



## Welcome

Welcome to the latest issue of RCU News. Despite the turmoil experienced across the financial sector Irish credit unions have, so far, proven to be robust in riding out the economic downturn. However caution is now the order of the day for credit unions in managing their financial affairs with special attention being required in managing their liquidity position. There is an equal need for credit committees to be vigilant in the exercise of their traditional skill i.e. the use of local knowledge in assessing credit risk. The credit union movement has now entered a period when its role as a provider of personal finance at community level can again come into its own.



Brendan F. Logue  
Registrar of Credit Unions

Our congratulations to Mr. Kevin Johnson on his appointment as Chief Executive of Credit Union Development Association (CUDA) in September.

We also wish Mr. Billy Doyle, the outgoing Chief Executive of CUDA, well in his future endeavors.

## CONTENTS

Welcome	1
Regulatory Development update	2
Building Compliance	3
In Brief	4

## STRATEGIC PLAN 2008-2010

The Strategic Plan for the Financial Regulator covering the three-year period 2008-2010 was published in November 2007. The plan sets out the high level goals of the Financial Regulator for the medium term and included the strategic plan of the Registrar of Credit Unions.

The primary function of RCU is to regulate credit unions with a view to:

- Protection by each credit union of the funds of its members; and
- Maintenance of the financial stability and well-being of credit unions generally.

Our approach to the supervision of the sector will continue to be guided by the need to ensure the safety of members' funds while facilitating the further growth of credit unions in a planned and prudent manner. We will continue to build compliance and strengthen our supervisory oversight of credit unions through off-site analysis of prudential data together with the conduct of on-site inspections and the issuing of guidelines as appropriate. It is our

intention to maintain the maximum possible direct contact with credit unions and other sector stakeholders in order to progress matters of regulatory importance. We believe that this collaborative approach is essential to the ongoing evolution of a regulatory regime for credit unions that is modern and robust.

### DEPOSIT GUARANTEE SCHEME

The Minister for Finance announced on 20 September that the Government has decided to increase the statutory limit for the deposit guarantee scheme to €100,000 per depositor per institution and that this guarantee level applies to credit union savers.

We will work with the Department of Finance to develop the legal framework and with credit union stakeholders to develop and implement the operational arrangements necessary to effect this change.

## REGULATORY DEVELOPMENTS UPDATE

### Draft Guidance Note on Matters relating to Accounting for Investments and Distribution Policy

A draft Guidance Note on Matters relating to Accounting for Investments and Distribution Policy has been prepared to remind credit unions to ensure that the accounting treatment which they adopt for investments complies with the relevant requirements of the Credit Union Act, 1997 (as amended CUA) and that their distribution policy is appropriate and prudent for the particular circumstances of the credit union. The draft Guidance Note is the subject of consultation with credit union sector stakeholders and it is planned to finalise it during 2009.

A copy of the draft Guidance Note is available on our website at [www.financialregulator.ie/creditunions/publications](http://www.financialregulator.ie/creditunions/publications)

### Circular on Dividends

On 9 October the Registrar issued a circular to credit unions drawing attention to the provisions of Section 30 of the Credit Union Act 1997 (as amended) which sets out the requirements in relation to "Dividends on Shares". In particular, Section 30(5) of the Act which states that:

No dividend on shares shall be paid otherwise than out of:

- (a) surplus funds in respect of the year in question after the requirements of Section 45 on transfer to Statutory Reserve have been met; or
- (b) a reserve set aside in previous years to provide for dividends.

Credit unions not in a position to pay a dividend out of the surplus arising for the year ended 30 September 2008 in accordance with the provisions referred to at (a) above, were requested to contact this office to discuss the matter prior to finalising their year-end accounts.

Arising from this circular we have worked with credit unions to strike an appropriate balance between the need to reward savers and borrowers and the equally important need to maintain and enhance credit union solvency. In most cases we have been able to strike that balance with the boards of credit unions. We acknowledge the cooperation of credit unions in working with us in this regard.

## COMPLIANCE

### Prudential Return

The roll out of the Prudential Reporting system was completed in August 2006 and all credit unions are now required to submit Prudential Returns electronically to the Registry of Credit Unions. This regular submission and analysis of key financial information is one of the primary methods we use to inform our supervision process.

### Prudential Return Inspections

A themed inspection, focusing on the Prudential Return, was carried out during 2008. These inspections, and our ongoing Prudential Return analysis of all credit unions, highlighted a number of common inaccuracies in the reporting of information in the Prudential Return.

Arising from our findings, further guidance on the submission of the Prudential Return was issued to all credit unions during October. Credit unions should observe this guidance to ensure that the information they submit on the Prudential Return is accurate. Credit unions are obliged to ensure that they do not knowingly or recklessly submit false or misleading information in the Prudential Return. Failure to comply with this obligation may be a criminal offence.

Detailed guidance on completion of the Prudential Return is available in the "Credit Union Prudential Return Guidance Notes Version 4.0 - June 2008", which can be obtained from [www.financialregulator.ie](http://www.financialregulator.ie).

Should credit unions have any queries or need guidance on any aspect of the above they can contact the Prudential Return Helpline on Lo-Call 1890 252 080 or by e-mail at [rcuprudentialadmin@financialregulator.ie](mailto:rcuprudentialadmin@financialregulator.ie).

### Amendments to the Prudential Return

In an effort to enhance the information received by RCU and to incorporate the Minimum Reserves Requirements reported to the Central Bank, an updated Prudential Return will be rolled out during 2009. The updated return will capture some additional details, including information on investments. Further information on these changes will be made available to credit unions in early 2009.

### Annual Return

The Credit Union Annual Return (CUAR 2008) was circulated to all credit unions in October. This return should be completed and returned to the Registry of Credit Unions as soon as possible after the Annual General Meeting but no later than the 31 of March 2009.

The completion process is the same as in previous years in that, if the annual accounts disclose all the information required for Part 2 of the CUAR, then it is not necessary to complete Part 2 of the CUAR. An excel version of the CUAR is available on the Financial Regulator website under the Credit Unions/Publications and Relevant Legislation section.

The majority of the 2007 CUARs received were found to be completed in accordance with the requirements. The cooperation of credit union personnel in the completion of the CUAR is appreciated. We request all credit unions to ensure that the 2008 return is completed accurately and submitted by the due date.

Any queries can be sent by email to [rcuannualreturn@financialregulator.ie](mailto:rcuannualreturn@financialregulator.ie)

### Section 35 of the CUA

Under Section 35 a credit union shall not make a loan to a member;

- (a) for a period exceeding five years if, were the loan to be made, the total amount outstanding in respect of all loans made by the credit union for periods exceeding five years would then exceed 20 per cent of the total amount outstanding at that time in respect of all loans made by the credit union; or 40 per cent of the total amount outstanding at that time in respect of all loans made by the credit union where written approval is received from the Bank.
- (b) for a period exceeding ten years if, were the loan to be made, the total amount outstanding in respect of all loans made by the credit union for periods exceeding ten years would then exceed 10 per cent of the total amount outstanding at that time in respect of all loans made by the credit union; or 15 per cent of the total amount outstanding at that time in respect of all loans made by the credit union where written approval is received from the Bank.

In recent months we have been in correspondence with a number of credit unions in relation to breaches of section 35 of the CUA. Non-compliance with section 35 is an offence under the Act and accordingly it is important that boards of directors monitor loan duration to ensure compliance with the Act on an ongoing basis. Credit unions that are in breach are being required to cease lending over 5 years until the breach has been rectified. We will continue to monitor compliance in this area and correspond with individual credit unions as appropriate.

### National Supervisors Forum

The Registrar and his deputies attended the National Supervisors Forum Annual General Meeting in Killarney on 8 November. A copy of the Registrar's speech is available at [www.financialregulator.ie](http://www.financialregulator.ie)

### Important Dates

DATE	ITEM
21 January 2009	Prudential Return for Quarter Ending 31 December 2008
31 March 2009	Annual Return for Year Ending 30 September 2008
Between 7 and 21 days before each credit union's AGM	AGM Notifications
21 April 2009	Prudential Return for Quarter Ending 31 March 2009

## IN BRIEF

### Update on Implementation on Third Directive on Prevention of the use of Financial System for Money Laundering and Terrorist Financing

Member States were required to transpose this Directive by 15 December 2007.

In Ireland the transposition process, which is being coordinated by the Department of Justice, Equality and Law Reform and the Department of Finance, is still underway and we understand it is expected that it will now be completed during 2009. Further information on developments on the new legislation and guidance notes will be contained in future editions of RCU News.

Credit Unions are reminded of the need to comply with the current anti-money laundering obligations which are set out in the Criminal Justice Act, 1994 (as amended) relating to customer identification, record-keeping, establishment of procedures and training for staff and reporting of suspicious transactions to the Gardai and Revenue.

#### Financial Sanctions

The Central Bank and Financial Services Authority of Ireland is listed as one of the Competent Authorities for Ireland in the Annexes to the EU Financial Sanctions Regulations, and is responsible for the administration and enforcement of financial sanctions.

Contact Details for the Financial Sanctions Section are as follows:

Legal Unit - Financial Sanctions Section,  
General Secretariat Department,  
Central Bank & Financial Services Authority of Ireland,  
PO Box 559,  
Dame Street, Dublin 2.

**Tel:** +353 1 434 4760 **Fax:** +353 1 410 4995

**Email:** sanctions@centralbank.ie

#### Obligations on Financial Institutions

Financial Sanctions are agreed at EU level, at which point they have the force of law in Ireland. They are then given further effect in Ireland under Regulations made by the Minister for Finance, which create an offence for breach of the sanctions and provide for penalties up to €10,000,000 or a term of imprisonment up to 20 years, or both.

All financial institutions in Ireland, including credit unions, are required to be aware of their obligations in this matter and to have systems in place to identify any persons or entities listed under the asset-freeze regulations in the event of such persons seeking to do business with them or to identify transactions which may relate to prohibited goods.

From time to time, exact or potential matches are found by financial institutions. In the case of exact matches, the accounts and assets must be frozen by the financial institution and a suspicious transactions report sent to the Garda Bureau of Fraud Investigation. In addition, the financial institution must also bring any name(s), so discovered, to the attention of the Financial Sanctions Section in the Central Bank and Financial Services Authority of Ireland. The impact is very severe as the individuals are immediately cut off from the use of their existing funds, may not open bank or other accounts, get insurance or travel outside of the country. Exemptions may be permitted on humanitarian grounds, e.g. access to social welfare.

Potential matches usually occur where a customer of the financial institution has a similar name to a listed individual. In these cases, the submission of a suspicious transactions report to the Garda Bureau of Fraud Investigation may be considered appropriate by the financial institution; additional advice may also be obtained from the Financial Sanctions Section in the Central Bank and Financial Services Authority of Ireland.

All financial institutions are advised to keep themselves informed of existing and new laws and regulations relating to financial sanctions, as they arise. The websites of the European Commission and Department of Finance are useful in this regard:

[http://ec.europa.eu/external\\_relations/cfsp/sanctions/list/consolidated.htm](http://ec.europa.eu/external_relations/cfsp/sanctions/list/consolidated.htm)

<http://www.finance.gov.ie/viewdoc.aspx?fn=/documents/FinancialSanctions2007/FinancialSanctions.htm>

The website of the United Nations Security Council may also be accessed for information on the work of the Sanctions Committees.

<http://www.un.org/sc/committees>

Guidance on the Offence of Financing of Terrorism and the Financial Sanctions Regime for Bodies designated under Section 32 of the Criminal Justice Act, 1994, is available on the Financial Regulator website:

[http://www.financialregulator.ie/frame\\_main.asp?pg=/industry/in\\_aml\\_guidance.asp&nv=/industry/in\\_nav.asp](http://www.financialregulator.ie/frame_main.asp?pg=/industry/in_aml_guidance.asp&nv=/industry/in_nav.asp)

Further updates on Financial Sanctions will be included in future editions of RCU News.

#### Voluntary Code for Credit Unions

In 4 March 2008, the Consumer Protection Codes Department (CPC) of the Financial Regulator published Consultation Paper 32 - Voluntary Consumer Protection Code for Credit Unions. 27 submissions were received on the consultation paper and posted to the website at [www.financialregulator.ie](http://www.financialregulator.ie).

These submissions have been considered and a second consultation paper has been published. Submissions on the revised code will be invited directly from those who made a submission under the initial consultation process and the consultation paper will also be published on the website.

CPC will continue to work closely with the credit union movement in the drafting and rollout of the code.

#### Albanian Visit



Pictured at a recent visit by representatives of the credit union movement in Albania were Oltion Hyso, Union of SCAs, Albania, Aine O'Dowd, ILCU Foundation, Gerond Ziu, Bank of Albania, David Kieley, RCU and Aoife Langford, RCU.