



World Council of Credit Unions, Inc.

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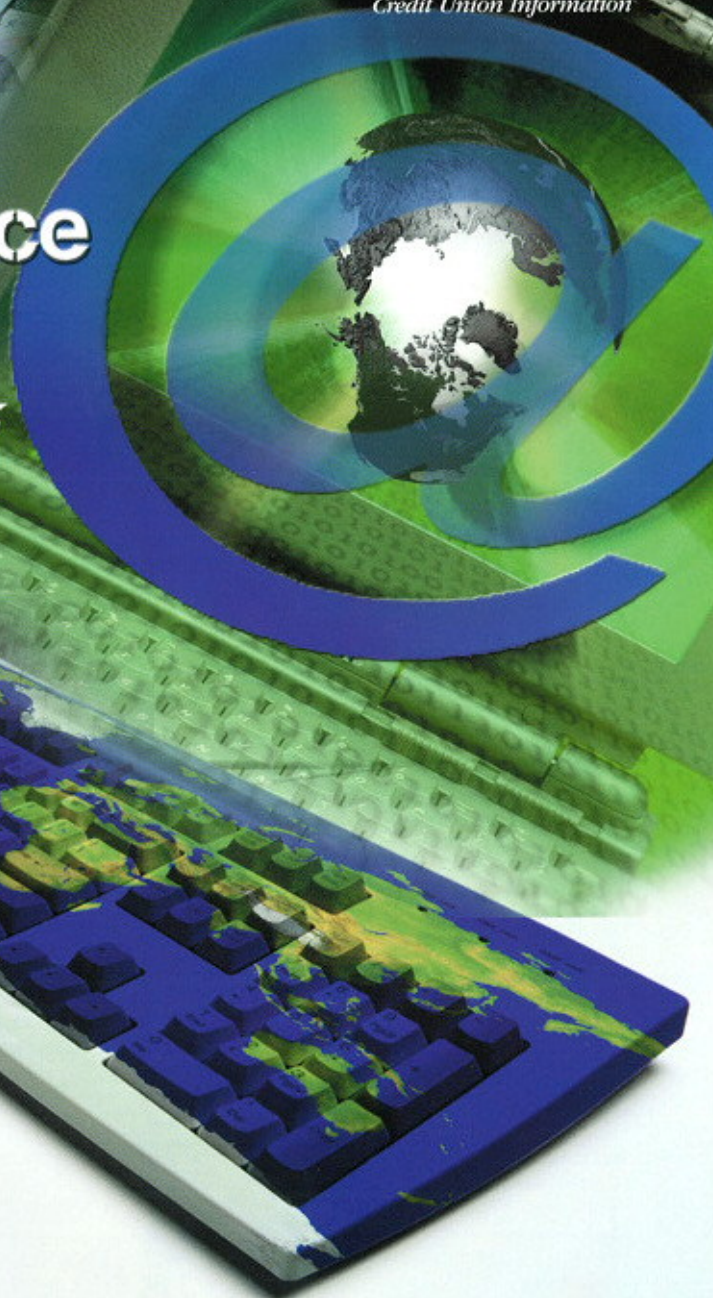
WORLD

*The Source for International
Credit Union Information*

Credit Union

E-Commerce

*A World
Without Borders*



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Global Credit Union Network
Registration

Focusing on Advocacy, Innovation and Development

The widening gap among the world's six billion people...the emergence of a world without borders...the regulatory and legislative changes...the search for a new balance between public and private sectors...the "new" economy of growth...the consolidation process driven by economies of scale and skills...the value of access to people and information, these are the trends affecting the global economy and the future of credit unions and financial cooperatives in that economy.

How will we compete? By differentiating ourselves from the competition. By continuing to make the human difference to millions of members. By enabling them to grow through self-help principles. And by ensuring our long-term sustainability and viability.

How will World Council position its members and credit unions for the "E-World" market of today and tomorrow? In the first few months of the new millennium, we've refocused our vision "Quality Credit Unions for Everyone," and revised our mission. That mission is to become the world's leading: **advocate for credit unions, platform for innovation and credit union development agency.**

Given these changes, you'll notice a content addition to *Credit Union World*. Your source for information about the international credit union movement will also be your source for information about World Council's advocacy efforts, our activities to develop innovative ideas and facilitate exchange between credit union movements, and of course, the credit union development and strengthening projects which reach out to millions of members worldwide.

We invite your commentary and look forward to your continued commitment, connection and engagement in the international credit union movement!

R. Arthur Arnold
Chief Executive Officer



Dennis Cutter
Board President



CREDIT UNION WORLD

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Credit Unions in an E-Commerce World

With the invention of the Internet came the evolution of electronic commerce, or e-commerce, which is creating a business world without borders—a world where geography, language and culture are no longer considered barriers to market entry and product or service delivery. So what is “e-commerce?” It is defined as the conduct of financial transactions by electronic or computer-enabled means. E-commerce is part of the larger concept of e-business, which is about using information, technology and resources to conduct business on-line.

This technology has changed the way we communicate, conduct business, pay bills and make major purchases. According to Acumen (acumen-solutions.co.uk), a United Kingdom-based specialist in e-commerce applications, Internet commerce will exceed US\$350 billion in year 2000. Acumen's home page indicates, “Analysts predict within the next 10 years, Internet-based transactions will account for 10% of the world's consumer sales.”

The Information Age hasn't left credit unions or their members untouched. In more developed countries where members are accustomed to receiving goods and services electronically—through automated teller machines (ATMs), debit cards, direct deposit and other means—they also want electronic access to financial services, education and information 24 hours-a-day. For some credit unions, the implementation of cashless and virtual branches is no longer a futuristic idea—it is taking place today.

Services once only received in buildings made of bricks and mortar are now being obtained electronically. While many credit unions are beginning to tap into this wide-reaching service delivery tool, there are clearly those credit unions and national associations on the cutting edge. These are the movement mavericks of e-commerce. They are the organizations that are rapidly expanding electronic services to better meet the changing needs of their members and are dealing with the challenges of harnessing the power of the Internet to conduct business more effectively.



Serving Members Anywhere, Anytime and Anyhow

One of the largest credit unions in Australia, Advantage Credit Union is at the forefront of financial service organizations in providing members with electronic services. Their goal is to give members personal, friendly service anywhere, anytime, anyhow. The tool they are using to accomplish this?...E-commerce, of course. Advantage started, as most businesses do, with the “brochure web site” providing traditional information

and education only. Then, they added Internet home banking with transaction services. Now members apply for all types of loans, find out up-to-date interest and dividend rates, transfer funds between their accounts and to family members' accounts, print statements and make external payments limited to A\$10,000 (Australian) a day.

Through research on its initial site, Advantage has improved both its functionality and service offerings. One improvement was the addition of a call center, open six days-a-week from 8 a.m. to 8 p.m. “A web site will do a lot for you, but personal access to a call center is necessary. Our members have been happy to use the web site for services, but they want to know that someone is there to help them if they have a question or problem,” explains Rob Nicholls, Advantage CEO. “For the future, we're looking at software—to be used in conjunction with the call center staff members—which will automatically prompt members through a process or

form,” he continues. Plans for the future may include outsourcing the call center for 24-hour coverage or sharing back-up hours with other credit unions.

“We've changed the way we do business to better serve our members without adding costly, under-used service options. Because of the changing nature of credit union services and society, we've restructured our support systems and processes. Fifteen months ago, as the call center was growing, we had to add staff. At the same time, we took a bold step and closed nine retail branch locations. Staffing from those locations went to the call center and our new mobile service group,” adds Nicholls. To provide face-to-face service, the credit union introduced Mobile Advantage



Consultants, who provide financial services to members at home, work and on-site at the credit union. Consultants go wherever it is convenient for the member to discuss and process car and home loans and open investments and savings accounts—all by appointment.

Other big changes within Advantage Credit Union have included cash-less branches; these locations are now referred to as Sales and Service Centers. No "counter" transactions take place. "Gone is the barrier of counters between members and staff; in their place, a warmer friendlier environ-

ment," offers Nicholls. "We want to create an atmosphere in our sales and service centers where staff can take more time to discuss with members their savings and investment needs and expectations." Deposits are made through new Deposit Express machines, while cash withdrawal services are still available separately at the ATMs and 2,700 GiroPost outlets in Australia. (See explanation that follows). While most Advantage members were already using alternative means to over-the-counter cash transactions, all members now have Redicard or VISA debit cards to obtain cash.

Five percent of Advantage loans are currently obtained via Internet-based services. In an effort to increase site traffic, Advantage gives discounted loan application fees for members applying via the web site. Of the A\$20 million in new loans Advantage processes each month, 7% originates from Internet-based services and that number is rapidly growing. "Looking toward the future, we are providing the electronic services members want and the personal service to back it up—while saving the members money," adds Nicholls. On average, the cost of a counter transaction to the credit union is A\$4.00; the cost of an electronic transaction is A\$1.50.

Also contributing to the advancement of e-commerce in Australia are Bpay and GiroPost. Although banks originally launched the Bpay system, Credit Union Services Corporation of Australia Ltd. (CUSCAL), the national association later negotiated credit union participation. Members can now pay almost everything electronically from school fees to utilities—anything that has a Bpay number on the bill. The Bpay system is growing as fast as on-line banking. Another source for e-commerce is GiroPost. Available through Australia's 2,700 post offices, GiroPost is a card and PIN-driven counter deposit and withdrawal agency service that acts as an extension of participating financial institutions. Members can electronically access their financial information in even the smallest town of Australia, depositing or withdrawing money within the security of their post office, instead of a street ATM machine.

In February, CUSCAL also announced the formation of a new e-commerce-based insurance company for credit unions and their members. According to Vern Harvey, group chief executive of CUSCAL, "The new organization, *finsure.australia* will amalgamate the resources of three organizations to provide corporate and consumer insurance to 200 credit unions in an e-commerce environment." The joint venture involves CUSCAL, CUNA Mutual and National Credit Union Insurance Services (NCUIS). The new entity can provide credit unions and their members with a broad range of insurance services including: home, motor vehicle and marine insurance; consumer credit, life and casualty insurance; and credit union corporate insurance coverage.

National Level

Beginning at the National Level

Credit Union National Association (CUNA) in the United States continues to add e-commerce capabilities and products to its website to better serve credit unions and their members. Doug Benzine, vice president electronic commerce solutions for CUNA says, "The information superhighway is a two-way

The Evolving Journey of Women in Credit Unions

Nora Herlihy, Sister Mary Gabriella Mulherin, Sister Maria Alica, Maria Thereza Texeira, Dora Maxwell, Louise Herring, Dorimène Desjardins—these are the names of just a few of the women pioneers and outstanding leaders who have contributed to the formation of individual credit unions, leagues and national associations. Throughout a history, which spans nearly 200 years, women have made great contributions to the development and success of credit unions and credit union movements around the globe.

At International Credit Union Forum 2000, three of today's distinguished credit union leaders—Senator Aloun Ndombet-Assamba, Nancy Pierce and Charlotte Williams will share the podium to discuss *"The Evolving Journey of Women in Credit Unions."* Not just for women, this thought-provoking and inspirational session will show credit union leaders how and why it is critical to embrace appropriate gender contributions to ensure the future development and success of the global credit union movement. This session will give participants new strategies and concepts to apply toward expanding the role of women as leaders in credit unions.

Credit Union World caught up with these top credit union leaders to preview some of their ideas on leadership, the role of women in the credit union movement and the advice they would give the leaders of tomorrow.



Aloun Ndombet-Assamba,
General Manager, City of
Kingston Credit Union

Senator Assamba, an attorney of law by profession, heads the largest credit union in Jamaica and the Caribbean. She served on the board of directors before joining the staff and held several positions of legal advisor/personnel manager, and deputy general manager before becoming general manager in 1994. In 1995 she was elected Caribbean board member, representative to the Board of CUSO, a Canadian development agency. In 1998, Assamba was appointed government senator to the Parliament of Jamaica.

To understand the role of women in the Caribbean credit union movement, you must first understand a little of our culture. Women in the Caribbean are traditionally the main breadwinners in the family, with a social structure comprised of many single parent families.

Traditionally, because of their societal role as money manager, female members have played a crucial part serving on credit union credit committees. Today, more and more Caribbean credit unions have women managers. The majority of credit union staff and volunteers are also women; however, male members still make up the majority of the board of directors.

For women in the credit union movement to succeed, they must get a good education, obtain useful skills, save money and, of course, be credit union members. In an influential Managers Association in Jamaica, more than half of the members are women. The times are changing as the Caribbean credit union movement looks at a future with greater opportunities for women.



Nancy Pierce, President,
Mazuma Credit Union

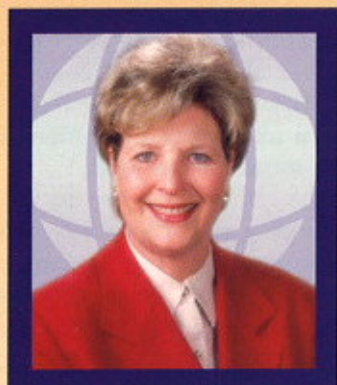
From 1998-1999 Pierce was CUNA's (Credit Union National Association) chairwoman, representing 90% of America's 11,300 credit unions and their 75 million members. She also served for six years as a member of CUNA's Executive Committee. Pierce is past chairwoman of the Missouri Credit Union League's board of directors and a member of numerous state and national committees, including CUNA's Project Differentiation Committee, Renewal Committee and CORE Taskforce. Most recently, Pierce received the coveted Herb Wegner Memorial Award for individual achievement in 2000.

Women hold the majority of CEO positions in the U.S. credit union industry. More and more doors are opening as women take on the role of CEOs in larger credit unions. Women currently hold 59% of president, CEO and manager positions in the U.S. credit union system. I always advise women not to be limited by the "glass ceiling" theory or by the things they want to accomplish. When women use the glass ceiling as an excuse, they only limit their own potential.

The ten simple leadership lessons I have learned along the way are: 1) Don't believe you know enough; 2) Find a way to stand out

in a crowd; 3) Keep up those stretching exercises—stay healthy; 4) Don't let the glass ceiling get in your way; 5) Step up to the plate and pinch hit—be ready to fill in for others; 6) Don't look at others to blame for your disappointments; 7) Be positive, there is a lot to be happy about; 8) Don't do anything to compromise your integrity; 9) Know your priorities and limitations; and 10) Don't over-inflate your ego.

During the Forum break out session I plan to speak about opportunities that exist within the credit union industry and how to take advantage of those opportunities, using my own career experience as an example.



**Charlotte Williams, Manager,
Listerhill Employees Credit Union**

Williams was appointed manager of Listerhill Employees Credit Union in 1994 after working up through the ranks since 1974. She holds positions on several boards: the Alabama Credit Union League board of directors, the Alabama Credit Union Administration board of directors and is an Alabama Managers Association officer. Williams also remains involved in many civic activities. She is president of the University of North Alabama Alumni Association, University of North Alabama Economics Advisory Committee and the University of North Alabama President's Committee.

I have seen many changes during the last 25 years within the credit union movement. Early in development, credit unions were aware of women's financial needs more than other financial institutions, providing financial services without discrimination. Credit unions in the U.S. were small in the early years and as they evolved, so did the roles of female credit union leaders. Today, women are well positioned to assume leadership roles and take advantage of opportunities.

The advice I give to aspiring women leaders in the credit union movement is to be competent; gather all of the information you can. Know about credit unions, the people, history, cooperative structure, and most importantly, the credit union philosophy of "people helping people." Be familiar with your credit union, its goals and service philosophy. Have credentials; career opportunities many times require certain levels of education.

I encourage people to always believe in the credit union philosophy—it's what has made credit unions successful. Gaining trust is also an important factor in moving up the credit union ranks. It is important that credit union leaders have the confidence of the people they work with, the people they work for and the people they serve.

Be active in credit union events; participate in local chapter activities and your credit union's annual meeting. Career opportunities are often provided to people who make good impressions. Being active provides an arena for becoming known to the decision makers. The credit union movement is full of opportunities for women. Those who wish to make credit unions a career will succeed with appropriate goals and preparation.

**The Evolving Journey of
Women in Credit Unions**

Session will be held:
Tuesday, July 18th, 2:00-3:30pm



**International
Credit Union
Forum**

Opryland Hotel
Nashville

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July 15-20, 2000

Experience the premier international credit union event of the Year 2000! With credit union leaders attending from as many as 85 countries, the networking opportunities at World Council's International Credit Union Forum will be limitless.

A World Class cast of more than 40 dynamic speakers and facilitators will address current issues during 36 different educational breakout sessions centered on four key themes:

- **Leadership Issues for Management and Boards**
- **Credit Union Differentiation and Uniqueness**
- **New Technology and Future Trends**
- **Economic and Growth Issues**

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(CUNA)**

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Romania's CARs: Transitioning Into the Future



Like Romanian-style architecture (shown above), CARs have a long tradition in the country. Today CARs are modernizing to meet the needs of members in the face of privatization and transition to a free-market economy.

More than a decade ago, Romania's December 1989 uprising and coup marked the end of a political reign of corruption, squandering of national resources, human rights abuses and the economic destruction of a country rich in culture and natural beauty. As Romanians turned their backs on communism and toward democracy, the transition has been difficult.

Economic reforms characterized most significantly by the privatization of land ownership, state enterprises and industry, while necessary, have resulted in unemployment. As in other post-communist countries, pyramid lending schemes, financial scams, banking closures and high inflation have also taken their toll. Today, the vast majority of Romanians lack—among other things—reliable access to personal and microenterprise financial services.

All of these factors have opened the door for credit union development, as Romanians look for a trustworthy financial alternative to help them build for the future.



A credit union delegation visits CARs in Vâlcea. (l-r) Serban Dodoc, chief accountant, UTCAR in Vâlcea; Kate McKee, director of USAID's Office of Microenterprise Development; Georgeta Rus, WOCCU Romania project manager; Radu Savitchi, UNCAR executive secretary and Ion Modoi, president, UTCAR Vâlcea.

Thriving Despite Totalitarianism

Prior to communism, credit unions—previously called savings, credit and assistance associations—played an important role in providing financial and social services for their members. In 1949, the government subordinated these associations to trade unions, transferred their funds to state property, canceled most of their

services and changed their names to "casele de ajutor reciproc" (mutual assistance societies) or CARs (pronounced char-ays.) The only service allowed these communist-era CARs was small loan granting, based on a multiple of three times a member's social savings fund.

Notwithstanding this, CARs remained the only support for the Romanian middle and poor classes, thus gaining credibility with the public and even increasing in number, membership and assets, despite the totalitarian state.

Transitioning and Modernizing

During 1990 through 1996, CARs began transitioning into the free market economy, obtaining independence from the trade unions and striving to revert to pre-1949 services. But they also began to feel the impact of Romania's economic transition, as sponsor companies liquidated or privatized causing CAR members to lose their jobs and seek their livelihoods in self-employment. This, coupled with inflation of 100% and reliance on communist-era services—characterized by below-market rates on loans and savings—was eroding the capital of CARs and their ability to serve members.



Growth of the 13 Romanian Project CARs

(In Thousands of Lei and as of 9/30/99)

	1996	1997	1998	1999
Members	44,344	43,362	54,481	54,344
Traditional Savings	19,957,647	33,095,643	55,194,974	70,353,563
Traditional Loans	19,572,470	32,854,609	55,660,803	76,705,878
Institutional Capital	891,741	1,884,426	4,391,471	6,240,416
New Savings Services	0	1,249,497	16,269,126	35,274,399
New Loan Services	0	1,056,636	15,452,343	31,605,346

Recognizing the potential of cooperative financial systems, in 1996 the U.S. Agency for International Development funded a two-year project to be carried out by World Council of Credit Unions, Inc. Together, World Council, the National Union of Employees Mutual Aid Houses in Romania (UNCAR) and their member territorial unions (UTCARs) agreed to focus project efforts on the introduction of market-driven savings and lending services and the conversion from traditional social fund share accounts to voluntary savings and deposit services.

From 1998 to 1999, support from CUNA Mutual Group enabled WOCCU to introduce financial disciplines to a core group of 13 CARs. (See growth chart of 13 CARs at left.) Further support also came from USAID's Office of Private Voluntary Cooperation to adapt a uniform accounting system, update policies and procedures, strengthen internal controls and establish computerized systems.

One of the most surprising outcomes of the project has been the widespread adoption of market-priced services by CARs outside the core group. To date, in addition to the 13 project CARs, WOCCU, UNCAR and its member territorial unions (UTCARs) have helped more than 200 CARs begin to modernize.

The Challenges Continue

The Romanian credit union movement is making tremendous progress, yet the challenges continue. Traditionally CARs have served employee groups. To ensure their sustainability in the future, they must open their doors to a wider segment of the community. In so doing, they must also prepare for the challenges—such as increased loan delinquency—that come with a broader membership base.

A New Project Begins

To further the Romanian credit union movement's progress in meeting these challenges, late in 1999, World Council received a second grant from USAID under the Implementation Grant Program of the Office For Microenterprise Development. The purpose of the project is twofold:

1. the continued modernization of 20 CARs to become market-driven, full financial intermediaries; and

2. a model CAR certification program to foster public confidence and establish the basis for a longer-term regulatory and supervisory framework.

Both components will contribute to the overall program objective of strengthening the micro-finance capabilities of CARs so as to provide nearly 150,000 members with reliable financial services and self-employment opportunities as the privatization and transition to a free-market economy continues in Romania.

Read the personal stories of CAR members on pages 18 and 19.

World Council Romania, the Kansas Credit Union Association and U.S. Central are currently discussing a People-to-People partnership.



Ion Constantine (center) together with his sister-in-law (left) and staff member (right) stand near the first oven purchased for the cofetoria. (See their story on page 18.)



COUNTRY INDICATORS

National Capital: Bucharest
Government Type: Republic
Population: 22,510,000
Population Below Poverty: 30%
Unemployment Rate: 9.3%
Inflation Rate: 45% (1999)
Exchange Rate: 18,300 lei = US\$1
GNP: US\$31.3 Billion
GNP per Capita: US\$1,600 (1996)
Source: 1999/2000 World Guide, The World Bank (1998), IMF (1999)

CREDIT UNION INDICATORS

Project Credit Unions: 13
Members: 54,334
Savings: 111,868,378 (Thousands of Lei)
Loans: 108,311,224 (Thousands of Lei)
Delinquency: 5.01%
Source: 1999 WOCCU Project Quarterly Report

Duration: October 1999—September 2003

Project Assistance:
US\$2,000,000

Participating Organizations:
World Council of Credit Unions, Inc.
U.S. Agency for International Development
National Union of Employees Mutual Aid Houses in Romania (UNCAR)
Territorial Unions of Employees Mutual Aid Houses (UTCARs)

Expected Results: 20 CARs will serve 145,751 member-clients with 215.03 billion lei (US\$13 million) in savings and 197.71 billion lei (US\$ 12.2 million) in loans outstanding. At least five CARs will attain model CAR status.

Project Advisor:
Georgeta Rus

World Council Revises Mission for the Millennium

In a first-ever event, apart from its own conferences, World Council of Credit Unions, Inc. (WOCCU) recently held an historic board of directors meeting in Canada in conjunction with Credit Union Central of Ontario's (CUCO) Annual General Meeting (see related story on page 21). During the board meeting and in his keynote presentation, "A Global View for Local Credit Unions," Arthur Arnold, WOCCU's chief executive officer presented a revised and updated mission for the organization to serve members in the new millennium.

Focused on accomplishing World Council's vision of "Quality Credit Unions for Everyone," Arnold emphasized, "It is World Council's role to support credit unions in their efforts to make the human difference, to enable people to grow through self-help principles and to ensure sustainability and long-term

viability in the face of regionalization, electronic commerce, regulatory and legislative changes, consolidation and other global trends." He indicated that to do so, it is necessary for the apex trade association of the international credit union system to be the world's leading:

- 1. Advocate for Credit Unions;**
- 2. Platform for Innovation; and**
- 3. Credit Union Development Agency.**

Arnold's message and revised mission won resounding approval both from World Council board members and Canadian credit union leaders present at CUCO's meeting. Later this year in July, Arnold and the board of directors will present these revisions to the entire WOCCU general assembly at



(l-r) World Council Board of Directors: Robert McVeigh, José Manuel Rabines, Chin-Sheng Chuang, Rob Nicholls, Dennis Cutter, Gerry Foley, Gary Plank and Arthur Arnold pose for a photo at the CUCO Annual General Meeting. (Not pictured Melvin Edwards).

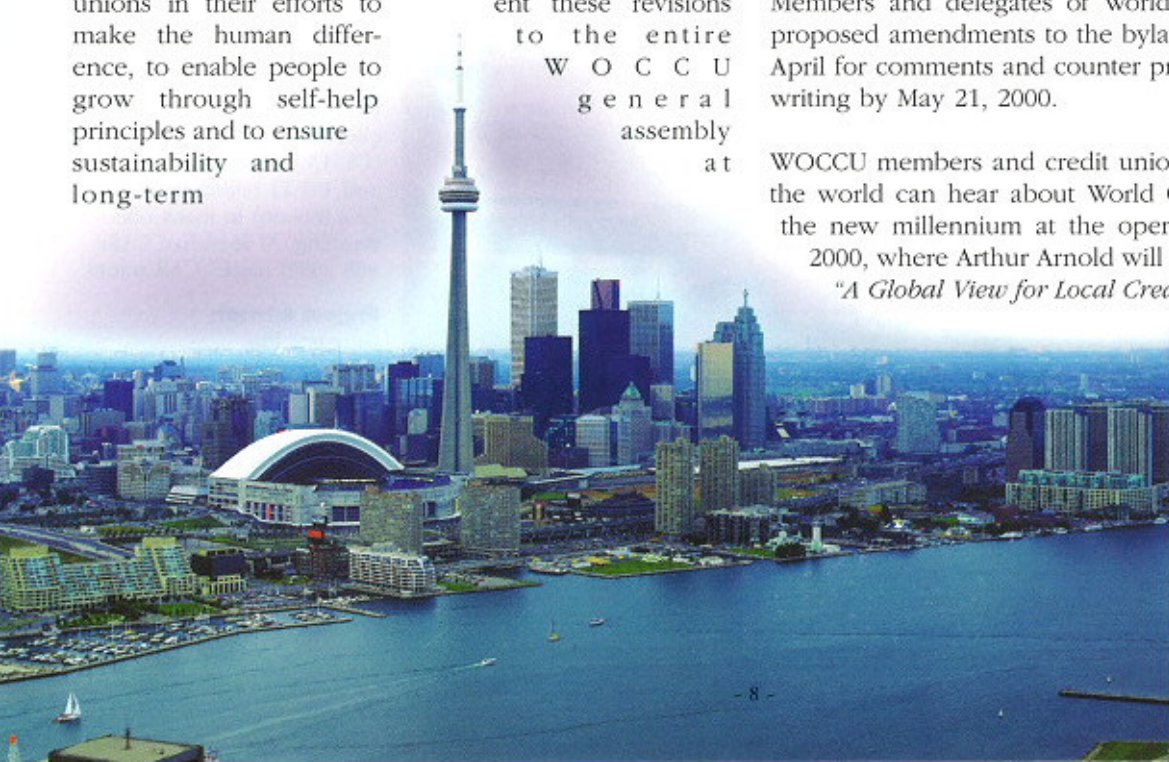
the Annual General Meeting to be held July 20 at 1:00 p.m. in conjunction with the International Credit Union Forum 2000 in Nashville, Tennessee, USA.

In addition, Arnold and the World Council board will present several by-law changes for review, discussion and vote by general assembly members. Second vice president of the WOCCU board, Bobby McVeigh is leading the ad hoc bylaws and policies committee. The proposed amendments include:

- renaming the "Potential Members" as "Members;"
- expanding the definition of "Members" to include "Potential Members;"
- providing every "Member" with voting rights;
- simplifying the dues formula and calculation;
- retaining the seat and voice of "Associate Members" at the General Assembly; and
- providing for additional financial support through a category of "Supporters."

Members and delegates of World Council received the proposed amendments to the bylaws and policies in late April for comments and counter proposals to be made in writing by May 21, 2000.

WOCCU members and credit union leaders from around the world can hear about World Council's strategies for the new millennium at the opening session of Forum 2000, where Arthur Arnold will repeat his presentation "A Global View for Local Credit Unions."



An aerial view of Toronto's water front.

Unifying for a Stronger CU Position in Europe

SKOK



As the birthplace of Solidarity and the resulting emergence of democracy in Eastern Europe, Gdańsk, Poland is also historically significant for the reconstruction of credit union movements in Eastern Europe. It was in this fitting location that the Polish National Association for Savings and Credit Unions (NACSCU) and World Council of Credit Unions, Inc. (WOCCU) co-sponsored the 4th European Credit Union Associations Summit this past March.

"Prior to the Gdansk Summit," notes Grzegorz Bierecki, president of NACSCU, "credit union systems in Europe represented a loosely connected group before the European Union (EU). This consequently weakened the collective credit union stance on a variety of issues." Past Summit participants agreed that through closer cooperation, European credit union movements and their representative trade associations would be better positioned to negotiate the effects of future EU banking and related directives on credit unions.

One such directive is the European Consumer Credit Directive. Created in 1986 and amended in 1998 the directive establishes minimum standards for member states in adopting rules for consumer protection in credit transactions. At issue is whether credit unions want to be considered exempt under Article 2.2 specifying that, "A member state may, in consultation with the commission, exempt from the application of this directive certain types of credit which fulfill the following conditions: they are granted at rates of charge below those prevailing in the market, and they are not offered to the public."

"Exemption from the directive is attractive, at first glance, because compliance with directive requirements could greatly increase the transaction costs of administering consumer credit services to credit union members," says Lucy Ito, WOCCU director of technical services. "But exemption may also carry the price tag of being subject to

limitations on field of membership and the scope of services provided by credit unions. Interest levels are also subject to ceilings and such ceilings may not be high enough to allow for credit union sustainability in countries facing an inflationary environment," adds Ito.

"One of the many positive outcomes of the 4th Summit," adds Bobby McVeigh, 2nd vice president of WOCCU's board and Summit observer, "was that delegates focused on developing a framework of cooperative identity and a common position regarding credit unions."

As part of efforts to develop a common position, participants reviewed and examined the modern-day relevancy of International Credit Union Operating Principles, which were initially approved in 1982 by members of World Council. Prior to the Summit, participants identified key credit union and cooperative principles that are particularly meaningful for initiatives in their respective countries. Following constructive debate on the operating principles and their implications on each of the represented countries, delegates came to an historic agreement identifying the top five common primary credit union principles:

1. one member — one vote;
2. not-for-profit, but for market-oriented operations;
3. social responsibility;
4. cooperation among cooperatives and credit unions; and
5. credit union and movement stability through financial controls

In addition to discussion on the operating principles, delegates provided updates on current credit union developments and gave presentations on their movements' and their governments' positions towards European Union directives affecting credit unions.

Summit participants concluded that given the diversity in size, stages of development and regulatory frameworks of the different credit union movements and the timetables for admission of their countries into the EU, complete agreement on a common position may not be appropriate in regards to the European Union. "However, in its role as leading advocate for credit unions, World Council will support the advocacy efforts of national movements with their respective governments," WOCCU's CEO Arthur Arnold indicated during the 4th Summit.

The next Summit is set for this November in Riga, Latvia.



(At left) A collection of photos taken at the 4th Summit. Movements represented at the 4th Summit included the Czech Republic, Latvia, Lithuania, Poland, Romania, the Slovak Republic, the Ukraine and World Council.

Member Up

AFRICA – World Council, the African Confederation of Savings and Credit Cooperatives and the Kenya Union of Savings and Credit Cooperatives will host the African Savings and Credit Cooperative (ACCOSCA) Congress 2000, June 13-14 in Nairobi. The purpose is to provide a forum in which savings and credit cooperatives, called SACCOs can exchange the successes and difficulties they have experienced in different technical areas. Linked to the congress will be a two-day membership meeting with ACCOSCA.

ASIA (ACCU) – The Association of Asian Confederation of Credit Unions is confident that credit unions and cooperatives will yield a new standard of service in Asia over the coming months. To foster that change, ACCU management is examining the organization's mission and strategies as a means of accelerating the growth and development of credit unions in the Asia-Pacific region.

Specifically, ACCU realizes the need to increase community interaction and regional cooperation in order to build solidarity. That, combined with the demand for more dynamic, visionary leaders and professional management systems will be greater than ever. In addition, ACCU is adamant that the current blend of democracy, volunteer leaders and prudential management must maintain accountability and transparency.

AUSTRALIA (CUSCAL) – Credit Union Services Corporation (Australia), Ltd. recently distributed its publication *Market Scan*, an annual overview of the Australian credit union operating environment. The research reviews the economy, finance industry trends, lending and deposit markets, regulatory issues, brand strategy research, transaction fee considerations and strategic planning frameworks.

Competitive threats posed by new, low-cost competitors and traditional players have encouraged Australian credit unions to investigate a number of new initiatives. These include projects to determine the benefits of: aggregating and outsourcing certain credit union functions; reforming credit union transaction pricing and distribution channels; developing stronger and deeper relationships with credit union members; and the feasibility of establishing a shared services company for credit unions.

CANADA (CUCC) – The attention of Canadian credit unions, their provincial centrals and Credit Union Central of Canada focused on CUCC's Annual General Meeting held in conjunction with the Canadian Conference for Credit Union Executives and the Members' Planning Forum, May 7-11 in Québec City.

Discussions during the Members' Planning Forum centered on identifying specific, practical action to move the Canadian system towards achieving the vision of their National Initiative project. The entire program during the Forum was webcast, including table discussions, which provided credit unions the opportunity to participate on-line and share their views by e-mailing their comments or questions directly to the floor of the meeting.

CARIBBEAN (CCCU) – The Caribbean Confederation of Credit Unions is embarking on a regional human resource development program to address professional and personal development needs of Caribbean cooperatives. CCCU plans to develop a Learning Institute to provide training and educational opportunities for individuals at various academic levels.

Goals of the Learning Institute include establishing a structured and sustainable training and development pro-

gram; providing certification and accreditation through professional management programs; and liaising with relevant regional and international educational institutes to ensure programs of the highest standards.

FIJI (FCUL) – Among new developments in Fiji, the government has agreed to review the Credit Union Act, referred to as ESCAP (Economic, Social and Cultural in Asia and the Pacific). The Fijian government is also now willing to fund a review and feasibility study for the establishment of a Central Banking Facility. In May, five Fijian credit union leaders traveled to New Zealand to learn more about that movement's Central Finance Facility.

The Fiji Credit Union League has made institutional strengthening a priority among its member credit unions to enable them to develop as fully integrated financial institutions serving rural and urban members. In addition, FCUL is performing a regional search for an insurance provider to continue service to credit unions, following the upcoming withdrawal of CUNA Mutual Group.

In an effort to promote the principle of cooperation among cooperatives, this past April, FCUL hosted two Tongan credit union officers on a study tour to learn more about credit union development.

GREAT BRITAIN (ABCUL) – The Association of British Credit Unions Ltd. is currently developing a business plan for a Central Services Organization, which will help credit unions provide additional, superior services to their members. Other changes to legislation are expected in the next couple of years, following review by the government.

updates 2000

Credit unions in Great Britain will gain a new regulator during 2000, when the responsibility for credit union oversight transfers to the Financial Services Authority (FSA). With efforts to consolidate regulation in the country, FSA takes over supervisory responsibility for all financial institutions.

IRELAND (ILCU) – The Irish League

of Credit Unions suffered a huge loss to the movement when their president, Frank Lynch, died in a car accident in February of this year. The loss of Mr. Lynch will be greatly felt in both the Irish and international credit union movements. In addition, Mr. Lynch's death immediately followed the death of two former Irish League presidents, Norman Murphy and Frank O'Kane. (See story on page 20).

During this year's annual general meeting in April, the top agenda item included an initiative dear to Lynch's heart, the development of a fully integrated movement-wide computer system, known as ISIS, (ILCU Tech Standard Information System). The system will enable credit unions to continue providing existing services, while enhancing their ability to compete through the addition of new services and delivery mechanisms.

LATIN AMERICA (COLAC) – This

year marks the 30th anniversary celebration of Confederación Latinoamericana de Cooperativas de Ahorro y Crédito serving as the national association to credit unions in Latin America.

COLAC is preparing for its 6th Annual Financial Convention of Latin American Credit Unions to be held in Panama City, October 11-13. The theme of the event is "Financial Consolidation of Credit Unions with

Social Alternatives for the New Millennium." This event will provide a networking and educational forum for cooperatives, non-governmental organizations and international donors to address the social environment and the growing needs of credit unions.

NEW ZEALAND (NZACU) – The

results of the 2000 Service Delivery Survey showed that New Zealand credit unions believe the New Zealand Association of Credit Unions has improved its level of service quality in the last two years. In March, NZACU launched their new web site, www.nzacu.org.nz. This is the first step toward developing a more complete and comprehensive web site for members.

POLAND (NACSCU) – The Polish

National Association of Savings and Credit Unions and World Council recently co-hosted the European Credit Union Association's Summit in March to discuss how credit unions will be affected by European Union (EU) banking and related directives. As part of the discussion, delegates confirmed the validity of the international credit union operating principles. They also agreed that each credit union movement must work with its own government to negotiate appropriate terms with respect to EU directives. (See story on page 9).

In other developments, NACSCU introduced a new credit union services distribution system through a pilot program with one credit union that maintains operations throughout Poland. The system is based on a network of multi-agents or liaisons operating to provide credit union services and CSCUMIS insurance products to people residing in small, remote communities not currently covered by the existing credit union branch network.

ROMANIA (UNCAR) – The Romanian

government issued an ordinance about non-governmental legal persons, which includes CARs (credit unions). Articles of the ordinance were the subjects of a discussion between the National Union of Employees Mutual Aid Houses in Romania and representatives from the Ministry of Finance and the Economical Commission of the Inferior Chamber of the Romanian Parliament. This group will meet again to further discuss details of the ordinance and how specific articles impact CARs' services to members.

UNCAR and WOCCU Romania continue to participate in project kick-off events organized throughout the country. UNCAR completed meetings with local and territorial offices in the first part of the year. These meetings preceded the national meeting held in May.

UNITED STATES (CUNA) – The U.S.

credit union movement ushered in the new millennium with initiatives focused on consumer financial literacy and personal financial development.

Among those initiatives is a focus on youth. Recent surveys have shown many young people today lack basic financial knowledge. That lack of knowledge directly relates to financial problems young adults may face later in life, such as bankruptcy and difficulty in obtaining affordable credit. To address this, CUNA has partnered with the National Endowment for Financial Education (NEFE) to produce the "High School Financial Planning Program"—a fully developed curriculum that credit union staff members can present in schools across the country.

Legislative Expertise Links Ohio and Bulgaria

Co-sponsored by World Council of Credit Unions, the National Credit Union Foundation and CUNA Mutual Group, the People-to-People program brings together people from different credit union movements and encourages credit union leaders to get involved in partnerships, internships and volunteer program assignments.



(l-r) John Keane, WOCCU project director; Diana Dimitrova (seated), cashier, Varna Water Company Mutual Kasa; Julian Trendafilov, chairman of the board of directors, Varna Water Company Mutual Kasa; Sara Hanselman, field consultant, Ohio Credit Union League; Assia Jordanova, office manager, WOCCU Bulgaria; Galina Nikolova, financial management consultant, WOCCU Bulgaria; Zhivka Petrova (seated), accountant, Varna Water Company Mutual Kasa.

Despite macro-economic conditions in their country including a loss of trade links, restructuring, privatization, unemployment, a wave of 1997 bank failures and, until recently, inflation rates as high as 1000% (now at a more stable 10%), for Bulgarians and their credit unions, called *kasas*, the future looks promising. That's because *kasas* will get an opportunity to modernize through a three-year, US\$2.5 million grant funded by the United States Agency for International Development and carried out by World Council of Credit Unions, Inc. (WOCCU).

Of 8.5 million Bulgarians (1997 census), the *kasa* system serves an estimated 300,000 to 500,000 members and provides credit to approximately 375,000 microenterprises.

Even where banks are present, *kasas* are the primary financial institution for many people. Working with 15 to 20 mutual and popular *kasas*, World Council will implement its Model Credit Union Program to institutionally strengthen credit unions and expand their product and service offerings to meet the changing

needs of Bulgarians. In addition, support will come from as far away as Ohio in the United States, where the Ohio Credit Union League (OCUL) and its member credit unions have taken an enthusiastic interest in the revitalization of the Bulgarian movement.

Why Ohio and Bulgaria? "The Ohio credit union system has the expertise to provide valuable legislative technical assistance to *kasas*," says Paul Mercer, president and CEO of the Ohio Credit Union League. "We look forward to assisting *kasas* and the WOCCU Bulgaria project office with the challenges it will face in the future."

The WOCCU Bulgaria project began in September 1999 and indeed faces many challenging objectives for the future. Reacting to the numerous pyramid schemes in the mid-90s, which robbed



COUNTRY INDICATORS

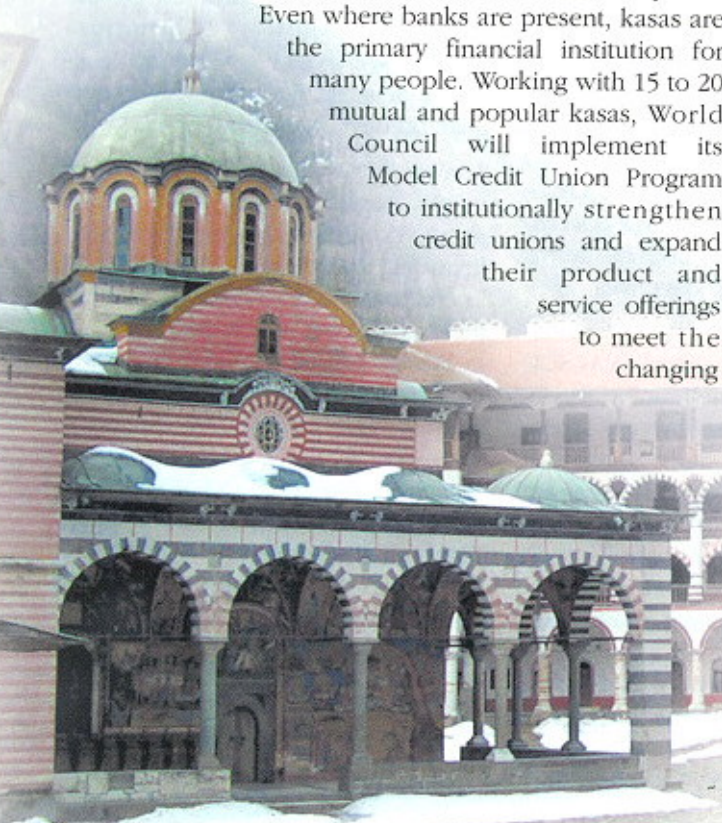
National Capital: Sofia (Sofia)
Government Type: Republic
Area: Total 42,855 sq km
Population: 8.19 Million
Inflation Rate: 10%
Exchange Rate: 1.98 Leva/US\$1 (Jan. 2000)
GDP: \$33.6 Billion
GDP per Capita: \$4,100
Source: World Guide, 1999

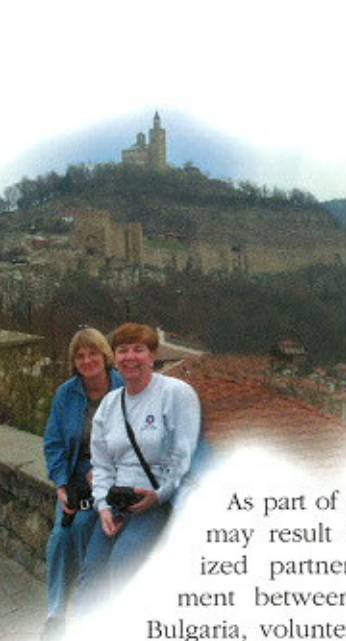
CREDIT UNION INDICATORS

Credit Unions: 2500
Members: 400,000

countless Bulgarians of their hard-earned savings, the government passed restrictive legislation that authorized share accounts, but prevented withdrawable deposit accounts. The laws once meant to protect citizens, now limit their choices of financial products and services. In addition, the closed employee-bond of *kasa* membership threatens to limit sustainable and potential growth. Another key objective of the Bulgaria project is to introduce new legislation pertaining to *kasa* membership, services, regulation and supervision.

Because of their extensive legislative experience, the Ohio Credit Union System will play a key role in assisting with the development of a legislative framework that ensures the viability of *kasas* in Bulgaria.





(l-r) Kathy Kanipe and Sara Hanselman enjoy a hillside view of Sofia.

As part of activities that may result in a formalized partnership agreement between Ohio and Bulgaria, volunteers from the Ohio Credit Union System, Kathleen Kanipe, CEO of St. Agnes-St. John Toledo Federal Credit Union and Sara Hanselman, OCUL field consultant recently participated in a People-to-People volunteer assignment with the World Council Bulgaria project in Sofia.

John Keane, World Council Bulgaria project director explains, "These are exciting and busy times for a new project. Kathleen and Sara shared in a crucial part of the Model Credit Union building process. They worked for two weeks with project office staff and one-on-one with kasa management to select participants for "Model Kasa" development in WOCCU's institutional strengthening project."

For kasas interested in participating in the project, WOCCU Bulgaria performs thorough two-day financial and operational diagnostics, which include a review of the past four years of financial statements, loan portfolio analysis and an extensive questionnaire and interview addressing operational policies and procedures. During the assignment, Kanipe and Hanselman assisted in performing diagnostics on six different kasas.

"We were able to experience, hands-on, the work it takes to include a single credit union in the program," shares Kanipe. In addition, the volunteers gained experience entering data into PEARLS, World Council's financial monitoring tool. While in Bulgaria, they also assisted in project recruiting workshops to educate and help identify additional kasas for project participation. Drawing public attention and enthusiasm for the revitalization of the kasa system, the educational and recruitment programs for kasas generated local and national television coverage.

Kanipe and Hanselman agree, "After the two-week assignment, we have gained a better understanding of the work required to build a Model Credit Union System in Bulgaria and the challenges faced by the project staff in carrying out that objective. Moreover, we're sincerely appreciative of the WOCCU Bulgaria team and kasas. They welcomed us and made us feel like a valued part of the program. This is an experience we will not forget."

World Council looks forward to working closely with the Ohio Credit Union League and its member credit unions over the next few years to glean their expertise in many areas, but especially in legislative reform. "We can learn first-hand from the experience of the Ohio Credit Union System by having Bulgarian legislators, regulators and WOCCU Bulgaria project staff visit credit unions and credit union regulators in Ohio," concludes Keane.

Sharing a Vision for Bulgaria's Kasas

A project partners meeting between the United States Agency for International Development (USAID), KNSB (Bulgaria's trade union) and World Council of Credit Unions, Inc. and its Bulgaria project office took place in March. The objective of the meeting was to understand the vision of each organization and how those compliment the overall vision of the Modernization of the Bulgarian Mutual Kasa System credit union development project.

Nicolay Yarmov, represented USAID as cognizant technical officer to the project; Plamen Dimitrov, vice president; Plamen Nankov, national coordinator; and Dimitar Bankov, consultant to the president represented KNSB; Arthur Arnold, chief executive officer and Lucy Ito, director of technical services, represented World Council.

Main resolutions of the meeting consisted of the following:

- 1) emphasizing KNSB's role as leaders to promote the project through the relationship of trust and confidence that they maintain with member kasas;
- 2) increasing communication and coordination between KNSB and the WOCCU Bulgaria project office;
- 3) capitalizing on partnerships and synergies among other institutions and USAID projects that have common objectives in promoting private sector development; and
- 4) finalizing a Memorandum of Understanding to define the roles of WOCCU and KNSB in the project.



WOCCU Bulgaria Project Staff and WOCCU headquarters representatives (l-r) John Keane, WOCCU Bulgaria project director; Plamen Pavlov, financial management specialist; Kristina Kadiiska, financial management specialist; Assia Jordanova, office manager; Galina Nikolova, financial management specialist; Arthur Arnold, CEO; Lucy Ito, director of technical services; Signis Aliks, monitoring officer and Plamen Mavrov, financial management specialist met with Nicolay Yarmov, cognizant technical officer of USAID Bulgaria.

Legislation Critical to Sound Systems

How important is credit union-specific legislation and proper supervision? Ask Arthur Arnold, CEO of World Council of Credit Unions, Inc. and he responds emphatically, "Proper legislation and supervision are critical to the building of sound financial systems."

Financial news wire headlines in past months reported the failures of Puerto Vallarta People's Credit Union in Mexico and the closures and enforced supervision of 10 credit unions in the Czech Republic. Both countries lack proper legislation and supervision for credit unions. World Council is proactively encouraging the governments of each country to enact relevant legislative change.

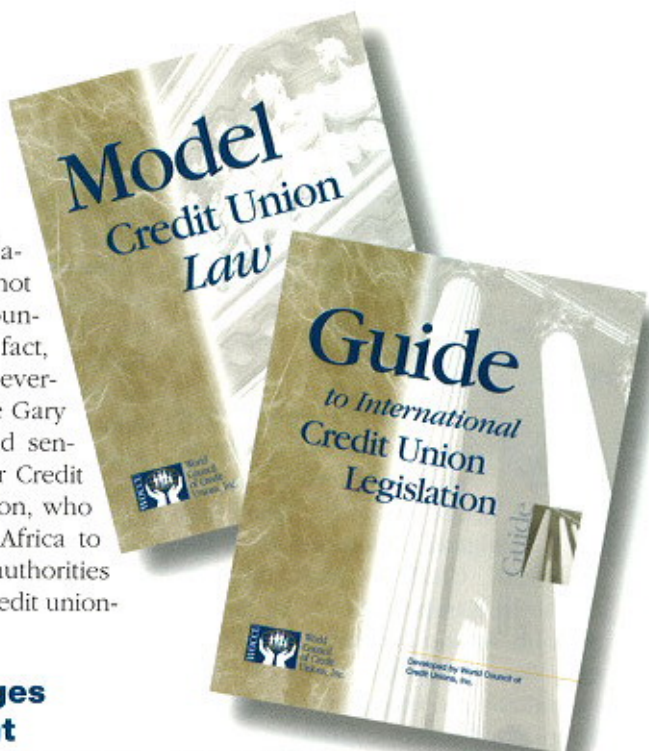
"These incidents, while extremely unfortunate," says Arnold "prove WOCCU's point that in any country around the world—not just Mexico or the Czech Republic—proper credit union legislation and supervision must be in place to protect consumers and members."

(l-r) Gary Kohn, vice president and senior legislative counsel for CUNA; Gina Carter, WOCCU's Counsel, Dave Grace, financial and information services officer, WOCCU and David De Jong, SACCOL general manager met with Rob Davies, Member of Parliament to discuss credit union legislation in South Africa.

The lack of proper legislation and supervision is not uncommon in many countries of the world. In fact, World Council has sent several legislative experts, like Gary Kohn, vice president and senior legislative counsel for Credit Union National Association, who recently went to South Africa to work with government authorities to introduce and enact credit union-specific legislation.

Legislative Changes Taking a Forefront

In many countries, credit unions are lumped into a category of legislation that applies broadly to cooperatives, microfinance institutions or commercial banks. While credit unions are cooperative organizations, their specialization in financial services differentiates them in many significant respects from other cooperative societies. General cooperative societies acts which govern the business operations of agricultural, commercial and industrial cooperatives are usually inadequate for credit unions, whose business operations most closely resemble banking institutions. Also inadequate, microfinance institution legislation generally does not recognize the savings orientation of credit unions. Legislation intended for commercial banks generally fails to recognize the uniqueness of credit unions as providers of not for-profit cooperative financial services to members who are depositors, borrowers and owners.



The good news is that since 1992, 60 countries throughout the world representing over two-thirds of the national movements affiliated to World Council have introduced new legislation for credit unions. These changes have generally sought to establish a body of law for credit unions that recognizes their uniqueness within the financial services industry.

Following are some of the key features World Council emphasizes to distinguish credit unions from other cooperatives, microfinance institutions and commercial banks.

- **Democratic Control by Member-Owners**—Unlike banks, credit unions serve only their members and each member is entitled to one vote in the democratic election of volunteer officials, regardless of the amount of the member's individual share holdings. Much of a credit union's success depends on the voluntary efforts of its members and leaders.



- **Member Savings Mobilization**—

Unlike non-financial cooperatives and microfinance institutions, credit unions mobilize members' savings in the form of withdrawable member shares and/or deposits. To assure the members that these deposited funds are safe, credit unions require a specialized system of examination and regulation that is not needed by non-financial cooperatives.

- **Equity Share Contributions**—

Unlike commercial bank stock, credit union equity shares are withdrawable at par (plus earnings, if any) subject to certain conditions. Bank stock is convertible to cash only upon liquidation of the bank or by sale of the stock to third parties.

- **Credit Union Capital**—Unlike non-

financial cooperatives whose "risk" capital is principally members' paid-in equity shares, credit union institutional or "risk" capital is made up principally of reserves and retained earnings accumulated from operations.

- **Return on Savings**—Unlike non-

financial cooperatives or some microfinance institutions, which often limit dividends on deposits, to below-market yields, credit unions generally pay competitive dividend and interest rates on equity shares and deposit savings accounts.

- **Diversified Lending Services**—

Credit unions optimize economic benefits to members and their communities by granting a diversified portfolio of relatively small loans to as many credit-worthy members as possible, unlike commercial banks which, in order to maximize their shareholders' profit, typically concentrate their funds in a few large loans to a small number of customers.

- **Character and Repayment Capacity Lending**—Credit unions

make loans to members with the major considerations being the character of the borrowers and their ability to repay, unlike commercial banks which generally require tangible security.

- **Access to Financial Sector Services**—Unlike non-financial

cooperatives, credit unions generally need access to payment, clearing and other services typically provided to financial institutions by central banks or under their regulation.

World Council Provides Suggested Legislative Framework

Later this year, World Council will publish revised editions of its *Guide to International Credit Union Legislation* and *Model Credit Union Law*. The *Guide* is the only known resource of its kind that contains credit union legislative and regulatory summaries for over 100 countries and provinces. Each legislative environment is summarized based on 50 standardized categories to facilitate comparisons among countries.

WOCCU's *Model Law* takes the process a step further in providing a sample legislative framework to aid movement leaders, legislators, regulators and others in preparing and seeking approval of laws, which will strengthen the safety and soundness of credit unions while taking into account their uniqueness as cooperative financial institutions.

Legislative Trends Revealed in Compendium Study

During the review of new legislation for WOCCU's *Guide to International Credit Union Legislation*, the international team of experts discerned three key legislative trends occurring across several of the world's credit union movements.

Regulatory Centralization—In

North America, there seems to be a trend towards a more centralized influence over credit unions. In the U.S., this resulted from the pervasive regulatory role of the federal share insurance program in the affairs of state-chartered credit unions. In Canada, the influence is a combined one, exercised by the central credit unions (at both the provincial and national level) and the deposit insurance programs (again at provincial and national levels).

Perhaps the most dramatic move towards a centralized regulatory system has begun in Australia, where a state-based system is currently being supplanted by a national system. Credit unions fall under the same regulatory control system—the Australian Prudential Regulatory Authority—that govern banks and other financial corporations. This trend toward regulatory consolidation has also occurred in the United Kingdom and Korea.

Specific Credit Union Provisions—

In the developing world, there remains a preponderance of cooperative legislation governing credit unions. As mentioned above, cooperative legislation generally does not recognize the uniqueness of financial cooperatives or the importance of safety and soundness, and therefore can hinder credit unions' self-sustainable development. However,



Continued on Page 21

Credit Unions and E-Commerce

Continued from Page 3

street, and unless you pave the way to your door, your members can choose another route to your competitors."

CUNA eCommerce has developed ways for credit unions to set roots in the on-line community. CUNA currently offers credit unions several Internet products including CU Build a Site, a turnkey solution that lets credit unions quickly and easily create personalized websites. Monthly website publications for two different credit union markets can also be purchased on a subscription basis. These are *Home and Family Finance Support* and *Googolplex: The Credit Union Guide for Student Money-makers*.

CU Car Club.com enables credit unions to provide their members with new and used vehicle research and with purchase services including a car referral service, a personal car shopper and custom factory ordering. As an additional benefit at no extra cost, credit unions receive auto loan leads within 24 hours. Carfax, another service protects members from potential losses associated with the purchase of a vehicle. Using the seventeen-digit vehicle identification number (VIN) that all U.S. cars are encoded with at manufacturing, Carfax does a search on the vehicle's history to uncover reports of theft or accident damage.

March proved to be an outstanding month for CUNA's website. The number of "hits" or requests reached nearly 2.4 million for the month—almost a 21% increase over February. Total page views increased more than 11% to 386,000 views. Home page views, average page views-a-day and unique domains served each recorded all-time highs," says Benzine.

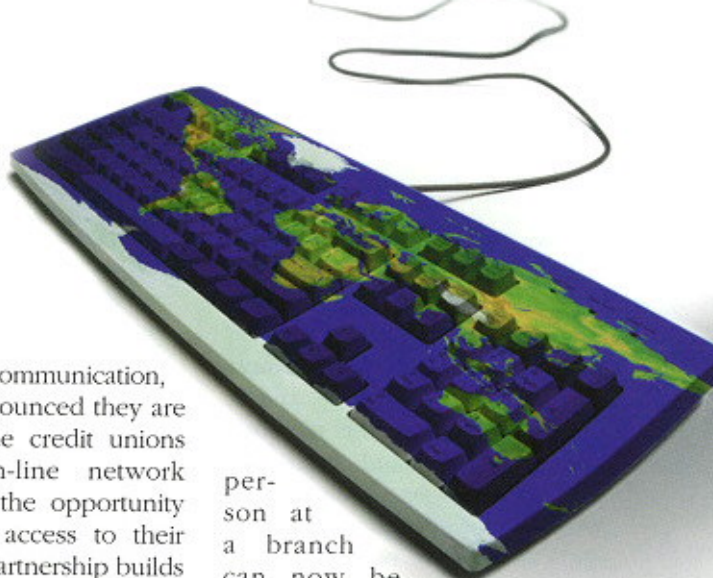
CUNA and Aquis IP Communication, Inc. also recently announced they are partnering to provide credit unions with advanced on-line network security, as well as the opportunity to provide Internet access to their members. The new partnership builds on CUNA's eCommerce suite of web development and hosting, Internet banking and site content products.

Outside the Box

Who better to lead the U.S. credit union movement in Internet banking and e-commerce than First Tech Credit Union? The credit union's field of membership includes employees of high tech companies in the Pacific Northwest and their family members. Needless to say, the members are sophisticated, "techno savvy" consumers, who have been using electronic services for the last 10 years. As a result, First Tech has been at the forefront of "banking outside of the box."

First Tech on-line transactions are live, meaning they happen immediately. Everything members can do in a physical branch, face-to-face with a teller, they can do on-line from any computer. The only thing they cannot do is get change. Members can reach credit union tech support staff, seven days-a-week from 7 a.m. to 11 p.m. Members also enjoy a free bill payer service, which may eventually eliminate paper checks.

Char Shinn, e-branch manager discusses the evolution of First Tech's e-commerce services, "We started out with a 'brochure ware' site, moved into transactions and home banking and now we are moving everything to the web. Everything members used to do via phone or in



person at a branch can now be done on-line. The most important thing is that we listened to what our members told us and implemented things to help them." First Tech has succeeded in providing services to tame the busy lives of its members. Besides a free ATM card, members also bank on-line, pay bills using the electronic bill payment system and use Call 24 to access account information, transfer funds and more from any telephone. In addition, First Tech provides free support over the phone, on the web and in the branch.

Forty percent of their members are currently using on-line banking with the site receiving 270,000 hits monthly. With an instant on-line loan approval that uses a scoring model, First Tech approves 300 to 400 loan applications each month. First Tech is striving to present their site as an Advice Model, going beyond on-line banking to ask financial planner type questions and give recommendations based on member profiles and answers.

No Bricks or Mortar

No Bricks or Mortar

Ubiquity Financial, a division of Fraser Valley Credit Union is Canada's first Internet virtual branch. The organization launched on January 4, 2000 as a "no bricks or mortar" site—just electronic access and exceptional service and rates for members. Ubiquity Financial is currently only eligible to serve residents of British Columbia. However

in the future, they hope to expand membership throughout Canada and into the rest of North America on a franchise basis.

The dictionary defines "ubiquity" as present everywhere, in several places simultaneously or often encountered. As the virtual branch's name implies, it is everywhere on the Internet. Ubiquity points out, "There is a difference between on-line banking and Ubiquity. On-line banking is just another way to access your accounts at traditional financial institutions. You are still paying the costs associated with maintaining physical branches, whether you use them or not. We've done away with overhead costs so members can earn higher rates of return," clarifies Ubiquity's president, Larry Davey.

Ubiquity Financial was created to tap into the future of financial savings and meet consumer demand for higher returns, greater flexibility and better access to funds. At print time, the virtual branch was offering customers 4.85% daily interest savings rates—almost 10 times greater than the average return paid by other financial institutions. Ubiquity also offers cashable one- to five-year term deposits and service access by telephone, fax, automated teller machine and Internet. Discount brokerage services will also be available in the near future.

At the national level, Credit Union Central of Canada (CUCC) is currently developing MemberDirect, a full-service Internet banking package for member credit unions. Seventy member credit unions will participate in the roll out.

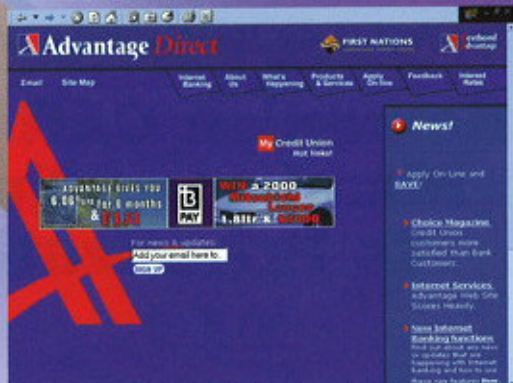


It's an E-Commerce Future for Credit Unions

Larry Davey from Ubiquity Financial sums it up best, "Consider that more than 85% of daily financial transactions in Canada alone are now completed electronically using ATMs, debit cards, telephone and on-line means. As technology evolves, geographical boundaries are becoming irrelevant."

E-commerce is indeed creating a business world without borders. As reported by ZD Internet Computing on their web site at zdnet.com, "Over the next few years, as total e-commerce transaction value grows to a projected US\$1.44 trillion, analysts say a larger and larger percentage of e-commerce will be generated outside the U.S." ZD net goes on to cite an eMarketer chart on global commerce, which projects that in the year 2000 nearly 70% of e-commerce transactions will be generated in the U.S. However within three years, 40% of e-commerce will shift to being generated outside the United States.

What are the implications for credit unions? It's an international e-commerce future. Just as technology continues to advance, so too will the ways that credit unions serve their members, today and in the future.



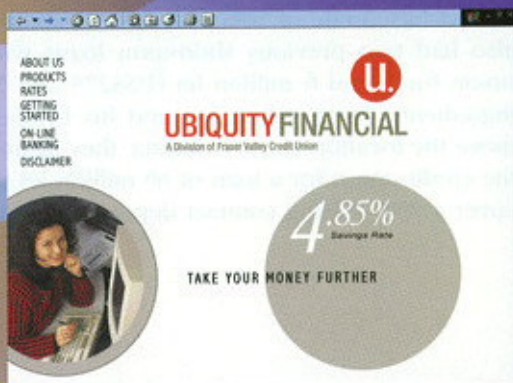
Advantage Credit Union
www.advantage.net.au



Credit Union National Association
www.cunaecommerce.com



First Technology Credit Union
www.1sttech.com



Ubiquity Financial
www.ubiquityfinancial.com

Romanian CAR Members Adjust to Privatization

Continued from Page 7

Baking Up a Sweet Deal

Tempting crème-filled pastries, chocolate-iced confections, fruit-filled tarts and many other sweet delights adorn the bright blue display cases of Ion Constantine's "cofetoria." Located in a bustling area of Bucharest, Ion co-owns the pastry shop with his brother.

Before opening the cofetoria in 1994, the two of them worked as engineers in government-owned plants. As they watched co-workers lose their jobs to privatization, Ion and his brother decided to quit and open their own business. Truth be told, they knew nothing of pastry making, but their love of sweets led them to the business.

They began by hiring people who already knew something about pastry making. Today, their microenterprise employs four people. The bell on the shop door rings constantly as customers come in seeking the delectable treats made by the Constantines' staff.

"We also work with our neighboring businesses to provide pastries for their meetings and customers," notes Ion. "Business is good...we average 5.5 million lei (US\$300) in sales daily. But it wasn't easy getting there."

To purchase an oven and other equipment for start-up, Ion and his brother had taken a one-year loan of 50 million lei (US\$2,732) from a pyramid scheme that charged 84% interest of 42 million lei (US\$2,295) and required three houses to guarantee. As the debt came payable, they realized they couldn't cover the interest. That's when they approached FAUR CAR for help.

FAUR CAR helped them cover the loan at a much better, market-based rate of 50% with three years to repay. They also had two previous short-term loans with the credit union for 5 and 6 million lei (US\$273 and \$327) to buy ingredients. Later, when Ion and his brother wanted to move the location of the cofetoria, they again approached the credit union for a loan of 60 million lei (US\$3,278) to cover a 25% leasing contract deposit.



(l-r) CAR manager, Nicoleta Capdefier and CAR member and microentrepreneur, Ion Constantine present the gourmet-quality pastries made at the Constantines' cofetoria.

The Constantine brothers are members of FAUR CAR and use both the traditional services and the new market-based services. Each has 15 million lei (US\$820) in the new savings accounts, which provided collateral for the rent deposit loan.

Ion continues, "When we finish paying this loan and have the capacity to pay, we'll borrow another 100 to 120 million lei (US\$5,500) for image improvements and staff training."

"If I may say so, owning our own business is a sweet deal. Unlike working for a state-owned enterprise, we can do what we think is best. Now, thanks to the CAR, we can afford to make things better," concludes Ion.



A Visible Change For the Future

Hanging neatly on dress racks and arranged by size are the well-made women's suits and dresses at Moda Estella. This small boutique belies the size of the operation that supports production of its clothing.

Forced out of her job by privatization in the mid-'90s, Maria Manea began designing and producing fashions on her own. Within the last three years, she has significantly increased the demand for her clothing and today operates a production facility with 10 sewing machines on the second floor of her boutique. Each dress or suit sells retail for approximately 600,000 lei (US\$32).

"When I lost my job, I had to do something to survive. It wasn't an option. Starting from the ground up was very difficult, especially since I needed credit," explains Maria.

"Although, I did get my first loan from a bank, I had a very painful experience. Clothing sales are seasonal by nature, as such my retail distributors often pay late. The bank was unwilling to work with me in these situations and in one particularly difficult incident, they even blocked my account."

Three months ago, Maria joined Carpati (pronounced car-pots) CAR. She needed another loan of 30 million lei (US\$1639) to purchase fabric and working capital. "I heard

about the CAR from a friend. They were very helpful. When I have more money, I plan to use their new savings services, as well."

Maria wants to expand her wholesale operation to sell in several towns and cities throughout Romania. "When my son returns from the army later this year, he will be my sales agent. This will be a big help, because it's very difficult to expand and sell as a sole owner."

"When I have enough collateral and can afford another loan, I know that I can go to Carpati CAR," she says confidently. "The credit union will help me make a real visible change for the future."

Maria Manea, fashion designer and owner of Moda Estella displays one of the suits made in her clothing production area.



The Joys and Losses of the International Movement



Desjardins

Cent ans
Toujours en mouvement

In this issue of Credit Union World, the international credit union community has as much to celebrate as it does to mourn. The first three months of 2000 saw the joyous occasions of the 60th anniversary of Credit Union Central of Ontario and the 100th anniversary of Mouvement Desjardins. As in life, however, sorrow often accompanies joy. And in that sorrow are the deaths of three of Ireland's and the international credit union movement's great ambassadors: Frank Lynch, Norman Murphy and Frank O'Kane.

Celebrating Milestones in Serving Members

World Council and the international movement congratulate Credit Union Central of Ontario and Mouvement Desjardins on the occasions of their recent anniversary milestones and for their efforts to make the cooperative and human difference for millions of credit union and caisse members worldwide.

Former ILCU presidents (l-r) Norman Murphy, Frank O'Kane and Frank Lynch



Credit Union

Central of Ontario—60 Years

Since 1940, Credit Union Central of Ontario (CUCO) has provided services to credit unions throughout the province of Ontario. Today, it represents 365 credit unions serving 1.8 million members with CAN\$13.2 billion in assets. In March, the entire World Council board of directors was pleased to be present during the Annual General Meeting and 60th Anniversary Celebration of CUCO, whose leadership graciously agreed to host WOCCU's first-ever board meeting held outside the U.S. and in conjunction with a member's event. Jerry Andrijew, board president of CU Central Ontario accepted the distinctive "Credit Union Ambassador Award" from World Council board president, Dennis Cutter.

Mouvement Desjardins—100 Years

Throughout the 100 years since its inception and founding by Alphonse and Dorimène Desjardins, Mouvement Desjardins has led and set the cooperative example in North America and elsewhere. Today, Mouvement Desjardins represents more than 5 million caisse members who make up 70% of Québec's population—one of the largest population penetration figures worldwide. CEO Arthur Arnold had the honor and pleasure of presenting World Council's "Credit Union Ambassador Award" to Desjardins president Alban D'Amours and CEO Rénaud Boucher during Desjardins' Centennial Annual General Meeting in late March.

Mourning the Loss of Irish CU Ambassadors

The international credit union community and, in particular, the Irish movement suffered a tremendous blow earlier this year with the loss of



WOCCU board president Dennis Cutter presents Jerry Andrijew, board president of Credit Union Central of Ontario with the "Credit Union Ambassador Award" in recognition of its 60th anniversary.

three of its most treasured credit union supporters: Frank Lynch, Norman Murphy and Frank O'Kane. All three men had each served as president of the Irish League of Credit Unions; O'Kane was first elected in 1993, Murphy in 1997 and Lynch in 1998.

Thousands of messages of sympathy poured into the offices of the Irish League of Credit Unions from every corner of the international movement. WOCCU board members, Gerry Foley, 1st vice president and Bobby McVeigh, 2nd vice president joined hundreds of funeral mourners. In April, Dennis Cutter, WOCCU board president accompanied by CEO Arthur Arnold presented the Irish League of Credit Unions with a memorial contribution to the ILCU Development Foundation and resolutions for each man to recognize their lifetime involvement and deep-rooted commitment to credit unions and the philosophy of "people helping people."

On behalf of members in regional confederations and national organizations representing 85 countries, World Council expresses sincere condolences to their family members, friends, credit unions, communities and the Irish movement.

Continued from Page 15

a number of these laws have been revised in the past several years by adding specific provisions to recognize the unique character of savings and credit cooperatives. Some countries where updated laws are in place include El Salvador, Indonesia and Dominica.

Since 1990, seven brand new credit union systems have emerged in Eastern Europe. In some instances, political expediency has resulted in the legal basis of these fledgling credit unions being a blend of existing cooperative and banking legislation. Some of these new Eastern European laws grant a prominent role to the government in the affairs of cooperatives. They also seem to reflect government uneasiness with regards to confidentiality and secrecy of financial transactions.

Focus on Safety and Soundness—In addition to these specific changes, there has been an increased focus worldwide within legislation on safety and soundness and on international standards for capital adequacy. Several Eastern European countries have enacted the specific credit union laws that reflect many of the safety and soundness standards recommended by World Council's *Model Credit Union Law*.

Together, World Council's *Model Law* and the *Guide to International Credit Union Legislation* provide unparalleled technical guidance to anyone interested in advancing the quality of legislation governing credit unions. Both publications will be available later this year. To reserve a copy, complete and return the form on this page.



Reserve Your Copies Today!

—Valuable resource information!



World Council's *Guide to International Credit Union Legislation* is the only known resource of its kind that contains credit union legislative and regulatory summaries for over 100 countries and political provinces. Each legislative environment is summarized based on 50 standardized categories to facilitate comparisons among countries.

Model Credit Union Law provides a sample legislative framework to aid movement leaders, legislators, regulators and others in preparing and seeking approval of laws, which will strengthen the safety and soundness of credit unions while taking into account their uniqueness as cooperative financial institutions.

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