FINANCIAL SERVICES COMMISSION

GUIDELINE No. 10

CAPITAL MANAGEMENT

This Guideline is issued by the Financial Services Commission ("the Commission") pursuant to section 53 of the Financial Services Commission Act 2010-21 ("Act") and comes into effect March 1, 2013.

This Guideline establishes the standards of the Commission with respect to how capital management policies and procedures must be established and overseen by the Board of Directors[1] of credit unions.

1. Managing capital is the on-going process of determining and maintaining the appropriate quantity of capital for a credit union. Such management requires a clear understanding of an institution's capital requirements over time. Because capital is an economically critical resource, capital management is an important component in the safe and sound management of credit union operations.

2. The objective of capital management is twofold. First, it ensures that capital is, and will continue to be, sufficient to maintain the safety and stability of the credit union. On the other hand, it ensures that the return on capital is sufficient to satisfy the expectations of members, to the extent of their participation in the returns of the credit union.

3. Although the particulars of capital management will differ among institutions, a comprehensive capital management program requires that each credit union establish and implement a policy that addresses the following items:

    3.1 the quantity of capital required to support the credit union's operations and financial responsibilities;

    3.2 monitoring, on an ongoing basis, of the credit union's capital requirements to ensure that it meets its capital requirements and will continue to have sufficient capital to support its operations; and

    3.3 planning to ensure that the credit union will continue to have sufficient capital to support its obligations.

[1] "Board" means the Board of Directors of a credit union.

4 The following is to clarify Section 197(2) of the Co-operative Societies Act: "The society shall appropriate the greater of one half of one per cent of assets or 25 per cent of surplus until the capital of the society equals 10 per cent of the total assets of the society."