New Ross Credit Union Ltd.

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26th June 2017

Dear Sir or Madam,

New Ross Credit Union welcomes the opportunity to respond to the Consultation on Potential Changes to The Investment Framework for Credit Unions ("CP 109") and to address within this letter significant issues which arise from the proposed changes.

In the context of the current unprecedented low/negative yield environment, New Ross Credit Union are of the opinion that instead of extending and improving the existing investment framework for Credit Unions, CP 109 proposes to restrict investment in Bank Bonds for credit unions and as an alternative puts forward, low yield "A" rated Supranational and Corporate bonds at reduced and limited concentration limits.

The Central Bank is proposing to apply credit ratings to Supranational Bonds and Corporate Bonds, currently, no credit rating has been applied in the 2016 Regulations to investments in Accounts in Authorised Credit Institutions, Irish and EEA State Securities or Bank Bonds. CP109 suggests that concentration limits for investments in Supranational Bonds, Corporate Bonds and Approved Housing Bodies are to be based on a percentage of the regulatory reserve of the respective credit union; currently concentration limits for investment asset classes are based on a percentage of the investment portfolio of each Credit Union.

CP 109 does not set out a rationale for these differing approaches, and does not propose a framework of effective risk management and mitigation; we would feel that CP109 will lead to the elimination of investment returns for credit unions. Current regulations are already restrictive and we expect that should these proposals be implemented the result will be to put further downward pressure on investment income.

The Credit Union movement as a whole are currently experiencing a substantial growth in the size of their Investment portfolios, and the present interest rate environment along with the existing regulatory framework provides limited scope to achieve a return on investments.

The following reflect New Ross Credit Unions views on the proposals in CP109:

Potential Additional Investment Classes - While we welcome the addition of alternatives to the current investment options available, we do not feel that the proposed classes add to the Credit Unions investment options. Given the suggested restrictions in the maximum percentage of investments that will be available for consideration, Supranational Bonds will have a very negligible impact on investment income – there appears to be limited additional returns to be obtained from these bonds with 10 year EIB bonds showing a yield to maturity of only 0.549%. The same could be said in relation to the inclusion of Corporate Bonds as investment returns on these bonds appear to be similar to the yields on Bank Bonds and Irish Government Bonds. In relation to the minimum credit rating requirement, should the rating of the corporate fall below the required "A" rating from two recognised rating agencies, would the Credit Union find themselves in the position of a "Forced Sale" and consequently suffer a loss on the investment.

Investment in Tier 3 approved Housing Bodies (AHB's) – The proposals outlined in CP109 do not provide any visibility on returns or clarity on the underlying exposure. It would appear that this would be a long term investment with no short term income/return and no guarantee on the long term return. While New Ross Credit union would have an appetite to provide funding to social housing and community oriented investments, the appetite is generally for these investments to make an impact locally the proposals would require the monies to be invested away from the local community.

Amending the existing counterparty limit for credit union investments - New Ross Credit Union would not be in favour of reducing the counterparty limit. In the current interest rate environment Credit Unions are facing a significant challenge to identify counterparties to provide a reasonable investment yield – Non Domestic banking institutions are exiting the Irish banking market and Irish domestic banks already applying negative interest rates, leaving Credit unions struggling to retain the capital on their investments.

Proposed transitional arrangement to reduce the counterparty limit to 20% of total investments – Given the factors as outlined above, should the regulations be implemented we do not feel that 12 months from the commencement of the amended regulations is sufficient to enable Credit Unions reduce their limits from 25 to 20%.

Collective Investment schemes for Credit Union investments – The benefit of a collective investment scheme lies in the diversification of counterparties with varying maturities, in most cases the Credit Union can attain a higher return by placing funds in Bank Bonds or Deposits directly. The costs and fees associated with collective investment scheme can be prohibitive

Yours sincerely

Sinead Colfer

Honorary Secretary

New Ross Credit Union Limited