

## **Rick Houenipwela: Credit unions – legal & compliance**

Opening address by Mr Rick Houenipwela, Governor of the Central Bank of Solomon Islands, at the Credit Unions Legal & Compliance Workshop, Honiara, 16-17 April 2008.

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### **Introduction**

Salutations:

Presidents, Managers, Board & Committee members of respective credit Unions;

General Manager of SICUL;

Media Representatives;

Ladies and Gentlemen:

I am pleased to welcome you all this morning to mark the opening of your workshop on the topic “Credit Unions: Legal & Compliance” that you will cover in the next two days.

This is the second workshop that CBSI and the Office of Registrar of Credit Unions have conducted in the past 12 months for credit unions that are members of the Solomon Islands Credit Union League. The first was held for the Board of directors and management of the Central Malaita Credit Union Limited in September 2007, on the topic: “Strategic Planning and Loan Delinquency Control.” This is yet another example to demonstrate the Central Bank’s long term commitment to support the development of credit unions in our country.

Let me now turn to the subject of this morning’s topic, which you will be covering in the next two days. In emphasizing the importance of this workshop, I would like to make three points.

### **Legal compliance**

First, I want to stress that it is vital for credit unions to comply with the legal requirements in their operations. It is important for you as a Board or a member of the management team to understand that your credit union is set up under a legal framework. That legal framework requires you to conduct and manage your business in accordance with the provisions of the Credit Union Act and its Standard By-laws and Regulations. While some credit unions are trying to comply, it is sad to note that non-compliance is still a wide spread problem in many credit unions. Some examples of areas for compliance include submission of timely audited financial statements and reports, holding of annual general meetings, proper election of officer bearers and paying your dues to the Solomon Islands Credit Union League (SICUL). I hope as a result of this workshop, we will see more effective compliance with the legal requirements under the Credit Unions Act 1986.

### **Role of credit union in the development the financial system**

I turn to my second point: where do credit unions fit in the financial system and what is their role in the development of the financial system? Let me reiterate that the CBSI takes the role the credit unions play in the financial system as very vital. While they remain pivotal to the informal financial sector, credit unions play a very vital link with the formal banking sector, not to mention the important place they have in promoting and encouraging development of financial services in this country. Under the legal framework however, credit unions are privately owned institutions, which are managed by a board and management, appointed by the members. That being the case, the Central Bank does not interfere with the way credit unions manage their businesses. CBSI however, subscribes to the philosophy behind the credit unions movement: that members working in cooperative spirit to encourage the habit of savings and educating them in the wise use of credit. The more educated credit unions

members in the management of their money, the better it is for the financial sector and the economy. To this end CBSI has provided substantial support to the credit union movement over the years through the Credit Union League. CBSI would like to see a strong League office which is able to deliver services as expected under the Credit Union Act to its member credit unions. CBSI support would continue but at the same time the Bank believes that it is now time to promote and encourage other alternative and inclusive ways of delivering financial services to the majority of the Solomon Islands population.

### **Putting value on information**

Finally I would like to stress the importance of this workshop. During the next few days valuable information and ideas will be imparted to you. This workshop will only be useful if what you learn from it is put into practice. No doubt you will agree that information is not cheap and instructions to better manage and run your credit unions can be very expensive, if these are not put to practice. I sincerely hope that you will do the right thing to ensure your credit unions are better managed for the greater good of your members and financial services development as a whole.

In conclusion, let me take this opportunity to thank you all for the commitment and effort you have shown to attend this workshop. I am sure the next two days will prove useful in strengthening your credit unions compliance with the Credit Union Act.

Thank you for listening.