

By Email rcuconsulting@centralbank.ie

Consultation Paper CP109
Registry of Credit Unions
Central Bank of Ireland
PO Box 559
New Wapping Street
North Wall Quay
Dublin 1

27 June 2017

**Re: Submission on CP109
Consultation on Potential Changes to the Investment Framework for Credit
Unions**

Dear Sirs,

Progressive Credit Union welcomes the opportunity to make a submission on CP109. We have reviewed the consultation paper and in particular the impact the proposals contained within would have on our own investment portfolio. This submission should be read in conjunction with that submitted by our investment advisors Davy, to which we fully endorse.

The Board of Directors and Management Team of the credit union would like to make the following additional observations and recommendations:-

Liquidity

Progressive Credit Union is disappointed that CP109 does not factor liquidity pressures facing credit unions. The requirement to hold 5% of unattached savings in short term liquid assets and 20% in investments with less than three months maturity is greatly affecting our investment income as a result of negligible or in some instances negative interest rates.

We understand that Davy have proposed that certain bonds should be treated as liquid for the purposes of regulatory liquidity ratios. We support this recommendation.

Potential Introduction of Additional Investment Classes for Credit Unions

We agree with the proposal to include supranational bonds and corporate bonds. Progressive Credit Union will have the opportunity to invest in additional asset classes. However as the proposed concentration limits on the new asset classes are as a percentage of regulatory reserves, the amount that Progressive Credit Union could invest in such classes would be extremely low and would be unlikely to make a material difference to the portfolio and investment income. The introduction of concentration limits linked to regulatory reserves will also introduce additional complexity and may be cumbersome from an investment management perspective. Progressive Credit Union proposes that the concentration limits be linked to total assets.

Counterparty Exposure

In the event that the counterparty limit is amended to 20% as proposed by the Central Bank, most credit unions will need to reallocate some of its investment portfolio to alternative counterparties. However we do not feel it is appropriate to reduce the counterparty limit for credit union investments at this time. Diversification proposals in CP109 are insufficient to warrant any contraction in current limits. We would also propose a longer transitional period of 24 months.

Bank Bonds

It is our understanding that traditional senior bank bonds may no longer be available while CP109 proposes that new types of bond issues (senior non-preferred) will be prohibited. If the Central Bank's proposal is implemented, the measures will effectively close off an authorised investment class which historically has represented an important investment option for Progressive Credit Union. We will face additional pressure on income as traditional senior unsecured bonds mature within our portfolio and we seek out new bond opportunities.

In the event that you require further clarification on our submission please do not hesitate to contact us.



SEAN STAUNTON
CEO