

RCUConsultation

From:
Sent:
To:
Cc:
Subject:

Fwd: Proposed Changes to the Investment Framework for Credit Unions

Dear Sirs,

On behalf of the Board of Buncrana Credit Union, I wish to make the following comments on CP109.

First we appreciate the opportunity to comment to the Central Bank's proposals, which (taken as a whole) will have a very serious, adverse and damaging impact on the viability of this credit union if implemented as proposed.

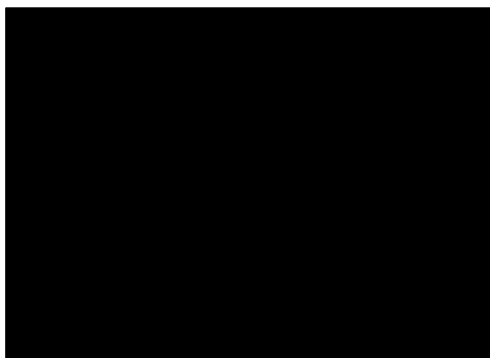
We had asked our Investment Brokers, Goodbody, to advise on the potential impact on Buncrana Credit Union and the sector as a whole. They reported that the changes would cost us € 227k - and cost the sector c.€50million (out of total sector income of € 230 million currently. We trust that the Central Bank will realise that such critical cuts to credit union income would be a classic "unintended consequence" of well meaning, but poorly designed proposals for change. Consequently, we would urge the Central Bank to heed the views of key sector stakeholders- and think again.

At this point, we would simply wish to add that we strongly support the views expressed by Goodbody- and by the Irish League of Credit Unions-in their respective responses. This is precisely the wrong time to make the Investment Framework changes proposed by the Central Bank. Should it persist in implanting the proposed changes, it will surely torpedo a number of credit unions below the water line causing their demise. Therefore, by the time the Central Bank propose to examine the effect of such changes, it would be too late- the patients would be "pronounced dead on arrival at hospital"!

For the sake of this credit union and our members- we would respectfully request that you should go back to the drawing board and discuss, with key stakeholders, the likely adverse long term impact which such changes would have on credit unions. Then it should be possible to redesign changes which would have a beneficial and prudential impact on this sector for which you have regulatory responsibility.

Thank you once again for the opportunity to make this brief submission.

Yours in Credit Union,



[REDACTED]

Subject: Response to proposals in CP109 & Impact on CU Income

[REDACTED]

Please find attached the Goodbody submission for CP109. We have included a general analysis of the changes proposed. We have focused particularly on the removal of existing senior bank bonds (non-preference MREL eligible bank bonds) from the investment universe. This change will have a significant impact on the income for the movement in the coming years in the absence of any material recovery in sovereign bond yields, covered bond yields and deposit rates. We estimate that the change could cost the sector c. €50m from sector aggregate income of €230m.

We have modelled below the scale of the impact on your credit union. We have used the average returns between 2003 and 2017 to model the impact. This is a sufficiently long period to contextualise the impact over the longer term.

Please feel free to use any or all of our submission in your own response to CP109. The closing date for submissions next Wednesday the 28th of June. We expect a response in Q4 2017.

Regards,

[REDACTED]

	Buncrana
Deposits	59%
Bank Bonds	25%
EEA State Securities	7%
Other	9%
	<hr/>
	100%

Investments	58,054,111
Deposits	613,516
Bank Bonds	417,597
EEA State Securities	167,336
Other	215,146
Total	1,413,596

Income to Credit Union	1,413,596
Return%	2.43%
Income ex-bonds	995,999
Return ex-bonds %	1.72%
Reinvested in Deposits	190,691

Net Cost to CU at current % 226,906
% of Income (cost) 16%

	EURIBOR(3M)	Irish 10 yr Generic	Senior Bank Bond	Overnight Depc
Average (2003-2017)	1.56%	4.12%	2.88%	0.41%
Current	-0.37%	0.78%	0.52%	0.00%
Difference	1.93%	3.34%	2.36%	0.41%



Goodbody

G  Ballsbridge Park, Ballsbridge, Dublin 4, Ireland

T 

F 

E 

W www.goodbody.ie

This information is confidential and may be privileged. It is intended solely for the addressee. Access to this e-mail by any other person (except any person authorised by the addressee to deliver this message to him and only for that purpose) is unauthorised. If you are not the addressee you are prohibited from disclosing its content, copying it or distributing it otherwise than to the addressee. Please notify us immediately if you received this e-mail and you are not the addressee and did not receive it to pass to the addressee. If you are not the addressee of this e-mail you should not place any reliance on its contents. If you e-mail information to us or receive e-mail from us you should be aware that we cannot give any assurance about the security or confidentiality of any e-mail. We cannot accept responsibility for any loss which may arise to any person as a direct or indirect result of all or any part of any e-mail becoming known by anyone other than the recipient.

Goodbody Stockbrokers UC, trading as Goodbody, is regulated by the Central Bank of Ireland. Goodbody is a member firm of the Irish Stock Exchange and the London Stock Exchange. Goodbody is a member of the FEXCO group of companies. Goodbody is incorporated with unlimited liability in the Republic of Ireland 54223. VAT Reg No. 1410304P. Registered Office: Ballsbridge Park, Ballsbridge, Dublin 4. Please consider the environment before printing this Email .

This email has been scanned for email related threats and delivered safely by Mimecast.
For more information please visit <http://www.mimecast.com>

<CP109 .docx>