

NATCCO NETWORK



**Stabilization Fund
and
NATCCO CENTRAL FUND**

Outline

NATCCO NETWORK

- Alignment with the ICA 2020 Blueprint and ACCU Strategic Direction
- Learnings from International Experience
- Little Steps of the NATCCO Stabilization Fund and NATCCO Liquidity Fund

WHY?

Potential Problems → INSOLVENCY

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MISMANAGEMENT

LIQUIDITY
SHORTAGE

HIGH
DELINQUENCY
RATE

FRAUD

UNEXPECTED
LOSS

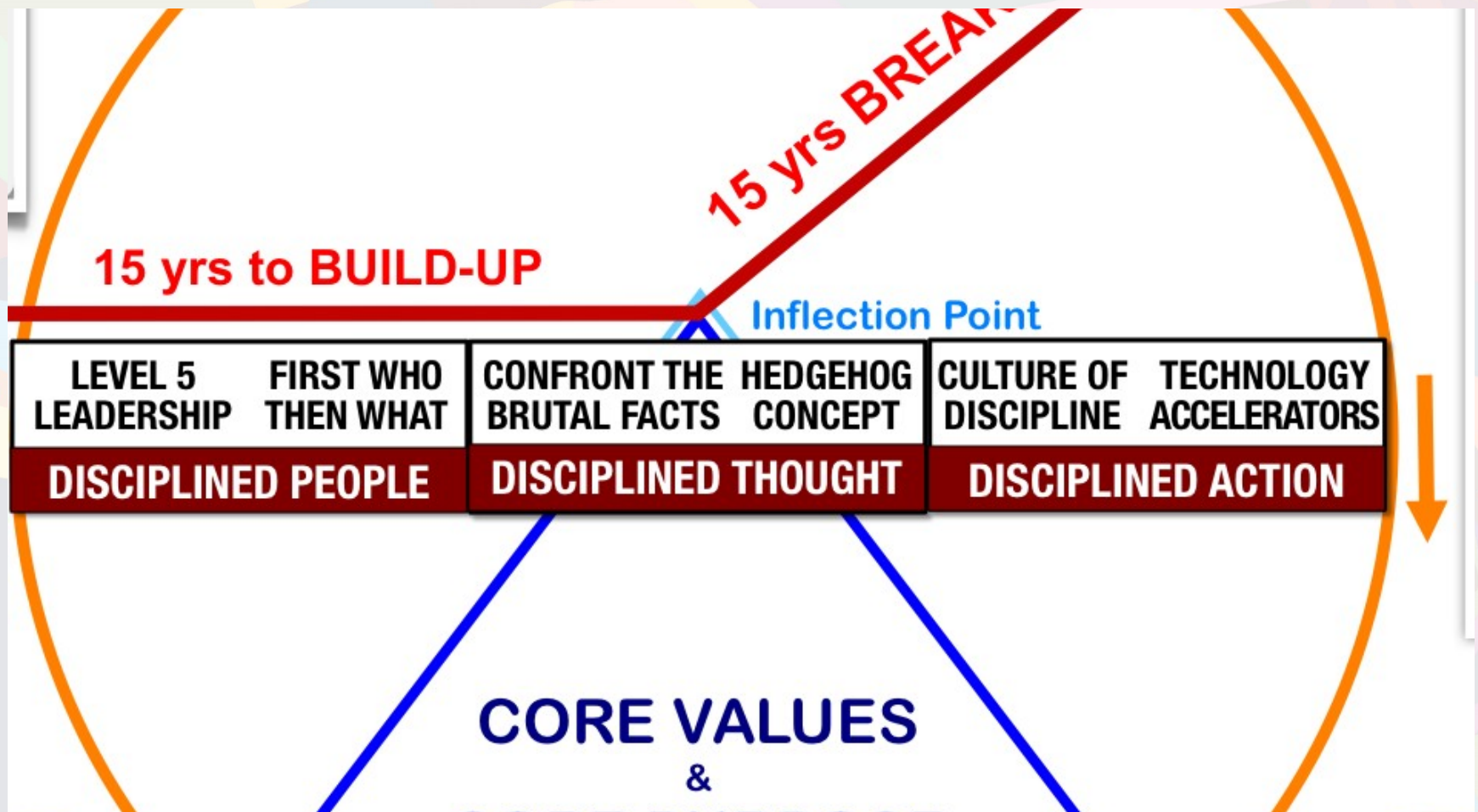
OPERATIONAL
LOSSES

LOSS IN
INVESTMENTS

- **1 BIG FAMILY**
- **SYSTEM**
- **DISCIPLINE**

DISCIPLINED PEOPLE, THOUGHT, ACTION

NATCCO NETWORK



**WE NEED TO BUILD THE CAPACITIES
OF THE COOPERATIVES**

PLUS

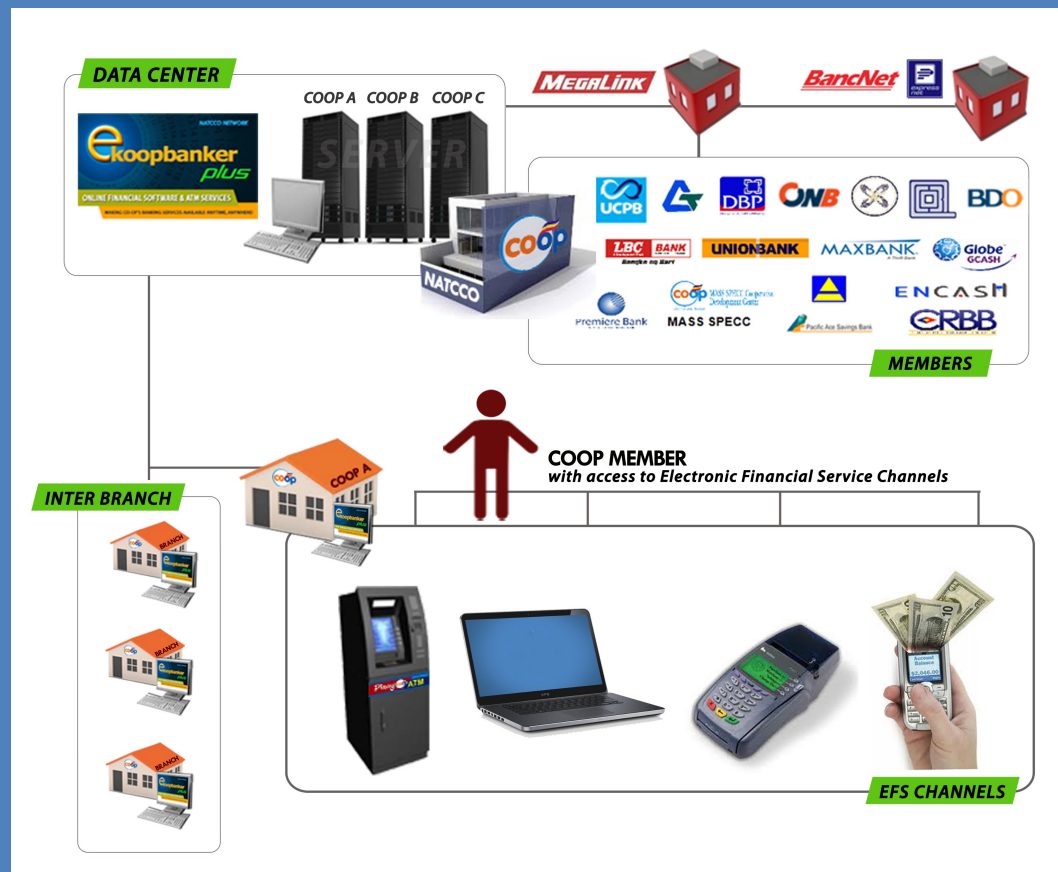
**we need to build a system to ensure
the sustainability of cooperatives**

NATCCO PROGRAMS AND SERVICES

Treasury and Credit
-Loan Fund
-Liquidity Fund
-Stabilization Fund

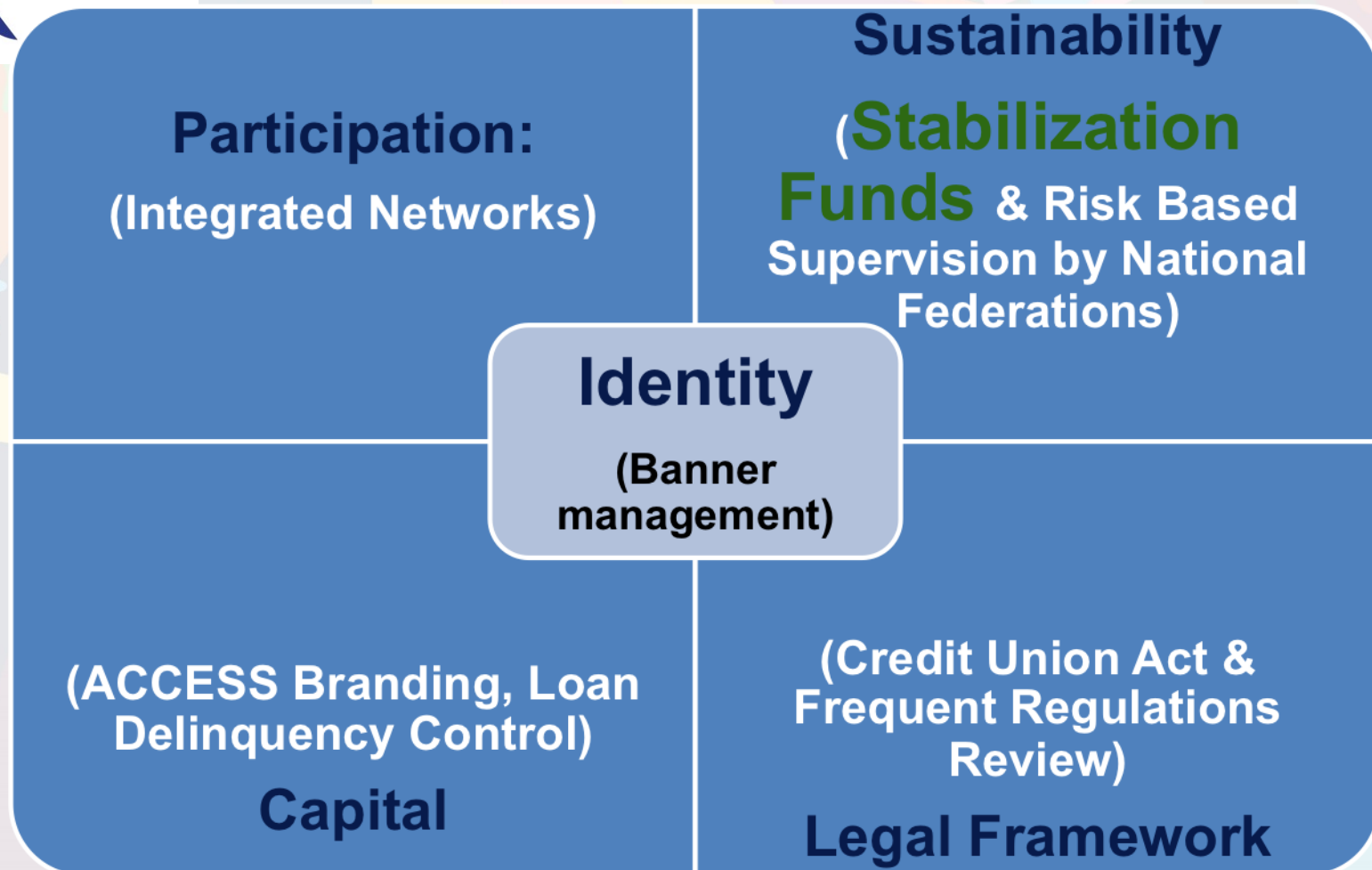
Education and Training
Consultancy
•Regional Professionalization
Program
Stabilization: Inspection
Microfinance Innovations in
Cooperative (MICOOP)
Cash Management Systems
- Remittances thru DA5

Information Technology



Blueprint for Financial Cooperatives: Road Map to Credit Union Network Integration

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Strategic Direction: SUSTAINABLE CREDIT UNION SYSTEM IN ASIA

RK

Managing growth & sustainability

**CU Network
Development**

Building Credit Union Foundations

QUALITY ASSURANCE

Branding, Benchmarking, Risk Based
Supervision, **Stabilization**

Fund, Credit Union Law, CRM

PROFESSIONALIZATION

Systems development, policies, products &
services, prudential standards, management
training, Strategic Planning, Good Governance,
HRM, market segmentation

LEADERSHIP DEVELOPMENT

Formation of the National Federations (service organizations for credit
union development) and training of leaders

MOTIVATION

Credit Union Philosophy, principles and values (continuing in economies in transition)

1971 to 1980

1981 to 1992

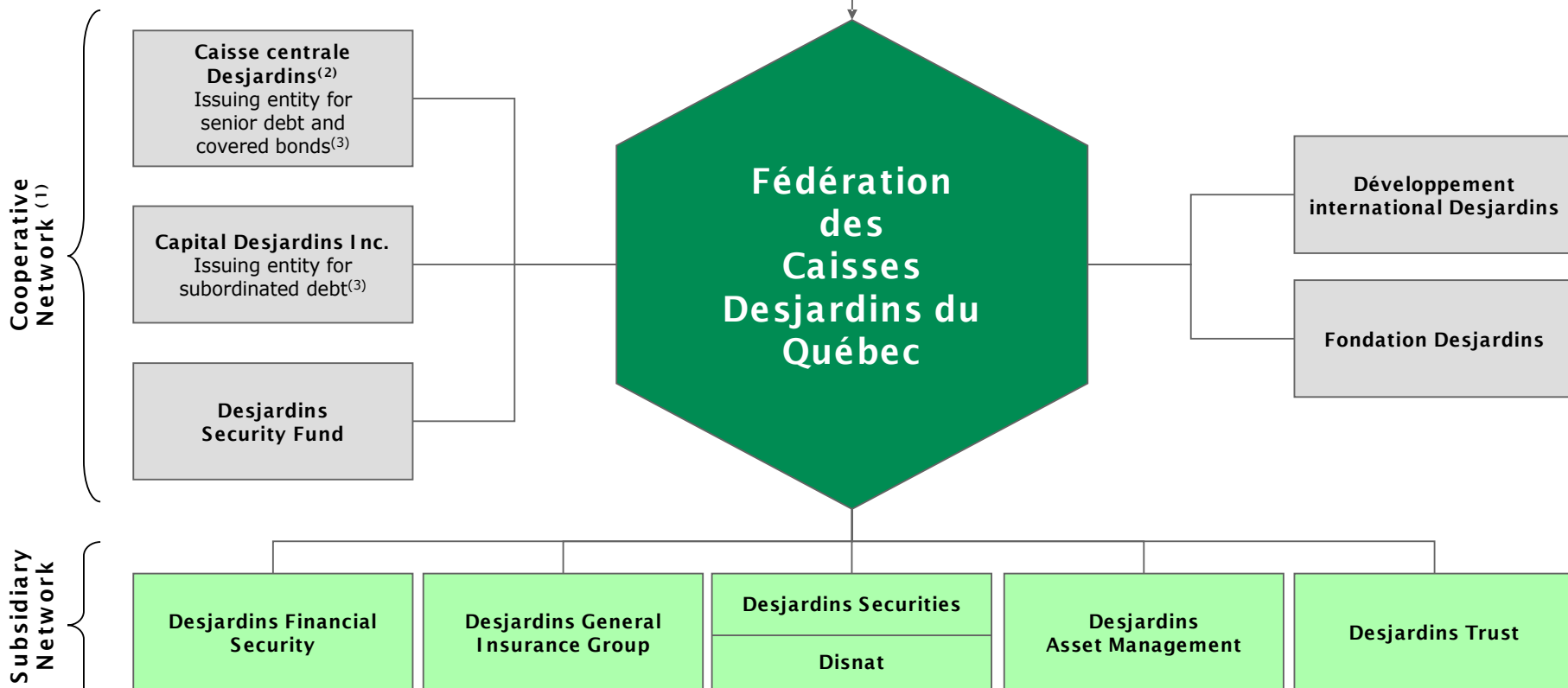
1992 to 2005

2005 to 2014

Beyond 2014

The Cooperative Model: Creating Sustainable Prosperity

5.6 million members throughout 397 caisses in Quebec and Ontario



What Is the Desjardins Security Fund?

NATCCO NETWORK

- ✓ A Unique Organization within the Financial System
- ✓ Exclusive to Desjardins Caisses in Québec
- ✓ “Caisse Life Insurance”
- ✓ A Collective Reserve for Caisses
 - ✓ Ex Ante / Ex Post Approaches
 - ✓ An Inalienable Asset Base
 - ✓ Security Fund vs Deposit Insurance

Deposit Insurance vs Security Fund in Quebec

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Deposit Insurance

- ✓ Established by government
- ✓ Protects depositors by reimbursing deposits (up to a certain maximum) in case of bankruptcy of their financial institution
- ✓ Seeks to limit losses by liquidating financial institutions
- ✓ Maintains public confidence in the financial system

Security Fund

- ✓ Established by FCDQ
- ✓ Protects caisses against insolvency by subsidizing the deficit
- ✓ Maintains financial institutions in operation whenever possible
- ✓ Maintains public confidence in the Desjardins network of caisses

Deposit Insurance vs Security Fund in Quebec

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Deposit Insurance

- ✓ Involves direct governmental intervention either in the form of endorsement of or financial support
- ✓ Protection limited to the government's financial capacity
- ✓ Net value of the deposit insurance fund managed by the Autorité des marchés financiers (AMF) : \$478 million as at March 31, 2011

Security Fund

- ✓ Avoids governmental intervention, allows more freedom of action by managers of the financial institution
- ✓ Protection limited to the financial capacity of the security fund
- ✓ Net value of the Desjardins Security Fund : \$ 787 million as at June 30, 2012

Benefits of a Security Fund

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- ✓ Unity and dependability of the institution
- ✓ Public confidence in the caisses
- ✓ Network autonomy and management flexibility for Desjardins
- ✓ Enhances financial and other problems solving capacity
- ✓ Credibility of the caisses
- ✓ Capital recognition of the Fund into overall network capitalization
- ✓ Group credit rating
- ✓ Tax issues
- ✓ Lower premium paid to the Regulator (AMF) – premium paid in 2010:
 - en 2010: \$14,4 million
 - en 2011: \$15,1 million
 - en 2012: \$15,8 million

Stabilization Fund

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- Asian Confederation of Cooperatives
 - Canadian Cooperative Association
- German Auditing Federation
- 2008
- Policy development
- Marketing to coops
 - 41 cooperatives



- Inspection Officer in 2013
- Alerta Temprana in 2014

RESPONSIBILITIES

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PARTICIPATING COOPERATIVES

Participation Fee	2,000 one time
Monitoring Fee	15,000 per year
Contribution to the Fund	0.5% of the Assets of the Cooperative

STABILIZATION FUND

- Yearly visit/ inspection of the cooperative
- Quarterly analysis of ratios
- Monitor the cooperative performance
- Provide financial assistance when needed

STABILIZATION FUND COMMITTEE

NATCCO NETWORK

Treasury
and
Credit

Consultancy

Stabilization Fund
Officer

NATCCO Chairperson
NATCCO CEO
CDA Chairperson
ACCU CEO
Rep from DOF
Ms. Lecira V. Juarez

Inspector
(On-site Inspection)

Databank Officer
(Alerta Temprana)
Off-site Monitoring

ENSURING A STRONG COOPERATIVE SYSTEM STABILIZATION FUND SYSTEM

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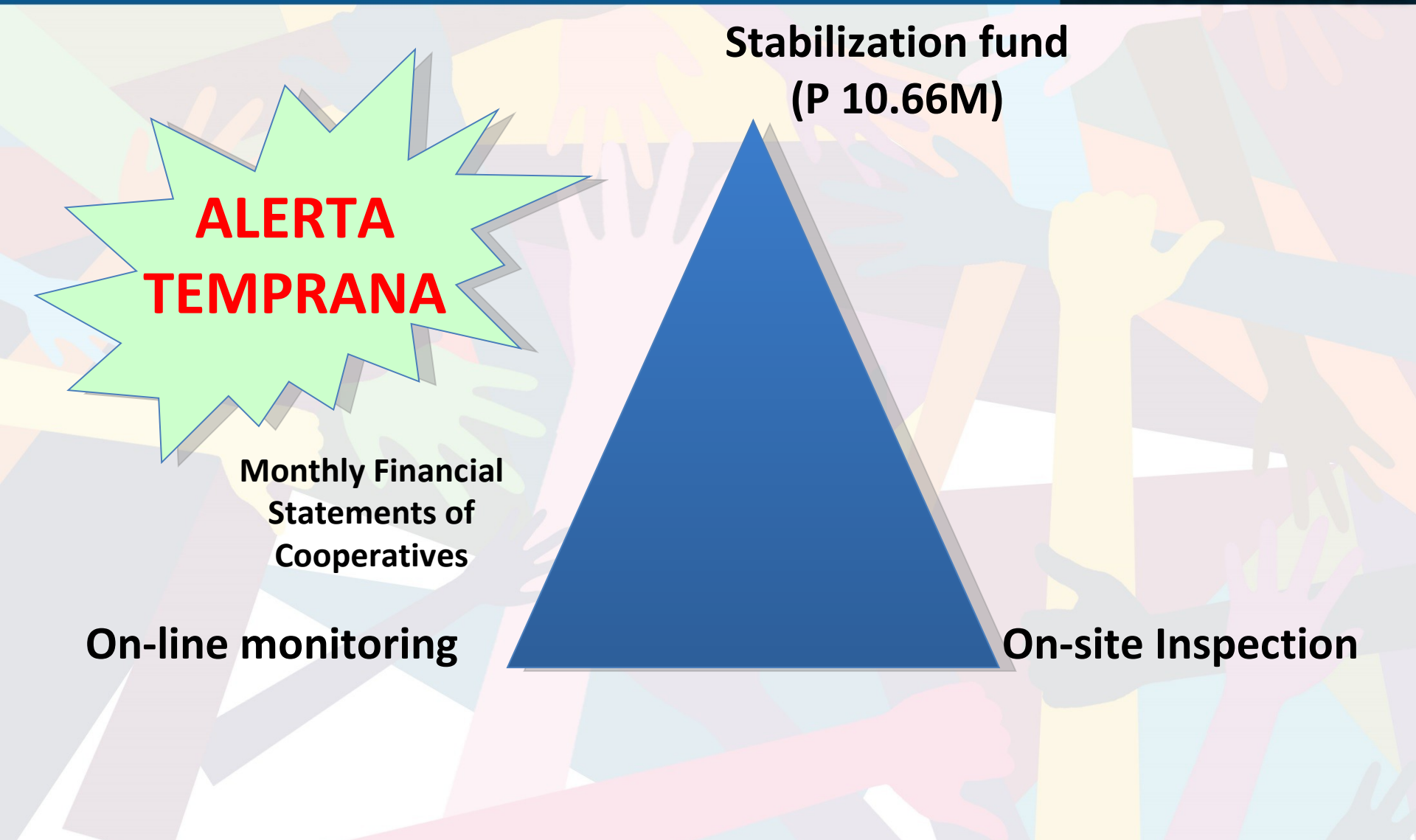
Stabilization fund
(P 10.66M)

**ALERTA
TEMPRANA**

Monthly Financial
Statements of
Cooperatives

On-line monitoring

On-site Inspection



	122 COOPS		
TOTAL ASSETS	46 Billions	100%	65 Billions
Cash and Cash Equivalents	5	11%	7.15
Gross Loans Receivables	36	78%	50.7
Net Loans Receivable	33	71%	46.15
Investments in NMS	1.7	4%	2.6
Plant, Properties & Equipment	2.8	6%	3.9
Deposit Liabilities	21	45%	29.25
Loans Payable	5.8	13%	8.45
Share Capital	12	26%	16.9
General Reserve Fund	1.3	<3% (5%)	1.95
Net Surplus	2.4	<5%	3.25

TREASURY AND CREDIT

FUNDS MANAGED

		AMOUNT S	PLACEMENTS	INTEREST RATES
168 coop depositors	Liquidity Fund	234.6 M	Government Securities/Time Deposits	2%
	Stabilization Fund	10.66	Government Securities/Time Deposits	2%
	Loan Fund	900M	lending to primary cooperatives	6%
TOTAL INTERNAL FUNDS		1,144M		
	SHARE CAPITAL	300M		
	BORROWINGS	573		

- Adherence to Financial Disciplines
 - Liquidity Reserves
 - General Reserve Fund and Institutional Capital
- Investing in Capacity Building of the Leaders and Management/Staff
- Openness to be inspected and invest in the inspection
- Regulatory Framework to support Stabilization Fund

- **300: Prepare for Glory**

Cooperatives lead the charge against invading poverty!

300: Rise of the Cooperative Movement

- **300: Prepare for Glory**

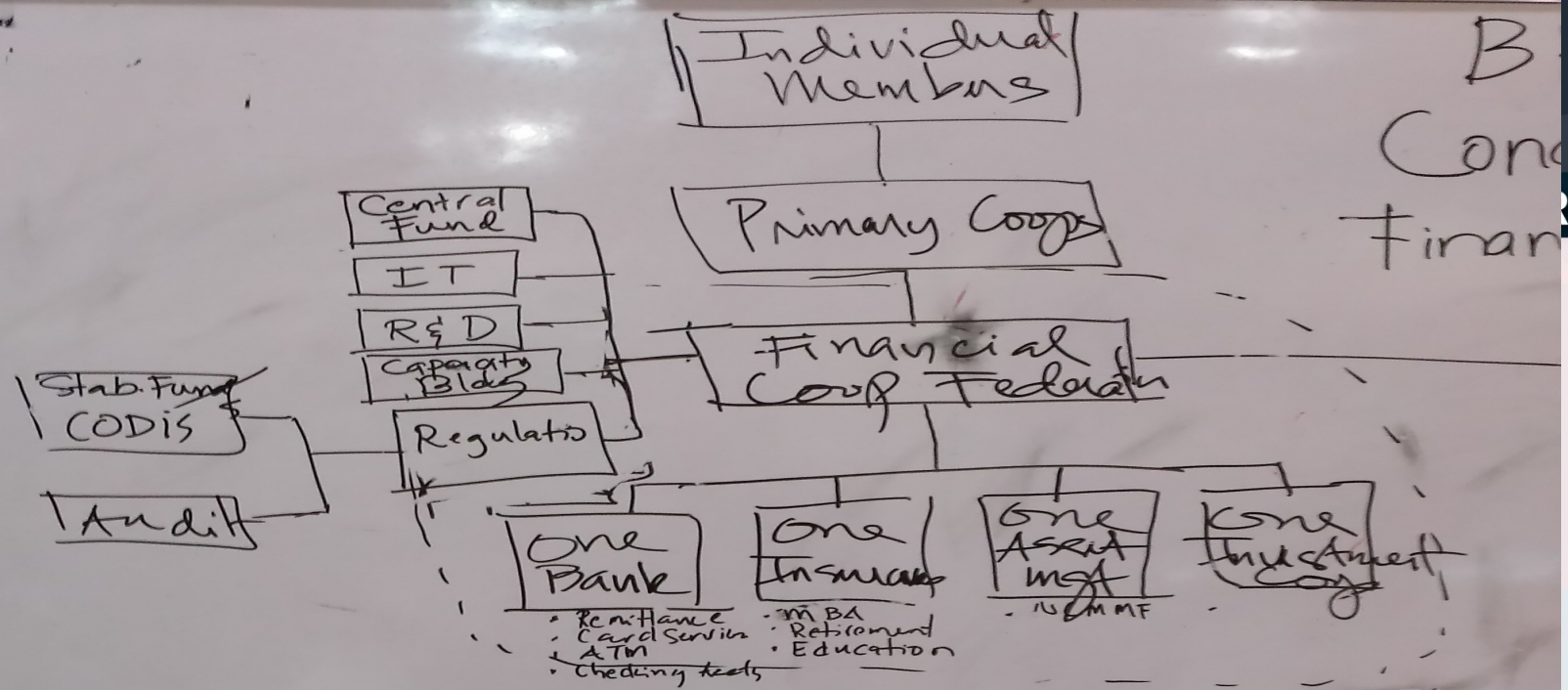
Greek General Themistokles leads the charge against invading Persian forces led by mortal-turned-god Xerxes and Artemisia, vengeful commander of the Persian navy.

- **300: Rise of an Empire**

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300: Rise of the Cooperative Movement



Base Camps:

- one Fed
- one Bank
- one Asset Mgmt
- one Investment

PCC

PCC FINANCE CLUSTER