



May 1, 2020

All Caribbean Credit Union Prudential Regulators

Re: COVID -19 Regulatory Relief

Dear Sir/Madam:

The World Council of Credit Unions is the leading trade association and development organization for the international credit union movement. 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 Confederation of Credit Unions represents over 200 credit unions in 17 countries with USD 2.2 billion in total assets serving 2.3 million physical person members.

We are writing you to urge you to consider the important role that credit unions in Caribbean can play in responding to the COVID-19 pandemic. Credit unions around the world 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.

The COVID-19 pandemic presents small businesses, consumers, and community-based financial institutions with unique challenges during this unprecedented time. However, many of the regulations currently in place designed for the normal operations of financial institutions do not make sense. With a working partnership with your office, we believe that prudent relief will allow credit unions to play a significant role in reopening the economy. More importantly, it will allow credit unions to deliver critical financial services to citizens of the Caribbean during these challenging times.

To that end, WOCCU has prepared a COVID-19 Credit Union Regulatory Guide² which outlines many of the responses from around the world. In particular, we would point you to the responses from international standards setting bodies such as the Financial Stability Board and the Basel Committee on Banking Supervision which are expressly calling on flexibility for financial institutions. We urge your consideration of the measures taken by these agencies as they relate to capital standards, accounting

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

² WOCCU COVID-19 Guide for Credit Unions – Regulator and Operational Responses (March 2020) available at https://www.woccu.org/documents/preview/Credit_Union_Covid-19_Guide_to_Regulator_and_Operational_Responses.



standards, and other regulatory relief measures. These will be critical for the success of credit unions as we traverse the pandemic.

Specifically, the following items are particularly relevant for the Caribbean and should be considered for adoption as regulatory relief items:

1. **Expected Credit Loss Accounting (IFRS 9):** Both the Basel Committee and the IASB have adopted a 1-year delay in implementing IFRS 9 in response to the COVID-19 crisis;
2. **Expected Credit Loss Transitional Arrangements:** The Basel Committee is allowing for the implementation of several transitional arrangements, including applying existing transitional arrangements even if those were not implemented initially. Additionally, a two-year period comprising of the years 2020 and 2021, is being allotted where jurisdictions may allow financial institutions to add-back up to 100% of the transitional adjustment amount to CET1. The “add-back” amount must then be phased-out on a straight-line basis over the subsequent three years.
3. **Capital Treatment:** The Basel Committee is encouraging flexibility allowing financial institutions to tap into capital buffers to assist with the crisis. Further adjustments for the treatment of loans that might otherwise be considered in default or troubled particularly those that relate to payment moratoriums or payment holidays. This allows for such loans to be excluded by financial institutions from the counting of days past due.

The important note is that the clear direction from the International Standard Setting bodies is to allow for flexibility during the pandemic. Providing these measures for credit unions will ultimately help all transverse this crisis. We urge your consideration of the numerous relief items contained in our Regulatory Guide as well as those proposed by your counterpart regulatory authorities. Other resources to assist you are: <https://www.bis.org/bcbs/publ/d498.pdf> and <https://www.bis.org/publ/bisbull09.pdf>

If you have questions about our comments, please feel free to contact Andy at aprice@woccu.org or +1-850-766-5699 or Denise at gm@caribccu.coop or 1-869-767-0453.

Sincerely,

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