



WORLD COUNCIL *of* CREDIT UNIONS 2016 ANNUAL REPORT

THE GLOBAL NETWORK
of CREDIT UNIONS *and*
FINANCIAL COOPERATIVES



World Council



LEADERSHIP REPORT

The World Council of Credit Unions builds, champions, defends and grows a global community that improves lives. World Council advocates internationally to achieve better legislative and regulatory outcomes for credit unions and cooperative financial institutions. World Council strengthens the credit union and cooperative financial institution system through technical assistance, training and tools.

In 2016, World Council continued to represent credit unions and other financial cooperatives globally before international standard setting bodies to limit regulatory burdens, to protect cooperative structures and to safeguard the ability to provide services to the underserved populations. We avoid harm before it arrives at the national level or before it can be established in one region where it may serve as a precedent to spread to other regions.

World Council interfaced with the Basel Committee on recognition of cooperative capital, cooperative governance, net stable funding and loss absorbing capacity rules. World Council engaged with the Financial Action Task Force in simplifying standards for anti-money laundering and for counter financing of terrorism, as well as addressing the problem of de-risking practices by banks. We addressed the Financial Stability Board to exempt credit unions from legal entity identifier and total loss-absorbing capacity rules and the International Accounting Standards Board on provisioning requirements. World Council continued to support the European Network of Credit Unions in achieving European Union exemptions for credit unions from Basel III capital rules and favorable liquidity rules for deposits made by credit unions.

With the ascension of populist political movements in 2016, we began to see a slowdown of new regulations. Finalization of regulations in process continued, but in general, we can expect less new regulatory burden driven by international pressures in 2017.

World Council provided technical assistance to credit union and other financial cooperative systems in need of technical support. In Ukraine, World Council supported our Ukrainian colleagues to present before Parliament an updated credit union law under the European Union framework. With support from USAID, World Council began a four-year program to teach credit unions how to expand agricultural and small business lending.

In Haiti World Council introduced credit union mortgages. With USAID support, credit unions have introduced funding for affordable and safer housing for members. In 2016 when Hurricane Matthew hit Haiti, credit unions were gratified to see their members safe and protected in homes they had financed.

In Colombia, with support of Banca de las Oportunidades, World Council provided assistance to credit unions in areas affected by the closure of the Venezuela border and resulting disruption of daily commercial and trade activities. The project supported credit unions providing financial services and financial education to low-income populations.

We welcome you to join this journey to assist our members and continue growing the global community of credit unions and other financial cooperatives. Come build, champion and defend alongside the World Council.



DANIEL BURNS
Chair



BRIAN BRANCH
President & CEO

A handwritten signature in black ink, appearing to read 'Dan Burns'.

Daniel Burns
Chair

A handwritten signature in black ink, appearing to read 'Brian Branch'.

Brian Branch
President & CEO

WHO WE ARE

World Council of Credit Unions is the global trade association and development agency for credit unions and other cooperative financial institutions. World Council builds, champions, defends and grows a global community that improves lives.

We are *the* global



Trade Association Development Agency Foundation

**for CREDIT UNIONS
and OTHER COOPERATIVE
FINANCIAL INSTITUTIONS**

OUR VISION

Improving people’s lives through credit unions and other cooperative financial institutions.

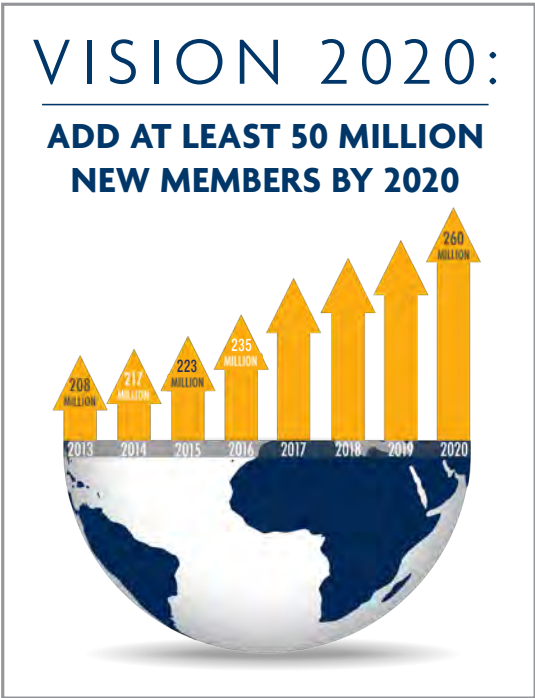
OUR MISSION

To be the world’s member service, champion, advocate, networking and development agency for credit unions and other cooperative financial institutions. We help our members change lives.

OUR VALUE PROPOSITION

World Council builds, champions, defends and grows a global community that improves lives. On behalf of its members, World Council:

- Advocates internationally to achieve better legislative and regulatory outcomes for credit unions and other cooperative financial institutions and their members.
- Provides education and global networking for the exchange of information and ideas.
- Champions the credit union and other cooperative financial institutions model worldwide.
- Grows and strengthens the global system with technical assistance, training and tools for management, outreach and networking.



Worldwide, credit unions and financial cooperatives in **109 countries** serve over **235,000,000 people**.

WORLD COUNCIL
INTERNATIONAL OPERATING PRINCIPLES:

COOPERATIVE STRUCTURE

- Member Owned
- Member Controlled
- Democratic Control

SERVICE TO MEMBERS

- Financial Inclusion
- Financial Sustainability
- Maximizing Member Economic Benefit

SOCIAL RESPONSIBILITY

- Financial Literacy
- Cooperation among Cooperatives
- Community Responsibility
- Global Vision

2016 HIGHLIGHTS

ADVOCACY

- **Basel Committee Increases Capital Flexibility for Financial Cooperatives:** The Basel Committee on Banking Supervision's *Guidance on the application of the Core Principles for Effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion* provided increased Basel III regulatory capital flexibility for financial cooperatives that World Council had long advocated for. The final standard stated that "[n]ational regulators are encouraged to use their discretion to adjust their capital definitions" so that "[m]ember shares issued by mutual banks and cooperative" financial institutions with sufficient permanence and loss absorbability can qualify as "common equity Tier 1" capital, the most desirable form of capital under Basel III. In addition, the final version of this Basel Committee standard removed inaccurate proposed claims about financial cooperatives that World Council had opposed.
- **FATF Correspondent Banking Guidance Reduces Anti-Money Laundering Regulatory Burdens:** The Financial Action Task Force's (FATF) new guidance on anti-money laundering/countering the financing of terrorism (AML/CFT) rules for *Correspondent*

Banking Services reduced compliance burdens for financial cooperatives providing electronic payments services such as wire transfers. These new rules make it easier for financial cooperatives to establish and maintain correspondent accounts because they clarify correspondent banks' AML/CFT compliance responsibilities in the areas of customer due diligence and monitoring of correspondent banking relationships.

- **Basel Interest Rate Risk Rules Limited to Internationally Active, Complex Institutions:** The Basel Committee's *Interest Rate Risk in the Banking Book* standard limited mandatory application of these new rules to "internationally active banks," as urged by World Council. Credit unions rarely operate on a cross-border basis and therefore are not "internationally active" within the meaning of Basel rules and will not be subject to these new regulatory burdens. Also at our urging, the Basel Committee abandoned its proposal to impose the functional equivalent of a capital charge to control for interest rate risk, and stated expressly that "implementation of these principles should be commensurate with the bank's nature, size and complexity as well as its structure, economic significance and general risk profile."

- **Basel Committee’s “Total Loss Absorbing Capacity” (TLAC) Requirements Limited to Global Systemically Important Banks:** As urged by World Council, the Basel Committee’s *TLAC [Total Loss Absorbing Capacity] Holdings* standard’s requirement for financial institutions to issue convertible bonds as a new form of gone concern capital will only apply to Global-Systemically Important Banks (G-SIBs) and institutions that invest more than five percent of their common equity in convertible bonds issued by G-SIBs.
- **European Commission Proposes More Basel III Exemptions for Credit Unions:** The European Commission has proposed to exempt more European credit unions from Basel III and to give credit unions’

deposits in European banks more favorable treatment than deposits made by other financial institutions. Specifically, the Commission proposed adding Basel III exemptions for credit unions in the Netherlands and Croatia, which will make nearly all credit unions in the European Union exempt from Basel III. Regarding credit unions’ investments in bank term deposits, the Commission’s Basel III “Net Stable Funding Ratio” proposal would reduce by 50 percent the liquidity reserves that banks must hold against term deposits made by credit unions that have one to six months remaining maturity. The lower reserve levels should help credit unions achieve better yields on their investments in bank term deposits.



FINANCIAL INCLUSION

Over the years, World Council has implemented 300+ technical assistance programs in 89 countries. This year, World Council has development projects in 7 countries: Colombia, Guatemala, Haiti, Kenya, Liberia, Rwanda and Ukraine. The programs focus on financial inclusion and access for the rural poor, mobile money, creating affordable housing, savings, loan products, as well as on regulatory and legislative reform.

UKRAINE: CREDIT FOR AGRICULTURE PRODUCERS (CAP) PROJECT

In Ukraine, we launched a new four-year program to strengthen the credit union sector and improve the quality of financial services and products offered to farmers and agribusinesses in rural areas. The program will increase the transparency of the legal and regulatory environment, facilitate collaboration between — and build the capacity of — two national credit union associations, mobilize savings, and develop new agricultural finance products.

Within its first year of operation, the program brought together the national credit union associations, breaking a decade of stalemated efforts, through the creation of a new “Draft Law on Credit Unions.” This will pave the way for micro, small and medium

enterprises (MSMEs) to receive credit to grow their agricultural businesses, which are critical to economic development in rural Ukraine. This will break with tradition under the current law that only allows credit unions to lend to individuals. (Funded by USAID)

MICROLEAD RWANDA: SAVINGS MOBILIZATION THROUGH RURAL SAVINGS AND CREDIT COOPERATIVES

In Rwanda, our program drew to a close in 2016. The program impacted 1.7 million people across 416 Umurenge Savings and Credit Cooperatives (U-SACCOs) across Rwanda, improving financial access for Rwanda’s rural poor. We worked with the Government of Rwanda and local stakeholders to develop a consolidation strategy for the sector and standardized policies, procedures and products across the sector in preparation for automation and mergers. (Funded by UNCDF)

COLOMBIA PROGRAMS

In Colombia, as of April 2016, we completed the Colombia II Program, which increased financial inclusion through technology and the Colombia III Program focused on microcredit. In August 2016, we started Colombia IV, which increases financial inclusion at Colombia’s border with Venezuela with the support of Banca de las Oportunidades. Colombia IV began implementation of World Council’s financial inclusion model, Semilla Rural, with 12 credit unions, banks, insurance companies and microfinance institutions to reach 200,000 Colombians living at the border. (Funded by Banca de las Oportunidades)



HAITI HOME OWNERSHIP AND MORTGAGE EXPANSION (HOME) PROGRAM

In Haiti, we applied financial incentives, technical assistance and raised awareness to mobilize the development and purchase of affordable housing using a market-based approach. We incentivized existing actors in the housing market through a “pay for performance model”—encouraging innovation in the housing market while avoiding artificial interference. Partners, including two of the largest credit unions in Haiti, the second largest MFI, and prominent developers, have committed US\$13 million in private funds in exchange for US\$991,200 in grant funds. (Funded by USAID)

FEED THE FUTURE (FTF) CHANJE LAVI PLANTÈ (CLP) HAITI

In Haiti, we facilitated relationships between financial institutions and farmer associations to overcome barriers associated with access to affordable agricultural finance. We worked with financial institutions to manage risk and understand the financial needs of agricultural clients, and with associations to develop business plans and improve their administrative capacity to build credibility with financial institutions. (Funded by Chemonics under a USAID contract)

COOPERATIVE DEVELOPMENT PROGRAMS

World Council and Federación Nacional de Cooperativas de Ahorro y Crédito de Guatemala (FENACOAC) in Guatemala developed a set of tested financial products and services, methodologies and technology solutions that reduce delivery costs, increase small farmer options and incomes of small producers to create new opportunities for credit unions in agricultural financing. FENACOAC credit unions’ agricultural loans increased from US\$416 million in 2012 to US\$750 million in 2016. With Kenya Union of Savings & Credit Co-operatives Ltd. (KUSCCO), World Council is adapting and transferring the set of tools for use by Kenyan SACCOs. World Council and KUSCCO are establishing a sustainable rural financing unit within KUSCCO. (Funded by USAID)

MICROLEAD LIBERIA: CREDIT UNION REVITALIZATION IN LIBERIA

In Liberia, we concluded our efforts, which laid the foundation for access to financial services in rural areas through the establishment of regional credit unions. We saw the passage of credit union regulations and how mobile money can support the growth of even the smallest credit unions while providing members with a safe and affordable alternative for sending money. (Funded by UNCDF)



WORLD CREDIT UNION CONFERENCE

The World Council co-hosted the 2016 World Credit Union Conference with the Irish League of Credit Unions in Belfast, Northern Ireland which attracted 1,813 attendees from 53 countries. The conference included sessions on cybersecurity, leadership, young adult membership, technological disruption and advocacy.



WORLDWIDE FOUNDATION FOR CREDIT UNIONS

- The **Worldwide Foundation for Credit Unions** received US\$1.6 million to support the expansion of financial services to thousands of individuals living in developing countries and provided tangible skills, knowledge, and resources to the leaders—and future leaders—of our global credit union industry.
- The **Global Women's Leadership Network** created a new "Emerging Leader" award which recognizes the accomplishments of an up-and-coming female leader working in the U.S. credit union movement. The inaugural award, sponsored by CO-OP Financial Services, was presented to Nicole Brusewitz, Vice President of Education and Events at the Mountain West Credit Union Association for advancing hundreds of men and women in their professional journeys and making the credit union and other financial cooperative industry stronger.
- Global Women Empowerment Grant recipients transformed their local communities and changed the lives of thousands of women, youth, and families worldwide.
 - In the Philippines, **Juliet Rawlinson**, Micro Finance Manager, Paglaum Multi-Purpose Cooperative continued the previous year's Empowerment Grant to establish a Business Development Center at the
 - In Macedonia, **Eleonora Zgonjanin**, CEO, FULM Savings House connected Network members and sponsors in an exchange of best practices, strategies, and technical guidance resulting in a newly created, innovative marketing plan that combined television, social media, radio, and technology to appropriately advertise the cooperative's products and services to this market segment.
 - In the U.S., **Kristi Lozano**, Financial Educational Specialist, San Mateo Credit Union worked to develop leadership, academic, and financial management skills for local high school mothers wishing to be the first in their family to graduate with a diploma. Forty-four teen moms received financial literacy training, life skills, and mentorship from Network members.
- In collaboration with development partners and support from individual and credit union contributions, the Worldwide Foundation provided the **Nepal Federation of Saving and Credit Cooperative Union Limited (NEFSCUN)** with a US\$175,000 grant to repair building structures, replace equipment and train management officers in disaster recovery. With this support, over 200 Savings & Credit Co-operatives (SACCOs) received essential basic operating office equipment, software support, stationaries, relocation support, lost information recovery assistance, and soft loan support; and 41 SACCOS were physically repaired offering technical training on financial literacy to members, governance, and quality assurance assistance.

FINANCIAL SUMMARY

The financial statements covering calendar year 2016 were audited by CliftonLarsonAllen LLP. The auditors issued an unmodified report and found no material weaknesses and no instances of noncompliance material to the financial statements.

World Council consists of three entities:

- 1 World Council of Credit Unions, Inc. (World Council)**, a nonprofit trade association and international credit union development organization;
- 2 WOCCU Services Group, Inc. (WSG)**, a for-profit corporation wholly owned by World Council; and
- 3 Worldwide Foundation for Credit Unions, Inc. (WF)**, a nonprofit charitable organization.

As a not-for-profit organization, World Council of Credit Unions is being run on a balanced budget basis while maintaining safe net asset (capital) levels. For 2016, consolidated World Council, WSG, and WF operating results created a decrease in net assets of US\$1.6 million. An adjustment to the employee pension plan increased net assets by US\$0.1 million. Final net assets at December 31 were US\$1.0 million.

Revenue totaled US\$13.5 million for 2016. Grant revenues of US\$5.4 million were 40% of total revenues. Grants from USAID continue to be the most significant source of revenues.



POSITION

Consolidated Statements of Financial Position

ASSETS (in USD millions)	2016	2015
Current Assets		
Cash & CDs	\$ 2.3	\$ 3.4
Cash - Restricted in Projects	0.3	0.5
Receivables and Prepaid Expenses	0.9	3.2
Other Assets		
Investment in International CUs & Subsidiaries	\$ 0.2	\$ 0.5
Furniture, Equipment & Leaseholds	0.1	0.3
TOTAL ASSETS	\$ 3.8	\$ 7.9
LIABILITIES & NET ASSETS		
Liabilities		
Accounts Payable & Accrued Expenses	\$ 1.0	\$ 2.7
Unearned Revenue	0.2	0.8
Accrued Pension Liability	1.6	1.8
TOTAL LIABILITIES	\$ 2.8	\$ 5.3
Net Assets		
Unrestricted	\$ 0.2	\$ 0.2
Unrestricted - Board Designated	0.4	2.0
Unrestricted - Noncontrolling interest in subsidiary	0.0	0.0
TOTAL UNRESTRICTED NET ASSETS	\$ 0.6	\$ 2.2
Temporarily Restricted	0.4	0.4
TOTAL NET ASSETS	\$ 1.0	\$ 2.6
TOTAL LIABILITIES & NET ASSETS	\$ 3.8	\$ 7.9

ACTIVITIES

Consolidated Statements of Activities

REVENUES (in USD millions)	2016		2015	
Grant Revenues	\$ 5.4	40%	\$ 7.8	42%
Membership Dues	2.5	19%	2.5	14%
Conference Registration Fees	2.5	19%	3.5	19%
Supporter Contributions	1.3	9%	1.5	8%
Other Revenues	1.8	13%	3.2	17%
TOTAL REVENUES	\$ 13.5	100%	\$18.5	100%
EXPENSES				
Trade Association / Meetings Activities	\$ 4.0	26%	\$ 5.2	27%
Grant Supported Development Activities	4.3	29%	7.0	36%
International Foundation Activities	1.0	7%	1.3	7%
Other	3.2	21%	4.3	22%
Loss on Project Close Out	1.1	7%	0.0	0%
Administration & Fundraising	1.5	10%	1.5	8%
TOTAL EXPENSES	\$ 15.1	100%	\$19.3	100%
SUBTOTAL	\$ (1.6)		\$ (0.8)	
FAS 158 Adjustment	0.1		(0.7)	
Decrease in Net Assets Attributable to Ownership of the Noncontrolling Interest in Subsidiary	(0.1)		(0.1)	
DECREASE IN NET ASSETS	\$ (1.6)		\$ (1.6)	
Net Assets at Beginning of Year	\$ 2.6		\$ 4.2	
NET ASSETS AT END OF YEAR	\$ 1.0		\$ 2.6	



2016 WORLD COUNCIL MEMBERS

DIRECT MEMBERS

Afghanistan - Islamic Investment and Finance Cooperatives Group
Australia - Customer Owned Banking Association
Brazil - Confederação Interestadual das Cooperativas Ligadas ao Sicredi
Cameroon - Cameroon Co-operative Credit Union League, Ltd.
Canada - Credit Union Central of Canada
Caribbean - Caribbean Confederation of Credit Unions
Antigua & Barbuda - Antigua & Barbuda Co-operative Credit Union League Ltd.
Bahamas - The Bahamas Co-operative League Limited
Barbados - Barbados Co-operative & Credit Union League Ltd.
Belize - Belize Credit Union League Ltd.
Bermuda - BIU Members Credit Union Co-op. Society
Cayman Islands - The Cayman Islands Civil Service Association Co-operative Credit Union Ltd.
Curaçao - FEKOSKAN - Credit Union League of Curaçao
Dominica - Dominica Co-operative Societies League, Ltd.
Grenada - Grenada Co-operative Credit Union League Ltd.
Guyana - Guyana Co-operative Credit Union League
Jamaica - Jamaica Co-operative Credit Union League Ltd
Montserrat - St. Patrick's Co-operative Credit Union
Saint Kitts & Nevis - St. Kitts & Nevis National Co-operative League Ltd.
Saint Lucia - St. Lucia Co-operative League Ltd.
Saint Vincent & the Grenadines - St. Vincent and the Grenadines Co-operative League, Ltd.
Suriname - Suriname Credit Union League
Tortola - Tortola Co-operative Credit Union Ltd
Trinidad & Tobago - Co-operative Credit Union League of Trinidad & Tobago
Colombia - Federación Nacional de Cooperativas de Ahorro y Crédito Financieras
Costa Rica - Federación de Cooperativas de Ahorro y Credito de Costa Rica R.L.
Dominican Republic - Asociación de Instituciones Rurales de Ahorro y Crédito, Inc.
El Salvador - Federación de Asociaciones Cooperativas de Ahorro y Crédito de El Salvador, R.L.
Estonia - Estonian Union of Credit Cooperatives
Ghana - Ghana Co-operative Credit Union Association Ltd.
Great Britain - Association of British Credit Unions, Ltd.
Guatemala - Federación Nacional de Cooperativas de Ahorro y Crédito de Guatemala
Ireland - Irish League of Credit Unions
Kenya - Kenya Union of Savings & Credit Co-operatives Ltd.
Korea - National Credit Union Federation of Korea
Macedonia - FULM Savings House
Malawi - Malawi Union of Savings and Credit Co-operatives, Ltd.
Mexico - Caja Popular Mexicana
Moldova - Central Association of Savings and Credit Associations
New Zealand - Co-op Money NZ
Panama - Corporación Fondo de Estabilización y Garantía de Cooperativas de Ahorro y Crédito de Panamá, R.L.
Papua New Guinea - Federation of Savings and Loan Societies, Ltd.
Paraguay - Central de Cooperativas del Area Nacional Ltda.
Peru - Federación Nacional de Cooperativas de Ahorro y Crédito del Perú
Poland - National Association of Co-operative Savings & Credit Unions
Romania - Federation of Romanian Credit Unions
Russia - Russian Credit Union League
Seychelles - Seychelles Credit Union
Singapore - Singapore National Co-operative Federation
Ukraine - Ukrainian National Association of Savings and Credit Unions
United States - Credit Union National Association

AFFILIATE MEMBERS

Liberia - Liberia Credit Union National Association
Netherlands - Association of Credit Unions in the Netherlands
Netherlands - Dutch Association of Cooperating Credit Unions

ASSOCIATE MEMBERS

Africa - African Confederation of Cooperative Savings & Credit Associations
Asia - Association of Asian Confederation of Credit Unions
International - International Cooperative Banking Association
International - International Cooperative & Mutual Insurance Federation
International - International Raiffeisen Union
Poland - Cooperative Savings and Credit Union Mutual Insurance Society
United States - CO-OP Financial Services
United States - Credit Union Executives Society
United States - CU Direct Corporation
United States - CUNA Mutual Group
United States - The Members Group

WORLD COUNCIL BOARD OF DIRECTORS

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Brian McCrory, *1st Vice Chair*
Irish League of Credit Unions

Steven Stapp, *2nd Vice Chair*
Credit Union National Association

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Confederação Interestadual das Cooperativas Ligadas ao SICREDI

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