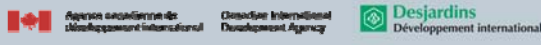


DiD
ASIAN CREDIT UNION FORUM 2013

Federated vs Atomized Credit Union networks
Comparison of key characteristics



Introduction:

- ▣ Opening
- ▣ Session's objectives
- ▣ Desjardins group: A federated governance model
- ▣ Key networks characteristics
- ▣ Workshop on Network's key challenges
- ▣ Integration is a matter of Change Management
- ▣ Conclusion

Desjardins Développement international Governance and Performance N. 2

A Governance Model: Desjardins Group:

- ▣ Largest financial cooperative group in Canada.
- ▣ Predominant cooperative values (equity, solidarity, honesty, social responsibility).
- ▣ Over 100 years of existence and first financial institution in Quebec.



Alphonse Desjardins:
Recognized as the initiator of the credit union movement in North America
Founder of 143 caisses (financial cooperatives)
<http://www.desjardins.com/> (History)

Desjardins Développement international Governance and Performance N. 3

Evolution of the Service Offering

1900 – 1945
Basic savings and credit banking services
Creation of 11 Federations and the Confederation

1945 – 1960
Property and casualty insurance and personal insurance


1960 – 1980
Trust, investment-fund, investment, commercial and industrial credit, venture capital and inter-coop services

1980 – 2005
Automated and electronic services (ATMs, direct debit, telephone and Internet transactions, etc.); credit cards, financial planning and retirement, securities, specialized business services, international services and asset management
Reorganization into two tiers: caisses [financial cooperatives] and one Federation

Desjardins Développement international Governance and Performance N. 4


Today

- ▣ The first Financial Institution in Quebec – Assets of CAN\$ 200 G
- ▣ More than 5.6 million members
- ▣ 5,268 elected leaders



Desjardins Complex - Montreal

- ▣ Largest employer in Quebec and 20th in Canada (44,942 persons)
- ▣ 397 caisses + 897 service centers, 2,559 ATMs
- ▣ 1st Insurer and 1st Credit card issuer in Quebec

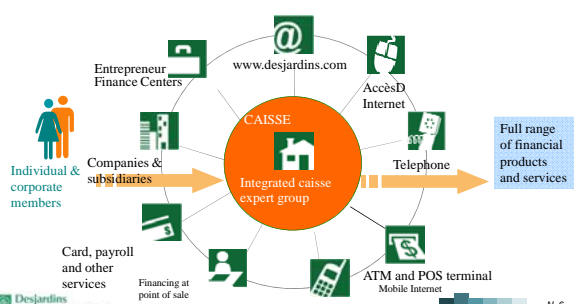


Headquarters and Subsidiaries - Lévis

Desjardins Développement international Governance and Performance N. 5

Multi-Channel Integrated Offer

The Desjardins caisse: gateway to an integrated network



The diagram illustrates the Desjardins caisse as a central hub (CAISSE) connected to various channels and services. The central hub is labeled "CAISSE" and "Integrated caisse expert group". It is surrounded by icons representing different channels: Entrepreneur Finance Centers, www.desjardins.com, AccèsD Internet, Telephone, Full range of financial products and services, ATM and POS terminal, Mobile Internet, Financing at point of sale, Card, payroll and other services, and Individual & corporate members. Arrows point from the central hub to each of these channels.

Desjardins Développement international Governance and Performance N. 6

Governance of a Network Four Integration Criteria

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

Desjardins Développement international Governance and Performance N. 7

Governance of a Network Four Integration Criteria

1. Pooling or sharing resources	<ul style="list-style-type: none"> ✦ Grouping of services (sharing of expertise, purchasing) ✦ Access to support services (liquidity management, exchange rates, payroll, training, staffing) ✦ Collective ownership (insurance company, ATMs)
2. Standardization of operations	<ul style="list-style-type: none"> ✦ Standardization of operating systems: accounting, information technology, control, MIS ✦ Standardization of policies and standards: credit, financial. ✦ Standardization of products: rates, term, collateral, fees ✦ Institutional image: logo, advertising, representation
3. Contractual solidarity	<ul style="list-style-type: none"> ✦ Control of the opening of points of service ✦ Balancing the size of the first-tier MFIs ✦ 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
4. Governance and self-discipline	<ul style="list-style-type: none"> ✦ Structure of democratic representation and centralization of power ✦ Principle of subsidiarity: 2nd tier ≠ substitution of the MFI ✦ Supervision, sanctions ✦ Affiliation and disaffiliation mechanisms

Desjardins Développement international Governance and Performance N. 8

Governance of a Network The Challenges

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

Desjardins Développement international Governance and Performance N. 9

Governance of a Network Network's differences

Fragmented Network

Federated Network

Fragmented networks:

- ✦ One-off bilateral agreements (without obligations to join a second-tier entity);
- ✦ One-off consensus that is renegotiated (short-term);
- ✦ Each member may or may not purchase goods or services.

Federated networks:

- ✦ Decisions binding on all;
- ✦ Delegation of powers to the central body;
- ✦ The central body has discretionary power in certain decisions, although other topics require the vote of the affiliates.

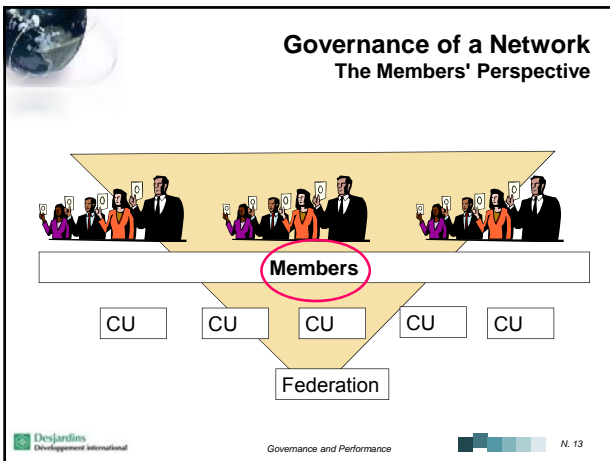
Desjardins Développement international Governance and Performance N. 10

Governance of a Network The Federation's Perspective

Desjardins Développement international Governance and Performance N. 11

Governance of a Network The Credit Union's Perspective

Desjardins Développement international Governance and Performance N. 12



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

Desjardins
Développement international

Governance and Performance

N. 14

Workshop

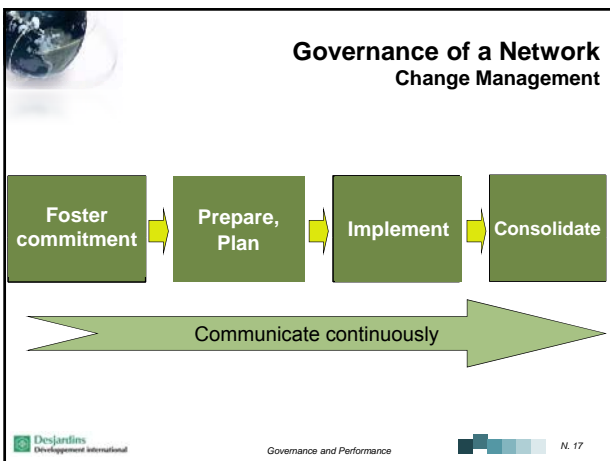
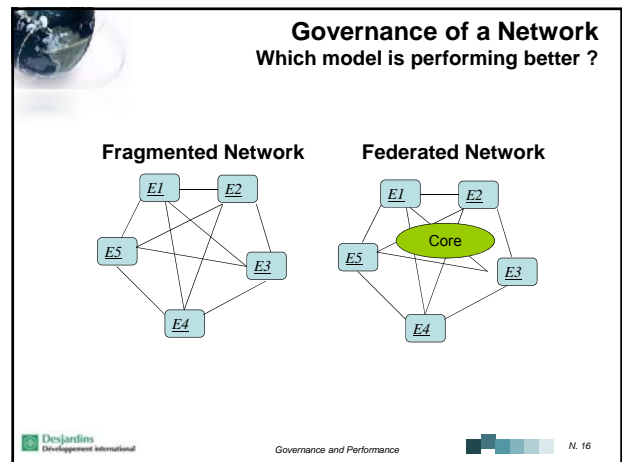
Challenges and Strategies of a Network

- What are your network's Challenges?

Desjardins
Développement international

Governance and Performance

N. 15




The power of cooperation

In a context where...

- Competition is fierce
- The microfinance industry is evolving rapidly;
- Mastering the technology elements of our business is crucial;
- Members are more and more demanding: More diversified products and services;
- Attracting and retaining qualified personnel is increasingly difficult;
- Regulatory requirements will become more and more demanding;




Desjardins
Développement international



The power of cooperation


A more integrated network enables the Credit Unions to...

- Be more coherent (act as common front/movement);
- Reinforce the « Credit Union banner strenght » therefore there notoriety;
- Decrease their costs by sharing common services ;
- Professionalize and diversify their service offering to their members;
- Increase the career potential of their employees;
- Implement solidarity mechanisms which will make them collectively stronger in light of increasing financial and prudential norms.



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

Anonymous



Conclusion

