



World Council of Credit Unions, Inc.

March 20, 2012

Sent via email

Wayne Byres
General Secretary
Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002
Basel, Switzerland
baselcommittee@bis.org

Re: Consultative Document: *Core Principles for Effective Banking Supervision*

Dear Mr. Byres:

The World Council of Credit Unions (World Council) appreciates the opportunity to comment on the Basel Committee's *Core Principles for Effective Banking Supervision* consultative document. The World Council is the leading trade association and development organization for the international credit union movement. Worldwide, there are nearly 53,000 cooperatively owned not-for-profit credit unions in 100 countries, with more than US\$1.2 trillion in savings and 188 million credit union members. National and provincial credit union supervisors frequently apply the Basel Committee's international standards to credit unions even though the Committee develops these standards to apply to commercial banks and banking systems.

The World Council supports the Committee's proposed revisions to the Core Principles vis-à-vis banking supervision. In addition, the World Council strongly supports the Committee's risk-based "proportionality concept" that is set forth expressly in Principle 8 ("Supervisory approach"), Principle 9 ("Supervisory techniques and tools"), and elsewhere, and which "underpins all assessment criteria even if it is not always directly referenced." This proportionate approach "allows assessments of compliance with the Core Principles that are commensurate with the risk profile and systemic importance of a broad spectrum of banks (from large internationally active banks to small, non-complex deposit-taking institutions)." We believe that the "proportionality concept" will help reduce unnecessary regulatory burdens on credit unions and other small financial institutions that are non-complex and do not present systemic risks to the financial system.

Credit unions and other localized cooperative financial institutions primarily engage in low-risk business activities such as retail consumer lending and deposit-taking. Further, credit unions performed well during the financial crisis compared to many banking institutions and did not present the macroprudential risks, corporate governance problems, or lack of transparency that most of the revisions to the Core Principles seek to address. Credit unions and other cooperatives are also different from joint-stock banking companies in terms of their operations, form of corporate organization, and corporate purpose (since credit unions exist to provide members with financial services on a cooperative basis, not to maximize profits).

For these reasons the International Credit Union Regulators' Network (ICURN)—an independent international network of credit union regulators that promotes the guidance given by the leaders of the Group of 20 (G-20) nations for greater international coordination among financial services

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regulators¹—in September 2011 promulgated a set of *Guiding Principles for Effective Prudential Supervision of Cooperative Financial Institutions*.² ICURN developed its supervisory principles using the Basel Committee’s Core Principles as a guide, but tailored its principles to the credit union and cooperative financial institution regulatory context.

The World Council believes that the ICURN Guiding Principles are an appropriate proportional approach to supervision of credit unions and other cooperative financial institutions, and that the ICURN Guiding Principles are not inconsistent with the Basel Committee’s revised Core Principles.

Thank you for the opportunity to comment on the Basel Committee’s *Core Principles for Effective Banking Supervision* consultative document. As noted above, we support the Basel Committee’s revised Core Principles and strongly support the Committee’s “proportionality concept” for supervision that focuses on an institution’s risk profile and systemic importance. If you have questions about our comments, please feel free to contact me at medwards@woccu.org or +1-202-508-6755.

Sincerely,

Michael S. Edwards
WOCCU Chief Counsel and VP for
Advocacy and Government Affairs

¹ ICURN, About the Network, http://curegulators.org/curegulators_about.

² ICURN, *Guiding Principles for Effective Prudential Supervision of Cooperative Financial Institutions* (Sep. 2011), available at http://curegulators.org/curegulators_resources.