

Prospects for Competition in the Credit Union Sector



**Fair Trading Commission
Kingston, Jamaica
November 2012
www.jftc.gov.jm**

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INTRODUCTION

1. The purpose of this study is to describe the prospects for competition in the credit union sector regarding the provision of ancillary services. The goal is to promote competition where consumers are provided with better products and services and a wide range of choices at the most affordable prices.

Literature Review

2. Studies conducted in the United States and Barbados examined competition between credit unions and other financial institutions. One study in the United States used a dynamic model of spatial competition to analyse competition among banks and between banks and credit unions.¹ The model put forward by Emmons and Schmid predicted that where there is an increase in the *concentration* of banks, consumers will switch to credit unions.² Credit union participation rate was also examined for the same period.³ The results of the study showed that as the commercial banking sector became more concentrated, more individuals are likely to join credit unions.⁴ The intuition behind this result is that as the banking sector becomes more concentrated, individual banks or groups of banks are more likely to engage in anticompetitive conduct which ultimately result in higher fees, relative to the less concentrated banking sector. To avoid the high fees, therefore, consumers switch to credit unions.

¹ Emmons, William, and Frank Schmid. "Bank Competition and Concentration: Do credit unions matter?" *The Federal Reserve Bank of St. Louis REVIEW*, Vol. 82 (No. 3), May/June, 2000, p. 29-42.

² Market *concentration* is one factor used by competition economists to assess the potential for an individual business entity, or group of entities, to profitably charge prices above the competitive levels for a sustained period. In the study, bank concentration was measured with Herfindahl Hirschman Index (HHI) using bank deposit shares for the period 1989- 1996.

³ Credit union participation rate refers to the number of actual credit union members divided by the number of potential members (Emmons and Schmid 2000).

⁴ Technically speaking, the study showed that there was a statistically significant positive relationship between the current credit union participation rate and the lagged value of the commercial bank sector Herfindahl index. That is, an increase in the commercial-bank HHI of 0.01 point increased the credit union participation rate by 0.0100 (Emmons and Schmid 2000).

3. Traditionally, credit unions offered fewer services than banks do. The study in Barbados, however, found that credit unions have diversified their services and as such they may be seen as a viable alternative to traditional banking services. The study indicated that credit unions offered services such as automated teller machines, credit cards and cheque facilities which were once deemed as exclusive bank services.⁵ Similarly, the American Bankers Association indicated that many credit unions are indistinguishable from community banks as they offer the same products as banks.⁶ Since consumers substitute services offered by banks with those offered by credit unions, banks and credit unions can be considered as being in the same market. In Jamaica, it is noted that “increasingly...credit unions have been...offering more complex services and products usually associated with larger banking operations. These have included, for example, certificates of deposit, credit cards, larger commercial type credits and securities products.”⁷ In fact, at its launch in August 2012, First Heritage Co-operative Credit Union Limited indicated that it “...will now lead the change to revolutionise the credit union sector...” while offering approximately 38 products.⁸

4. Another factor which supports the argument that credit unions compete with banks, is the outcry from banks regarding the regulatory advantages that credit unions benefit from. The American Bankers Association argued that credit unions operate as banks do in every way, but for regulation. In Ireland, the bankers pursued a case in the courts claiming that tax regulations favouring credit unions resulted in unfair competition in the Irish financial services sector.⁹ Similarly in the United States, it was argued that credit unions’ tax exempt

⁵ Craigwell, R, C Maxwell, and S Howard. "Competitiveness in the Commercial Banking Industry in Barbados." 2006.

⁶ American Bankers Association. *Credit Unions: A Changing Industry*. 2010.

⁷ Opening Remarks offered by Gayon Hosin, Deputy Governor, Bank of Jamaica, at the *World Council of Credit Unions (WOCCU) and Caribbean Regional Technical Assistance Centre (CARTAC) Caribbean Credit Union Supervision Workshop*, held in Montego Bay, Jamaica October 5-7, 2010. p. 2.

⁸ Sabrina Gordon. "First Heritage Promises to Revolutionise Credit Union Market." *The Financial Gleaner*, Friday, August 3, 2012

⁹ McCharty, Olive, Robert Briscoe, and Micheal Ward. *Redesigning the Credit Union for the New Millenium: A Case Study of Ireland*. 2000.

status gave them a competitive edge over other financial institutions.¹⁰ Credit unions are tax exempt while other financial institutions pay taxes. This tax exemption allows credit unions to offer lower fees and charges than banks for similar services. For instance, the study in the United States indicated that the lending rates for some types of loans were lower for credit unions than comparable loans at banks.¹¹

5. A study conducted in the United Kingdom to examine the efficiency of credit unions found that there was considerable scope for efficiency gains. The study also indicated that the high levels of inefficiency in the sector could be attributed to the fact that credit unions did not compete with each other for market share.¹² Membership in a credit union is based on a 'common bond.' Consequently, members usually share a commonality such as occupation or area of residence. For instance, with a credit union whose common bond is defined by occupation, only individuals who work in a specific organisation or industry would be eligible for membership.
6. The study in the United Kingdom showed that credit unions had clearly defined and non-overlapping common bonds therefore, to some extent they were not subject to competitive pressures from other credit unions. As a result of this, dividend payments varied considerably across credit unions.¹³
7. According to McKillop and Ferguson, in countries where credit unions have open membership, loans and dividend rates tend to be standardised across the industry.¹⁴ Credit unions with open membership supply services to the general population rather than specific

¹⁰ Tatom, John. *Competitive Advantage: A study of the Federal Tax Exemption for Credit Unions*. 2005,13.

¹¹ *Ibid.*, 15.

¹² McKillop, Donal, J.C. Glass, and Charles Ferguson. "Investigating the Cost Performance of UK Credit Unions Using Radial and Non-Radial Efficiency Measures." 2002.

¹³ McKillop, Donal, and Charles Ferguson. "An Examination of Borrower- Orientation and Scale Effects in UK Credit Unions." 1998.

¹⁴ *Ibid.*,10.

groups.¹⁵ In instances where membership is open, credit unions will offer attractive loan rates and dividend payments so as to keep existing customers and entice new customers. Hence, credit unions that operate with open membership policies compete with each other.

8. In recent times, there has been increasing concern among credit union members in Jamaica that the fees being charged by credit unions are excessive and sometimes higher than that charged by banks. The objectives of this study are to (i) assess the degree of competition in the credit union sector in the provision of ancillary services; (ii) identify factors that restrict competition; and (iii) suggest ways in which competition could be enhanced for the benefit of consumers.

DESCRIPTION OF CREDIT UNION SECTOR

Legislation/ Regulatory Framework

9. The credit union sector is regulated by the Department of Co-operatives and Friendly Societies (DCFS), an agency of the Ministry of Industry, Investment and Commerce. The DCFS administers the Co-operative Societies Act and the Co-operative Societies Regulations which regulate the establishment and operations of credit unions. There is a national association of credit unions in the form of the Jamaica Co-operative Credit Union League Limited, which operates as a representative organisation, policy-maker and service provider for its affiliated credit unions in Jamaica.
10. Members of a credit union must share a common bond such as affiliation or area of residence. This condition is set out in Section 23 of the Co-operative Societies Act which states that:

“No person other than a registered society shall be a member of a registered society unless- (b) there exists between himself and other members of the society some common

¹⁵ Credit unions with open membership are those with relaxed eligibility requirement so that everyone in the population has the opportunity to qualify for membership. This is in contrast to credit unions with restrictive membership requirements where only a segment of the population has the opportunity to qualify for membership.

bond of occupation or association or of residence in a defined neighbourhood, community or district.”

Services

11. The credit union sector plays a vital role in an economy’s financial system, as it supplies numerous financial services to its members. As co-operative financial institutions which are owned and controlled by their members, credit unions facilitate the channeling of funds between lenders and borrowers. Credit unions raise funds by accepting deposits from members (lenders) and make loans to members (borrowers) from the pool of deposits. Credit unions offer numerous loans to members such as mortgage loan, micro and small business loan, motor vehicle loan and educational loan among others. The primary assets of credit unions are loans and their primary liabilities are deposits and insurance.
12. In addition to extending loans, credit unions raise funds by imposing fees and charges for numerous ancillary financial services. These services include withdrawals, debit card related transactions, standing orders and wire transfers. Some credit unions also provide chequing account services and credit card facilities.¹⁶ Consumers access these services primarily via branches. Some of these services, however, are accessible at automated teller machines.
13. Credit unions also earn revenue from imposing penalties for dormant accounts and accounts closure.

Suppliers

14. Credit unions are not-for-profit financial co-operatives where members have a commonality such as their place of employment, area of residence, professional organization or social group. Credit unions are unique in this sense, in that they supply services to specific groups (See Appendix A). They are not licensed to hold deposits in Jamaica, as per the Financial Institutions Act and as such members’ deposits are not protected by the Jamaica Deposit Insurance Corporation. Savings are insured however, through life savings insurance from

¹⁶ Jamaica Co-operative Credit Union League Limited website.

CUNA Mutual Insurance. There are forty-three credit unions in Jamaica (See Appendix B).
17,18

Accessibility

15. An important aspect of service delivery is an expansive branch network, regarding the number and geographic coverage of the branches.¹⁹ Where a credit union has branches in multiple geographic areas, it will be accessible by more consumers as opposed to a credit union with one branch only or with several branches in one geographic area. Consumers' value convenience, and therefore they will prefer suppliers that are accessible to them. Of the forty-three credit unions in Jamaica, thirty have one branch only with each of the other thirteen having between two and twelve branches. Regarding the geographic coverage of the credit unions, eighteen are located in at least two parishes while twenty five are located in one parish only. There are a total of ninety-eight branches of all credit unions (See Appendix B).
16. The Department of Co-operatives and Friendly Societies classifies Jamaica's credit unions into two groups: *parish-based* credit unions and *in-house* credit unions. Parish-based credit unions comprise entities which typically solicit membership from residents of only one parish which they normally carry the name of.²⁰ There are ten parish-based credit unions in Jamaica, seven of which have one branch only. In-house credit unions are those which solicit customers from members of a specific organisation or profession. Of the thirty-three

¹⁷ Members of the Jamaica Co-operative Credit Union League Limited as listed in the 2011 Telephone Directory.

¹⁸ Bank of Jamaica's website indicates that forty-four credit unions were licenced in Jamaica at the end of 2011.

¹⁹ A study conducted by the Fair Trading Commission in December 2010 on the nature and extent of competition in the commercial banking sector revealed that consumers selected banks based on accessibility. Specifically, the results of a 2010 consumer survey conducted by the Consumer Affairs Commission in collaboration with Consumers International showed that two-thirds of consumers choose banks based on convenience and location/accessibility.

²⁰ The only exception to this general rule is First Regional CCU Ltd, which was formerly St. Ann CCU Ltd, which has branches in St. Ann and St. Mary.

in-house credit unions, five have branches in at least three parishes.²¹ Jamaica Teachers' Association CCU Ltd has the most extensive branch network as it is present in every parish except for Hanover and Trelawny. Jamaica Police CCU Ltd also has an extensive branch network with branches in nine parishes. C&WJ CCU Ltd, COK Sodality CCU Ltd and Churches CCU Ltd are located in five, four and three parishes respectively.

Pricing and Economic Viability

17. The credit union sector annually generates billions of dollars in revenues from *interest charges* associated with loans disbursed for personal and business purposes; *fees and commission* from charges and ancillary services; and from other sources including *foreign currency* market activities.

18. For the Financial Year ending 2010, the gross revenue for thirty-three credit unions totaled over \$5.1 billion, with revenue from interest amounting to approximately \$4.5 billion.²² A review of the individual credit unions shows that interest charges contribute between 73 and 97 percent of gross revenue. Of the thirty-three credit unions, twenty five provided a breakdown for their non-interest income which showed that fee and commission income amounted to over \$371 million (Table 1). Revenue from fees and commission contributed up to 27 percent of gross revenue. The highest fee and commission income recorded by any credit union was \$115 million.

19. Gross revenue for the Financial Year 2009 for thirty-four credit unions totaled \$5.1 billion with interest revenue accounting for \$4.5 billion.²³ A breakdown of non-interest income of twenty-four credit unions showed that fee and commission income accounted for \$289 million. Interest revenue contributed between 77 and 100 percent of gross revenue while

²¹ Jamaica Teachers' Association CCU Ltd, Jamaica Police CCU Ltd, C&WJ CCU Ltd, COK Sodality CCU Ltd and Churches CCU Ltd.

²² While there are over forty credit unions in Jamaica, data were available for only thirty-three credit unions.

²³ Data were available for thirty-four credit unions in 2009.

revenue from fee and commission accounted for up to 23 percent of gross revenue. The highest fee and commission income recorded by any credit union was \$85 million which accounted for 15.3 % of gross revenue.

20. For 2007 and 2008, the percentage contribution of interest revenue to gross revenue was stable but subsequently declined from 2008 through 2010 (Figure 1).²⁴ For the period 2007 through 2010, the contribution of fee and commission income to non-interest income recorded an increase for two periods and a decrease for one period. The contribution of fee and commission income to non-interest income increased by 6 and 8 percentage points for the periods 2007 to 2008 and 2009 to 2010 respectively while it decreased by 10 percentage points from 2008 to 2009.

Table 1 Breakdown of Gross Revenue (millions): Financial Year ending in 2010

Credit Union	Net Interest Income	Fee & Commission	Other Income	Gross Revenue
AAMM CCU Ltd	172	6	1	178
BJ Staff CCU Ltd	26	--	--	27
Broadcast & Allied CCU	25	1	2	29
Building Societies CCU Ltd	5	--	--	6
C&WJ Employees CCU Ltd	243	32	14	289
Churches CCU Ltd CCU Ltd	548	115	9	673
COK Sodality CCU Ltd	260	44	54	358
Correctional Services CCU Ltd	51	2	2	54
Ewarton Works CCU Ltd	32	--	--	34
First Regional CCU Ltd	235	2	8	244
Grace CCU Ltd	32	1	1	33
GSB CCU Ltd	272	31	11	314
Hanover CCU Ltd	64	1	4	69
Insurance Employees CCU Ltd	106	0	5	111
Jamaica Defence Force CCU Ltd	78	20	1	98
Jamaica Police CCU Ltd	238	36	1	275
Jamaica Special Constabulary CCU Ltd	129	--	--	129
Jamaica Teachers' Association CCU Ltd	622	13	4	640
JPS & Partners CCU Ltd	177	0	8	185

²⁴ Gross revenue and non-interest income for the period 2007-2010 are measured in 2010 dollars.

Table 1 (Cont'd)

Credit Union	Net Interest Income	Fee & Commission	Other Income	Gross Revenue
Kirkvine CCU Ltd	42	1	2	44
Lascelles Employers & Partners CCU Ltd	51	2	0	53
Montego CCU Ltd	191	0	13	205
NAJ CCU Ltd	41	1	1	42
Nestle Jamaica CCU Ltd	5	--	--	5
NWC CCU Ltd	115	1	5	121
Petroleum Industry Employees CCU Ltd	14	--	--	15
Portland CCU Ltd	190	10	2	203
Postal CCU Ltd	31	11	0	42
PWD CCU Ltd	30	--	--	31
St Catherine CCU Ltd	146	7	34	187
St Elizabeth CCU Ltd	127	33	7	168
Trelawny CCU Ltd	101	2	1	104
UWI (Mona) and Comm. CCU Ltd	116	--	--	135
Total	4,515	372	189	5,103

-- Data are unavailable

Figure 1 Gross Revenue, 2007-2010

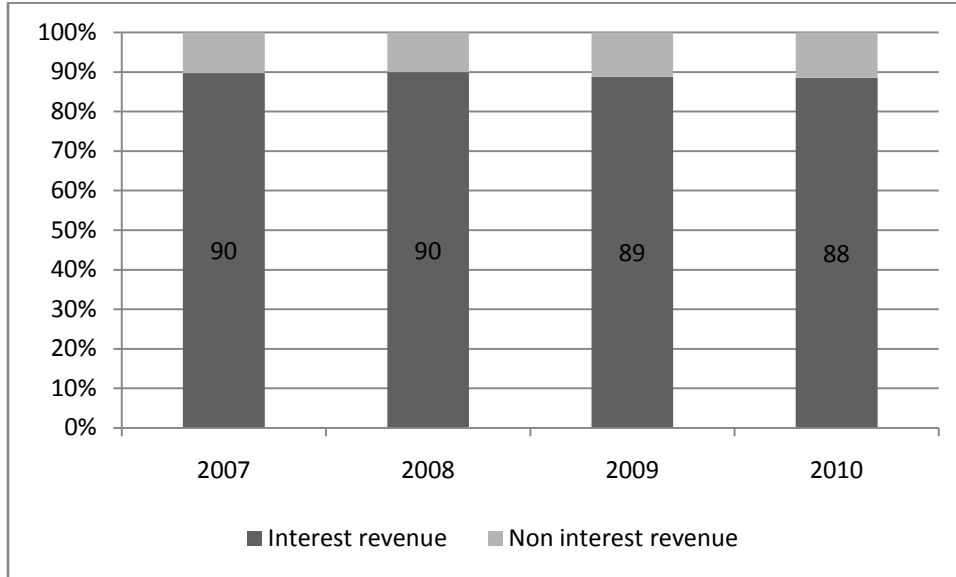
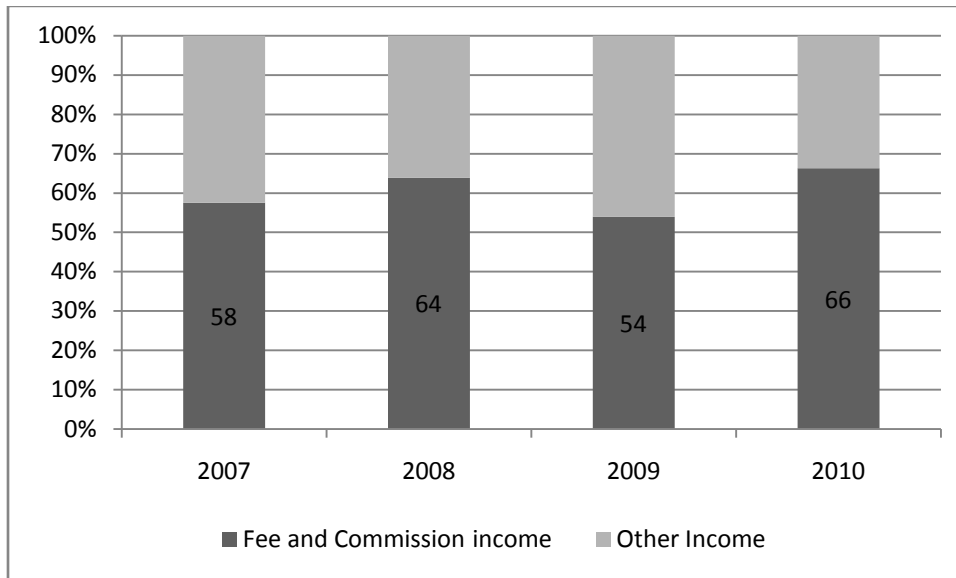


Figure 2 Non-interest Income, 2007-2010



21. For the Financial Year ending in 2010, thirty of the thirty-three credit unions recorded a surplus (Table 2). COK Sodality, Building Society CCU Ltd and Nestle Jamaica CCU Ltd recorded deficit margins of 107.96, 61.94 and 28.39 percent respectively. Jamaica Defence Force CCU Ltd recorded the highest net surplus margin of 50.22 percent, while Correctional Services CCU Ltd recorded the lowest net surplus margin of 6.34 percent.
22. For the period 2009 to 2010, eighteen credit unions recorded reductions in net surplus margin ranging from a low of 1.71 percentage points to a high of 26.33 percentage points reduction. Twelve credit unions recorded an increase in net surplus margin from 2009 to 2010 ranging from a low of 0.26 percentage point to a high of 30.9 percentage points increase. COK Sodality CCU Ltd and Building Society CCU Ltd both recorded deficits in 2009 and 2010. Of note is that while Nestle Jamaica CCU Ltd recorded a deficit in 2010, it had recorded a surplus in 2009.

Table 2 Gross Revenue (millions) and Net Surplus Margin: Financial Year ending 2010

Credit Union	Gross Revenue	Net Surplus/(Deficit)	Net Surplus/(Deficit) Margin- percent
AAMM CCU Ltd	178	66	36.83
BJ Staff CCU Ltd	27	8	29.25
Broadcast & Allied CCU	29	10	33.32
Building Societies CCU Ltd	6	(4)	(61.94)
C&WJ Employees CCU Ltd	289	33	11.38
Churches CCU Ltd CCU Ltd	673	156	23.23
COK Sodality CCU Ltd	358	(386)	(107.96)
Correctional Services CCU Ltd	54	3	6.34
Ewarton Works CCU Ltd	34	8	24.18
First Regional CCU Ltd	244	47	19.08
Grace CCU Ltd	33	4	11.12
GSB CCU Ltd	314	28	8.87
Hanover CCU Ltd	69	9	12.44

Table 2 (Cont'd)

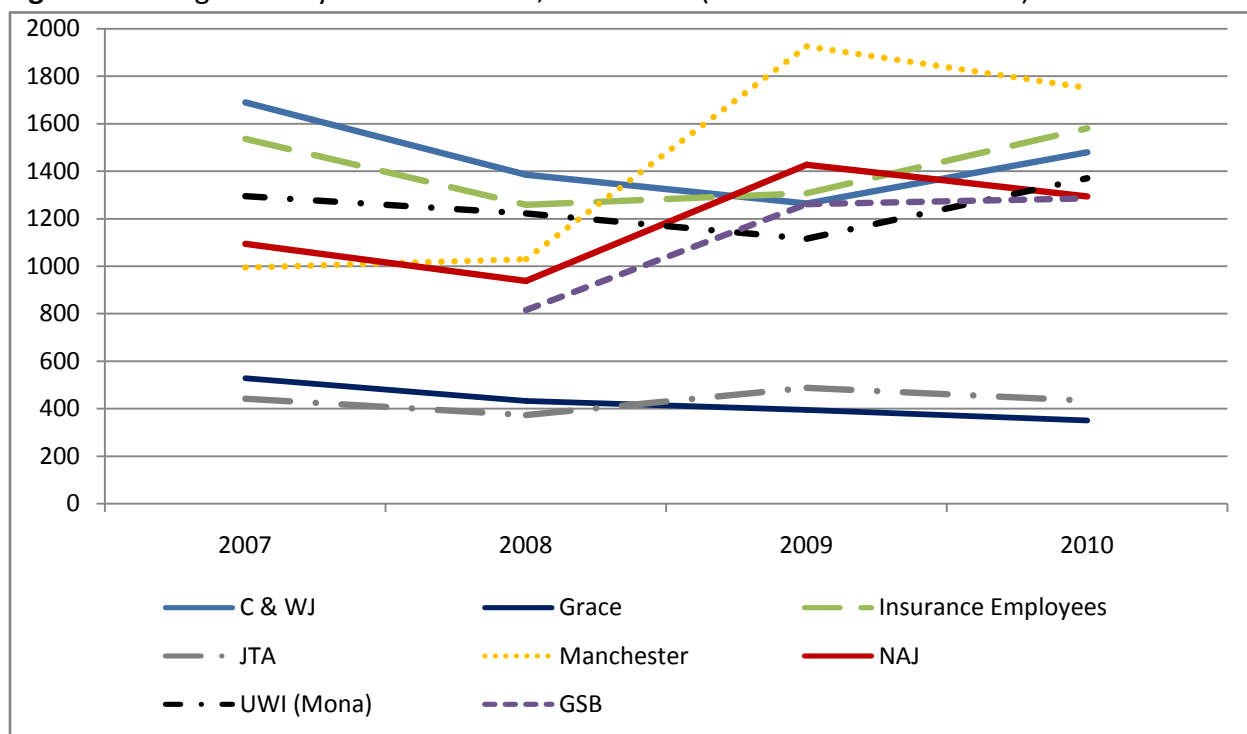
Credit Union	Gross Revenue	Net Surplus/(Deficit)	Net Surplus/(Deficit) Margin- percent
Insurance Employees CCU Ltd	111	22	20.10
Jamaica Defence Force CCU Ltd	98	49	50.22
Jamaica Police CCU Ltd	275	54	19.55
Jamaica Special Constabulary CCU Ltd	129	21	16.45
Jamaica Teachers' Association CCU Ltd	640	266	41.64
JPS & Partners CCU Ltd	185	65	35.09
Kirkvine CCU Ltd	44	7	15.90
Lascelles Employers & Partners CCU Ltd	53	14	26.66
Montego CCU Ltd	205	49	23.94
NAJ CCU Ltd	42	17	40.48
Nestle Jamaica CCU Ltd	5	(2)	(28.39)
NWC CCU Ltd	121	28	23.25
Petroleum Industry Employees CCU Ltd	15	3	16.44
Portland CCU Ltd	203	61	30.26
Postal CCU Ltd	42	17	39.76
PWD CCU Ltd	31	8	24.79
St Catherine CCU Ltd	187	48	25.85
St Elizabeth CCU Ltd	168	72	42.84
Trelawny CCU Ltd	104	27	25.72
UWI (Mona) and Comm. CCU Ltd	135	17	12.65

Source: Audited Financial Statements for Financial Year ending 2010

23. The type and level of fees and charges for services vary across credit unions. Using a basket of five services common to eight credit unions, we observe that the spread in fees was smaller during 2007 than during 2010. By spread, we refer to the difference in fees between the most expensive and the most affordable credit union. Specifically, in 2007, the average fee charged by the credit union with the least affordable services was four times as high as the average fee charged by the credit union with the most affordable services. In 2010, however, the fee charged by the credit union with the least affordable services was five times as high as the fee charged by the credit union with the most affordable services (Figure 3).

24. In terms of the spread in prices for individual services, the difference between the highest and lowest fee was significant for some services. For instance in 2007, the highest fee charged by credit union to open an account was thirty times higher than the lowest fee for the same service, whereas, in 2010, the highest fee to open an account was seventy times higher than the lowest fee for the same service.

Figure 3 Average Fees by Credit Unions²⁵, 2007-2010 (in constant 2010 dollars)



Source: Fees and service charges as provided by credit unions

25. For the four years under examination, Grace CCU Ltd and JTA CCU Ltd have maintained average fees below eight hundred dollars while C&WJ CCU Ltd, Insurance Employees CCU Ltd, NAJ CCU Ltd, Manchester CCU Ltd and UWI (Mona) CCU Ltd have maintained average fees above eight hundred dollars. GSB CCU Ltd also maintained average fees above eight hundred dollars during 2008 through 2010.

²⁵ These data reflect information from a sample of eight credit unions. The following fees were used to calculate the average fee for each credit union: new account entry fee, letter to embassy fee, status letter fee, bill of sale fee and dishonoured cheque (local) fee. While Nestle CCU Ltd provided a list of its fees and service charges, it was not included in the analysis as it charged for only one of the five services for 2007 to 2009 and two of the five services for 2010.

26. The average fees for UWI CCU Ltd and C&WJ CCU Ltd decreased between 2007 and 2009 and increased from 2009 to 2010. Insurance Employees CCU Ltd recorded a decrease between 2007 and 2008 and an increase from 2008 through 2010 in its average fees. The average fee of GSB CCU Ltd also increased from 2008 to 2010. For Grace CCU Ltd, its average fee decreased from 2007 through 2010.
27. For Manchester CCU Ltd, there was a sharp increase in its average fee from 2008 to 2009. This sharp increase corresponds with the increase in the fee consumers were charged for a Bill of Sale, which tripled between 2008 and 2009. The average fees for JTA CCU Ltd and NAI CCU Ltd fluctuated between 2007 and 2010. Both recorded a decrease in their average fees between 2007 and 2008, an increase between 2008 and 2009 and a decrease between 2009 and 2010.

KEY STRUCTURAL CHARACTERISTICS

Market Share Distribution

28. Identifying the boundaries of market interaction is an important step in assessing competition as it allows for the delineation of the space in which entities compete for consumers. The membership requirements ('common bonds') of credit unions play an important role in establishing the boundaries of competitive interaction. Specifically, the membership requirements define the characteristics of consumers that a given credit union could court for membership. For the purpose of assessing competition among credit unions, therefore, the various groups of consumers identified by the common bonds each form a distinct market.²⁶ For example, the NWC Co-operative Credit Union caters exclusively to employees of the National Water Commission and their family members while the Jamaica Police Co-operative Credit Union caters exclusively to Police personnel and their family

²⁶ For a discussion of how characteristics of consumers may be used to identify separate markets, see Section 4.1.4 in United States Department of Justice and Federal Trade Commission. [Horizontal Merger Guidelines 2010](#).

members. The group of NWC employees as well as the group of Police personnel would be considered separate markets for assessing competition. It is also true that any area of overlap between two or more common bonds would be considered a separate market. In the example above, persons who are family members of both police personnel and NWC employees would form a distinct market for the purpose of assessing competition among credit unions.

29. There are numerous markets and narrower markets within the credit union sector based on restrictions imposed by common bonds and location of branches. The data available to the Staff of the Fair Trading Commission were insufficiently disaggregated to determine the distribution of market shares across each market based on the common bonds associated with the various credit unions. Although not being the ideal measure of size: (i) share of assets; (ii) fee and commission income; (iii) net interest income; and (iv) gross revenue are used to describe the relative size of the credit unions.

30. Regarding assets, two credit unions have market shares exceeding 13 percent. These two credit unions share at least 28 percent of the market whilst the other thirty-one credit unions account for 72 percent of the market.²⁷

²⁷ While there are over forty credit unions in Jamaica, data were available for only thirty-three credit unions.

Table 3 Market Shares (percent) in Terms of Assets, 2010

Credit union	Market share based on Assets (%)
Jamaica Teachers' Association CCU Ltd	14.4
COK Sodality	13.5
Churches CCU Ltd CCU Ltd	8.4
C&WJ Employees	6.2
Jamaica Police CCU Ltd	5.9
GSB CCU Ltd	5.0
JPS & Partners CCU Ltd	4.9
First Regional CCU Ltd	4.7
Montego CCU Ltd	4.1
AAMM CCU Ltd	3.3
UWI (Mona) and Comm. CCU Ltd	3.1
Portland CCU Ltd	3.0
Insurance Employees CCU Ltd	2.3
St Elizabeth CCU Ltd	2.2
Palisadoes	2.1
NWC CCU Ltd	2.1
Jamaica Special Constabulary CCU Ltd	1.8
St. Thomas CCU Ltd	1.6
Jamaica Defence Force CCU Ltd	1.4
Hanover CCU Ltd	1.3
Ewarton Works CCU Ltd	1.2
Kirkvine CCU Ltd	0.9
Lascelles Employers & Partners CCU Ltd	0.9
Correctional Services CCU Ltd	0.8
Grace CCU Ltd	0.8
NAJ CCU Ltd	0.7
Postal CCU Ltd	0.6
Broadcast & Allied CCU	0.5
PWD CCU Ltd	0.5
CG CCU Ltd	0.5
BJ Staff CCU Ltd	0.5
Petroleum Industry Employees CCU Ltd	0.3
Nestle Jamaica CCU Ltd	0.2

31. Regarding fee and commission income, Churches CCU Ltd, has the largest market share of 31 percent. Twenty-five credit unions account for 69 percent of the market, with none having a market share exceeding 11.9 percent (Table 4).

32. Regarding net interest income, two credit unions share at least 25 percent of the market, while 75 percent is distributed among thirty-one credit unions. Jamaica Teachers' Association CCU Ltd and Churches CCU Ltd have market shares of 13.8 and 12.1 percent respectively. For the other thirty one credit unions, market shares did not exceed 6 percent for any individual credit union.

33. Similarly, in terms of gross revenue Jamaica Teachers' Association CCU Ltd and Churches CCU Ltd leads the sector with market shares of 12.5 and 13.2 percent respectively. For the other thirty-one credit unions, market shares did not exceed 7 percent for any individual credit union.

Table 4 Market Shares (percent) measured by Fee & Commission, Net Interest Income and Gross Revenue, 2010

Credit union	Market share (percent) based on...		
	...Fee & Commission	...Net Interest Income	...Gross Revenue
Churches CCU Ltd CCU Ltd	31.0	12.1	13.2
COK Sodality CCU Ltd	11.9	5.8	7.0
Jamaica Police CCU Ltd	9.8	5.3	5.4
St Elizabeth CCU Ltd	9.0	2.8	3.3
C&WJ Employees CCU Ltd	8.5	5.4	5.7
GSB CCU Ltd	8.2	6.0	6.2
Jamaica Defence Force CCU Ltd	5.3	1.7	1.9
Jamaica Teachers' Association CCU Ltd	3.6	13.8	12.5
Postal CCU Ltd	3.0	0.7	0.8
Portland CCU Ltd	2.8	4.2	4.0
St Catherine CCU Ltd	1.8	3.2	3.7
AAMM CCU Ltd	1.5	3.8	3.5
Correctional Services CCU Ltd	0.5	1.1	1.1
Lascelles Employers & Partners CCU Ltd	0.5	1.1	1.0
First Regional CCU Ltd	0.4	5.2	4.8
Hanover CCU Ltd	0.4	1.4	1.4
Trelawny CCU Ltd	0.4	2.2	2.0
Broadcast & Allied CCU	0.3	0.6	0.6
NWC CCU Ltd	0.3	2.5	2.4
Grace CCU Ltd	0.2	0.7	0.7
Kirkvine CCU Ltd	0.2	0.9	0.9
NAJ CCU Ltd	0.2	0.9	0.8
Montego CCU Ltd	0.1	4.2	4.0
Building Societies CCU Ltd	0.0	0.1	0.1
Insurance Employees CCU Ltd	0.0	2.3	2.2
JPS & Partners CCU Ltd	0.0	3.9	3.6
BJ Staff CCU Ltd	--	0.6	0.5
Ewarton Works CCU Ltd	--	0.7	0.7
Jamaica Special Constabulary CCU Ltd	--	2.8	2.5
Nestle Jamaica CCU Ltd	--	0.1	0.1
Petroleum Industry Employees CCU Ltd	--	0.3	0.3
PWD CCU Ltd	--	0.7	0.6
UWI (Mona) and Comm. CCU Ltd	--	2.6	2.6

-- Data are unavailable

34. In terms of the distribution of credit unions by parishes, there are thirteen regions.²⁸ With respect to branches, in Kingston & St. Andrew, market share for any individual credit union

²⁸ Recall that common bonds place restrictions on geographic location as well as professional affiliation of members. Kingston & St. Andrew treated as one market.

does not exceed 7.5 percent. In St. Catherine, 63 percent of the region is shared by two credit unions, whilst five credit unions account for the remaining 37 percent of the region. In St. Thomas and Portland, market share is distributed equally between two credit unions in both parishes, while it's distributed evenly among three credit unions in the parishes of St. Mary, St. Elizabeth and Westmoreland. In Clarendon, one credit union occupies 66 percent of the region, whilst the remaining 34 percent of the region is shared equally between two credit unions. For the parish of St. Ann, one credit union occupies 57 percent of the region, whilst the remaining 43 percent of the region is shared equally between three credit unions. In the parishes of Hanover and Trelawny, there is only one credit union in each region. In St. James, there are six credit unions with each accounting for 16.7 percent of the region. In Manchester, one credit union accounts for approximately 37 percent of the region, whilst 63 percent of the region is distributed evenly among five credit unions (See Appendix C).

Market Concentration

35. Market concentration is one factor used to measure the degree to which a single supplier or group of suppliers can profitably raise price above competitive levels for a sustained period.²⁹ Without data on the distribution of market shares, traditional methods could not be employed to calculate the level of supplier concentration in the respective markets. We are confident however, that these markets are highly concentrated. The primary reason for suspecting this is that although there are forty-three credit unions across Jamaica, none of the markets would contain more than five suppliers based on restrictions imposed by

²⁹ The most widely used method of calculating market concentration is the Herfindahl Hirschman Index (HHI), The HHI is calculated by summing the squares of suppliers' market shares in a given market. Markets can be classified into three groups: (i) Unconcentrated markets-HHI below 1,500 ;(ii) Moderately concentrated markets-HHI between 1,500 and 2,500 and (iii) Highly concentrated markets- HHI above 2500 .Where there is only one supplier in a market, the index attains its maximum value of 10,000 and approaches zero where there are many suppliers, each with insignificant market share. (U. S. Department of Justice and Federal Trade Commission. *Horizontal Merger Guidelines*. 2010)

common bonds and location of branches; in other words, it is unlikely that any individual in Jamaica would be eligible to become a member of more than five credit unions in a given parish.

36. Notwithstanding the above, we describe the concentration in the credit sector based on the number of branches located in each parish. Of the thirteen geographic regions identified, three were found to be moderately concentrated and nine were found to be highly concentrated (Table 5).

Table 5 Concentration Indicator (Branches), 2010³⁰

Parish	HHI
Hanover	10,000
Trelawny	10,000
St. Thomas	5,000
Portland	5,000
Clarendon	5,000
St. Ann	3,878
St. Mary	3,333
St. Elizabeth	3,333
Westmoreland	3,333
Manchester	2,188
St. Catherine	2,111
St. James	1,667
Kingston & St. Andrew	414

³⁰ These measures are likely to be only lower bounds on the true measure of concentration within each parish as not every credit union located in a given parish would be competing against each other given the restrictions imposed by common bonds.

Differentiated Services

37. Credit unions in Jamaica offer identical services in terms of savings, insurance and loan products. Some credit unions offer other services such as credit card facilities and chequing accounts.³¹ Also, some credit unions have facilities in place for their members to perform online transactions.

ASSESSING COMPETITION

38. Product choice and consumer mobility are central features of the competitive process. An assessment of competition in any market is essentially an investigation into the ease to which consumers can avoid acquiring the product at high prices, i.e. at prices above the competitive level. Consumers may avoid paying high prices by either substituting ('switching to') suitable cheaper alternatives or by negotiating lower prices with the supplier. Accordingly, the assessment of competition will examine the ease to which consumers may (i) turn to rival suppliers; (ii) turn to potential suppliers; and (iii) exert bargaining power, to avoid acquiring the product at high prices.

Competition from current rivals

39. Current rivals refer to suppliers which are already supplying the market. These suppliers represent alternative means through which consumers could acquire the service. The presence of multiple suppliers will discourage any supplier from raising or maintaining price above the competitive level if the supplier anticipates that such an increase will cause a significant number of consumers to switch to alternative suppliers. In this sense, current rival suppliers potentially could constrain a supplier from charging prices above competitive levels.

40. Regarding the supply of financial services by credit unions, there are at least thirteen distinct regions under consideration. The geographic boundaries of these markets coincides

³¹ Jamaica Co-operative Credit Union League Limited website.

with parish boundaries since previous research in consumer preferences suggests that consumers tend to bank close to where they live or work.³² The geographic region is evenly shared among suppliers in the distinct markets covering the parishes of St. Thomas, Portland, St. Mary, St. James, St. Elizabeth and Westmoreland. Without more, this suggests that rival suppliers in these markets have the capacity to accommodate customers switching among suppliers to avoid high prices. In the market covering St Catherine, either of the credit unions with the two largest share of the market could accommodate consumers switching suppliers should the other supplier raise price above competitive levels. In the markets coinciding with the parishes of Clarendon, St. Ann and Manchester, the credit union with the largest market share have 66, 57 and 37 percent of the market respectively. In these markets, the credit union with the largest market share is unlikely to be effectively constrained by rival suppliers. The market coinciding with the parishes of Hanover and Trelawny is supplied by only one credit union.

Competition from potential rivals

41. Potential rivals refer to entities which are not currently supplying the market, but which could enter within a relatively short period.³³ When current suppliers are charging relatively high prices, it may attract the entry of potential rivals seeking to contest the super-normal profits being shared among current rivals.³⁴ So as not to invite competition from future entrants, therefore, current rivals may keep their prices close to the competitive level.³⁵
42. For the entry of potential rivals to be an effective deterrence of high prices, entry must be likely, sufficient and timely. Entry is likely when it is profitable to enter, based on pre-entry

³² As mentioned in an earlier section of this report, there are numerous narrower markets based on restrictions imposed by common bonds.

³³ Conventionally, entry within two years is considered to be a “relatively short period.”

³⁴ Super-normal profits refer to profits earned in excess of that being earned by suppliers charging competitive prices.

³⁵ The possibility that the credible threat of entry is sufficient to keep prices of current suppliers close to competitive levels is outlined in the *Contestable Market Hypothesis*.

prices; entry is sufficient when critical inputs are not controlled by existing suppliers and entrants have the capacity to accommodate additional demand; and entry is timely when it occurs within two years.

Viability of entry

43. In an earlier section of this report, we showed that most credit unions earned positive net surpluses in 2010. The fact that current suppliers earn positive net surpluses, however, is not necessarily indicative that future entrants will earn positive net surpluses also. Evidence that future entry is likely to be viable is gleaned from the spate of mergers in the sector since 2008.³⁶ These mergers were motivated in part by a desire of the parties to enter new markets, with respect to potential consumer base, by mitigating the restrictions imposed by their individual common bonds.

44. A total of 48 institutions were licensed to operate as credit unions during the period 2005 through 2007. By the end of 2011, however, there were 44 credit unions.³⁷ The largest credit unions were actively involved in this most recent consolidation of the industry. In 2008, Palisadoes Credit Union merged with Carib Cement Credit Union.³⁸ In 2009, COK Credit Union merged with Sodality Credit Union.³⁹ Further, C&WJ Credit Union merged with Marine and Allied Credit Union in November 2010 and Clarendon Credit Union in March 2011. The Bank of Jamaica (BoJ) attributes the mergers to instances whereby (i) credit unions were unable to fulfill prudential requirements; (ii) credit unions were unable to secure the necessary membership base to remain viable; and (iii) credit unions acted upon the BoJ's assessment that the particular credit union was non-viable.⁴⁰ By all accounts,

³⁶ For the purpose of this study, merger refers to acquisition or any other form of amalgamation between two companies.

³⁷ Bank of Jamaica website.

³⁸ Department of Co-operative and Friendly Societies, 2011.

³⁹ Avia Collinder. "Credit Unions Shift Toward Mergers." *The Sunday Gleaner*. Sunday July 4, 2010.

⁴⁰ Opening Remarks offered by Gayon Hosin, Deputy Governor, Bank of Jamaica, at the *World Council of Credit Unions (WOCCU) and Caribbean Regional Technical Assistance Centre (CARTAC) Caribbean Credit Union Supervision Workshop*, held in Montego Bay, Jamaica October 5-7, 2010. p. 5.

in anticipation of the more stringent regulatory oversight from the BoJ in the foreseeable future, the mergers appear to be the credit unions' strategy to mitigate the legal restrictions that a common bond imposes on the ability of credit unions to expand their customer base.⁴¹

45. This strategic means of entry by way of merger suggests that entry by existing credit unions expanding into "new" markets is likely to be profitable and expected to continue in the foreseeable future. In fact, in August 2012 Churches Credit Union merged with GSB Credit Union.⁴²

Sufficiency of Entry

46. Securing a license to operate as a credit union is relatively easy; as at the end of 2011, forty four institutions were so licenced in Jamaica.⁴³ While it may not be difficult to enter the industry, there may be impediments to expansion based on statutory restrictions to joining a credit union. The statutory membership requirements means that credit unions may serve only a fraction of the population that requires credit union services. Discussions above indicated that the largest credit unions were expanding their asset base through strategic mergers.

47. Regarding the prospect for potential rivals to discourage current rivals from profitably raising prices above the competitive level for a sustained period, at least three credit unions are capable of constraining the behavior of other credit unions. In St. Thomas, the conduct

⁴¹ See COK Sodality Co-operative Credit Union. Annual Report 2011. p.3 and Avia Collinder. "Merger Deal Allows COK freedom to roam- Sodality Bond offers nationwide access." *The Daily Gleaner*. Wednesday, October 28, 2009.

⁴² In August 2012, The First Heritage Co-operative Credit Union was launched arising from a merger of Churches and GSB Credit Unions (Sabrina Gordon. "First Heritage Promises to Revolutionise Credit Union Market." *The Financial Gleaner*, Friday, August 3, 2012).

⁴³ The requirements to establish a credit union in Jamaica are: (1) Minimum of ten persons; (2) Project proposal to include business plan, cash flow projections and/or feasibility study over a five year period; (3) Training in Co-operative Management; and (4) A minimum capital base sufficient to generate adequate revenue to meet the following expenses: salaries, rent, audit fees, utilities, stationary and security (Source: Department of Co-operative and Friendly Societies website).

of Jamaica Teachers' Association CCU Ltd and/or St. Thomas CCU Ltd is capable of being constrained by the entry of CW&J CCU Ltd or Jamaica Police CCU Ltd. Both credit unions are present in at least five other markets and would have access to consumers based on their membership requirements. Of the two, the entry of CW&J CCU Ltd would present a stronger competitive constraint based on its membership requirements.⁴⁴

48. This scenario also applies to the market in Portland. The conduct of the credit unions in Hanover and Trelawny could be constrained by the entry of Jamaica Teachers' Association CCU Ltd, Communication and other Workers of Jamaica CCU Ltd or Jamaica Police CCU Ltd. The entry of Communication and other Workers of Jamaica CCU Ltd could act as a competitive constraint to credit unions in St. Catherine, Westmoreland, St. Elizabeth and St. Mary. In Clarendon, St. Ann, Manchester and St. James, the three credit unions regarded as potential suppliers are already present. Based on the above, it suggests that entry by the larger credit unions is likely to be sufficient to mitigate anticompetitive conduct.

Timeliness of entry

49. Entry is considered timely if entities can enter a market within two years of a price increase associated with anticompetitive conduct. Based on the information reviewed, the staff is of the opinion that entry is likely to occur within two years by either new credit unions being issued a license or existing credit unions entering in new markets by way of strategic mergers.

50. Although there is the opportunity for current rivals to act as competitive constraints to each other and the prospect for potential rivals to act as competitive constraints to existing

⁴⁴ Membership in the Communication and other Workers of Jamaica CCU Ltd is open to: (i) Employees and ex-employees of a company that subscribes to telecommunication services; (ii) Employees and Ex-Employees of : LIME, Cable and Wireless Jamaica Limited, Jamintel, Jamaica Telephone Company Limited, Telecommunications of Jamaica Limited & Contractors and sub-contractors of Cable and Wireless Jamaica Ltd; (iii) Any person engaged in the provision of Telecommunication services in Jamaica including the regulators; (iv) C&WJ (Communication & other Workers of Jamaica) Co-operative Credit Union Ltd; (v) Employees of other registered co-operative; (vi) The relatives of past or present members: Mothers and Fathers, Spouses, Brothers and Sisters, Children and Grandchildren & Uncles & Aunts, Nieces & Nephews; and (vii) Employees of members.

credit unions in the markets, the nature of the operations of credit unions plays a pivotal role in this process. Credit unions are not-for-profit financial co-operatives which are run by their members and for their members. In differentiating credit unions from other financial institutions, the Jamaica Co-operative Credit Union League indicated on its website that while there is competition between other financial institutions, there is cooperation between credit unions.⁴⁵ This premise is further supported by the membership requirements of credit unions, in that they cater to specific groups. Therefore, a credit union may not aggressively compete for members but rather seek to attract uncommitted consumers who qualify for membership.

Consumer power

51. Consumers play a role in the level of competition in a given market, as informed consumers are capable of limiting anticompetitive conduct on the part of a supplier. An informed consumer is one who is aware of the products and prices of competing suppliers and makes his/her purchasing decision on these factors. Consumers desire high quality products at affordable prices and will seek suppliers that best meet their needs.

52. Credit unions are democratically run by their members and are governed by a Board of Directors. The Board of Directors is elected by credit union members at Annual General Meetings. In the credit union sector, consumer power is a complex factor, since the consumers of credit union services are also part share-holders of the credit unions. The incentive for consumers to resist high prices may not be as strong in the credit union sector as it is in other sectors because in the credit union sector, any excess surplus attributable to excessive prices flows back to consumers by way of dividend payouts.

⁴⁵ The Jamaica Co-operative Credit Union League Limited is the National Association of Credit Unions with responsibility for the overall direction and co-ordination of the National Credit Union Movement. The League operates as a representative organisation, policy maker and service provider for all affiliated credit unions in Jamaica.

53. Notwithstanding the above, since members are both suppliers and consumers they can act as a competitive constraint in two ways. Firstly, in the general way that consumers influence suppliers conduct, they can engage in comparison shopping and seek out the supplier that offers the best deal. However, this process will be constrained by the membership requirements of credit unions which serve to restrict switching among credit unions. Secondly, members can influence their credit union products and prices through discussions at Annual General Meetings.

Membership Requirements

54. A supplier is considered to exert competitive pressure on a rival supplier only to the extent that it is a reasonable alternative to which a sufficient number of consumers could turn in the event that the rival supplier increase prices above competitive levels. Factors which limit the ease to which customers are able to switch among suppliers, therefore, restrict competition in the market. One such factor is the statutory membership requirements to join a given credit union.

55. Membership requirements reduce competition by restricting the movement of consumers between credit unions, with the severity of the restrictions varying across credit unions. While membership for some credit unions is limited to persons living in a specific area or work in specific organization/industry, other credit unions are open to family members of their core members. We classify credit unions into three groups: *restrictive*, *relaxed* and *open* membership (Table 6).

Table 6 Membership Requirement of Credit Unions⁴⁶

Restrictive Membership Requirements: Area of residence, association, employer or industry	Relaxed Membership Requirements: Extended to relatives of members	Open membership: Everyone in Jamaica
Ewarton Works CCU Ltd Jamaica Teachers' Association CCU Ltd Kirkvine CCU Ltd Manchester CCU Ltd Montego CCU Ltd Nestle Jamaica CCU Ltd Petroleum Industry Employees CCU Ltd Portland CCU Ltd St Thomas CCU Ltd	AAMM CCU Ltd BJ Staff CCU Ltd Broadcast & Allied CCU CG CCU Ltd Correctional Services CCU Ltd D & G Employees CCU Ltd First Regional CCU Ltd Grace CCU Ltd GSB CCU Ltd Insurance Employees CCU Ltd Jamaica Broilers Group CCU Ltd Jamaica Defence Force CCU Ltd Jamaica Police CCU Ltd Jamaica Special Constabulary CCU Ltd JPS & Partners CCU Ltd Lascelles Employers & Partners CCU Ltd NAJ CCU Ltd NCB Employees CCU Ltd NWC CCU Ltd Palisadoes CCU Ltd Postal CCU Ltd PWD CCU Ltd St Catherine CCU Ltd St Elizabeth CCU Ltd UWI (Mona) and Comm. CCU Ltd	C&WJ Employees CCU Ltd Churches CCU Ltd COK Sodality CCU Ltd Hanover CCU Ltd ICD & Associates Trelawny CCU Ltd Westmoreland CCU Ltd

56. Restrictive membership requirements limit the extent to which a given credit union could exert competitive pressures on rival institutions. For instance, membership in Nestle Jamaica CCU Ltd is open only to employees and pensioners of Nestle Jamaica Ltd while membership in Ewarton Works CCU Ltd is open only to employees of Wyndalco and its affiliated contractors. Ewarton Works CCU Ltd would most likely profitably raise or maintain

⁴⁶ Membership requirements were unavailable for two credit unions.

prices above competitive levels for a sustained period since only an insignificant number of its members, if any, would be eligible to switch to Nestle Jamaica CCU Ltd.⁴⁷

57. While only nine credit unions currently have restrictive requirements for membership, the majority of the credit unions in Jamaica started out with a similar approach. Over the years, however, membership requirements have been expanded so as to widen the base of credit unions. For GSB CCU Ltd, in its early years, membership was limited to clerks employed to the Government Services Bank. The credit union has since expanded its membership base to include past and present public sector employees and their relatives.

58. Credit unions with relaxed membership offer a more significant competitive constraint to other credit union entities than those with restrictive membership, although not as significant a constraint as those with open membership do. For instance, membership in Postal CCU Ltd is open to past and present employees of the Postal services and their spouses while membership in NWC CCU Ltd is open to employees of the National Water Commission (NWC) and their family members. An NWC employee could be a past post office worker while a postal services employee could be married to an NWC employee. Such persons are eligible for membership in both credit unions.

59. Credit unions with open membership requirements offer the most significant constraint against anticompetitive conduct. This is because the common bond of this group of credit unions allows them to serve practically every person who demands credit union services. For instance, membership in Churches CCU Ltd is open to all members of churches and their relatives while membership in ICD & Associates is open to everyone living in Jamaica. Although Churches CCU Ltd does not state that membership is open to everyone in Jamaica, the criteria for membership is so wide, that it is likely that everyone in Jamaica could qualify for membership. Accordingly, almost anyone can easily switch to an open membership credit union to avoid high prices.

⁴⁷ Without loss of generality, we assume that only two options are available to consumers.

60. While there are seven credit unions with open membership in Jamaica, the level of competitive constraint they pose is influenced by their respective branch network. Of the seven credit unions, only C&WJ CCU Ltd is present in more than four parishes.

Competition between banks and credit unions

61. For some consumers banking services are a substitute for credit union services. In studies conducted in the USA and Barbados, it was found that credit unions and banks are competitors-- the same can be said in Jamaica. In 2006, a manager of a credit union upon signing a Memorandum of Understanding (MOU) to foster cooperation with another credit union remarked that “the credit union movement knows who our real competitors are.” This suggests that credit unions in Jamaica regard other financial institutions-- specifically commercial banks, as competitors.

62. As at 2010, there are seven commercial banks who offer similar services as credit unions such as, savings account, debit card services, status letters, and personal and business loans. While credit unions and banks offer similar services, on average, credit union fees are lower than bank fees (See Appendix D). Credit unions provide their members with certain perks that are not provided by banks. Since credit union members are shareholders of the credit union, they receive dividend payments. Members of credit unions also benefit from services with respect to insurance. Group health insurance plan is available to members through the credit union and members also benefit from reduced group rates for motor vehicle, property and personal accident insurance through NUCS Co-operative Insurance Services Ltd.

63. Accordingly we conclude that competitive rivalry between banks and credit unions may be stronger than the rivalry among credit unions.

CONCLUSION

64. The study was carried out to describe the prospects for competition in the credit union sector in Jamaica. Credit unions differ from other financial institutions in that they are not-for-profit financial co-operatives that supply services to their members who are also shareholders. As far as the prospects for competition is concerned, credit unions have three peculiar characteristics which serve to resist the promotion of competition: firstly, the common bonds requirement of credit union unduly restrict suppliers from competing for customers which their rivals are already serving; secondly, the common bonds are sometimes so specific that it is often difficult for many individuals to be eligible to join more than five credit unions located in either the parish they live in or work in; thirdly, consumers of credit union services enjoy some benefits from excessively high prices by virtue of owning shares in the credit unions.
65. The key findings regarding pricing of services in the credit union sector are that (i) there was no significant increase in the average fees (at constant 2010 prices) with respect to a basket of services for eight credit unions for the period 2007-2010; and (ii) the price spread between the lowest and highest average fees widened in 2010 relative to 2007.
66. The key findings from the assessment of the key structural characteristics are that the credit union sector: (i) has over forty suppliers with no individual credit union having market share greater than 15 percent with respect to assets; and (ii) is highly concentrated in nine regions and moderately concentrated in three geographic regions in terms of branches.
67. The key findings from the assessment of competition are that (i) for seven regions, the size of rival credit unions could act as a competitive constraint; (ii) consumer power is twofold in the credit union sector as consumers can engage in (albeit limited) comparison shopping for the supplier that best meet their needs and also, as shareholders in credit unions, members can raise concerns at Annual General Meetings; (iii) the competitive constraint posed by a given credit union is limited by membership criteria for each credit union; (iv) banks

compete with credit unions as they offer several similar services; and (v) the average credit union fee is lower than the average bank fee for seven selected services.

RECOMMENDATIONS

(a)Qualifications for membership in credit unions should be adjusted to allow more persons to become eligible to join any given credit union.

68. Section 23 of the Co-operative Societies Act which addresses qualification for membership stipulates that members in a credit union should share a common bond. This common bond places restrictions on the membership base of credit unions. The literature has indicated that in countries where credit unions have open membership, loan rates tend to be standardized across the industry as credit unions compete for consumers. With the relaxation of membership requirements for credit unions, consumers will be eligible for membership in multiple credit unions and as such have the opportunity to shop around for the supplier that best meet their needs. Also, consumers will encounter lower switching cost in changing credit unions.

(b)Since consumers are also part owners of the credit unions in which they are members, they should be encouraged to play a more active role in the operations of their credit union through participation at Annual General Meetings.

69. Such active participation should provide consumers with such bargaining power to mitigate any incentive that the credit unions' Board may have to unduly raise prices.

APPENDIX A: CREDIT UNION MEMBERSHIP

Table A. Membership Requirements of Credit Unions

Name	Membership
AAMM CCU Ltd⁺	<ol style="list-style-type: none"> 1. Teachers in any government aided or recognized educational institution 2. Members of the administrative staff of an educational institution, their spouses, siblings or children 3. Trainee teachers, their spouses, siblings or children 4. Former teachers, their spouses, siblings or children 5. Siblings of any existing member
BJ Staff CCU Ltd	<ol style="list-style-type: none"> 1. Employees of the Bank of Jamaica, EXIM Bank, Ministry of Finance, Stock Exchange 2. Children and spouses of employees
Broadcast & Allied CCU⁺	<ol style="list-style-type: none"> 1. Employees of the media, advertising agencies, public relations firms, cable companies 2. Spouses and children of members.
Building Societies CCU Ltd	--
C&WJ Employees⁺	<ol style="list-style-type: none"> 1. Employees and ex-employees of a company that subscribes to telecommunication services. 2. Employees and Ex-Employees of : LIME, Cable and Wireless Jamaica Limited, Jamintel, Jamaica Telephone Company Limited, Telecommunications of Jamaica Limited & Contractors and sub-contractors of Cable and Wireless Jamaica Ltd. 3. Any person engaged in the provision of Telecommunication services in Jamaica including the regulators 4. C & W J (Communication & other Workers of Jamaica) Co-operative Credit Union Ltd. 5. Employees of other registered co-operative (eg. Credit Unions) 6. The relatives of past or present members: Mothers and Fathers, Spouses, Brothers and Sisters, Children and Grandchildren & Uncles & Aunts, Nieces & Nephews 7. Employees of members
CG CCU Ltd	<ol style="list-style-type: none"> 1. Employees of the Revenue Departments – TAJ, Department of Customs 2. Children and spouses of employees
Church of the First Born CCU Ltd	--
Churches CCU Ltd CCU Ltd⁺	All members of churches and their relatives

Table A (Cont'd)

COK Sodality CCU Ltd⁺	<ol style="list-style-type: none"> 1. Be a person of the catholic faith (anyone who believe that Jesus Christ is Lord) 2. Be living or working in Kingston and St. Andrew 3. Employees of the Society 4. Relatives of members who qualify under (a) or (c) above, provided that relatives include mother, father, brother, sister, son, daughter, aunt, uncle, wife, niece, nephew and grandparents. 5. Other Co-operatives.
Correctional Services CCU Ltd⁺	<ol style="list-style-type: none"> 1. Employees of the Department of Correctional Services 2. Employees of the Correctional Services Co-operative Credit Union Limited 3. Members parents and children along with the marital spouse and his/her parents.
D & G Employees CCU Ltd	<ol style="list-style-type: none"> 1. Employees of Red Stripe, Pepsi and it affiliated contractors 2. Spouses and children of employees.
Ewarton Works CCU Ltd	<ol style="list-style-type: none"> 1. Employees of Wyndalco and its affiliated contractors
First Regional CCU Ltd⁺	<ol style="list-style-type: none"> 1. Persons who were born in the parishes of St. Ann or St. Mary 2. Live or work in the parishes of St. Ann or St. Mary 3. Persons who are the immediate relative of members
Grace CCU Ltd	<ol style="list-style-type: none"> 1. Employees of Grace Kennedy Group of companies. 2. Spouses, Mother, Father and children of employees.
GSB CCU Ltd⁺	<ol style="list-style-type: none"> 1. Past and present Public Sector employees, their spouses and children. 2. Siblings, nieces, nephews, aunts and uncles and parents of members
Hanover CCU Ltd	Any person living in Jamaica.
ICD & Associates CCU Ltd	Any person living in Jamaica.
Insurance Employees CCU Ltd	<ol style="list-style-type: none"> 1. Employees of the Insurance Industry – i.e. Insurance companies, brokers. 2. Spouses, children and extended family members.
Jamaica Broilers Group CCU Ltd	<ol style="list-style-type: none"> 1. Employees of the Jamaica Broilers Group of Companies. 2. Spouses, children and relatives of employees including: Mother, Father, sister and brother.
Jamaica Defence Force CCU Ltd⁺	<ol style="list-style-type: none"> 1. Past and present: members of the Jamaica Defence Force, civilian employees of the Jamaica Defence Force, employees of the J.D.F Credit Union, members of the local ex-service affiliate organizations and adult members of the Jamaica Combined Cadet Force. 2. Spouses and children of members.

Table A (Cont'd)

Jamaica Police CCU Ltd⁺	<ol style="list-style-type: none"> 1. Present and past members of the Jamaica Constabulary Force 2. District Constables 3. Civilian working at Police Locations and employed by the Ministry of National Security 4. Members of staff, permanently employed to the JPOL 5. Relatives of the Credit Union core membership mentioned above
Jamaica Special Constabulary CCU Ltd⁺	<ol style="list-style-type: none"> 1. Employees of the Island Special Constabulary Force, their spouses and children. 2. Past Employees of Island Special Constabulary Force who were members of the credit union when they retired or resigned. 3. Employees of Jamaica Special Constabulary CCU Ltd 4. Employees of the Ministry of National Security. 5. Employees of any other organization affiliated with Island Special Constabulary Force.
Jamaica Teachers' Association CCU Ltd⁺	<ol style="list-style-type: none"> 1. Members and associate members of the Jamaica Teachers Association
JPS & Partners CCU Ltd⁺	<ol style="list-style-type: none"> 1. Employees of JPS, JEP, JPPC, REP, DIGICEL, and RGD 2. Relatives of members: Spouse, Mother, Father, Sister, Brother, Children, Aunt, Uncle and Cousin.
Kirkvine CCU Ltd	Employees of Glencore Alumina Company
Lascelles Employers & Partners CCU Ltd	<ol style="list-style-type: none"> 1. Past and present employees of the Lascelles Group of companies. 2. Spouses and blood relatives.
Manchester CCU Ltd	Any person who lives, work or was born in the in the parish of Manchester.
Montego CCU Ltd⁺	Live or work in the parish
NAJ CCU Ltd⁺	<ol style="list-style-type: none"> 1. Members of the Nurses' Association of Jamaica and their spouses, children, nieces nephews, brothers, sisters 2. Employees of NAJ 3. Employees of NAJ Co-operative Credit Union Limited.
NCB Employees CCU Ltd⁺	<ol style="list-style-type: none"> 1. Employees and former employees of National Commercial Bank Jamaica Limited its subsidiaries, associated and related companies; the former NCB Group Limited and its related companies and the former Mutual Security Bank Limited and its related companies, and pensioners of the preceding entities 2. Employees or former employees of the Credit Union. 3. Employees of Corporate Bodies engaged in commercial banking or other financial institutions in Jamaica registered under the Building Societies Act and Financial Services Act 4. A relative of an employee or former employee of National Commercial Bank Jamaica Limited its subsidiaries, associated and related companies; the former NCB Group Limited and its related companies and the former Mutual Security Bank Limited and its related companies.

Table A (Cont'd)

Nestle Jamaica CCU Ltd	1. Employees and pensioners of Nestle Jamaica
NWC CCU Ltd⁺	1. Employees of the National Water Commission 2. Family member of existing employees
Palisadoes CCU Ltd⁺	1. Airport workers and their families 2. Relatives of persons working in the aviation industry 3. Persons living in communities nearby to the airports and aerodromes
Petroleum Industry Employees CCU Ltd⁺	Employees in the Petroleum Industry
Portland CCU Ltd	Any person who lives, work or was born in the in the parish of Portland.
Postal CCU Ltd	1. Past and present employees of the Postal Services. 2. Spouses of employees.
PWD CCU Ltd⁺	1. Employees of the Ministry of Construction and its Departments, their spouses, children, parents, and siblings. 2. Employees of PWD CCU Ltd
St Catherine CCU Ltd	1. Any person who lives, work or was born in the in the parish of St. Catherine. 2. Spouses and close family members (mother, father, sister, brother, and children)
St Elizabeth CCU Ltd⁺	1. Persons who were born in the parish 2. Live or work in the parish 3. Spouses and children of members
St. Thomas CCU Ltd	1. Any person who lives, work or was born in the in the parish of St. Thomas.
Trelawny CCU Ltd	Any person living in Jamaica.
UWI (Mona) and Comm. CCU Ltd⁺	1. Students and members of staff of UWI and UTech and their families/relatives 2. Individuals working, living in and around the Mona area and surrounding communities.
Westmoreland CCU Ltd	Any person living in Jamaica.

Notes

1. ⁺ Information on membership requirements gathered from websites of credit unions in October 2011.
2. Information on membership requirements for all other credit unions was attained from telephone calls to the credit unions in October 2011.
3. -- Membership requirements are unavailable.

APPENDIX B: CREDIT UNION BRANCHES

Table B. Distribution of Credit Union Branches by Parish

	Kingston & St. Andrew	St. Catherine	St. Thomas	Portland	St. Mary	Clarendon	St. Ann	Hanover	Trelawny	St. James	St. Elizabeth	Westmoreland	Manchester	Total
AAMM CCU Ltd	1	1	-	-	-	-	-	-	-	-	-	-	-	2
BJ Staff CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Broadcast & Allied CCU Ltd	2	-	-	-	-	-	-	-	-	-	-	-	-	2
Building Societies CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
C&WJ Employees CCU Ltd	3	-	-	-	-	4	1	-	-	1	-	-	1	10
CG CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Church of the First Born CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Churches CCU Ltd CCU Ltd	1	4	-	-	-	-	-	-	-	1	-	-	-	6
COK Sodality	3	1	-	-	-	-	-	-	-	1	-	-	1	6
Correctional Services CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1

Table B (Cont'd)

	Kingston & St. Andrew	St. Catherine	St. Thomas	Portland	St. Mary	Clarendon	St. Ann	Hanover	Trelawny	St. James	St. Elizabeth	Westmoreland	Manchester	Total
D & G Employees CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Ewarton Works CCU Ltd	-	1	-	-	-	-	-	-	-	-	-	-	-	1
First Regional CCU Ltd	-	-	-	-	1	-	4	-	-	-	-	-	-	5
Grace CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
GSB CCU Ltd	2	-	-	-	-	-	-	-	-	-	-	-	-	2
Hanover CCU Ltd	-	-	-	-	-	-	-	1	-	-	-	-	-	1
ICD & Associates CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Insurance Employees CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Jamaica Broilers Group CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Jamaica Defence Force CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Jamaica Police CCU Ltd	1	1	-	-	1	1	1	-	-	1	1	1	1	9

Table B (Cont'd)

	Kingston & St. Andrew	St. Catherine	St. Thomas	Portland	St. Mary	Clarendon	St. Ann	Hanover	Trelawny	St. James	St. Elizabeth	Westmoreland	Manchester	Total
Jamaica Special Constabulary CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Jamaica Teachers' Association CCU Ltd	1	2	1	1	1	1	1	-	-	1	1	1	1	12
JPS & Partners CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Kirkvine CCU Ltd	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Lascelles Employers & Partners CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Manchester CCU Ltd	-	-	-	-	-	-	-	-	-	-	-	-	3	3
Montego CCU Ltd	-	-	-	-	-	-	-	-	-	1	-	-	-	1
NAJ CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
NCB Employees CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Nestle Jamaica CCU Ltd	-	1	-	-	-	-	-	-	-	-	-	-	-	1
NWC CCU Ltd	3	-	-	-	-	-	-	-	-	-	-	-	-	3

Table B (Cont'd)

	Kingston & St. Andrew	St. Catherine	St. Thomas	Portland	St. Mary	Clarendon	St. Ann	Hanover	Trelawny	St. James	St. Elizabeth	Westmoreland	Manchester	Total
Palisadoes CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Petroleum Industry Employees CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Portland CCU Ltd	-	-	-	1	-	-	-	-	-	-	-	-	-	1
Postal CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
PWD CCU Ltd	1	-	-	-	-	-	-	-	-	-	-	-	-	1
St Catherine CCU Ltd	-	6	-	-	-	-	-	-	-	-	-	-	-	6
St Elizabeth CCU Ltd	-	-	-	-	-	-	-	-	-	-	1	-	-	1
St Thomas CCU Ltd	-	-	1	-	-	-	-	-	-	-	-	-	-	1
Trelawny CCU Ltd	-	-	-	-	-	-	-	-	1	-	-	-	-	1
UWI (Mona) and Comm. CCU Ltd	2	-	-	-	-	-	-	-	-	-	-	-	-	2
Westmoreland CCU Ltd	-	-	-	-	-	-	-	-	-	-	-	1	-	1
Total	39	17	2	2	3	6	7	1	1	6	3	3	8	98

- No branch

Source: Jamaica Telephone Directory, 2011

APPENDIX C: MARKET SHARE BY BRANCHES

Table C1. Market shares (percent) by branches

Kingston & St. Andrew	Branches
C&WJ Employees CCU Ltd	7.7
COK Sodality	7.7
NWC CCU Ltd	7.7
Broadcast & Allied CCU Ltd	5.1
GSB CCU Ltd	5.1
UWI (Mona) and Comm. CCU Ltd	5.1
AAMM CCU Ltd	2.6
BJ Staff CCU Ltd	2.6
Building Societies CCU Ltd	2.6
CG CCU Ltd	2.6
Church of the First Born CCU Ltd	2.6
Churches CCU Ltd CCU Ltd	2.6
Correctional Services CCU Ltd	2.6
D & G Employees CCU Ltd	2.6
Grace CCU Ltd	2.6
ICD & Associates CCU Ltd	2.6
Insurance Employees CCU Ltd	2.6
Jamaica Broilers Group CCU Ltd	2.6
Jamaica Defence Force CCU Ltd	2.6
Jamaica Police CCU Ltd	2.6
Jamaica Special Constabulary CCU Ltd	2.6
Jamaica Teachers' Association CCU Ltd	2.6
JPS & Partners CCU Ltd	2.6
Lascelles Employers & Partners CCU Ltd	2.6
NAJ CCU Ltd	2.6
NCB Employees CCU Ltd	2.6
Palisadoes CCU Ltd	2.6
Petroleum Industry Employees CCU Ltd	2.6
Postal CCU Ltd	2.6
PWD CCU Ltd	2.6

Table C2. Market shares (percent) by branches

St. Catherine	Branches
St Catherine CCU Ltd	35.3
Churches CCU Ltd CCU Ltd	23.5
Jamaica Teachers' Association CCU Ltd	11.8
AAMM CCU Ltd	5.9
COK Sodality	5.9
Ewarton Works CCU Ltd	5.9
Jamaica Police CCU Ltd	5.9
Nestle Jamaica CCU Ltd	5.9

Table C3. Market shares (percent) by branches

St. Thomas	Branches
Jamaica Teachers' Association CCU Ltd	50
St Thomas CCU Ltd	50

Table C4. Market shares (percent) by branches

Portland	Branches
Jamaica Teachers' Association CCU Ltd	50
Portland CCU Ltd	50

Table C5. Market shares (percent) by branches

St. Mary	Branches
First Regional CCU Ltd	33.3
Jamaica Police CCU Ltd	33.3
Jamaica Teachers' Association CCU Ltd	33.3

Table C6. Market shares (percent) by branches

Clarendon	Branches
C&WJ Employees CCU Ltd	66.7
Jamaica Police CCU Ltd	16.7
Jamaica Teachers' Association CCU Ltd	16.7

Table C7. Market shares (percent) by branches

St. Ann	Branches
First Regional CCU Ltd	57.1
C&WJ Employees CCU Ltd	14.3
Jamaica Police CCU Ltd	14.3
Jamaica Teachers' Association CCU Ltd	14.3

Table C8. Market shares (percent) by branches

Hanover	Branches
Hanover CCU Ltd	100

Table C9. Market shares (percent) by branches

Trelawny	Branches
Trelawny CCU Ltd	100

Table C10. Market shares (percent) by branches

St. James	Branches
C&WJ Employees CCU Ltd	16.7
Churches CCU Ltd CCU Ltd	16.7
COK Sodality	16.7
Jamaica Police CCU Ltd	16.7
Jamaica Teachers' Association CCU Ltd	16.7
Montego CCU Ltd	16.7

Table C11. Market shares (percent) by branches

St. Elizabeth	Branches
Jamaica Police CCU Ltd	33.3
Jamaica Teachers' Association CCU Ltd	33.3
St Elizabeth CCU Ltd	33.3

Table C12. Market shares (percent) by branches

Westmoreland	Branches
Jamaica Police CCU Ltd	33.3
Jamaica Teachers' Association CCU Ltd	33.3
Westmoreland CCU Ltd	33.3

Table C13. Market shares (percent) by branches

Manchester	Branches
Manchester CCU Ltd	37.5
C&WJ Employees CCU Ltd	12.5
COK Sodality	12.5
Jamaica Police CCU Ltd	12.5
Jamaica Teachers' Association CCU Ltd	12.5
Kirkvine CCU Ltd	12.5

APPENDIX D: AVERAGE FEES OF BANKS AND CREDIT UNIONS

Table D. Average fees of banks and credit unions for select services (2007-2010)

Services		2010		2009		2008		2007	
		Credit Union	Bank	Credit Union	Bank	Credit Union	Bank	Credit Union	Bank
Dormant Account Fee	Maximum	100.00	1000.00	113.00	675.68	123.00	740.55	151.00	768.11
	Minimum	0.00	0.00	0.00	0.00	0.00	0.00	0.00	231.94
	Average	29.25	410.89	32.85	327.33	41.14	348.47	50.33	438.27
	N	4	6	4	6	3	6	3	4
Passbook Replacement	Maximum	70.00	500.00	79.00	489.87	62.00	444.33	75.00	481.95
	Minimum	0.00	100.00	0.00	96.85	0.00	106.15	0.00	308.75
	Average	36.00	366.67	40.54	329.68	36.20	322.76	44.18	404.76
	N	3	3	3	4	3	4	3	4
Withdrawal	Maximum	100.00	200.00	113.00	112.61	123.00	123.43	151.00	150.61
	Minimum	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Average	33.33	67.65	37.54	47.86	41.14	46.28	50.20	75.30
	N	3	4	3	4	3	4	3	3
Debit Card Replacement	Maximum	460.00	720.00	450.00	844.60	370.00	555.41	75.30	451.83
	Minimum	50.00	630.00	56.00	112.61	62.00	123.43	75.30	150.61
	Average	242.00	675.00	262.66	465.66	215.99	325.23	75.30	303.23
	N	5	2	3	4	2	4	1	3
Status Letter	Maximum	1725.00	2500.00	1689.00	2590.12	1111.00	2516.34	1130.00	1528.68
	Minimum	0.00	587.50	0.00	563.06	0.00	617.12	0.00	1054.26
	Average	755.56	1374.35	722.61	1346.53	582.84	1285.66	547.84	1398.78
	N	9	6	9	6	9	6	8	4

Table D (Cont'd)

Services		2010		2009		2008		2007	
		Credit Union	Bank	Credit Union	Bank	Credit Union	Bank	Credit Union	Bank
Credit Report	Maximum	1725.00	3030.00	1689.00	3378.42	1111.00	3085.64	1130.00	3012.18
	Minimum	0.00	3000.00	0.00	1126.14	0.00	1234.25	0.00	1506.09
	Average	854.22	3015.00	796.74	2612.64	601.70	2542.57	615.35	2442.88
	N	8	2	8	5	8	5	7	5
Undertaking Notice	Maximum	2300.00	6500.00	2252.28	6632.96	1851.00	7269.76	1205.00	5873.76
	Minimum	0.00	1412.00	0.00	1576.59	0.00	1727.96	0.00	4518.28
	Average	1060.00	4972.40	968.48	4586.20	752.90	4378.52	401.67	4982.65
	N	5	5	5	4	5	4	3	3
Dishonoured Cheque (Local)	Maximum	1725.00	1250.00	1689.21	1126.14	926.00	925.69	1506.00	1129.57
	Minimum	0.00	403.44	0.00	450.46	0.00	493.70	0.00	602.44
	Average	643.34	893.49	492.53	862.43	436.85	771.41	381.62	822.33
	N	9	6	9	6	9	6	8	5

Notes

1. Figures in 2010 dollars.
2. "N" represents the number of institutions that reported their fees for specific services.
3. For the service dishonoured cheque, it is likely that the final fee charged by credit unions is higher than that charged by banks as most credit unions charge a fee in addition to the bank charges for that service.