



**ST. KITTS AND NEVIS
REGULATORY GUIDELINES FOR CREDIT UNIONS
THE MANAGEMENT OF DORMANT AND ABANDONED PROPERTY ACCOUNTS
IN CREDIT UNIONS**

1. Introduction

The Financial Services Regulatory Commission (FSRC) has observed the need to develop guidelines on the management of dormant accounts and abandoned property accounts in the credit unions in St. Kitts and Nevis. The onsite examinations conducted in the credit unions by the FSRC have revealed inconsistencies in the treatment of dormant accounts and abandoned property accounts of members. In addition, representations received by the FSRC from credit unions have highlighted concerns of the absence of standardized guidance for the management of dormant accounts and abandoned property accounts. The inconsistent and inadequate treatment of dormant accounts and abandoned property accounts may also expose a credit union to a high risk for fraudulent activities.

These Guidelines shall apply to all registered credit unions pursuant to Sections 8, 126, 198 and 246 of the Co-operatives Societies Act, Cap. 21.04 ('the COOPSA'). The Guidelines are intended to establish operational standards for credit unions, curb possible abuse in the management of dormant accounts and abandoned property accounts and reinforce the protection of members' funds.

2. Objectives

The objectives of these Guidelines, among others, are to:

- (a) Standardize the treatment of dormant accounts and abandoned property accounts in credit unions;
- (b) Protect the funds of the members of credit unions with dormant accounts and abandoned property accounts;
- (c) Conform to international best practices on the treatment of dormant accounts and abandoned property accounts;
- (d) Establish processes and procedures for the reclaim of funds by the members of dormant accounts and abandoned property accounts or their legal representatives; and

(e) Strengthen risk management and internal control processes.

3. Interpretation

In these Guidelines, unless the context otherwise requires

“abandoned property” refers to property, held or owing by a credit union, which has been presumed to be abandoned because there has been no activity relating to the property specified in (i) and (ii) for a period of fifteen (15) years except for the posting of interest and dividends

- (i) Any general deposit, demand, savings or matured time deposit made in St. Kitts and Nevis with a credit union, together with any interest or dividend, but excluding any lawful charges thereon; and
- (ii) Any funds paid in St. Kitts and Nevis toward the purchase of shares or other interests in a credit union, together with any interest or dividend, but excluding any lawful charges thereon.

“dormant account” means a general deposit account (demand, savings or matured time deposit) established in a credit union on which no transaction has been conducted by the member and in which property the member has not indicated an interest in writing or otherwise for a period of twenty-four (24) consecutive months or more.

“inactive account” means a general deposit account (demand, savings or matured time deposit) established in a credit union on which no transaction has been conducted by the member and in which property the member has not indicated an interest in writing or otherwise for a period of twelve (12) consecutive months or more.

“regulatory agency” refers to any body or authority tasked with the micro and/or macro supervision of co-operative societies and oversight of financial services in St. Kitts and Nevis.

“member-initiated transaction” refers to transactions that include cash or cheque deposits, withdrawals, transfers to or from an account including standing orders, direct debit/credit and payments out of the account made by the account holder or their legal representative. A member-initiated transaction shall not include regular or automated inflows such as interest payments on account and account charges.

“senior management” consists of managers or supervisors who oversee department managers, team leaders and staff members and who fulfill a supervisory function as defined by the credit union’s organizational structure.

4. Treatment of Dormant Accounts

Classification and Communication

- (a) Credit unions shall monitor accounts that show tendencies of inactivity and initiate actions for their reactivation or protection from fraudulent activities. The cost incurred for monitoring inactive and dormant accounts and for contacting the member shall be borne by the credit union.
- (b) A credit union shall take adequate steps to contact a member at least three (3) months prior to an account falling into dormancy at the last known address, allowing ninety (90) calendar days for a written reply.
- (c) A ‘Dormant Account Notice’ shall be served to a member at the member’s last known address on file. The means of communication may include, but are not limited to, the following:
- E-mail;
 - Phone call;
 - Short Messaging Services (SMS);
 - Physical visitation; or
 - Any agreed form of communication referenced during account initiation procedures.
- (d) Where accounts have been identified as being dormant, they shall be maintained separately from all other accounts and should require dual custody for accessibility.
- (e) Interest-bearing accounts shall retain their interest earning status during the period of dormancy.
- (f) A Dormant Accounts Register shall be created by the credit union for the purpose of ongoing monitoring. Ongoing monitoring of dormant accounts shall be conducted to mitigate the risk of fraudulent activity. Exception and maintenance reports are required to be reviewed at least weekly to identify dormant account activity.
- (g) The Dormant Accounts Register should be reviewed independently by the Internal Auditor and the Supervisory and Compliance Committee no less than quarterly.

- (h) While applying various mechanisms to locate a member with a dormant account, a credit union shall not disclose the account balances and any other sensitive information to any third party.
- (i) Every member shall provide 'Next of Kin' information when opening an account with a credit union. In this regard, the credit union shall contact the 'Next of Kin' or other designated contact person of the member with a dormant account when all efforts to locate the member have been exhausted.
- (j) While applying various mechanisms to establish contact with a member with a dormant account, the Next of Kin or designated contact person, all associated costs shall be borne by the credit union.
- (k) A credit union shall provide information to a member on the procedures to reactivate a dormant account.

Dormant Account Reactivation

- (a) A credit union may allow credits into an account classified as dormant but shall not permit a withdrawal until the account is reactivated.
- (b) The reactivation of a dormant account shall not attract any fees or charges to the member in excess of those made in respect of services for comparable active accounts.
- (c) In the case of fixed deposits scheduled by a member to roll over upon maturity and the roll-over has persisted for more than three (3) consecutive roll overs or two (2) years, whichever is longer, a credit union shall initiate actions to re-identify the member, renew consent to continue the instructions and update the member's records. Where the credit union has demonstrated that it has been unable to contact the member of the fixed deposit account, the credit union shall transfer the funds to the Dormant Account Register.
- (d) A request for withdrawal or activation of an account classified as dormant by a member or legal representative shall be made in writing or in a manner specified by the credit union.
- (e) A withdrawal or transfer shall not be permitted on a dormant account except with the authorization of senior management.

Abandoned Property

- (a) A dormant account may be presumed as abandoned if the member has not contacted the credit union in person or in writing or otherwise indicated an interest in the funds held by the credit union before the expiration of fifteen (15) years.
- (b) A dormant account shall not be presumed abandoned unless correspondence by the credit union has been issued to the member's last known address at least once every three (3) years reminding the member that if no activity is evidenced for a period of fifteen (15) years, the property is deemed to be abandoned.
- (c) A dormant account shall not be presumed abandoned if the member, the 'Next of Kin' or legal representative or designated contact person has, within fifteen (15) years of the establishment of the account -
 - i. increased or decreased the amount of funds on account;
 - ii. communicated in writing with the credit union concerning the property; or
 - iii. otherwise indicated an interest in the property.
- (d) A dormant account that has been presumed abandoned after fifteen (15) years of dormancy, shall be transferred to an abandoned property account. An Abandoned Property Account Register shall be created for the purpose of ongoing monitoring and should be reviewed independently by the Internal Auditor and the Supervisory and Compliance Committee no less than quarterly.
- (e) Where the address of a member with an abandoned property account is unknown to the credit union after all reasonable efforts have been made to ascertain the member's address for the purpose of making payment to him or her of all amounts held to his or her credit, the credit union shall transfer the funds to its development fund reserve ten (10) years from the date the account was classified as abandoned.
- (f) Any abandoned property transferred to the development fund reserve shall be vested to the credit union (becomes the property of the credit union), having remained unclaimed and deemed abandoned for ten (10) years.
- (g) Pursuant to Section 126 of the COOPSA, the development fund shall be used for strengthening the capacity and growth of the credit union and for human resource development.

Reporting and Reclaim from the Abandoned Property Account

- (a) A credit union is required to submit quarterly reports to the Registrar of Credit Unions, Financial Services Regulatory Commission, of all abandoned property accounts that have been transferred to the development fund reserve using the form specified.
- (b) A credit union shall display a poster in public view on the process of reclaiming funds in dormant accounts and abandoned property accounts. A list of the names of members with abandoned property shall also be listed on the website of the credit union.
- (c) A credit union that is in receipt of a request from a claimant for funds that have been transferred to the abandoned property account shall take steps to validate and settle the claim on behalf of the claimant. A credit union shall submit the validated claim to the Registrar of Credit Unions within five (5) working days after receipt of the claim.
- (d) Upon receipt of a validated claim, the Registrar of Credit Unions shall communicate to the credit union of the approval or non-approval of the claim submitted within ten (10) working days, to facilitate the transfer of funds from the abandoned property account to an account in the name of the claimant domiciled at the credit union.
- (e) A copy of the General Ledger 'Development Fund Reserve Account' is required to be submitted to the Registrar of Credit Unions quarterly.

5. Indicators of Fraudulent Activities on Dormant Accounts

Several internal control breakdowns that may cause fraudulent activities on dormant accounts and abandoned property accounts include but are not limited to –

- The infrequent review of dormant account and abandoned property account reports;
- Unwarranted access given to employees in relation to dormant accounts and abandoned property accounts leading to the reactivation of dormant accounts and abandoned property accounts without the authorization and knowledge of the member or senior management;
- Inadequate segregation of duties that may cause the same department that is responsible for the handling of returned mail to also be responsible for the monitoring of dormant accounts and abandoned property accounts;
- Inadequate monitoring of infrequently used general ledger accounts;
- Unauthorized searches for dormant accounts by employees who are not responsible for monitoring dormant accounts and abandoned property accounts; and
- Infrequent review of exception and maintenance reports.

6. Exclusions/Limitations of the Guidelines

These Guidelines shall not be applicable to accounts that are:

- (a) Government-owned;
- (b) Subjects of litigation;
- (c) Subjects of fraud investigations by a regulatory agency or law enforcement agencies;
- (d) Subjects of any encumbrance including, but not limited to, liens and collaterals; and
- (e) In credit due to errors including system errors and are under investigation for correction.

7. Implementation

These Guidelines shall take effect from 1st October 2023.



Registrar of Credit Unions
Financial Services Regulatory Commission
12 September 2023