



November 6, 2020

**Submitted electronically**

Ms. Monica Ellis  
Secretary General and Head of General Secretariat  
Basel Committee on Banking Supervision  
Centralbahnplatz 2, 4051  
Basel, Switzerland

**Re: Consultative Document: Principles for Operational Resilience**

Dear Secretary Ellis:

World Council of Credit Unions (World Council) appreciates the opportunity to comment on the Basel Committee on Banking Supervision's (Basel Committee) *Consultative Document: Principles for Operational Resilience* (Consultative Document).<sup>1</sup> Credit unions are cooperative depository institutions and World Council is the leading trade association and development organization for the international credit union movement. Worldwide, there are over 86,000 credit unions in 118 countries with USD 2.6 trillion in total assets serving 291 million physical person members.<sup>2</sup>

Overall, WOCCU supports the Basel Committee's direction on the principles for operational resilience and believes that further work is necessary to strengthen financial institutions' ability to manage operational risk-related events, such as pandemics, cyber incidents, technology failures or natural disasters. All of these events can cause significant operational failures or wide-scale disruptions in financial markets.

The principles enumerated in the Consultative Document (Governance, Operational Risk Management, Business Continuity Planning and Testing, Mapping Interconnections and Interdependencies, Third Party Dependency Management, Incident Management, ICT including Cybersecurity) identify necessary requirements for an effective operational resilience approach. However, it became clear during the COVID-19 pandemic that regulatory constraints are a necessary component of resiliency planning.

For example, many credit unions at the onset of the pandemic were not included in the definition of "essential" as compared to their bank counterparts and thus were forced to cease operations until such regulatory constraints could be rectified.<sup>3</sup> Further, many jurisdictions

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<sup>1</sup> Basel Committee on Banking Supervision, *Consultative Document: Principles for Operational Resilience* (August 2020) available at <https://www.bis.org/bcbs/publ/d509.pdf>.

<sup>2</sup> World Council of Credit Unions, *2019 Statistical Report* (2019), available at [https://www.woccu.org/documents/2019\\_Statistical\\_Report](https://www.woccu.org/documents/2019_Statistical_Report).

<sup>3</sup> See *Ukraine Shuttters Credit Unions Amid COVID-19 Pandemic* (March 30, 2020) World Council of Credit Unions available at [https://www.woccu.org/newsroom/covid19\\_resources?post\\_id=1819#1819](https://www.woccu.org/newsroom/covid19_resources?post_id=1819#1819).

contained regulatory restrictions requiring in person meetings for annual general meetings or other governance meetings. A great deal of time was required to advocate for national-level prudential regulators to allow for virtual meetings to be conducted during the health crisis.

As such, we believe including planning for regulatory restraints should be an element included in the principles. This will also help national-level regulators identify vital public policy changes to their framework to help prepare for unforeseen disasters or other operational disruptions before they become a problem. Other examples of regulatory restraints include access to payments systems, access to correspondent banks or central banks for liquidity or other operational support. Many of these items could have been addressed in advance of the pandemic but are also items financial institutions should consider in their resilience planning. We support the objective of creating a pragmatic, flexible approach to operational resilience, however, regulatory restraints are a hindrance to this approach.

Finally, we believe clear direction should be provided to national-level prudential regulators when implementing these principles, to include these elements when implementing these standards. More importantly, we urge explicit direction that this guidance encompasses proportional requirements for smaller, community-based financial institutions. We are concerned that these current principles will result in a disproportionate regulatory burden for credit unions that are not tailored to their size, complexity and risk. While these principles are sound in their approach, regulators tend to place expectations that are appropriate for larger institutions with more resources on smaller institutions. Proportionality is enormously important to help those smaller institutions play their important role in financial inclusion, a principle the Basel Committee has supported and endorsed.

Thank you for the opportunity to provide comments on the Consultative Document. We believe it will go a long way to enhancing the ability of credit unions to withstand, adapt and recover from potential hazards in the future. If you have any questions, please feel free to contact me at +1 850-766-5699 or at [aprice@woccu.org](mailto:aprice@woccu.org).

Sincerely,



Andrew T. Price  
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World Council of Credit Unions