



**DiD**  
Appui technique et investissement en finance communautaire



ASIAN CREDIT UNION  
FORUM 2013

**Federated vs Atomized  
Credit Union networks**  
Comparison of key characteristics


 Agence canadienne de  
développement international /  
Canadian International  
Development Agency
 

### Introduction:

- ▣ Opening
- ▣ Objectives of the presentation
- ▣ Key networks characteristics
- ▣ Integration criteria
- ▣ Conclusion


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### Développement international Desjardins *in a nutshell*

- ▣ A Canadian organization founded in 1970, specializing in technical support and investment and the proximity finance sector.
- ▣ 60 partner institutions, including 25 networks.
- ▣ DID supports organizations in more than 25 countries.
- ▣ Business volume of more than 24 million CAD\$ in 2012.
- ▣ A component of the Desjardins group, the largest financial cooperative group in Canada.


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### DID's Mission



Increase empowerment among disadvantaged populations by facilitating access to a diverse range of financial services and by developing individual and community assets.




Governance and Performance 



### Presentation's objectives

- ▣ Introduce Network's characteristics / Integration criteria
- ▣ Compare Federated to Atomized networks
- ▣ Share the benefits of Federated networks

### Network's governance Four Integration Criteria

1. Pooling or sharing of resources;
2. Standardization of operations, service, manuals, policies, image.
3. Contractual solidarity: interconnecting vessels, liquidity management, territory;
4. Self-discipline and rules of governance: affiliation, delegation of powers, fair membership fees.


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### Governance of a Network Key characteristics

1. <b>Pooling or sharing resources</b>	<ul style="list-style-type: none"> <li>✦ Grouping of services (sharing of expertise, purchasing)</li> <li>✦ Access to support services (liquidity management, exchange rates, payroll, training, staffing)</li> <li>✦ Collective ownership (insurance company, ATMs)</li> </ul>
2. <b>Standardization of operations</b>	<ul style="list-style-type: none"> <li>✦ Standardization of operating systems: accounting, information technology, control, MIS</li> <li>✦ Standardization of policies and standards: credit, financial.</li> <li>✦ Standardization of products: rates, term, collateral, fees</li> <li>✦ Institutional image: logo, advertising, representation</li> </ul>
3. <b>Contractual solidarity</b>	<ul style="list-style-type: none"> <li>✦ Control of the opening of points of service</li> <li>✦ Balancing the size of the first-tier (Credit Union)</li> <li>✦ Fair membership fees paid to the network</li> <li>✦ System of interconnecting vessels</li> <li>✦ In-house security mechanisms: insurance, contingency funds</li> <li>✦ Central Liquidity Facility: external funds, risk sharing</li> </ul>
4. <b>Governance and self-discipline</b>	<ul style="list-style-type: none"> <li>✦ Structure of democratic representation and centralization of power</li> <li>✦ Principle of subsidiarity: 2<sup>nd</sup> tier ≠ substitution of the Credit Union</li> <li>✦ Supervision, sanctions</li> <li>✦ Affiliation and disaffiliation mechanisms</li> </ul>

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### Integration Criteria # 1

#### Pooling or sharing resources

- Access to support services (liquidity management, exchange rates, payroll, training, staffing)
- Collective ownership (insurance company, ATMs)
- Grouping of services (sharing of expertise, purchasing)

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### Integration Criteria # 2

#### Standardization of operations

- Standardization of operating systems: accounting, information technology (M.I.S.), internal control, supervision, human resources;
- Standardization of policies and standards: credit /lending, financial, investments, ;
- Standardization of products: rates, term, collateral, fees;
- Institutional image: logo (banner management), advertising, representation, etc..

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### Integration Criteria # 3

#### Contractual solidarity

- Control of the opening of points of service;
- Balancing the size of the first-tier (Credit Union);
- Fair membership fees paid to the network;
- System of interconnecting vessels;
- In-house security mechanisms: insurance, contingency funds;
- Central Liquidity Facility: external funds, risk sharing

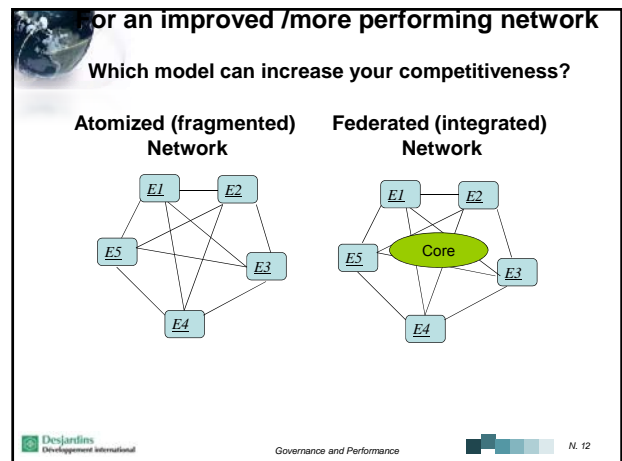
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### Integration Criteria # 4

#### Governance and self-discipline

- Structure of democratic representation and centralization of power;
- Principle of subsidiarity: 2<sup>nd</sup> tier ≠ substitution of the Credit Union;
- Supervision, sanctions;
- Affiliation and disaffiliation mechanisms;

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### Federated network governance Integration challenges

Criteria	Cycle of Evolution
1. Sharing resources (pooling)	Simple (except in the case of acquisitions)
2. Standardization of operations	Compromises
3. Contractual solidarity	Form something new
4. Governance and self-discipline	Maturity

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### Governance of a Network The Federation's Perspective

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### Governance of a Network The Credit Union's Perspective

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### Governance of a Network The Members' Perspective

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### Governance of a more federated/integrated Network Federation, C.U., Member?

- Who will make the difference between having a well-integrated network or one that isn't?
- Where does the change begin?

**The key factor = the Credit Union's point of view**

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### For a more integrated / efficient Network

- League / federation leadership addressing the Credit Union's issues
- Credit Union applying cooperative principles and getting involved in the integration process
- Increased competitiveness

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***"Action without vision  
is just a waste of time.  
"Vision without action  
is just a daydream."***

***Anonymous***

A composite image featuring a small globe in the top left corner and a close-up of musical notes and a treble clef in the center. The notes are in shades of brown and gold.

# Conclusion

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