

Howai: Credit Union Bill to set the blueprint for the development of the sector...

The credit union movement has been instrumental in helping their members develop a culture of financial discipline and savings and have also played a pivotal role in providing basic financial education and capital to small businesses, Finance and the Economy Minister Larry Howai has said.

Speaking at the 40th Annual General Meeting of the Eastern Credit Union Co-operative Society, the Minister stated that on the basis of healthy foreign exchange reserves of US\$10 billion, unemployment at a historic low of 3.7 percent, inflation at a controlled 4.2 percent and a 40 percent Debt to GDP ratio, the economy's macro-economic indicators are strong.

"Despite the major maintenance work that took place in the energy sector in the third quarter of last year, the economy as a whole grew by 1.5 percent and it is anticipated that going forward growth will reflect a recovery in the energy sector as well as continued strong performance in the non-energy sector." the Minister added.

Noting the significance of the Credit Union sector to the financial system, he added, "Collectively, Credit Unions manage approximately \$10 billion in assets, or almost four percent of the total assets of the entire financial system."

The Minister noted that the Government's vision for the Credit Union sector is to ensure that they are on par with other domestic financial institutions in terms of safety and soundness. In this regard he was critical of the existing arrangements for supervision in the sector noting that they are inadequate to meet the demands of the rapidly evolving financial system.

Stating that the drafting of the Credit Union Bill is substantially complete, the Minister added that this new regulatory regime will set out the blueprint for the development of the sector and strategically complement other initiatives being undertaken by the Government to strengthen the regulatory framework for the entire financial system.

The new Credit Union Bill, the Minister said, will support a forward looking perspective where strategic direction and viability are clearly articulated and will include the:

1. Introduction of Solvency Tests;
2. Introduction of Prudential Criteria;
3. Introduction of Confidentiality Provisions; and
4. Suspension of Credit Unions by the Central Bank.

According to Minister Howai, the changes that are being made in the new legislation will ensure the financial safety and soundness of Credit Unions and protect the depositors and creditors as well as the overall financial system of Trinidad and Tobago.

The Minister encouraged Credit Unions to develop strategies to strengthen their overall capital levels, begin building reserves and be aggressive in making provisions for bad debts. He reminded the audience that “proper liquidity management allows for a greater return on assets which would generate a larger surplus to be cycled through to members”.

Minister Howai stressed the need for the development and implementation of a proper corporate governance framework highlighting that it would provide clarity in how authority and control are exercised within the organization.

“The responsibilities placed on the Board, Management and Regulators are significant and it is important that persons who take up these positions are cognizant of their roles and responsibilities” the Minister added.

Credit unions were also encouraged to develop and implement organizational arrangements, which will facilitate the development of proper systems and procedures to guide the more important areas of operations such as loan processing.

Minister Howai further emphasized that well documented systems and procedures as well as strong internal controls are fundamental to the safety and soundness of all financial institutions, including credit unions.

The Minister concluded by congratulating the Board, management and staff of the Eastern Credit Union for their years of service and commended their commitment to their membership, and to the upliftment of the communities that they serve.