



September 22, 2020

To: Caribbean Affiliates, Regulators

Re: COVID-19 and the Role of Credit Unions

Further to our correspondence on regulatory and statutory relief we are mindful that the pandemic still continues to have a debilitating effect on our members. As we further assess the impact of the COVID-19 pandemic on the operations of Credit Unions we are writing you to continue to urge you to consider the important role that credit unions in the Caribbean continue to play in responding to the COVID-19 pandemic.

Credit unions around the world and in the Caribbean have a history of service through disasters, emergencies and disruptions providing direct assistance to their members. Our philosophy of “people helping people” is uniquely tailored for allowing credit unions to be the financial first responders.

We are aware that in our region Credit Unions under the “Ease the Burden” proposal extended three (3) months moratoria to their members. Some Credit Unions, given their scope and liquidity position, extended further to six (6) months. Some economies have reopened, and some economic activity have commenced but some remain closed. Other players within the financial sector in the Caribbean have assessed their position and will extend up to twelve (12) months with certain conditions. These must be done on a case by case basis and the circumstances fully assessed.

Many of our credit unions are willing to voluntarily offer these moratoriums consistent with the financial sector because we understand the important public policy of providing economic relief during the pandemic. However, we urge prudential regulators to follow the relief surrounding payment moratoriums as contemplated by many of the international standard setting bodies such as the Basel Committee on Banking Supervision and the International Accounting Standards Board.

In particular, we request relief surrounding the Expected Credit Loss Accounting and delays in implementing IFRS 9 for losses associated with loans subject to a moratorium (including those that might be voluntarily extended by a credit union), the Capital Treatment of such loans subject to a moratorium, and any necessary related relief.



The following are links to such international standard setting guidance:

1. Basel Committee on Banking Supervision, Press Release (March 20, 2020) available at: <https://www.bis.org/press/p200320.htm>.
2. Basel Committee on Banking Supervision, Press Release (March 27, 2020) available at: <https://www.bis.org/press/p200327.htm>.
3. Basel Committee on Banking Supervision, *Measures to Reflect the Impact of COVID-19* (April 2020) available at: <https://www.bis.org/bcbs/publ/d498.pdf>.
4. Stability Institute, FSI Briefs No. 3, *Expected Loss Provisioning Under a Global Pandemic* (April 2020) available at: <https://www.bis.org/fsi/fsibriefs3.pdf>.
5. IFRS, IFRS and Covid-19, IFRS 9 and Covid-19, Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the covid-19 pandemic, (March 2020) available at <https://cdn.ifrs.org/-/media/feature/supporting-implementation/ifrs-9/ifrs-9-ecl-and-coronavirus.pdf?la=en>

Furthermore, while moratoriums and other relief measures are necessary to assist with the public health crisis of the pandemic, moratoriums will inevitably lead to stress on the credit union balance sheet. As such, we urge regulators to plan accordingly to provide access to liquidity either through a central bank or access to a correspondent banks. Regulators should consider waiving or amending rules or regulations prohibiting such access during the pandemic. WOCCU and CCCU are working closely with their members on developing liquidity management tools that will assist them during this crisis.

Finally, we are working closely with our partner, Caribbean Confederation of Credit Unions, who is working tirelessly to help all member countries.

The World Council of Credit Unions is the leading trade association and development organization for the international credit union movement which the Caribbean Credit Union Movement are members. Credit unions are cooperative depository institutions and worldwide there are over 85,000 credit unions in 119 countries with USD 2.2 trillion in total assets serving 274 million physical-person members.¹ The Caribbean movement represents over 200 credit unions in 17 countries with USD 2.3 million in total assets serving over 2.3 million persons.

¹ World Council, *Statistical Report* (2018), available at https://www.woccu.org/impact/global_reach/statreport.



I appreciate the opportunity to provide you with these comments. We urge your consideration of relief measures for credit unions to assist with the Caribbean's pandemic response. If you have questions, please feel free to contact me at aprice@woccu.org or +1-850-766-5699.

Sincerely,

Andrew T. Price
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World Council of Credit Unions