

**SUBMISSION BY  
C.U.M.A.  
The Credit Union Managers  
Association**

**to the Central Bank of  
Ireland**

**Consultation on Potential  
Amendments to the Fitness and  
Probity regime for credit unions**

**Consultation Paper CP 113**

**Friday, 10th November 2017**

## Introduction

The Credit Union Managers Association (CUMA) is the professional representative association for Managers of credit unions in Ireland.

CUMA provides professional development training and assistance to its members and engages with a wide range of stakeholders and industry bodies in its pursuit of excellence in professional standards in credit union management.

CUMA welcomes the Central Bank commitment, post implementation, to review the Fitness and Probity regime for credit unions, taking account of the new regulatory framework for credit unions and post restructuring of the sector.

CUMA recognises that an appropriate Fitness & Probity regime should ensure that individuals who exercise significant influence and control in a credit union are capable, competent and financially sound individuals with the appropriate skills, experience, knowledge and integrity to manage and govern the credit union.

CUMA appreciates the opportunity to respond to this consultation process and comment on the potential changes to credit union core business.

In its consultation paper the Central Bank is seeking views on the following:

### Tailored Fitness and Probity Regime

- 1. Do you agree that a tailored Fitness and Probity regime for credit unions remains appropriate at this time?**

CUMA agrees that a tailored Fitness and Probity regime for credit unions remains appropriate at this time. As stated in March 2013, in submission to the proposed Fitness & Probity regime for credit unions, CUMA noted it would be important to ensure that credit unions had transitioned appropriately and successfully into the new Fitness & Probity Regime, and that any problems are identified and resolved, before consideration is given to broadening the designations of CFs and PCFs.

- 2. Do you feel that the Fitness and Probity regime for credit unions should be aligned to the Fitness and Probity regime applying to all other RFSPs at a later stage? If so, please indicate what timeline you feel is appropriate for this to occur.**

CUMA believes that Fitness and Probity Standards should be applied fairly and proportionately to all RFSPs and that the rigour of application to credit unions should be applied with equal force to other RFSPs.

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### Controlled Functions

- 3. Are there any additional roles within credit unions which you consider should be prescribed CFs under the Fitness and Probity regime for credit unions? If so, please specify them along with supporting rationale.**

No.

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## Pre-approved Controlled Functions

### 4. Do you have any comment on these proposed PCF roles?

CUMA queries why the role of Compliance, Money Laundering Reporting and Vice Chair are not proposed PCF roles. In light of CUCORA 2012 and post the restructuring of the sector, the above roles all play a key part in credit union operations and governance. The role of Vice Chair should be considered in terms of succession planning.

### 5. Have you any comment on the application of these proposed PCF roles?

CUMA believes that requirements for additional PCF Roles should be based upon risk-based criteria, not on an arbitrary figure of €100 million in asset size.

### 6. Do you have any comment on the proposed commencement date for these roles being designated PCF roles?

It would make most sense to transition in the voluntary role (Vice Chair, if agreed), on or after 31st January, 2019 (the end of the next phase of AGMs). The Head of Internal Audit, Head of Finance, Head of Risk, AML, Compliance Officer Roles could be transitioned in sooner, if in-situ roles are recognised for PCF purposes.

### 7. Are there any other roles which you feel would benefit from being designated PCF roles at this time?

See responses in Questions 4 and 6.

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## Transitional Arrangements

### 8. Do you have any comment on the proposed transitional arrangements for the designation of the proposed PCF roles?

As the Central Bank have indicated in CP 113, there is concern that the supervisory experience indicates weaknesses have ranged from failure to adequately segregate duties and responsibilities, deficiencies in procedures, systems and controls, and are not just confined to any size or type or to a particular region. From a risk based perspective, transitional arrangements should take account of this urgency, and of the natural business cycle of credit unions. Thus, transitional arrangements should introduce new requirements for volunteers as outlined in question 6.

The transitional requirement for in-situ officers could commence in a relatively more telescoped time-frame.

CUMA contends that all credit union members are entitled to the same high standard of good governance and best practice, regardless of the size of the credit union.

It is not unreasonable to require that the Fitness & Probity Regime be applicable to all credit unions regardless of size.

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## Practical Considerations re Outsourcing

### 9. Do you have any comment on the requirements and obligations on the credit union where PCF roles are outsourced?

The Risk Manager must, under legislation, be part of the Management Team. Outsourcing of the risk management function to a third party is, in the view of CUMA, not compliant with the Act, as an “outsourced” Risk Officer is not an employee of the credit union. Therefore, outsourcing of this position to a commercial third party which clearly is not part of the management team is an anomaly, in our view. It is difficult to see how PCF can be applied in such circumstances to this role if it is outsourced.

CUMA



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