for non-financial investments should be reflected in register for non-financial investments using cash accounting method.
Kyrgyz Republic	
Laos	
Lithuania	
Mexico	
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	May use cash basis: when income and expenses occur, not when earned. If use accrual basis, must follow regulation.
United States	
Uzbekistan	Accrual accounting.

	Statements
Bolivia	
Canada– British Columbia	Audit committee must review statements. Credit union must report to the board all related-party transactions that have been approved, the names of the related parties and the nature and value of each transaction.
Canada–Ontario	Lieutenant Governor in Council may make regulations prescribing the matters to be shown in the financial statement.
Colombia	Required to produce financial statements following close of books on December 31. Members must review statements and approve financial condition of credit union.
Costa Rica	
Ecuador	Credit unions must submit periodically to the Superintendencia the internal control and administration of risk manuals. Credit union must also send reports and other documents required by the Superintendencia.
Great Britain	Credit unions must produce a quarterly and annual return.
Guatemala	
Kyrgyz Republic	Board must approve and review monthly the balance sheet, income statement, cash flow, liquidity analysis, comparison of actual financial ratios to budgeted figures, outstanding investments and delinquent loans.
Laos	
Lithuania	Reporting and financial control must be carried out with the laws of the Republic of Lithuania and the legal acts approved by the resolutions of the Bank of Lithuania.
Mexico	
Nicaragua	
Sri Lanka	Required to prepare financial statements annually.
Trinidad & Tobago	Submission of audited financial statements is required.
Uganda	All SACCOs must produce a balance sheet and income statement monthly, quarterly and yearly.
United States	
Uzbekistan	Credit unions must produce a balance sheet and income statement.

	Publication of Statements
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	Credit unions shall release the economic financial situation of credit union according to the norms issued by the bank board and shall publish annual financial balances when the Superintendencia requires.
Great Britain	Credit unions are required by the Friendly and Industrial and Provident Societies Act to publish audited accounts.
Guatemala	
Kyrgyz Republic	
Laos	
Lithuania	
Mexico	Credit unions with assets between 2,750,000 and 50,000,000 UDIS; 50,000,000 and 280,000,000 UDIS have to make their financial statements public at least once a year.
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	Audited annual financial statements and external auditor's reports shall be prominently displayed at all offices and branches.
United States	
Uzbekistan	

	Submission to Regulator
Bolivia	
Canada– British Columbia	Credit union must file a monthly and statistical report to the Ministry of Finance and British Columbia Corporate Relations Financial Institutions Commission.
Canada–Ontario	The credit union shall file an annual return with the Superintendent.
Colombia	The credit union must submit statements to the Superintendencia.
Costa Rica	
Ecuador	
Great Britain	Credit unions must notify the FSA about any matter which could result in serious financial consequences to the financial system.
Guatemala	Credit unions must submit monthly financial statements to FENACOAC and the rating agency. Must also send reports and management letters from the external auditor.
Kyrgyz Republic	Credit unions must issue a call report within 7 days of the end of each quarter to the FCSDCU. Report is to be signed by the Chairman of the Board and Chief Accountant.
Laos	
Lithuania	Within 3 months of the close of the financial year, the credit union shall prepare an annual financial statement and submit it to the Bank of Lithuania.
Mexico	
Nicaragua	Cooperatives must send their financials to INFOCOOP 30 days after the general assembly.
Sri Lanka	Financial statements must be submitted to the Registrar of Co-operative Development within 3 months of the close of the financial year.
Trinidad & Tobago	Central Bank requires the credit union to submit its financial statement of operations within 3 months of the close of the financial year.
Uganda	All SACCOs shall submit a copy of financial statements twice a year.
United States	
Uzbekistan	

	External Auditor Requirements
Bolivia	Public: Must be registered with the SBEF.
Canada– British Columbia	The auditor cannot have been a trustee in bankruptcy, receiver manager or liquidator of the financial institution or any affiliate anytime during the prior 2 years. Must be qualified as an auditor for 5 years and have at least 2 years experience in auditing a financial institution.
Canada–Ontario	Must be licensed under the Public Accounting Act of 2004, resident of Canada and independent of the credit union. The auditor is appointed and removed by members at the annual meeting. The board may fill a vacancy in the office of the auditor as required by the Superintendent.
Colombia	Auditor elected by the members. Must be a licensed public accountant. The requirement for a financial auditor may be waived if certain economic, geographic and size conditions warrant. The functions of the auditor will be outlined in the credit union's bylaws and must operate under the rules of the profession. An auditor cannot audit and be a member of the same credit union.
Costa Rica	Can be the supervisory committee or an internal auditor who is an authorized public accountant and approved by two-thirds of the members. Must be certified as a public accountant or approved by the union, federation or confederation. Must give a copy of the certificate annually to the members.
Ecuador	Must be qualified by the Superintendencia and act according to the law, the Superintendencia and the Bank Board.
Great Britain	Must have required skill, resources and experience. Must have expertise in the relevant requirements and standards. Must be qualified by the FSA. Must be independent of the credit union and free from conflicts of interest.
Guatemala	
Kyrgyz Republic	Must be an independent auditor that is knowledgeable and capable of performing the audit steps.
Laos	Must be an independent external auditor who meets the requirements of the Internal Standard Auditing. Cannot be related to SCU officials or employees, cannot have provided consulting services to SCU, cannot perform the audit for more than three consecutive years. The bank may waive this last requirement upon a written request if there are a lack of qualified auditors where the SCU is located.
Lithuania	Auditor shall be elected by the membership with a maximum term of 3 years. Auditor may be a member of the credit union and must possess a diploma certifying his/her qualifications. Member of the supervisory board, the board of directors, the loan committee or the CFO cannot serve as the auditor. If an auditor is not available from the membership, the credit union can hire an independent auditor.
Mexico	
Nicaragua	Must be appointed by the board of directors and an external public accountant.
Sri Lanka	
Trinidad & Tobago	Accountant must be a practicing member of the Institute of Chartered Accountants of Trinidad & Tobago or a member of another professional association as prescribed by the Central Bank. The accountant must have knowledge and experience in the auditing of credit unions, must be independent of the credit union and must be included on the list of approved auditors prepared by the Central Bank. Credit union must provide to the Central Bank in writing its reasons to replace an auditor.
Uganda	Licensed auditor, approved by the supervisory committee with experience in auditing financial institutions, preferably SACCOs. Must have valid professional indemnity insurance coverage for negligence. Cannot be related to SACCO officials or employees, cannot have provided consulting services to SACCO, cannot be a member of the SACCO and cannot perform external audit for more than 3 consecutive years (supervisory committee may waive if there are a lack of other qualified auditors in area.)
United States	Must be licensed by state or jurisdiction where credit union is principally located. Must be unrelated to officials. May be a member of the supervisory committee, internal auditor or other qualified person for non-financial statement audits. Non-financial statement audits are permitted for credit unions with less than \$500 million in assets.
Uzbekistan	

	External Audit Report
Bolivia	
Canada– British Columbia	
Canada–Ontario	Auditor shall report to the members on the financial statements which are presented at the annual meeting. Auditor shall report the results of examination and any problem areas to the Superintendent, the board, CEO, CFO and audit committee. Auditor must state reasons if a qualified opinion is given.
Colombia	
Costa Rica	The auditor shall examine the accounting of all accounts and operations and report findings to the general assembly.
Ecuador	
Great Britain	A credit union should consider whether it should notify the FSA if it expects or knows its auditor will qualify its report on the audited financial statements or add an explanatory paragraph. A credit union should consider whether it should notify the FSA if it receives a written communication from its auditor commenting on internal controls.
Guatemala	
Kyrgyz Republic	
Laos	Audit committee must report the results to the annual general meeting, follow up on audit findings and recommendations, send a copy of the final audit report to the Bank and report to the board of directors and the Bank on measures to implement recommendations and corrections in the audit report. Report must be available for review by members.
Lithuania	Auditor shall present to the general meeting of members an annual report on the audit of financial-business activities. The auditor must report any violations immediately to the board of directors and the supervisory committee. The auditor must maintain the confidentiality of the records and will be held liable for unsatisfactory control and concealment of deficiencies.
Mexico	
Nicaragua	Credit union must send a copy of the auditor's conclusions within 15 days to INFOCOOP.
Sri Lanka	
Trinidad & Tobago	The auditor must report findings to the board of directors and highlight any material transactions which warrant corrective action.
Uganda	SACCO officials, management and supervisory committee must receive the audit findings. Supervisory committee must follow up on audit findings and recommendations, present audited financial statements and report to annual general meeting, send the audit report to the regulator and report to board of directors and regulator on measures taken to implement audit recommendations and corrections.
United States	Supervisory committee must obtain the annual audit and submit to the board of directors and to NCUA, if requested.
Uzbekistan	

	Internal Auditor Requirements
Bolivia	Public: The internal auditors will be regulated by the SBEF.
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	
Great Britain	Qualifications and training should be adequate in relation to the responsibilities of the internal auditor.
Guatemala	
Kyrgyz Republic	Audit committee performs internal auditing functions.
Laos	
Lithuania	
Mexico	Independent of the business and administrative functions of the credit union (assets over 50,000,000 UDIS).
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	Small and Medium SACCOs: Supervisory committee with educational or professional experience in accounting and auditing. Large SACCOs: Professional auditor.
United States	
Uzbekistan	

	Internal Audit Function
Bolivia	
Canada– British Columbia	
Canada–Ontario	
Colombia	
Costa Rica	
Ecuador	Perform professional activity according to law, Superintendencia and the bank board.
Great Britain	Ensure the policies and procedures are followed, provide continuous appraisal of the overall effectiveness of the control systems, recommend improvements, ensure accounting records are prepared promptly and accurately and assess whether financial and operating information is accurate, pertinent, timely and complete.
Guatemala	
Kyrgyz Republic	Perform bank reconcilements, surprise cash counts, review employee and official loans, review activity within dormant accounts, review expenses and review supporting documentation.
Laos	
Lithuania	
Mexico	Presents reports to the board of directors and supervisory committee about the state of the internal control system, evaluates operations, reviews information system, identifies possible transactional or operational problems, reviews compliance with laws and regulations and facilitates external audits as necessary.
Nicaragua	
Sri Lanka	
Trinidad & Tobago	
Uganda	Develops work plan, evaluates reliability of information, audits operational areas, evaluates compliance with laws, regulations, policies and procedures, provides investigative services, ensures reports and information submitted to regulator are accurate and timely, verifies internal controls, reviews external audit findings and ensures audit recommendations are implemented.
United States	Verify once every 2 years the passbooks and accounts of the members against the records of the treasurer of the credit union.
Uzbekistan	

	Resources Consulted
Bolivia	The General Law of Cooperative Societies - Regulated for the operation of credit cooperatives Supreme Decree No. 24439 (December 13, 1996).
Canada– British Columbia	Regulations & Orders under the Financial Institutional Act (FIA) and the Credit Union Incorporations Act (CUIA) (September 15, 1990).
Canada–Ontario	Ontario Credit Union Law, Credit Unions & Caisses Populaires Act (1994).
Colombia	Law 454 of 1998, Law 79 of 1988.
Costa Rica	Asociaciones Cooperativas y Creación del Instituto de Fomento Cooperativo (August 22, 1968).
Ecuador	Financial Intermediation Credit Unions Executive Decree No. 354 (July 28, 2005).
Great Britain	Credit Union Sourcebook (CRED).
Guatemala	Minimum Prudential Regulations for Credit Unions in the FENACOAC System (October 24, 2002).
Kyrgyz Republic	Regulation on Licensing of Credit Unions (Draft) (March 2, 2003).
Laos	Bank of Lao PDR Regulation on the Establishment and Operation of Pilot Savings and Credit Unions in Lao PDR (2003).
Lithuania	Republic of Lithuania Law on Credit Unions (February 21, 1995).
Mexico	Prudential Regulations for Credit Unions (June 3, 2003); Order for the Reform of Prudential Regulations for Credit Unions (June 25, 2003); Regulations for Articles 47 and 55 of the Credit Union Law (November 28, 2002); Regulations for Articles 22 (xi) and 35 of the Credit Union Law (July 22, 2002); Regulations for Article 117 of the Credit Union Law; Regulations for Article 9 and Article 36 of the Credit Union Law (September 27, 2002).
Nicaragua	Regulation of the Law of General Cooperatives (January 25, 2005).
Sri Lanka	Co-operative Societies Law No. 5 of 1972, Co-operative Societies (Amendment) Act No. 32 of 1983 and Co-operative Societies Act No. 11 (1992).
Trinidad & Tobago	The Revised Policy Proposal Document for the Credit Union Act (October 2006).
Uganda	Regulations - WOCCU / Uganda Cooperative Savings and Credit Union Limited (December 8, 2005).
United States	Credit Union Regulations (November 2005).
Uzbekistan	Regulation On Approval of a Minimum Size of Statutory Fund, Registration Fee, Qualifying Requirements to the Credit Union Manager, Registration Forms and Procedures and License Issue, Chart of Accounts for Credit Unions (2002); Credit Union Operation Rules (2002); Regulation on the Procedure for Computation and Payment of Taxes to the Budget by Commercial Banks and Credit Unions (2005) and Form of Certificate Confirming Payment of Ownership Share by the Credit Union Member (2002).