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Central Bank of Ireland

Eurosystem

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GENERAL COMMUNICATION TO ALL CREDIT UNIONS

9th December 2016

By-email to primary contacts (please bring to the attention of the Chairman and CEO/Manager)

MEMBER PERSONAL CURRENT ACCOUNT SERVICES

PERSONAL PAYMENT ACCOUNTS AND PAYMENT SERVICES (INCLUDING DEBIT CARDS)

Dear Chairman and CEO/Manager,

The Central Bank of Ireland (the Central Bank) supports structured and prudent development by credit unions of their business models.

The purpose of this letter is to inform you of the Central Bank's position concerning debit cards and to update you on positive developments in this area.

The business of providing payment services such as debit cards is a complex, sophisticated and regulated business activity requiring a distinctive business model and associated risk management capabilities and capacities. Furthermore, the provision of such services requires significant on-going investment in developing and maintaining business model viability, strategic and operational resources and associated risk management capability.

Default or interruption in the provision of such services (due to, amongst other matters, systems or operational deficiencies) results in people not being able to access their money and undermines trust and confidence.

Accordingly, the Bank considers that the provision by a credit union of a debit card service, including distribution of third party debit cards, to be a distinct new business activity, which is not an exempt service prescribed by the Bank for the purposes of section 48(2)(b) of the Credit Union Act 1997 (the Act). Instead such a service requires approval by the Bank as an additional service under sections 48 and 49 of the Act.

Details of the application process for approval to provide additional services is set out on the Banks website - <https://www.centralbank.ie/regulation/industry-sectors/credit-unions/Pages/apply.aspx> .



Recent Approval to provide additional services - Member Personal Current Account Services

Following coordinated applications by six credit unions, the Registrar of Credit Unions has recently approved these credit unions to provide a suite of services, which include the provision of debit cards. In addition, the credit unions may also provide, as part of what is described as a 'Member Personal Current Account Service' (MPCAS), the following services which the applicant credit unions wished to provide and indeed sought approval to provide;

1. A fully functional, on-demand personal payment account, analogous to a bank personal current account. The account, which provides for the full range of payment orders, account over-running and overdraft features, also allows for a full range of charges and fees.
2. The flexibility to offer a full range of credit union and third party payment services, including debit cards across multiple service channels.
3. A credit union's participation as a payment account service provider to payment schemes, including debit card schemes.
4. A credit union owned shared service firm, providing outsourced payment services and risk management support to client credit unions.

Should a credit union wish to apply for approval to provide the MPCAS, we have published details on our website <http://www.centralbank.ie/regulation/industry-sectors/credit-unions/Pages/apply.aspx>.

Whilst the Bank will consider applications for approval from credit unions seeking to provide the MPCAS, the Bank will also continue to consider, in accordance with the Act, all applications for the provision of additional services (including debit cards).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Frank Brosnan', written over a horizontal line.

Frank Brosnan

Deputy Registrar of Credit Unions