



BUILDING SOCIETY IN THE 21ST CENTURY

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November 9, 2017





FINANCIAL INCLUSION

“More than any other financial institution in Jamaica, Victoria Mutual is driven by the mission of achieving financial inclusion.”

- Courtney Campbell





HISTORICAL EVOLUTION AND NATURE OF MUTUALS

- ❑ Mutuals are member organisations
- ❑ Membership is derived through ownership of a deposit account or loan which could be a mortgage
- ❑ Mutuals include credit unions, friendly societies, insurance companies, some building societies and even some supermarkets





HISTORICAL EVOLUTION AND NATURE OF MUTUALS

- ❑ The mutual building society model originated in the United Kingdom in the 18th century
 - In the 1830s, 'permanent' building societies emerged so that the provision of homes could be extended to more persons





BUILDING SOCIETIES AND JAMAICA

- ❑ 1st Building Society founded in 1864
 - It is believed that the Kingston Benefit Building Society was the first
 - Credit was given to Rev. William J. Gardner as the founder
- ❑ “Influenced by a few friends anxious to promote the well-being of the working and middle classes” – Gardner, 1873
- ❑ It was understood that the institution was purely mutual in character (not for profit) and provided many people with an excellent home in which they could have obtained no other way





HOW DID BUILDING SOCIETIES WORK

- ❑ Persons have to be a Member to participate in the society
- ❑ Consistent saving by Members as the means of purchasing shares over time
- ❑ Members would pool their savings together to buy house and land by borrowing from these funds
- ❑ Accountability and transparency with respect to investments of pooled funds
- ❑ Declaration and sharing of benefits to members as the source of at least the down payment

**THE CORE VALUES
OF THE PROTOTYPE BUILDING SOCIETY
CAN BE CAPTURED AND SUMMARISED
AS FOLLOWS:**

1. Membership as a **requirement** of participation in the society
2. Consistent saving by members as the means of purchasing shares over time
3. The pooling of members' saving and the prudent investment of pooled savings
4. Accountability and transparency with respect to investments of pooled funds
5. Declaration and sharing of benefits to members as the source of at least the down payment for house purchase or home improvement - **Errol Miller, 2015**



BUILDING SOCIETY IN THE 21ST CENTURY



HOW WAS THE BUILDING SOCIETY MODEL SOLIDIFIED?

- ❑ Through rapid spread of Building Societies named for the parish in which it was established such as the Westmoreland Building Society
- ❑ Many speculated the political and social environment of the 1870s influenced the spread of Building Societies
 - The socio-economic divisions among the different classes resulting in the Morant Bay Rebellion
- ❑ Victoria Mutual Building Society named for Queen Victoria





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HOW HAVE THEY SURVIVED?

- ❑ Building Societies not only exist locally, but internationally as well
- ❑ Building Societies have a unique ownership structure
 - One member = one vote
- ❑ Building Societies were constructed with an egalitarian financial model
 - The model supported the lower class who often faced poverty and discrimination based on race and color and helped them climb the social ladder
- ❑ Built on trust and excellent stewardship of funds





MODERN MUTUAL

An organisation that takes the best of mutual values and the focus on its members and customers to help them achieve their goals.

- ❑ Building on past success to create innovative ways to meet the needs of the 21st century consumers and businesses
- ❑ Helping our Members achieve their purpose
 - State of the art technology - VMBS invested US\$18 million in various technology projects
 - Online Mortgage Portal
 - Customer-centric - VMBS recently launched our new service standards





CHALLENGES BECOMING A MODERN MUTUAL

- ❑ Raising capital
 - Core Capital Deferred Shares in the UK
 - The Banking Services Act, (2014) allows mutuals to raise capital in a similar way





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COST: INCOME RATIO

Entity	Type	2013	2014	2015	Average for the Entity
NCB	Non-Mutual	49%	43%	44%	45%
BNS	Non-Mutual	68%	68%	69%	68%
VMBS	Mutual	66%	72%	80%	73%
JNBS	Mutual	86%	76%	85%	82%
FGB	Non-Mutual	75%	89%	89%	84%
FCIB	Non-Mutual	110%	90%	92%	97%
Average for the 6 entities		76%	73%	76%	



CHALLENGES BECOMING A MODERN MUTUAL

- ❑ **Competitive Restrictions**
 - Real Time Gross Settlement System (RTGS) and Automated Clearing House (ACH) System vs Clearing House Automated Payment System in the UK
 - Chequing Accounts
- ❑ **Belief of Lack of Corporate Governance, Service and Efficiency**
- ❑ **Threat of Hostile Demutualisation**





OPPORTUNITIES FOR MODERN MUTUAL

- ❑ Increasing competition in the financial sector delivering real value to customers
- ❑ Leading financial inclusion
- ❑ Promoting stability and corporate diversity in the financial market





OPPORTUNITIES FOR MODERN MUTUAL

- ❑ Contributing to business development
 - Contribute to the growth of mortgage market
 - \$92,271,221,000 as at Dec 2016 this figure excludes Scotia Jamaica Building Society
- ❑ No Customer/Shareholder conflict
- ❑ Model Corporate Citizenship





OPPORTUNITIES FOR MODERN MUTUAL

- ❑ Distinguish ourselves through Obsessive Member Focus

- ❑ New Rules enable us to:
 - Expand products offered by the Society
 - Implement more self service channels
 - Be more competitive in the market place





CONCLUSION

The mutual model has come a long way with many changes but what has remained the same is the unparalleled focus with Members at the forefront of each decision – the future is brighter than ever.





BUILDING SOCIETY IN THE 21ST CENTURY



CONCLUSION

With each change came a wealth of opportunities to our Members which has helped us to meet the needs and wants of a 21st century consumer.





CONCLUSION

Above all, these changes have increased competition and subsequently aiding financial inclusion, promote financial and corporate diversity and contribute immensely to the economic growth of the country.

