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**COOPERATIVE BANKS IN THE SOVIET UNION
AND ALMA ATA CENTRAL COOPERATIVE BANK:
A CASE STUDY***

Prepared by

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* The views expressed in this document are those of the author and do not necessarily reflect the views of the Secretariat of UNIDO. This document has not been formally edited.

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I. BACKGROUND

The Soviet Union enacted a Law on Cooperatives in May 1988 as a major component of perestroika. Soviet government officials and cooperative leaders requested that the United Nations Industrial Development Organization (UNIDO) arrange for a team of United States privatization and cooperative experts to review the status of cooperative development, especially production cooperatives, in the Soviet Union and present their findings, conclusions and recommendations at an international conference scheduled for December 1989 in Moscow with sponsorship by the Soviet Government and cooperative organizations and UNIDO.

UNIDO arranged for the Washington-based Center for Privatization (CFP) to marshal and lead a team of five experts for this project. CFP requested that Robert S. DeVoy serve as the cooperative expert on this team because of his role as the director of a project on privatization through cooperative approaches in developing countries, a project of the United States Overseas Cooperative Development Committee (OCDC). Mr. DeVoy is a staff member of the Cooperative Housing Foundation.

As part of the team's research on cooperative development in the Soviet Union, it was decided that each team member would undertake a case study of a particular type of cooperative. Robert DeVoy's case study is the Central Cooperative Bank located in the city of Alma Ata in the Republic of Kazakhstan. The team conducted their studies in the Soviet Union during the last week of June and first week of July, 1989.

II. COOPERATIVE BANKS IN THE SOVIET UNION

A. Overview

Since the first general law authorizing cooperatives was enacted in 1987, an estimated 100,000 cooperatives have been established throughout the fifteen republics of the Soviet Union. These are mostly small (average of 18 members), urban-based, and engaged in services, retail trade, production, and marketing activities. While perhaps 20% are employee cooperatives spun off from state owned enterprises, most are new enterprises started by as few as three members.

The Soviet Union had a viable cooperative bank network serving a strong cooperative enterprise system until the late 1920s. These banks were eliminated about 1926 along with the cooperatives as part of the restructuring of the economy at that time. Six decades later, cooperative banks have reappeared following the enactment of the Law on Cooperatives in May 1988. Cooperative banks are registered with and regulated by the State Bank in accordance with regulations pertaining to cooperative, joint stock and commercial banks (together called "commercial banks").

The cooperative and commercial banks comprising the private banking sector are essentially local in nature, while the state bank system functions basically at the national and republic levels with extensive branch bank networks. These systems are shown in the diagram on page 5.

As of June 30, 1989 there were 43 cooperative banks registered and another 16 applications pending. At the same time, there were 76 other commercial banks with 32 applications pending. Since, by the State Bank's own regulations, applications are processed in one month, the rapid growth of these banks is apparent. Review of a list of the registered banks indicates they are widely spread among the republics.

A key distinction between cooperative and commercial banks is that the former is intended to serve cooperatives primarily while the latter is intended to serve state enterprises primarily. In actual practice it tends to be working out this way, but there is substantial overlap in types of shareholders since the regulations do not differentiate who the owners can be.

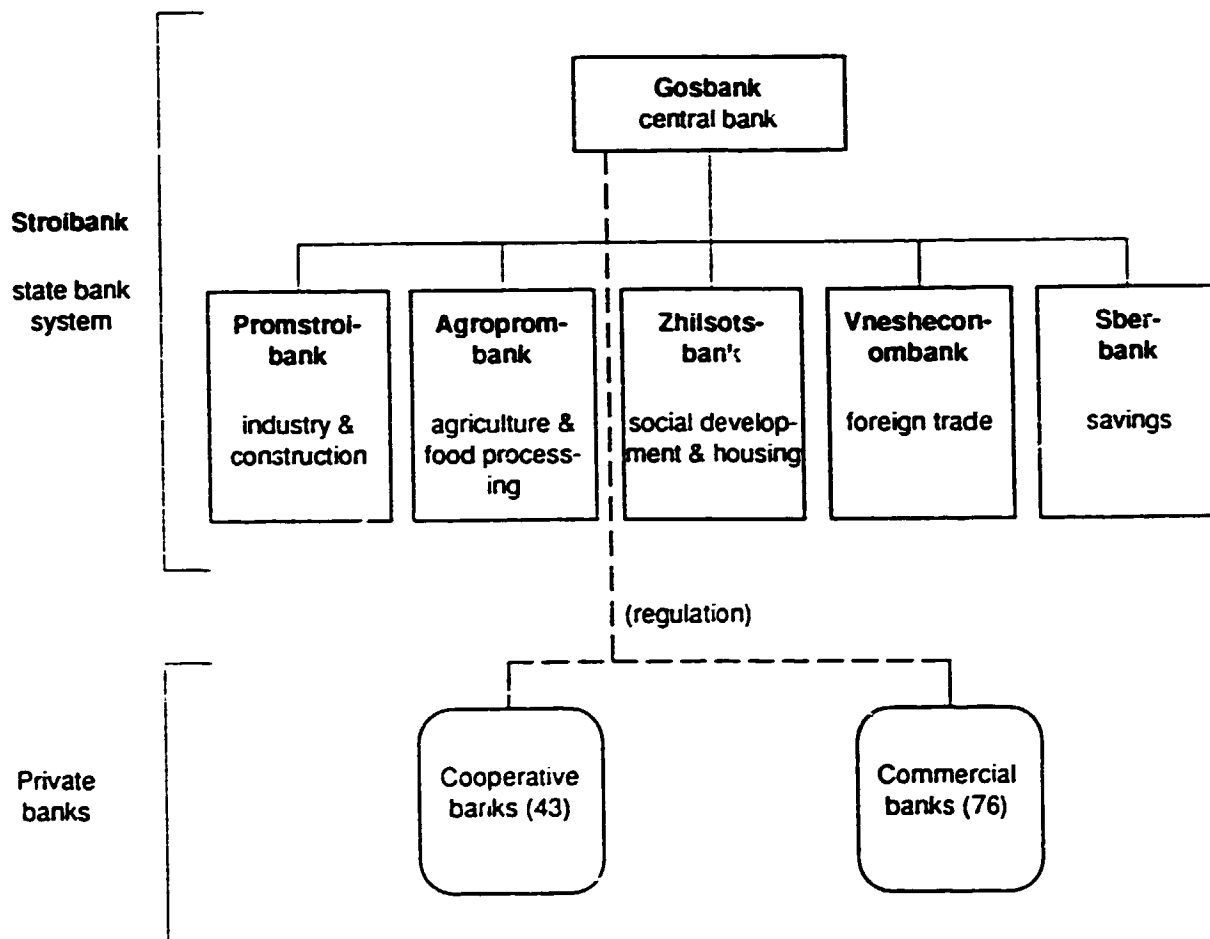
The banks themselves have chosen to continue this integration, at least for the time being, through their All Union Association of Commercial and Cooperative Banks, which presently has 58 members, about half of which are cooperative banks.

The Law on Cooperatives seems to intend for cooperative banks to be established primarily by cooperative associations. The State Bank regulations broaden eligible ownership substantially to include as founders-shareholders of commercial banks (including cooperatives), ministries, administrations, other state agencies, banks, associations, enterprises, organizations, offices, cooperative associations, cooperatives, and public organizations; thus, only individuals apparently are excluded (in contrast to the ordinary production cooperative where chartering eligibility is exactly the opposite).

Organizations purchase shares in a bank voluntarily. Shareholders elect members to the bank council at a general meeting. Each shareholder has one vote. The council determines bank policy and appoints a professionally qualified chief executive officer (with title of either chairman or president). Bank councils meet semi-annually or at least annually. Thus, bank control is by democratic processes within the context of the Law on Cooperatives and State Bank regulations.

Bank management guidelines are provided in State Bank "letters" to some extent, especially regarding financial procedures and practices. Given the rapid growth of these banks and the non-existence of a private banking system until 1988, there is a lack of experienced bank managers. Apparently most cooperative banks have been recruiting managers from the State Bank and its related special banks as well as financial specialists in ministries and state enterprises. Clearly there is an important need for training programs for bank managers.

Cooperative banks are required to have at least one-half million roubles in paid-in shareholders equity. They mobilize capital through savings demand and time deposits and loans from member cooperatives, state banks and state owned enterprises. At least one cooperative bank is considering a bond issue to raise long-term capital.



NOTE: Prior to 1988 there was only one state bank (Stroibank) serving as both the central bank and the commercial bank for all purposes. There were no cooperative or commercial banks. The numbers of banks indicated are as of June 30, 1989. In addition, there were applications pending for 16 cooperative banks and 32 commercial banks.

Bank loans are made to cooperatives as well as individuals and even to state enterprises. Interest rates range from 10% to 18% with repayment periods up to 18 months (few longer). Since the average cost of capital is less than 4%, profit margins can be substantial.

Within the past year, the growing number of cooperative banks throughout the Soviet Union have begun to meet the rapidly growing demand for capital by cooperatives. (As of June 30, 1989, there were 43 banks registered, of which about 30 were active.) In this limited time, the more aggressive banks have been able to mobilize adequate capital to meet the effective loan demand of cooperatives in their local market areas. As loan demand increases and more banks become active, capital resources may not be as readily available -- at present low interest rates, in any event. Higher interest rates may become necessary to both the banks and their cooperative borrowers. Such adjustments probably could be made in a context of growing economic opportunity and reasonable government taxation and control. Bank managers are confident that they can adjust to increasing competition for resources and clients. Excessive regulation and high taxation are the prevalent concerns of bank managers.

B. Regulation of Cooperative Banks

Cooperative banks have come into being under the 1988 Law on Cooperatives. They are registered and regulated by the State Bank with the approval of the Ministry of Finance. A Law on Banks has been drafted and is being reviewed and discussed. It is anticipated that it will be enacted within a few months. In the interim, the cooperative and commercial banks are being regulated by the provisions contained in "letters" by the State Bank. The following summary of selected provisions is based on unofficial translations of two of these letters. (Precise translation of some Russian financial terms is most difficult. Thus, there may be unintended misinterpretations of the State Bank's regulations. Hopefully these problems are few and minor.)

1. Establishing a Cooperative Bank

The first official step is registration with the State Bank with agreement of the Ministry of Finance. Prior to registration: (a) the bank organizers must mobilize eligible shareholders with adequate paid-in capital; (b) a shareholders' meeting must be held to elect the bank council; (c) a charter (statute) must be prepared and adopted; (d) a one-year financial plan prepared; (e) information on shareholders' equity, debt and other finances must be obtained along with other documentation; (f) an opinion of the State Bank's branch in the republic must be obtained as to the suitability of the proposed bank in that jurisdiction (taking into account the opinion of local authorities). The State Bank agrees to act on the application for regulation within 30 days.

Cooperative bank branches can be opened with consent of the particular republic bank management of the USSR State Bank in which the branch bank would be located. Branch banks have no legal power and they can enter into contractual relations with clients only on behalf of their parent bank.

2. Financial Requirements

In order to ensure financial stability of the banks, including maintaining liquidity to protect the depositors' interests, the following economic regulations of the commercial banks' activities are established:

- a. The minimum sum of the statute capital of a commercial bank is five million roubles and that of a cooperative bank is one-half million.
- b. The total volume of the bank's obligations on the resources drawn should not exceed 12 times the cooperative bank's own resources. The bank's own resources include the statute capital (except the basic assets, deposits to shares, and stocks of other banks and enterprises and immobilized resources), reserve fund, limited funds, and undistributed profit.
- c. The maximum size of a loan to one borrower should not exceed 50% of the bank's own resources.
- d. 5% of the bank assets drawn from external sources must be deposited in the USSR State Bank system.
- e. The banks are obliged to maintain a constant relationship between the volumes of funds on deposit and loans outstanding, taking into account the terms of credit operations. That is, no long-term deposits, no long-term lending. Also, total lending can increase only as resources increase.

When banks do not observe these regulations, the USSR State Bank has the right to increase the required size of the bank's deposit in the USSR State Bank and require the bank to carry out measures to improve the bank's financial position and, if it is necessary, to reorganize or eliminate the bank. Accounting and reporting by the commercial banks are carried out according to the rules of the USSR State Bank. The banks are required to report regularly their financial performance to the USSR State Bank's republic branch and publish an annual financial report certified by a State Bank auditing commission. Each bank also has its own commission of three members elected directly by and from the shareholders.

The USSR State Bank can cancel the commercial bank's registration if (a) incorrect information was included on the bank's registration application, (b) bank activities do not commence within one year of the registration date, (c) the bank is performing operations exceeding the powers provided by its statute, (d) the bank is violating the economic norms established by the USSR State Bank, or (e) its operations are likely to result in the loss of the bank's capacity to meet its financial obligations. Registration cancellation is announced in the press.

The State Bank regulations also enable the cooperative banks to borrow long-term from the State Bank system at rates of interest not to exceed 20% more than the lending bank's cost of capital. Also, cooperative banks and commercial banks are empowered to borrow from one another.

Accounting regulations are very specific in terms of classification of accounts and reporting procedures. Monthly, quarterly and annual reports to the State Bank are required. After approval by the State Bank's auditing commission, the annual report is to be published by the cooperative bank. The minimum financial information to be reported is shown on the next two pages.

Financial Reports Required by Cooperative
Banks in Letter No. 2-89/1 of the State Bank of
the USSR and Ministry of Finance
(Appendix 1)

Balance Sheet (in thousands of roubles)

Assets

1. Cash
2. Assets on the reserve
3. Bank accounts in the correspondent banks
4. Bank debtors
5. Loans given by the bank:
 - short-term
 - medium- and long-term
6. Valuable papers, shares and stock purchased by the bank
7. Buildings, constructions and other basic assets
8. Other assets

Balance

Liabilities

1. Statute fund
2. Reserve fund
3. Other funds
4. Accounts of income and expenses and current accounts of enterprises, organizations and cooperatives
5. Accounts of correspondent banks
6. Short deposits of the enterprises, organizations and cooperative
 - including for a term of above one year
7. Citizens' deposits
8. Credits obtained from other banks including
 - from the USSR State Bank
 - from the USSR specialized bank
9. Creditors and other bank obligations
10. Profit
11. Other liabilities

Balance

Plan of income, expenses and profits of a commercial bank

Income

(in thousands of roubles)

1. Interest rates for the credit:
 - on short-term loans
 - on medium- and long-term loans
 - on accounts of correspondent banks
2. Dividends from shares and stocks
3. Commission obtained
4. Other incomes (specify them)

Total income

Expenses

1. Calculated and paid interests
 - on accounts of cooperatives, other enterprises and organizations
 - on accounts of correspondent banks
 - on short deposits
2. Expenses for maintenance bank personnel
3. Operational and other expenses (specify)
4. Amortization deductions

Total expenses

III. THE CENTRAL COOPERATIVE BANK

The Central Cooperative Bank (also known as Centrebank) is based in the city of Alma Ata in the Republic of Kazakhstan, approximately two thousand miles southeast of Moscow. Centrebank was the fourth of 43 cooperative banks to be registered with the State Bank. It may be the largest now. It recently opened a branch bank in Moscow -- reportedly the first and, as of July 1989, the only cooperative bank with a branch in Moscow.

A. Charter and Shareholders

Centrebank registered its charter as a cooperative bank with the State Bank in September 1988 under the May 1988 Law on Cooperatives. Shareholders, with one share each, include:

- o nine primary cooperatives
- o cooperative association of Alma Ata (area)
- o agro cooperative association (republic)
- o Sberbank (republic social development and housing bank)
- o a textile factory (mixed state enterprise and cooperative)
- o a construction organization (mixed state enterprise and cooperative)
- o Kazakhstan blind peoples society (public organization)
- o Kazakhstan union of architects (public organization)

Thus, Centrebank's shareholders/owners are quite dissimilar in nature, with different purposes and expectations regarding Centrebank. The primary cooperatives see the bank as an investment and as a source of capital. The cooperative associations have similar objectives, only on behalf of their members rather than directly. The republic state bank branches are interested in interbank relationships including interlending. The state enterprises would normally be interested in commercial bank investments, but these two also have a cooperative orientation. The two public organizations are not cooperatives, but they do function somewhat similarly.

This complex ownership has enabled Centrebank to mobilize the required paid in share capital (now one million roubles) and has provided needed business and banking experience -- both crucial to a new organization. Since the shareholders set policy and hire the chief executive officer, their basic differences could prove to be divisive at some point regarding crucial issues. Usually cooperatives have what is called a "common bond" that brings the shareholders together in the first place and engenders a cooperative approach to all aspects of the enterprise.

Centrebank's charter provides for it to serve the financial needs of cooperatives. However, its lending, deposits and investments are not limited to cooperatives. While its market area focuses on the Alma Ata area (two million population), its charter permits it to do business throughout the Soviet Union and to finance international trade. Its Moscow branch, opened in 1989, indicates its intention to do both.

B. Management and Staff

Centrebank's shareholders have elected some of their members to a commission (i.e., board of directors). This commission has appointed the chief executive officer as chairman. Shareholders also elected three members to an audit commission as required by the bank regulations.

The management plan includes 58 headquarter's staff positions (excluding staff in Moscow) of which 26 were filled as of June 1989. The organization and staffing are as follows:

<u>Position</u>	<u>Plan</u>	<u>Present</u>
Chairman	1	1
Vice Chairman	2	2
Director of Credit Unit	4	2
Director of Research and Analysis/Chief Economist	1	1
Senior Economist	2	1
Credit Experts	12	4
Assistant to Chairman	1	0
Executive Secretary	1	1
Bookkeeper	9	6
Cashier	6	1
Foreign Relations Expert	3	*
Commercial Experts	3	1
Legal Experts	3	1
Support Staff	10	1
Moscow Staff	NA	4
<hr/>		
TOTAL	58	26

* One person, included in four-person Moscow branch.
NA -- Information not reported.

The staff operates as a closely knit group with strong "hands on" leadership by the chairman. The two vice chairmen lead the two credit groups and handle most loan negotiations, evaluations and arrangements. The chairman and two vice chairmen held senior management positions in the state bank system before joining Centrebank.

The economists conduct background research and provide economic and financial information needed for management decision-making regarding resource mobilization and lending programs. The commercial expert provides mediation and other business services to selected bank clients on a fee basis.

The bank staff is highly professional, well managed and efficient.

C. Physical Facilities

Presently Centrebank is leasing office space in a downtown Alma Ata building owned and occupied by the state bank system. The Bank has purchased a large three story house which it is rebuilding to serve its specific banking needs. The bank plans to move to its new headquarters by the end of October. The land is leased from the municipality.

The Bank has purchased two IBM-compatible desk top personal computer systems for 60,000 roubles each. It reports that it has government authorization to purchase a photo copier, facsimile machine and telex. Presently, it uses the telex at the Alma Ata office of the Ministry of Foreign Economic Affairs.

D. Lending

Centrebank had made 150 loans up to June 30, 1989 for a total amount of more than ten million roubles. Loans typically are in the 100,000 to 150,000 range with a maximum loan to one client of 500,000 roubles (i.e., nearly the 50% of its own resources as set by State Bank regulations). Many loans under 50,000 roubles have been made also.

Loan agreements provide for repayment in quarterly installments; usually loans are for one year, but may be up to 18 months. Since Centrebank does not have long-term capital, it is not able to make long-term loans under the regulations.

Interest rates on loans range from 10% to 18% with an average of 12.5%. Interest rates are determined by length of loan (longer repayment period, higher rate) and perceived risk (based on purpose and borrowers).

All but three of the 150 loans have been made to cooperatives. Two were small loans made to individuals for business purposes and one was made to a state farm.

Loans made to employee cooperatives associated with state enterprises usually are guaranteed by the enterprise. Loans made to other cooperatives are guaranteed in writing by each member of the cooperative. When possible, tangible property of the cooperative is pledged as collateral (not including land since all land belongs to the state and is controlled by government.)

Centrebank has had problems with only one loan (for 45,000 roubles), which was for a recreation business. Most members of that cooperative would like to change their business to agriculture and eventually repay the loan. Centrebank was considering various options in July. Since this was the first and only problem loan, there had not been any loan defaults or foreclosures up to that time.

No technical assistance has been provided to borrowers, but Centrebank plans to offer services on a fee basis including, for example, bookkeeping, engineering, loan collections, and business mediation.

Centrebank's June 30 "own resources" including statute capital, undistributed profit and limited funds amounted to 1.5 million roubles. Since regulations restrict loans outstanding to 12 times a bank's own resources, Centrebank could have had up to 18 million roubles in loans outstanding by this criterion alone. In fact it had one-half this amount in loans. At that time at least the bank had marshalled more resources than it needed for loan purposes. Bank officials planned to even more aggressively promote loans to the 2,000 cooperatives in the Alma Ata area and 18,000 in the Republic.

E. Resources and Profitability

As of June 30, Centrebank's paid in shareholders capital was 850,000 roubles. Centrebank's charter provides that its shareholders' paid in capital be one million roubles within one year. Its management says it will meet that provision on schedule. State Bank regulations dated January 3, 1989 called for a minimum of 500,000 roubles in "statute capital" for cooperative banks.

The balance sheet of Centrebank as of June 30, 1989 (following page) shows time deposits of seven million roubles. The state enterprise, state bank and public organization shareholders have made these one year time deposits to provide capital for Centrebank to loan to cooperatives. Interest rates of 3% to 4% are paid on these deposits (same as state banks). Centrebank has another seven million roubles on deposit in current accounts bearing an interest rate of only 0.5% annually. Its fund for social (primarily employee benefits) and banking development of 500,000 roubles comprises earned income and long-term non-interest bearing loans.

Centrebank had a before-tax profit of 105,000 roubles the first six months of 1989. Profits will be distributed to shareholders by the end of the year. Nearly all this profit is attributable to the interest rate spread between its costs of capital (0.5% to 4%, approximately 2% average) and interest earned on loans (10% to 18%, 12.5% average). This 10% spread is roughly three times that enjoyed by most cooperative banks in the world. As the number of cooperative and commercial banks continues to grow and competition for resources intensifies, their cost of capital is likely to increase (if higher interest rates are allowed by the State Bank). In such a new financial environment, Centrebank might not be able to maintain as wide an interest rate spread as the 10% it enjoys now. Recognizing this probability, Centrebank management is planning to mobilize resources in other ways including bond issues, joint venture investments and fees earned on business services.

CENTREBANK

January 1, 1989 - June 30, 1989

BALANCE SHEET (in roubles)

ASSETS	16,277,036.93 (16 million roubles)
Cash	179.54
Reserve deposit in the State Bank of the USSR	393,000.00
Correspondent account in the State Bank of the USSR	5,145,578.20
Debtors	42,500.00
Loans to cooperatives	8,820,014.85
Loans to individuals	45,000.00
Other assets	1,830,764.34
LIABILITIES & MEMBERS' EQUITY	16,277,036.93
Statute fund	850,000.00
Reserve fund	—
Fund for social & banking development	501,764.34
Other funds	58,530.53
Current accounts	7,157,505.62
Time deposits	7,000,000.00
Creditors	256,745.54
Profit	105,079.06
Other liabilities	347,410.84

Official exchange rate June 30, 1989: \$100 = 65 roubles (approximately)

F. Taxation

For banks, taxes are assessed on profits inasmuch as VAT is not applicable. The rate proposed by the Ministry of Finance and the State Bank and included in the draft Law on Banks is 60% which is roughly comparative to other scheduled increases. It is further proposed that the tax be remitted at the national level rather than locally. The Chairman of Centrebank is Vice President of the All Union Association of Cooperative and Commercial Banks. This association has 58 members, of which approximately one-half are cooperative banks. Through his involvement in the association, Centrebank's chairman is promoting less regulation and taxation of cooperative banks at the national level and more at the local government level. He and the association would like to see cooperative banks registered with municipalities (or perhaps republic governments) and regulated and taxed by them. He is also contesting the tax rate. Instead of the 60% tax on profits paid to the national government, Centrebank proposes to pay 35% to the municipality of Alma Ata.

A Moscow-based official of the State Bank responsible for the regulation of cooperative banks indicated in early July that the proposed Law on Banks is likely to maintain the present arrangements and regulations. The lobbying effort by the association regarding these issues is a major test of the privatization of financial systems under perestroika.

IV. SUMMARY OF CONCLUSIONS

Cooperative banks in the Soviet Union have developed rapidly in the little more than one year since they were empowered by the Law on Cooperatives in mid-1988. They have managed to marshal substantial resources as shareholders paid-in capital and deposits from members, other cooperatives, other organizations, and the general public. Demand for loans by cooperatives and others has been strong and growing rapidly. Nevertheless, the 30 or so active cooperative banks have made loans to only a small share of the nearly 100,000 cooperatives.

Thus far, the regulations imposed by the State Bank appear to be generally reasonable and effective in fostering bank liquidity and protecting shareholders investments and deposits.

The substantial spread between interest paid and interest earned combined with good financial management practices specified in the regulations has enabled most of the cooperative banks to generate significant net earnings to distribute to their shareholders.

The case study of the Alma Ata Central Cooperative Bank (Centrebank) corroborated these general observations and conclusions. Furthermore, Centrebank officials demonstrated that capable experienced bank management is available (probably limited in number) and that, given such talented and dedicated management, rapid growth can occur while maintaining prudent banking practices.

Also, bank officers have recognized the importance of uniting to endeavor to influence the new bank laws and regulations, exchange information on their needs and opportunities, and begin to arrange staff training programs. Their All Union Association of Cooperative and Commercial Banks has been active in attempting to influence banking decisions by the Ministry of Finance and the State Bank. Also, this association serves to unite both types of private sector banks now existing in the Soviet Union.

All these important achievements notwithstanding, there are significant issues that need to be properly addressed to help ensure that cooperative banks will continue to develop well. Key issues include but are not necessarily limited to the following:

1. Laws and regulations presently under development affect not only the banks but the entire cooperative movement. The banks, through their national association as well as at the republic and local levels, would benefit by the active participation of other cooperative organizations in considering and promoting appropriate bank legislation and administration. In a broader context there should be a national federation of cooperative associations with an apex organization representing all types of cooperatives.
2. There is significant tension in the relationships between the government and the banks. Much of this is natural and constructive. The cooperative bank shareholders and managers understandably desire minimum regulations and reporting, while those responsible for the regulations may see the need for more control and detailed reporting. Officers of the Centrebank have demonstrated that such disagreements can be aggressively contested with mutual respect within the framework of established systems.
3. The cooperative banks (many if not all) have taken the position that they would rather be regulated and taxed by local governments rather than the Supreme Soviet and State Bank. On the other hand, many of the banks apparently plan to have branch banks and to engage in international banking on behalf of their cooperative clients. These are very complex issues worthy of very careful and thorough consideration and deliberate actions to work out the best possible arrangements.
4. Cooperative bank officials reportedly generally support the principle that cooperative and commercial banks should be subject to the same regulations, rather than the cooperative banks being more conservatively regulated as they are now. This issue relates to the fact that most commercial banks are closely associated with, and usually even sponsored by, state enterprises; thus they tend to be more financially secure than the more independent cooperative banks. This generalization may not fit reality as well as intended by the regulators. It is an issue warranting systematic consideration along with related law and regulation issues.
5. The founders-shareholders of cooperative banks can be and presently are various types of organizations in addition to cooperatives. As primary cooperatives and their associations grow in number and financial strength, ownership of cooperative banks should be expanded to focus on those in the cooperative community, rather than continue to have such diverse shareholders. Expanded ownership by cooperatives should strengthen support for the banks.
6. The continued growth and development of cooperatives will require vastly greater resources than cooperative banks have mobilized to date. Particularly as production cooperatives need capital to invest in plant and equipment, medium-term and long-term loans will be increasingly needed. Cooperative banks presently are precluded from making such loans because they have only short-term resources available (mostly demand and time deposits). Bond issues and other long-term financial instruments should be explored and created.

7. Some cooperative banks envision broadening their base of services to generate fee income to complement their interest rate earnings. As long as such additional activities are financial in nature and compatible with cooperative banking functions, the shareholders and clients may well benefit. In the process of making such decisions, consideration should be given to setting up affiliated enterprises for those new functions which are outside established banking businesses.

8. As Soviet Union cooperatives become increasingly involved in international trade (five hundred are certified to engage in such trade already) and joint ventures with international partners also increase, there will be an expanding international financial market which cooperative banks may well fit into. Such prospects are enticing, but must be addressed realistically. The requirements of international finance are complex and burdensome and the risks can be great. Of course, undertaken prudently, the rewards can be substantial.

All of these topics were discussed with the senior officers of Centrebank during the one week case study. These conclusions are based on those discussions and related observations. Centrebank already is following the courses of action implied by most of these conclusions to some degree. Describing them in this report provides a written record to help guide the future decisions and actions of Centrebank officers and hopefully be of value to other cooperative banks in the Soviet Union.