

FINANCE SEMINAR: "CREATING THE FUTURE WE WANT" - MARCH 12, 2010

Credit Union Sector

Mr. Brian Moore, President, Cooperative Credit Union League of T&T

Thank you Nirad, and good morning to all of you. I start today with two or three strikes against me. The first is that it's almost lunch time and I know people get a little restless around that time. I'm following Mr. Evans who seems to hold a few views on Credit Unions that I will take up with him afterwards, and of course I've missed most of what went before which I'm sure would have been an education to me but nevertheless I'll try to muddle through. Credit Unions have been around in Trinidad and Tobago over the past sixty years. Like in its birthplace in Europe and all the other countries in which they took hold, Credit Unions were the mechanisms by which the dispossessed and underserved provided for themselves, access to the resources necessary for them to have a chance at achieving their modest economic and social goals. But what is a Credit Union? A Credit Union is simply a coming together of like-minded persons, pooling their own resources and I repeat that their own resources to provide themselves with agreed products and services. This people's enterprise is owned, managed and operated on the basis of the following principles: 1) Voluntary and open membership 2) Democratic member control 3) Member participation in the enterprise 4) Autonomy and independence 5) Education and training; and I want to repeat that perhaps for the benefit of my soon to be regulator: education and training 6) Cooperation among co-operatives and 7) Concern for community development. For the sixty odd years that Cooperative Credit Unions have been established in Trinidad and Tobago, they have made a significant contribution, not only to the standard of living and quality of life of the ordinary working man and woman, but also to the economic and social development of the country as a whole. Credit Union membership encompasses approximately five hundred thousand of our citizens, who have pooled and have under their management approximately eight billion dollars in assets. Furthermore, Credit Unions have been the vehicle used by their members to create and control significant wealth in the name of the ordinary working people. The movement therefore owns and controls significant property holdings in the major towns and cities, owns, controls, and operates a variety of business enterprises and owns and controls the source of service supply for its members. All this, ladies and gentlemen, while done under the legislative regime set up forty years ago that is the cooperative Societies Act, Credit Unions have, by and large, regulated themselves. Our successes have thus been achieved in a safe and secure system created by ourselves so that we would have avoided the fiascos such as the collapse of financial houses some years ago and the demise, again some years ago, of forty percent of the banking sector. Even with the business of the recent international financial crisis, Credit Unions prove their resilience and were the institutions least impacted by that situation. This can be directly attributed to our fidelity to cooperative philosophy and the principles that I read a few minutes ago. New legislation and regulatory regimes are now proposed for Credit Unions. I want to make it abundantly and absolutely clear that the movement opposed to the modernizing and/or upgrading of Credit Union legislation. We have been attacked from time to time as wanting to stand in the way of progress and wanting to prevent the authorities from making the system more secure and safer; that is furthest from the truth. As a matter of fact, we called for this as far back as the late eighties but then nobody took us on. We welcome any initiative that will improve and strengthen the safety and soundness of our system. There are many good things in the

proposed legislation. Many good things! But there are some provisions that have the potential to cause the demise of some Credit Unions, especially the smaller ones. One example of that I think Dennis mentioned a little while ago; the requirements of the international standards of financial reporting, especially where small Credit Unions are concerned. Some provisions have the potential to curtail the ability of Credit Unions to continue to provide the range of services and support to their members, that their members have become accustomed to, and depend on, and generally, to threaten our ability to expand and survive. And I insist in sounding the following caution again. If any action were taken, that caused the demise of the Credit Union system of a significant part of the system, there is no ready alternative in either the Public or Private sectors that can fill the bridge and provide the kind of support to ordinary working people. Increased social dislocation can thus be the result. I comment the position of the relevant ILO convention, to which I think we are a signatory to the authorities relative to the treatment of the Cooperate sector. Credit Unions and the future: The financial and ensuing economic crisis has had a negative impact on the majority of enterprises. However, Cooperative enterprises around the world are showing resilience to the emerging environments. Financial cooperatives remain financially sound, consumer cooperatives are reporting increased turnover, and worker cooperatives are seeing growth as people choose the cooperative form of enterprise to respond to new economic realities. Of course, as with any other type of business, if a cooperative is being badly managed or has serious weaknesses in its business strategy, a recession or any shocks to the system will find this out and it may fail. The cooperative model provides comparative advantages but no magic formula for success. However it is interesting to see just how strong cooperative banks, savings and credit cooperatives and Credit Unions are performing during the current crisis, and how little help they have needed from Governments, in contrast to their investor-owned competitors who have had to be bailed out with staggeringly large amounts of public funding where the need arises. Where Cooperatives and mutuals do get into trouble, they can rely on institutions and here in Trinidad the sector has set up what we call the Stabilization fund to which Credit Unions subscribe and in the event of any difficulties, the members are guaranteed the return of their assets up to a certain limit. Something similar I suppose to what the DIC runs. Financial cooperatives can help to lessen the impact of financial and economic crises. They do this by continuing to trade without the need for government bailouts and demonstrating that a more risk-averse sector exists, that is focused on the needs of customer members. They show that there is an alternative to the current policy of greater public regulation while in many countries also providing services to low-income people who would otherwise be subserved. Cooperatives can lessen the impact of the recession or similar economic knocks by the mere fact that they survive and continue to carry out business. There is evidence that cooperatives in all sectors survive better than their competitors; that the rate of survival of new start-ups is better, and the longevity of cooperatives is impressive. They can use member capital rather than bank borrowing to expand business and they provide services to more risk-averse customers. More specifically, worker cooperatives can concentrate on employment creation through labour cooperatives, employee buyouts and rescues. Consumer cooperatives are lowering the cost of food and other essentials, and producer cooperatives are making members' businesses more productive. Ladies and gentlemen Credit Unions want to fully participate in economic activity and the economic development of Trinidad and Tobago. We have laid down an impressive track record and demonstrated the capacity to do so. We simply want an enabling legislative framework and sympathetic supervision and regulation, and we want some fidelity to Government's stated policy, that they want the Credit Union sector to be involved in every area and aspect of national development. Thank you very much!"