

SJCU draft response to CP109

Bank Bonds

SJCU is disappointed that the Central Bank has not sought feedback on the proposal to amend the definition of senior bank bonds and considers that the proposed amendment will remove an important investment class option.

Potential Additional Investment Classes

1. Do you have any comments on the current level of diversification in credit union investment portfolios?

SJCU feels that further diversification options are required, with options away from financial institutions welcome.

Are there any barriers to the use of existing diversification options within the current investment framework? If so, please provide details and any suggestions to address these.

No comments.

2. Do you have any comments on the potential introduction of additional investment classes for credit unions and the appropriateness of the classes being considered by the Central Bank?

SJCU welcomes the additional classes.

3. Taking account of the appropriate risk profile for credit union investments, are there any additional investment classes that the Central Bank should consider? If so, please outline the investment classes and why such investment classes are considered appropriate for credit unions.

SJCU considers that senior bank bonds should continue to remain as an investment option.

Bonds issued by Supranational Entities:

4. Do you have any comments on the potential to include supranational bonds in the list of authorised classes of investments set out in credit union investment regulations with a minimum credit rating requirement and maturity limit?

SJCU welcomes the additional class.

5. Do you have any comments on the suggested concentration limit for credit union investments in supranational bonds? If you have suggestions, please provide them along with supporting rationale.

SJCU considers that concentration limits based on regulatory reserves will be limiting and other options should be explored.

Corporate Bonds:

6. Do you have any comments on the potential to include corporate bonds in the list of authorised classes of investments set out in credit union investment regulations with a minimum credit rating requirement and maturity limit?

SJCU welcomes the inclusion of corporate bonds as an additional class.

7. Do you have any comments on the suggested concentration limit for credit union investments in corporate bonds? If you have suggestions, please provide them along with supporting rationale.

SJCU considers that concentration limits based on regulatory reserves will be limiting and other options should be explored.

Investments in AHBs:

8. Do you think it is appropriate for credit unions to undertake investments in AHBs? If so, please provide a rationale.

SJCU considers it appropriate for credit unions to undertake investments in AHBs. SJCU is most conscious of the national homelessness crisis and in particular of the following anomaly:

- **there is considerable, as yet unmet, demand for more social housing;**
- **the State is struggling to meet this demand from its own balance sheet;**
- **like most credit unions, SJCUs balance sheet has significant available funding;**
- **providing finance for social housing fits perfectly within the credit union ethos.**

9. What would the most appropriate structure for investments in AHBs be e.g. investment vehicle?

SJCU considers it appropriate for credit unions to undertake investments in AHBs via collective investment vehicles.

10. What do you consider to be the risks associated with this type of investment and what mitigants do you feel are available to manage these risks?

SJCU considers that risks are well identified in the Consultation Paper.

11. How can the ALM issues associated with such investments be addressed by credit unions?

SJCU considers that the wider ALM issue, including potential AHB investments, needs addressing and SJCU is committed to exploring its own ALM in full.

12. Given the existing mismatch between the maturity profile of the sector's funding and assets and the likely maturity profile of such investments, the Central Bank is of the view that the concentration limit would need to be set at a level that reflects this¹². Do you have any views on what an appropriate concentration limit would be for such an investment? What liquidity and ALM requirements could be introduced to mitigate these risks and potentially facilitate a larger concentration limit?

No comments.

13. Do you have any comments on the proposal to include investments in Tier 3 AHBs in the list of authorised classes of investments set out in credit union investment regulations with a 25 year maturity limit?

SJCU welcomes the inclusion of investments in Tier 3 AHBs as an additional class. 25 years would seem an appropriate maturity limit.

Counterparty Exposure Limit:

14. Do you have any comments on the proposal to amend the existing counterparty limit for credit union investments? If you have suggestions, please provide them along with supporting rationale.

SJCU considers that the proposal to reduce the counterparty limit from 25% to 20% will place an additional and unnecessary strain on portfolio management. The addition of the new potential investment classes is not a sufficient rationale for a reduction in existing limits.

15. Do you have any comments on the proposed transitional arrangement to reduce the counterparty limit to 20% of total investments?

SJCU disagrees with the reduction to 20% and any associated transitional arrangements.

Collective Investment Schemes:

16. Do you have any comments on the use of collective investment schemes for credit union investments?

SJCU is supportive of the use of collective investment schemes.

17. Are there any barriers to credit unions using collective investment schemes in the existing investment regulatory framework?

No comments.

Timelines:

18. Do you agree with the proposed timelines for the introduction of potential changes to the investment framework set out in this consultation paper? If you have other suggestions please provide them, along with the supporting rationale.

No comments.