



Review of Credit Union Rules

BACKGROUND

2012-2013

The Credit Union Rules were last amended at a special general meeting on 5 June 2012 and ratified by members at the AGM in November 2013.

2018

On 9 July 2018 the board of directors agreed to the amendment to Article XXII, Rule 81 and Article XV Rule, 70ii which were approved at the AGM in November 2018; these amendments related to the investment policy.

In the Board Meeting on 30 August 2018, the directors agreed to implement Rules relating to permanent shares; however, due to the timing, this was deferred before the 2018 AGM.

2019

At the board meeting in May 2019, the directors again revisited implementation of permanent shares and agreed that a series of educational sessions must take place for members on permanent shares.

In March 2019, the inspection report from CIMA required the Credit Union to review the Rules to relating to:

- Terms of reference for directors and committee members
- Authorization for within share loan

The inspection report also referred to CIMA' Statement of Guidance relating to:

- Corporate Governance
- Credit Risk
- Operational Risk, and
- Record and Retention

On 8 August 2019, the Corporative Societies Law was amended on CIMA recommendation as part of the effort to improve effectiveness in AML/CFT as mandated by the FATF. The amendments were essentially to require the society to notify the Monetary Authority ("the Authority") of any change of that society's directors or senior officers, and to provide for incidental and connected purposes. See amendments below:

- To provide guidance for the assessment of fitness and propriety of persons required to be so assessed by the Authority.
- To prohibit registration of a society without the determination by the Authority of the fitness and propriety of the directors and senior officers of the society.

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Review of Credit Union Rules (cont.)

- To empower the Registrar to reject an application for registration if the applicant or proposed directors and senior officers of the society are not fit and proper persons as determined by the Authority.
- To seek prior approval of the Authority in respect any change of the directors and senior officers of that society.
- To require a registered society to seek approval from the Authority to sell shares to or issue new shares to a beneficiary that would own more than ten per cent of the shares of the society upon such transfer or issue of shares.
- To empower the Authority to determine the fitness and propriety of persons required under the legislation to be assessed as fit and proper persons.
- To take certain actions against a credit union where the Authority is of the opinion that a director or senior officer of the credit union ceases to be a fit and proper person.

Other Legislation/requirements impacting our Credit Union

1. **The Data Protection Law** – came into effect on 30 September 2019.
2. **Administrative Fines**
3. **AML/CFT Regulation**
4. **FATCA (“Foreign Account Tax Compliance Act”)** – came into effect 4 July 2014.
This legislation applies to the Credit Union as it meets the definition of a depository institution and requires Credit Union to report the account balances of members who meet the definition of US persons under the law.
5. **CRS (“Common Reporting Standard”)** – came into effect 1 January 2016.
This legislation applies to the Credit Union as it meets the definition of a depository institution and requires the Credit Union to report the account balances of members who are resident in CRS-reportable countries under the law.
6. **Anti-Money Laundering Regulations (“AMLRs”)** – original substantial amendments came into effect 19th September 2017. The Credit Union is subject to the requirements of the AMLRs and Proceeds of Crime Law (POCL) as it conducts activities, which fall under the definition of relevant financial business as defined in Schedule 6 of the POCL. These activities include the acceptance of deposits, lending, and issuing means of payment.
 - An offence under the AMLR’s can attract a fine of \$500,000.
 - The Monetary Authority Law (“MAL”) gives the Authority the power to impose administrative fines for a breach in the Monetary Authority Law, a regulatory law, or the AMLR’s.
 - Breaches may vary as follows:
 1. Minor breach up to \$5,000; the Authority may continue to impose fines of \$5,000 up to \$20,000 until the breach is remedied.

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2. Serious breach up to \$50,000 **for an individual** or \$100,000 **for a body corporate**.
3. Very serious breach up to \$100,000 **for an individual** or \$1,000,000 **for a body corporate**.

With increasing legislation and regulation, the Board agreed on 24 May 2018 to review the Rules in order to strengthen governance and adopt relevant best practice policies and procedures. A sub-committee was set up comprising three members and one elected volunteer from the Supervisory Committee.

On September 9-12, 2019 a representative from WOCCU assisted the Credit Union with discussion on the current Rules, those best practices set out by WOCCU in the Model Law, and those practiced in the USA. In addition, discussions were held on Rules set out by JACCUL from credit unions in Jamaica.

Attendance included 2 out of 3 members of the Review Committee, 5 out of 6 members from Supervisory Committee, 8 out of 9 Directors and 4 out of 6 members of the Credit Committee. In addition, all Credit Union team managers met separately and discussed potential amendments which have been set out in a separate report.

Another factor prompting the review of the Rules is the growth of the Credit Union—products, assets and the number of experienced, qualified employees in accounting, internal audit, compliance, financial risk (credit, liquidity, etc.) and financial operations.

Rules that relate to some of the functions of Committees are now being carried out by employees. Rules that stipulate the duties of the Treasurer are now being done by the CEO.

SCOPE

To review the Credit Union Rules, 2012 Amended (Rules)

OBJECTIVES

1. To modernize the Rules in order to effectively and efficiently manage the operation of the sole operational credit union in the Cayman Islands;
2. To strengthen the governance framework:
 - In an environment of increasing legislation and regulation which directly impacts the operations of Credit Union;
 - Such that the role of the Board and Committees are clearly defined an in line with best practice.

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Review of Credit Union Rules (cont.)

CONTEXT

- To maintain the credit union difference and guiding principles while operating in an environment where commercial banks are the direct competition for our Credit Union.
- To acknowledge and respect the history of the creation of our Credit Union by the CICSA and the partnership with the Cayman Islands Government Civil Service and SAGCs.

METHODOLOGY

- Establishment of a Review Committee
- Seek WOCCU Expertise
- Refer to Rules of credit unions under CCCU (Jamaica and Barbados)
- Meetings, Surveys, to get input from employees, volunteers and other members
- Special General Meeting for review and approval

ROLES

Board of Directors

- Approve the Review of the Rules.
- Approve the proposed amendments to the Rules before submission to members.
- Appoint the Review Committee.

CEO

- Provide secretariat assistance to the Review Committee.
- To assist the Review Committee as necessary

Review Committee

To achieve the objectives of this document within the context stipulated using the methodologies identified and providing reports to the Board as noted.

Members

To respond to surveys, attend meetings, and decide on the amendments as presented, or suggest relevant amendments.

REPORTING

The Review Committee with the assistance of the CEO must prepare regular status reports to the Board of Directors. The Review Committee must present a draft report to the Board on the review of the Rules, including the original rules, the amendments to these rules, and rationale for the amendments.

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INTERIM REPORT

The first series of meetings held with employees and volunteers of the Credit Union resulted in much discussion and in some cases differing views on the following topics.

1. Rule 1—The name: Cayman Islands Civil Service Association Cooperative Credit Union Ltd. (CICSACU)
2. Rule 4—The closed Bond
3. Rule 36—Compensation in the form of an honorarium for elected volunteers
4. Rule 38vi-a-l—Duties of the Treasurer
5. Rule 44—Terms of reference for the Credit Committee
6. Rule 52—Terms of reference for the Supervisory Committee
7. Rule 54e—Specific powers of the Supervisory Committee under 54e
8. Rule 65iii—Nominations from the floor

Other changes discussed by the management team of the Credit Union are attached to this report. The focus was on efficient operations and incorporating the existing policies that govern the operations of the Credit Union.

REFERENCES—Laws and Rules

- Credit Union Rules 2012 (CICSACU)
- Cooperative societies Law
- Model Law 2015 (WOCCU)
- Credit Union Nominating Committee Manual (JACCUL)
- By-Laws of Barbados Public Service Credit Union
- Statement of Guidance Corporate Governance (CIMA)
- Statement of Guidance on Credit Risk (CIMA)
- Data Protection Law 2019 (CIG)
- AML/CFT Law and Regulations (CIG)
- Administrative Fines (CIG)

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