World Council

2025 Global Regulatory Update

For Credit Unions and Financial Cooperatives

International Year of Cooperatives

By World Council of Credit Unions' International Advocacy

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Introduction

Whether facing challenges or taking advantage of new opportunities, the strength of the credit union industry lies in our cooperation, collaboration and coming together both locally and globally to work towards our common goal to support our communities. A core component of our cooperative system is advocating for and supporting a strong regulatory framework that allows credit unions to operate in a fair regulatory environment with the flexibility to serve their local community needs. With emerging technologies, an unprecedented number of elections across countries in every region and an International Year of Cooperatives' mission, 2025 will be a critical year for credit union advocacy worldwide. Establishing appropriate regulations that enable the cooperative model, support financial access and foster economic growth has never been more important.

Election results worldwide and particularly within the United States have prompted a significant shift in the regulatory landscape. Uncertainty within government agencies, divergent messages relating to whether previously held laws will be honored or revoked and how global leaders engage in international standard setting in the future will impact the regulatory landscape this year and beyond. Depending on economic and political sentiments, the regulatory pendulum swings between strong support for regulatory controls emphasizing safety and soundness to deregulation prioritizing faster growth. Recent elections may push the largest national economies towards structural regulatory changes in the form of government agency readjustments and less agreement on common international standards. There is also the possibility for selective areas of deregulation as political views change. For credit unions, this means remaining vigilant in protecting our cooperative structure and the regulatory oversight that is specific to our model. It also means the credit union and financial cooperative tax-exempt status present in many countries may be under review. Finally, capital standards during times of structural regulatory changes may also be debated.

Amid significant elections, the United Nations (UN) declared 2025 as the International Year of Cooperatives (IYC25). This honor highlights the critical impact the cooperative model plays in addressing global challenges and provides an opportunity to bring greater awareness to the impact credit unions and other financial cooperatives have worldwide. The UN General Assembly encourages cooperatives to use 2025 as an opportunity to mobilize support to expand cooperatives everywhere, growing their contributions. The key objectives for ICY25 include:

1. Governments creating an enabling environment for cooperatives.
2. Cooperatives promoting public awareness, developing new leaders and leveraging cooperation.
3. Institutions and development agencies promoting cooperatives through education, strengthening capacities, and facilitating international collaboration.
4. The public understanding the cooperative identity and supporting cooperative initiatives.

The United Nations' theme "Cooperatives Build a Better World" resides in the backdrop of one of the most significant years of elections worldwide. With so many new individuals entering the government and regulatory bodies, it is critical for our movement to maximize the IYC25 with effective advocacy efforts.

International Year of Cooperatives

Raising Awareness

World Council of Credit Unions supports the 2025 International Year of Cooperatives

Cooperative organizations worldwide are leveraging the IYC25 to build awareness about the cooperative structure. One of the greatest challenges at both the national and international levels is ensuring policymakers understand the mission and effectiveness of credit unions. Advocating for appropriately tailored regulations that reflect the size, complexity, risk and structure of a credit union is only possible if lawmakers and regulators understand our model.

The UN's IYC25 comes at a pivotal time as last year saw one of the highest numbers of government elections worldwide. Over 50% of the global population went to the polls to vote in more than 60 countries. Several more significant national elections are on the horizon for 2025. For credit unions, this means newly elected officials and new regulators that may not be familiar with the important role credit unions play in the local economy by facilitating job growth and providing a stable resource for building wealth in underserved communities. Building relationships with new policymakers and educating regulators on the unique member-owned democratic model, lower-risk factors and contributions to the community are important to promote a stronger regulatory framework.

The Bottom Line:

Take action. 2025 will embody a unique combination of global events, newly elected officials, IYC25, as well as an emergence of significant regulatory items to be discussed this year among international standard setting bodies. Work with your national credit union trade association. Identify key regulatory priorities in your area and engage members to share their credit union experience with policymakers. Raise awareness of advocacy champions and young professionals that bolster the credit union mission. While there are many regulatory challenges facing credit unions this year, there are also great opportunities to improve the financial landscape. With other entities in the financial ecosystem exhibiting their influence with policymakers, it is imperative that the credit union voice is also heard.

Key Documents:

United Nations Department of Economic and Social Affairs, Year of the Cooperatives

International Cooperative Alliance – International Year of Cooperatives

Global Elections in 2024, Pew Research Center

World Council of Credit Unions – Our Purpose

Digitalization and Developing Technologies

As noted in WOCCU's 2024 Global Regulatory Update, emerging technologies are a key discussion topic for international standard setters and governments worldwide. Payments, digital currency, artificial intelligence, cryptoassets and other digital financial tools or services continue to be at the forefront. Ongoing global events also continue to increase the need for a digital solution to identification as credit unions strive to improve financial access and address the needs of underserved populations.

Regulations often do not keep pace with changing technology; however, credit unions must understand the regulatory implications and participate in appropriate regulatory development. Compliance with new regulations and staying abreast of new risks and evaluation tools is often overlooked after technology is integrated into operations. How governments navigate and potentially regulate emerging technology such as artificial intelligence, will impact credit unions' risk assessment and use of technology within their own operations and external services.

Financial Access

A core aspect of digitalization central to the credit union mission is the prospect of new tools to improve financial access. The Group of Twenty (G20) highlighted digital and emerging technologies in its 2024 Leaders' Declaration. The G20 is the main forum for international economic cooperation and plays an important role in shaping global frameworks and governance on major international, economic, social and political issues. The G20 noted that emerging technologies with the capability of reducing inequalities and government digital solutions "are key to improve people's lives while protecting privacy, personal data, human rights and fundamental freedoms." They recognized that digital platforms and other tools have reshaped the financial ecosystem and are not bound by geographical boundaries. However, the Leaders' Declaration emphasizes that transparency and appropriate legal frameworks are critical. Risks remain especially high with the scale and reach of misinformation.

Credit unions continue to explore how regulations impact their mission of reaching underserved communities. One example is seeking the best ways to address the migrant and refugee crisis to support an individual's access to safe financial services. The Financial Action Task Force (FATF) issued a public consultation in 2024 proposing revisions to support financial inclusion and eliminate unintended consequences resulting from Anti-Money Laundering (AML) regulations. In their consultation, FATF highlights a risk-based approach. The proposed revisions indicate it is possible that previous high-risk situations and the corresponding regulatory steps to properly identify an individual may be reduced based on technological and risk-mitigation advancements in digital identity systems.

Impacted Areas: Payments, Digital Currency, Cryptoassets

While financial access is a thread woven through all regulatory areas, digitalization also prompts the intersection of several core regulatory topics such as payments, fraud prevention, cybersecurity, privacy and data protection. As digitalization efforts continue, and new providers enter the market, policymakers are balancing protecting consumers and the stability of financial markets with promoting innovation. The G20 continues its efforts on its cross-border payments roadmap and highlights the intersection of payments with fraud prevention.

Given varying approaches, another issue in the spotlight is the creation and use of a Central Bank Digital Currency (CBDC). Created by governments to act as a digital representation of national currency as well as the use of cryptocurrency and cryptoassets that are not backed or issued by a government, CBDC advancement continues in many jurisdictions as credit unions continue to engage their central banks around technical aspects and accessibility. The Bahamas, Jamaica and Nigeria have fully launched their CBDCs while others such as the United States have recently pulled back from exploration.

Related to digital currency, international standard setters continue to highlight risks surrounding cryptoassets. Due to the potential impact on market stability, the Basel Committee on Banking Supervision (Basel Committee) in 2024 finalized its disclosure framework for financial institutions regarding cryptoasset exposures. This requires financial institutions to disclose cryptoassets that are on their balance sheet.

Artificial Intelligence

Over the past several years, international standards setters and governments of individual countries have issued policy statements regarding Artificial Intelligence (AI). Last year, the Financial Stability Board (FSB) issued its report on AI's impact on the financial services industry and its financial stability implications on the global market. The report highlights key benefits of AI such as operational efficiency and advanced data analytics. However, it also notes the possibility that AI could amplify financial sector vulnerabilities. Key risks involve a lack of transparency that challenges data quality assessments and governance, cyber-attacks and third-party dependence on service providers.

International bodies such as the FSB and local governments continue to assess the ongoing opportunities and risks. The European Union (EU) in 2024 approved one of the most significant provisions. The AI Act (Regulation EU) 2024/1689) is part of a larger policy initiative to support the development of trustworthy AI with a focus on safety and fundamental rights of people and businesses. This framework, which also includes an AI Innovation Package and Coordinated Plan on AI, demonstrates the growing activity around regulating AI. The EU AI Act is a risk-based approach to regulating AI with four levels of risk: unacceptable risk, high risk, limited risk and minimal risk with corresponding requirements. It requires providers of AI to have monitoring systems in place and report serious incidents and malfunctioning. The transparency obligations include a better understanding of the models' uses and additional risk management tools such as self-assessment and cybersecurity requirements.

Notably, the EU AI Act was designed to adapt to the evolution of technology. The EU in 2024 also established the European AI Office within the European Commission to oversee the AI Acts enforcement and engage in international dialogue and collaboration highlighting the need for global alignment on AI governance. The AI Act entered into force on August 1, 2024, and will be fully applicable two years later with a few exceptions. How much governments worldwide will work together to set a common global standard is unclear.

The Bottom Line:

AI regulation and other emerging technology raises many questions that will impact credit unions in the future. For example, the EU AI Act specifically listed credit scoring and denying consumer loans in the "high risk" list of categories. Not only is AI borderless in its reach but the scope and enforcement of certain regulations are likely to reach other jurisdictions. While a credit union may not be located in a jurisdiction with regulations concerning emerging technology, such as AI, they may still be subject to regulations if their members relocate. Additionally, regulators in multiple jurisdictions continue to highlight the lack of transparency in the methodology of automated technology tools, which means credit unions must ensure they fully understand any new technology they implement and any impact it may have on operational risk and compliance.

Credit unions and other financial cooperatives need to be mindful of the impact emerging regulations will have on their existing technology systems and integrating their existing systems with modern technology. WOCCU and our national association members continue to educate regulators on the immense burden changing regulations have on credit unions, especially as credit unions modernize their operating systems.

Key Documents:

[G20 2024 Leaders' Declaration]

[WOCCU Report Financial Inclusion for Migrants and Refugees]

[Financial Action Task Force Public Consultation on AML/CFT and Financial Inclusion]

[Basel Committee Disclosure of Cryptoasset Exposures]

[European Union AI Act]

[Financial Stability Board Report Financial Stability Implications of Artificial Intelligence]

Climate-Related Financial Risks

Risk management and adapting to a changing environment is a challenging prospect for both regulators and financial institutions. Supporting the community when natural disasters and ongoing climate changes threaten the safety of members both physically and financially requires credit unions to understand the impact on their institutions and the financial stability of the entire industry. Over the last several years international standard setters have emphasized risk management in many areas (e.g., liquidity risk) and is now more clearly applied to climate change.

Regulatory Developments

How to best address climate-related financial risks to the global banking system continues to evolve. The Basel Committee in 2024 reviewed its proposed Pillar 3 Disclosure framework for climate-related financial risks and is expected to finalize the framework in the first half of 2025. The proposal is intended to provide a common disclosure baseline for internationally active financial institutions to help facilitate forward-looking risk assessments. It is expected to provide guidance on which elements of disclosure will be mandatory, and which will be flexible for national governments. Disclosures are related to both qualitative and quantitative information such as governance and concentration risk-management as well as credit quality and the maturity profile of exposures subject to climate risks over varying time frames.

The Bottom Line:
While the proposed climate-related financial risks and other climate-related disclosures are intended for internationally active banks, many national governments are incorporating international standards and guidance into their local laws with limited or no deviation for smaller or alternative financial institutions. Preparing your credit union for natural disasters, understanding the impact to its balance sheet and the best way to support members is important to share with regulators as they discuss disclosure and risk-mitigation methods at a national level.

Key Documents

[Basel Committee Consultative Document Disclosure of Climate-Related Financial Risks]

Strengthening Individual Frameworks

International standard setters are monitoring and developing guidance to promote global financial stability. This means their primary concern is the largest international banks that carry the highest risk to the global financial system. The international standard setters establish the standards for regulatory frameworks for the largest entities and entrust national governments to adapt those standards to the local financial institutions based on their size and risk to the country's financial system. WOCCU has long advocated for international standards to forcefully encourage proportionality at the national level to meet local needs. The international standard setters' instruction to proportionally tailor regulations is now included in many of the recent guidance documents. However, it is critical that national governments and regulators recognize and use that flexibility to adjust the international regulations and create proportionally tailored regulations appropriate for local credit unions and other financial cooperatives.

Many countries are facing significant challenges to strengthen their national regulatory framework for credit unions. In some cases, regulators do not understand the cooperative difference, do not understand where international standards recommend flexibility for local financial institutions, or do not have the motivation to create properly tailored regulations. IYC25 is an important advocacy opportunity to ensure national governments are aware of the flexibility to tailor international standards for financial cooperatives at a local level and ensure the needed regulations are in place for a strong regulatory framework.

The Bottom Line:
It is a significant challenge for credit unions worldwide to educate their regulators on the cooperative difference and explain where the regulations either need to be strengthened or tailored to support the cooperative model. Helping lawmakers and regulators understand where it is most important to adapt the regulations is critical. Utilizing the international credit union network is a key tool to share regulatory best practices and examples. A strong regulatory framework for credit unions in one country benefits the entire system.

Conclusion

This update is intended to provide an outlook on key regulatory issues and context from the current international regulatory environment. However, it is important to note that many issues discussed in our 2024 report such as operational resilience, third party reliance and Anti-Money Laundering developments continue to have an impact.

The ongoing education and advocacy efforts of WOCCU and its individual member countries and regions are critical to ensure a regulatory environment that allows credit unions to maximize their positive impact to local communities. Sharing best practices, understanding regulatory developments and ensuring new policymakers understand the credit union difference is essential for long-term growth. IYC25 reminds us that our cooperative model is part of a larger voice and vital to our efforts for economic growth and financial access.