

21ST CENTURY CREDIT UNIONS... SUCCESS THROUGH SHARED SERVICES

Opening speech delivered by
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On the occasion of the 14th Annual Regional Leadership Conference
organized by the Co-operative Credit Union League of
Trinidad & Tobago Limited

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Ladies and gentlemen, good morning.

I would like to extend a warm welcome to all participants gathered here today on the occasion of the 14th Annual Regional Leadership Conference organized by the Co-operative Credit Union League of Trinidad & Tobago Limited. I particularly welcome those who are visiting our beautiful island of Curaçao for the first time. We sincerely hope that you will enjoy your stay and that we will see you again in the near future for a private visit. I understand this is the 4th time the Co-operative Credit Union League of Trinidad and Tobago has organized this conference on the island of Curaçao. I would like to thank you for choosing our island once again for your conference.

In most Caribbean countries including Curaçao, credit unions play an important role in the financial system and the economy. Today the Caribbean Confederation of Credit Unions consists of about 350 credit unions with more than 2.1 million members and an asset base of about USD 5.0 billion. Therefore, sharing experiences and discussing relevant issues to improve the system of credit unions is important for the progress of our Caribbean economies.

Ladies and gentlemen, when I read the subject of this year's conference, that is, 21st Century Credit Unions...Success through Shared Services, I was reminded of what a wise man once said: *"We do better together."* Due to the increased competition from other financial intermediaries, credit unions must join forces to generate higher income, reduce operational costs, and provide a wider range of products and services in order to survive. Hence, in my opinion, this year's topic—sharing services, such as branch services—is an important competition strategy for credit unions to increase their resiliency in today's world.

Credit unions have been created to help individuals from all walks of life with their financial and social needs. Without credit unions, certain individuals would have been excluded from the financial system because of geographical, cultural, or financial challenges. Credit unions therefore provide individuals with the opportunity to obtain high quality and affordable financial services from an institution based on an open membership, democratic management, and education possibilities for its members.

Ladies and gentlemen, as you know, credit unions differ from other financial institutions in two essential ways. First, credit unions are nonprofit institutions which focus on building the community instead of accumulating profit. For this reason, credit unions compared to banks have the ability to offer higher interest rates on savings products, while offering lower interest rates on loan products. Second, credit unions are member-owned cooperatives. As such, they provide a favorable and safe environment to borrow money as the customers are the owners of the institution. All members have an equal right to vote despite the amount they have deposited in the credit union. In other words, a credit union operates according to the one-person-one-vote system. Because credit unions seek to fulfill their members' needs, they also provide free seminars and presentations to teach their members to become better-educated consumers of financial products.

Over time, credit unions have evolved from small institutions providing a limited range of financial services in the early 1900s to organizations that provide a wide array of more complex financial products to meet today's customer demands. In fact, since the 1980s, credit unions have had to

engage in mergers and acquisitions to share their services and benefit from the efficiencies obtained from a larger scale.

Today, we can distinguish two main categories of cooperatives: (1) the large credit unions that have the scale to operate independently, and (2) the small credit unions, the niche players, which do not have the scale and therefore need to rely on shared services through collaboration and cooperation in order to survive. The mid-sized credit unions need to either expand their activities by acquiring other small credit unions or merge into a large credit union to gain a stronger position against other financial institutions.

Ladies and gentlemen, small credit unions, particularly in the Caribbean region, have constantly been challenged by both internal and external factors. Increased competition from other financial institutions has put pressure on credit unions, particularly because banks have increasingly been delivering exceptional customer service to both individuals and small businesses and, in many cases, have also included cooperative values in their activities. Furthermore, many credit unions lack sufficient scale to establish effective governance to meet regulatory requirements in terms of capital, liquidity, reporting, and compliance. Additionally, credit unions need to deal with changing consumer preferences and thereby must broaden the offered financial services to remain competitive. Last, some credit unions have difficulty in implementing and managing technological changes.

Because of the increasing challenges small credit unions face, they seek to merge or acquire other credit unions as a matter of survival. However, sharing services can also be considered an option for the smaller credit unions to become more resilient in a rapidly changing business environment. By sharing services, credit unions can enjoy economies of scale, which are expected to increase income, reduce expenses, expand the membership base, and broaden the financial services offered.

However, the recent experiences from the international financial crisis and the collapse of CLICO/CL Group have shown us that financial supervision of the nonbank sector, including credit unions, is also crucial to the sector's viability. This financial supervision is particularly relevant in our region, where credit unions play an important role in the financial system. Therefore, we need to strengthen our regulatory framework to ensure that in the future, credit unions are protected against the spillover effects of financial crises. In that context, close cooperation and policy coordination between financial sector supervisors in the region is essential. In Curaçao and Sint Maarten, the credit unions are supervised by the central bank. Because we also consider the nonbank financial institutions important to our financial system, we continuously focus on promoting the soundness of the institutions through our regulatory and supervisory framework and collaboration with other supervisors in the Kingdom and the Caribbean region.

Ladies and gentlemen, I let me conclude my introduction with the following quote: *“Study the past if you would define the future.”* In other words, if you want to be able to change the future, you need to learn from your past experiences. This conference promises not only to provide you with more insights into innovative strategies for credit unions to remain competitive in a challenging financial environment, but also the opportunity to share your experiences with each other, which can contribute to a successful strategy for future credit union development.

I thank you all for your attention and wish you a very productive and fruitful conference.