

### International Capital Requirements for Credit Unions

	Do regulators require credit unions to comply with BASEL?	Are regulators known to be interested in introducing BASEL II?	Potential to be impacted by revised BASEL accord?	Minimum capital-assets requirement	How capital is calculated	Risk weighted components & adjustments	Other points of interest
<b>United States (NCUA)</b>	No	Not in the short term but appears to be some possible interest in the risk based approach to capital	Uncertain	6% capital-assets ratio. (7% to be well capitalized)	As a percentage of total assets	Some	Some political concern about impact of BASEL on small and community banks
<b>Australia (APRA)</b>	Yes	Yes	Yes	8% risk weighted capital-assets ratio	As a percentage of risk weighted assets	Half of ratio must be Tier 1 capital (paid up ordinary shares, general reserves, retained earnings etc)	The regulator views 0.5% of total risk weighted credit risk assets as adequate for general provisioning on loan assets.
<b>Canada</b>	While there are different standards in each province, the requirements are largely based on a modified version of BASEL	Maybe?	Yes	8% risk weighted capital-assets ratio	As a percentage of risk weighted assets.	Risk weighting is less rigorous than BASEL. Retained earnings must constitute 35% of capital.	
<b>Korea</b>	Not currently	Yes - currently introducing a single regulatory body that is keen to adopt BASEL	Yes	?	?	?	?
<b>Poland (NACSSCU)</b>	No	No	Uncertain	5% of total assets 8% of total assets recommended	As a percentage of total assets	Some	The Credit Institutions Directive (which superceded the Second Banking Directive) contains a requirement for a minimum capital requirement of 1 million euro for banks. All European credit unions are exempt from this Directive. However, the EU are introducing a Financial Services Action Plan containing 40 new directives, one of which is a directive on capital adequacy; which will introduce the requirements of BASEL II. It is possible that credit unions may be caught by this directive when it is required to be implemented into national law by member states in 2005. British and Irish credit unions are currently lobbying to maintain their exemption from the Consumer Credit Directive. Poland have agreed to operate under the Consumer Credit Directive when they join the EU.
<b>Northern Ireland (Registry of Friendly Societies)</b>	No	Uncertain. NI CU legislation currently subject to consultation	Probably	No minimum capital-assets requirement but ILCU have accepted PEARLS standard	A statutory reserve must be maintained. The League recommend that this is equivalent to 10% of savings	Not apparent. In addition, Irish regulation does not appear to set a standard for minimum loan loss provisioning. League recommend a loan over 12 months is written off.	
<b>Ireland (IFSRA)</b>	No	Not yet known for Cus. Although a single regulatory body is currently being introduced, so may become subject of subsequent consultation.	Probably	No minimum capital-assets requirement but ILCU have accepted PEARLS standard	A statutory reserve must be maintained. The League recommend that this is equivalent to 10% of savings	Not apparent. In addition, Irish regulation does not appear to set a standard for minimum loan loss provisioning. League recommend a loan over 12 months is written off.	
<b>Britain (FSA)</b>	No	Yes	Yes	Majority required to maintain only a positive net worth. Larger credit unions (>\$8m assets) are required to maintain an 8% risk weighted capital-assets ratio	Majority maintain a statutory reserve formed from an annual transfer of 20% of surplus. Larger credit unions must maintain a risk weighted capital-assets ratio of 8% at all times	Risk weighting requires deduction of the following loan provisions from capital - 35% of loans 3-12 months in arrears. 100% of loans 12 months or more in arrears	
<b>Germany (German Financial Supervisory Agency)</b>	Co-operative Banks - Yes	Yes	Yes	8% risk weighted capital-assets ratio.	As a percentage of risk weighted assets.	Tier 1 capital at 4% (general reserves, shares etc) Tier 2 consists of subordinated capital.	
<b>Netherlands (De Nederlandsche Bank NV)</b>	Co-operative Banks - Yes	Yes	Yes	8% risk weighted capital-assets ratio.	As a percentage of risk weighted assets.	Tier 1 capital at 4% (general reserves, shares etc) Tier 2 consists of subordinated capital.	
<b>France</b>	Co-operative Banks - Yes	Yes	Yes	8% risk weighted capital-as	As a percentage of risk weig	Tier 1 capital at 4% (general reserves, shares etc) Tier 2 consists of subordinated capital.	