

Proposed Legislation for the Credit Unions Sector

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Proposed New Legal Framework for the Credit Unions Sector

- ▶ The following draft Bills and Regulations provide the legislative framework for the Central Bank to assume responsibility for the regulation and supervision of the credit unions sector. They seek to improve and strengthen the regulatory infrastructure of the sector.
- ▶ **Bahamas Co-operative Credit Unions Bill, 2013**
- ▶ **Bahamas Co-operative Credit Unions Regulations, 2013**
- ▶ **Co-operative Societies (Amendment) Bill, 2013**
- ▶ **Central Bank of The Bahamas (Amendment) Bill, 2013**

Draft Bahamas Cooperative Credit Unions Bill, 2013

Role of the Central Bank

- ▶ Part II of the Bill sets out the role of the Central Bank as supervisor of credit unions (clause 5) and addresses the powers and duties of the Inspector of Banks and Trust Companies.

- ▶ The **Central Bank** will be responsible for:
 - Administering the Co-operative Credit Unions Bill, 2013
 - Registration of credit unions;
 - Determining the financial soundness of credit unions;
 - Supervising credit unions to ensure compliance with the Bill;
 - Monitoring compliance of credit unions with AML/CFT requirements;
 - Monitoring conformity of credit unions with the Co-operative Principles.

Draft Bahamas Cooperative Credit Unions Bill, 2013

Role of the Inspector of Banks & Trust Cos.

- ▶ The duties of the Inspector of Banks and Trust Companies in connection with the supervision and regulation of the credit unions sector are set out in clause 6 of the Bill and include:
 - maintaining a general review of credit union practice in The Bahamas;
 - reviewing various returns which credit unions are required to submit to the Central Bank (including the annual audited financial statements);
 - conducting on-site examinations of each credit union; and
 - conducting continuous off-site supervision of credit unions.

Draft Bahamas Cooperative Credit Unions Bill, 2013

Overview of Proposed New Features

Fit and proper criteria for directors, officers and senior managers etc ., of credit unions expanded (clause 13).

Restrictions on employment of board and committee members by credit unions (Clause 34).

New Qualification requirements for committees appointed by the credit union board and for members of the supervisory and credit committees (clause 22(2)).

Mandatory appointment of Compliance Officers by credit unions (clause 80).

Mandatory establishment of Internal Audit Function by credit unions (clause 81).

Apex Body must establish an Investment Committee (clause 113).

Overview of Proposed New Features

Exemptions for credit unions with assets of less than \$1 million – Clause 20

Requirements for credit unions with assets of \$1 million or more

Requirements for credit unions with assets of less than \$1 million

Submit annual audited financial statements (clause 9(1)(a) and 90(6)).

Submit annual **unaudited** financial statements (clause 20(3)(a)).

Submit reports to the Central Bank on a monthly basis (clause 9(1)(c)).

Submit reports to the Central Bank on a **quarterly** basis (clause 20(3)(b)).

Maintain statutory reserves, retained earnings and qualifying shares and equity shares at ten percent or more of their total asset base (clause 89(2)(b)).

Maintain statutory reserves, retained earnings, qualifying shares and equity shares as a ratio of total assets (clause 20(2)) as follows:

Overview of Proposed New Features (Reserve Requirements for Credit Unions with assets of less than \$1 million)

A credit union with assets of less than \$1 million shall maintain a ratio of statutory reserves, retained earnings, qualifying shares and equity shares to total assets (clause 20(2)) as follows:

<i>Total Assets</i>	<i>Ratio of Reserves to Total Assets</i>
Less than \$100,000	1% of total assets
\$100,000 or more but less than \$300,000	3% of total assets
\$300,000 or more but less than \$500,000	5% of total assets
\$500,000 or more but less than \$750,000	7% of total assets
\$750,000 or more but less than \$1,000,000	9% of total assets

Co-operative Credit Unions Regulations, 2013

- ▶ The draft Bahamas Co-operative Credit Unions Regulations, 2013 have been prepared in respect of the following areas:
 1. Interest On Loans
 2. Loans to Directors, Officials and Employees
 3. Allowance For Doubtful Loans
 4. Investment of funds by the Apex Body
 5. Statement of Members' Equity
 6. Powers of a Liquidator appointed by the Central Bank

Co-operative Societies (Amendment) Bill, 2013 and Central Bank of The Bahamas (Amendment) Bill, 2013

Co-operative Societies (Amendment) Bill, 2013	Central Bank of The Bahamas (Amendment) Bill, 2013
Limits application of the Co-operative Societies Act (CSA) to non-financial co-operatives.	Revises definition of “financial institution” which includes any person carrying on a business regulated under the laws enforced by the Central Bank.
Director of Societies will retain responsibility for initiation and encouragement of organised activities for the development of societies.	Expands duties of the Central Bank to include the duty to regulate and supervise financial institutions which are subject to the laws enforced by the Central Bank.
National League will comprise societies registered under the CSA and under the proposed Bahamas Co-operative Credit Unions Bill, 2013	

Thank You