



CUDA SUBMISSION TO CP136

11th May 2021



Introduction

CUDA (Credit Union Development Association) welcomes the opportunity to part take in the Central Bank of Ireland's Consultation on enhancing engagement with stakeholders.

Our responses are arranged under the four Proposals as set out in the Consultation Paper.

We appreciate that existing engagements with stakeholders will be augmented by targeted engagement strategies to facilitate greater discussion of cross-sector strategic issues that affect the Central Bank's oversight of the financial system. And, we note the Paper discourages commentary on existing engagements on a sector specific basis with Central Bank.

Whilst we do not aim to focus on sector specific engagements, we do believe that Central Bank's Proposal 2 on formalisation of the current industry forum roundtables can be supported by the cross-sector engagement that is currently utilised on a subject theme basis. This level of engagement allows for cross sector issues on a subject matter and the effective implementation of individual pieces of legislation.

By way of example, cross sector forums and committees that give rise to effective engagement with domestic stakeholders, greater cross sector understanding, and implementation include(ed):

- The Future of Retail Payments Forum
- National Cash Forum
- Central Credit Register Forum
- AML Bank Account Register Forum

We have also highlighted below the benefits of establishing a Policy Committee on a sector basis for effective engagement.

On a final introductory comment on purposeful engagement, we would also welcome Central Bank attendance at the table of the AML/CTF Private Sector Consultative Industry Forum.

Responses to Questions in CP136

Proposal 1 Enhanced engagement with civil society & with consumer representatives

Question 1: Do you agree with the proposals outlined above to enhance the role of the Consumer Advisory Group? What further enhancements could be made, given its statutory mandate?

Question 2: Do you agree with the proposals outlined above to enhance the role of the Civil Society Roundtable?

Question 3: What other formal or informal mechanisms could the Central Bank consider to engage with civil society and consumer groups to ensure their perspectives and insights into the financial system are considered in decision-making?

We have no difficulty with the proposals as set out in the Paper for enhanced engagement with consumer representatives. We acknowledge the important role of consumer groups and civil society.

An annual survey carried out by Amarach Research¹ has rated Credit unions first by consumers for best customer experience. Credit unions have taken this coveted position every year since the inception of the annual survey. Credit unions are the only regulated financial service provider to make it into the top 10 – 6 years in a row. Credit unions focus on every individual member needs. A feature that could easily be eroded by generalising the issues, or more worryingly generalising the solutions. This would be our concern with regard consumer representative and civil society informing Central Bank decision making. Consumer trust in Ireland's banks is low by international standards² and dates back over a decade. Trust will not be rebuilt in the short term by bank branch closures and existing banks. Solutions (that may flow from the proposals) must not erode the trust in regulated entities such as credit unions where member commitment *is* already the number one priority.

We appreciate the purpose is to enhance engagement with consumers and users of financial services and to gain mutual understanding of cross sector issues across the financial system. We would fear focus groups can generalise. As the consumer protection code undergoes a review by the Central Bank, we would caution against generalising consumer issues across the financial system and ensure the solutions do not erode the provision of individual consumer needs already provided by the credit union sector.

¹ On behalf of The CX Company. Please follow the link to access the 6 CXi Reports (2015 – 2020) [\[here\]](#)

² https://www.fsunion.org/download/pdf/fsu_the_future_of_banking_a5_booklet_.pdf [\[here\]](#)

All financial institutions are not the same. This is acknowledged in the similar but distinct Central Bank of Ireland fitness and probity regime. One size does not fit all - CP138 and CP140³ propose Central Bank parameters “proportionate to the nature, scale and complexity” of the regulated entity is not a very definitive exact measurement or clear set of standards. Legislation recognises the unique nature of credit unions through specific legislation and it should be noted that ten separate sections of CUCORA 2012 state that *“In prescribing matters for the purposes of this section, the Bank shall have regard to the need to ensure that the requirements imposed by the regulations made by it are effective and proportionate having regard to the nature, scale and complexity of credit unions, or the category or categories of credit unions, to which the regulations will apply”*. As consumers any dilution of credit union uniqueness is not acceptable.

It merits noting that another distinct feature of credit unions is that the Board of Directors is drawn from their members, who are also the consumers. This is a significant driver of the different culture experienced than maybe prevalent in other institutions, and ensures consumer knowledge and interests are the primary focus. In conclusion, when it comes to consumer experience, it is not only how consumer representatives can improve the Central Bank decision making, but understanding where the decision making need not be applied.

Under Question 9 below, we raise additional questions and commentary on resourcing and financial costs of the proposals to enhance engagement with non-regulated financial service providers and stakeholders.

Proposal 2 Industry Engagement

Question 4: Do you agree that the Central Bank should look to formalise the current industry forum roundtables to discuss cross-sectoral, strategic issues relating to the financial system as set out above?

Question 5: If yes, are there any suggestions you would like to make the regarding the establishment of such a forum?

Question 6: If no, how do you think the Central Bank should seek to discuss cross-sectoral, strategic issues relating to financial sector oversight with the relevant industry stakeholders?

CUDA agrees with the formalisation of the current industry forum roundtables. We are also in agreement that these forums are specifically confined to key regulated financial sector industry stakeholders/representatives, without the need

³ CP138 – Consultation Paper 138 Cross-Industry Guidance on Outsourcing, February 2021. CP140 - Consultation Paper 140 Consultation on Cross Industry Guidance on Operational Resilience, April 2021.

for participation or open discussion from non-regulated stakeholders' representatives.

Clarity around the deliverables is important - clear agenda, objectives of the meetings, intended outcomes, actions defined.

Proposal 3 Financial System Conference

Question 7: Do you have any observations in respect of the proposed [Financial System] Conference?

We are unclear as to the real purpose of an event of this nature. It would appear that the Central Bank want to bring all the "groups" together in a larger conference style event. Additional insight in the Paper as to the thinking and formation of the proposed Conference would be helpful to assist us frame a considered response – How will final topics be determined? How will objectives and actions be determined? How will such as event operate with its proposed audience base? We are uncertain as to what more the Central Bank hopes to learn. What messages cannot already be assimilated from the various meetings, focused groups and forums as proposed.

We note the Central Bank's current strategic plan (Strategic Plan 2019-2021) aims to enhance confidence and trust in the financial system through "...purposeful engagement..."⁴ We do not believe a public relations exercise of this nature is the starting point. Direct engagement with regulated financial service providers and stakeholders is key to building on confidence and trust. We would caution that bringing in media at this time could motivate unconstructive behaviours as regulated entities may feel compelled to be defensive and may not be aligned with the Central Bank's view of sufficient progress and engagement.

We would propose rather than a Financial System Conference open to the public and media, that where the Central Bank has identified a specific problem that will impact consumers, and where there is no apparent solution they host specific 'ideation' events with a view to finding solutions.

We have a proposal which we set out in response to Question 9 – it is based on building confidence and trust by making change in a holistic and transparent manner by working with the regulated financial service providers and stakeholders.

⁴ Heading: Financial Regulation, Page 27/34.

Proposal 4 Engagement with business representatives

Question 8: Are there formal or informal mechanisms that you think the Central Bank should consider to ensure the perspectives of the business community are heard and contribute to the Central Bank's decision making?

We have captured some thoughts under Question 9 with respect to enhanced engagement across business and consumer communities.

In noting that the Central Bank "has taken steps to enhance its engagement with the 'real economy'" details are not shared how this occurred, minutes of such events, or actions that resulted from such engagement. Going forward, perhaps publishing these on the Central Bank website might also merit consideration and benefit wider range of stakeholders.

Question 9: Are there any other matters that the Central Bank should take into account or practical steps it should take, to engage more effectively with domestic stakeholders, as it works to develop its overall strategy for stakeholder engagement?

As noted above, we would welcome a clear purpose to building trust within the *regulated* financial services providers / stakeholders and would caution against diluting the finite resources in the Central Bank. Are increased resources planned to cater for wider business/consumer engagement? At what additional financial cost are the new initiatives as proposed? Or, will delivering a wider business and consumer engagement strategy dilute existing engagement and outcomes for regulated financial service providers and/or stakeholders?

We are also concerned that as more ideas and expectations come flooding in from the business and consumer communities, does this further compel the Central Bank to raise expectations yet again on financial service providers. Whilst we have no difficulty with regulation, it must be reasonable, realistic and sector specific. We would like to see resources channelled in this direction.

To alleviate these concerns, it is important that there is a transparent path for such engagement. What we have in mind are such items as:

- Terms of reference for any forum established
- Clear agenda, intended outcomes, actions
- Industry Forum chaired by the Governor of Central Bank
- Involvement by senior Central Bank officials
- Consideration might be given to the benefits of involvement at Ministerial level / Senior Department nr Dept Finance officials

We considered possible key agenda items to include:

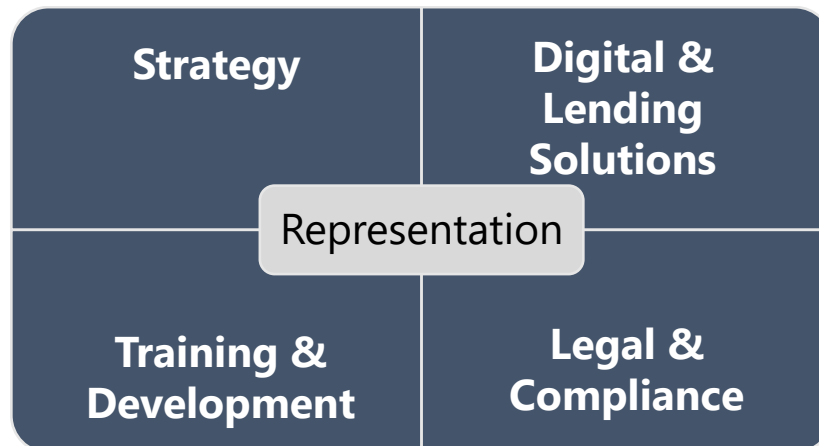
- Rebuilding Ireland's economy post Covid 19 and the role of Financial Services
- Tackling the pension timebomb
- Creating a fair and prosperous Ireland, and remove the boom-to-bust cycle of recent times, the social and economic components of policy making
- Delivering value for consumers of financial services in Ireland.

Regulatory and Legislative Policy Committee

We also propose that a sector wide Regulatory and Legislative Policy Committee, taking a holistic perspective, should review appropriate requirements e.g. appropriate growth and modernisation of legislative and regulatory enhancements on a sector basis and operate at a pre consultative stage. The agenda for the Policy Committee will extend beyond simply seeking numerical outcomes. It is our belief that more will be achieved where the policy makers and sector representatives work closer in a structured way.

A Policy Committee could work on similar terms and conditions as the PRA Practitioner Panel are set out at the link in the footnote⁵ This would be a similar concept to the proposed Policy Committee. It is our belief that this model would help build confidence and trust across the sector and its stakeholders.

⁵ <https://www.bankofengland.co.uk/-/media/boe/files/about/prc/practitioner-panel-terms-of-reference.pdf>



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CUDA provides credit unions with a range of modular solutions and delivers using collaborative, not-for-profit shared services which create economies of scope and scale. Being member owned, benefits flow to credit unions and their members, not vested interests.

CUDA's experience team operates with a sense of purpose, long-term vision and transparent approach. Our 2020-2022 strategic priorities are:

- #1 Grow Lending**, improve loan-life cycle management and deliver new opportunities in personal, housing and business.
- #2 Improve Competitiveness** by enhancing member value propositions, service delivery and the cost : income ratio.
- #3 Enhance Capabilities** via digital solutions, training, innovation and partnerships.
- #4 Provide Leadership** to ensure fair treatment and new opportunities from policy makers, and secure competitive deals from suppliers.

Incorporated in 2003, CUDA has a 19 year track record of success, year-on-year our members receive more business support for a lower contribution.

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