



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Application of the Minimum Competency Code 2017 and the Minimum Competency Regulations 2017 to credit union core services

Consultation Paper 147

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Background

Mission of the Central Bank of Ireland

The Mission of the Central Bank of Ireland (the Central Bank) is to serve the public interest by maintaining monetary and financial stability while ensuring that the financial system operates in the best interests of consumers and the wider economy. In its 2022-2024 Strategy, the Central Bank has outlined four themes, which have been identified as critical to the successful delivery of its mandate. The strategic theme of 'Safeguarding' includes protecting the interests of financial services consumers through an enhanced regulatory framework and is of particular relevance to the publication of this Consultation Paper.

Scope of the Minimum Competency Code 2017 and the Minimum Competency Regulations 2017

The minimum competency standards were first introduced by the Central Bank on 1 January 2007 and established minimum professional standards for staff of financial service providers with particular emphasis on staff dealing with consumers in relation to retail financial products.

The current standards, which are set out in the Minimum Competency Code 2017 (the MCC) and the Minimum Competency Regulations 2017 (the MCR) only apply to credit unions when:

- acting as retail intermediaries;
- providing mortgage credit agreements in line with the knowledge and competence requirements of the European Union (Consumer Mortgage Credit Agreements) Regulations 2016 ; and
- devising or creating mortgage credit products.

At this time, the MCC and MCR do not apply to other credit union activities (core services), such as lending and term deposits.

Proposal under CP106 to apply the MCC and MCR to credit union core services

Proposal

In Consultation Paper 106 (CP106) published during the 2016 review of the MCC 2011, the Central Bank proposed to extend the scope of the MCC and MCR to apply to core services of credit unions, such as lending and term deposits, in order to ensure the same level of protection for consumers regardless of the type of entity they are dealing with.

Submissions received in 2016

Submissions from entities other than credit unions

The responses to CP106 from non-credit union stakeholders supported the proposal that the MCC should apply to credit unions' core services.

The proposal was supported to ensure a more level playing field, resulting in higher professional standards and increased protection to consumers.

Credit Union Sector Feedback

The majority of credit union respondents to CP106 did not support the extension of the MCC to credit unions' core services. The main concerns raised in the submissions included the recognition of existing qualifications (e.g., ACCUP/Pathway Diploma in Credit Union Operations), the costs to the sector, grandfathering, the impact on volunteers, the inclusion of some share-based deposit accounts in the Savings and Investment category, and timing concerns, including the length of the transition period.

Following consideration of the submissions received, the proposal was deferred pending further work (i.e., seeking information from the credit union sector about the level of qualifications already held in the sector) to gain a better understanding of the impact of the proposal on the sector.

Questionnaire on the level of qualification in the credit union sector

In early 2021, the Central Bank issued a questionnaire to the credit union sector to assess the current level of qualification of persons acting on behalf of credit unions in the provision of services relating to retail financial products such as consumer credit and savings and investments. The questionnaire sought information on the number of relevant individuals in credit unions holding qualifications currently recognised by the MCC for these categories of retail financial products. It also sought information on the number of relevant individuals holding credit union specific qualifications that are already recognised under the MCC for insurance mediation but which could be considered for recognition in respect of additional activities¹.

The purpose of the questionnaire was to:

1. Assess how many persons are undertaking core services;
2. Assess how many persons hold a qualification recognised for core services not yet in scope of the MCC;
3. Assess how many persons hold a credit union specific qualification; and

¹ Subject to an assessment of whether the qualification meets the competencies set out in Appendix 3 of the MCC for the particular activity.

4. Assess how many persons do not hold a qualification recognised for core services not yet in scope of the MCC.

Our findings

The Central Bank received 221 completed questionnaires and would like to acknowledge the high rate of participation of credit unions in responding to the questionnaire.

The analysis of the questionnaires revealed that 3,447 credit union staff provide consumer credit. Of this, we found that 1,574 (46%) people already hold a qualification recognised under the MCC for consumer credit, while a further 668 (19%) hold a credit union specific qualification currently recognised under the MCC for insurance mediation but which could be considered for recognition in respect of consumer credit². A further 1,205 credit union staff (35%) do not hold a relevant qualification.

Regarding savings and investments, we found that 40 credit union staff hold a qualification recognised for savings and investment, while a further 22 hold a credit union specific qualification and 25 credit union staff do not hold a relevant qualification.

The number of credit union staff in scope in respect of savings and investments represented about 2.5% of the total number of credit union staff in scope of the questionnaire with a number of credit union staff also involved in activities in respect of consumer credit.

Engagement with credit union qualifications providers

² Subject to an assessment of whether the content of the qualification meets the competencies set out in Appendix 3 of the MCC.

The Central Bank recognises the key role that credit union representative bodies have played and continued to play in supporting credit union staff to obtain adequate training and credit union specific qualifications.

While credit union specific qualifications are only recognised in respect of credit unions acting as insurance intermediaries, they cover a broader range of topics, e.g., consumer credit. We have engaged with the providers of these qualifications to discuss the amendments that would be necessary for those qualifications to be recognised in respect of the core services that are being considered. We also discussed the process for formal recognition. We will continue to work with these providers with a view to ensuring that, insofar as possible, and provided the competencies required under the MCC are covered, those credit union specific qualifications already held by individuals within credit unions can be recognised under the MCC for credit union core services.

Our proposal

In CP106, the Central Bank highlighted the introduction of the Fitness and Probity Regime for credit unions, which has applied to all credit unions since 1 August 2015. The introduction of this regime has focussed attention on the competence and capability of individuals taking up key roles in credit unions and strengthened the regulatory framework for credit unions.

In the same vein, the Central Bank believes that all consumers deserve the same level of protection regardless of the type of firm they are dealing with. The standards set out in the MCC are a key component of the consumer protection framework. At the moment, the MCC does not apply to credit union core services. This creates a disparity in protection between:

- consumers of credit union core services and consumers of credit unions when acting as insurance intermediaries or providing mortgages and,
- consumers of credit union core services and consumers of similar services provided by other types of regulated firms.

However, although credit union core services are not currently in scope of the MCC, the Central Bank acknowledges the high number of staff already qualified (46%) for those services, which together with the number of staff holding a credit union specific qualification (19%) represent a large group (65%) of relevant credit union staff. The Central Bank values the willingness of credit union staff to elevate their standards and to increase their knowledge and competence in respect of services not yet in scope of the MCC. The Central Bank is also aware of credit unions' high uptake in Continuing Professional Development (CPD) training. These are positive actions that the Central Bank wishes to recognise, support and encourage through this proposal.

It is expected that the expansion of the scope of the MCC to credit union core services would bring significant benefits in terms of further strengthening the quality of the service provided to consumers, therefore also maintaining and increasing member confidence in the sector. The proposal would enhance the level of professionalism in the sector, which would support the current development of credit unions' business models.

We believe that all relevant individuals should be able to demonstrate that they possess the necessary knowledge and expertise when dealing with consumers. The findings of the questionnaire indicate that individuals in the credit union sector already hold a significantly high level of qualification. We believe that applying the MCC and MCR to credit union core services would help to build on this already high level of training and expertise in credit unions and promote the same

standards for their core lending and term deposit activities as already apply to other services provided by credit unions, such as the provision of mortgage lending and insurance.

Question 1

Do you agree that the scope of the MCC and MCR should be extended to apply to credit unions' core services? Please set out the reasons for your views.

In the event that the MCC and MCR are extended to apply to credit unions' core services, a transitional period would be introduced to allow credit union staff time to obtain the relevant recognised qualifications. As is the case of other sectors that have been brought into the scope of the MCC since its introduction in 2007 (e.g., debt management, credit servicing firms), this transitional period would be for four years. This standard period of four years would start from the date of application of the MCC to credit union core services. During those four years, persons subject to the MCC would be allowed to continue providing services without supervision provided that they are working towards obtaining a relevant recognised qualification. There would also be a lead-in period of six months prior to the date of application of the MCC to credit union core services.

Question 2

Do you agree that a four-year transitional period is sufficient for credit union staff to obtain relevant recognised qualifications? Please set out the reasons for your views.

If you disagree, please set out what you would consider an appropriate transitional period for the application of the MCC and MCR to credit union core services.

Subject to the analysis of the submissions it will receive from this consultation, the Central Bank is considering applying the MCC and MCR to all credit unions by early 2023.

Question 3

Do you agree with the timeline? Please set out the reasons for your views.

If you disagree, please set out what you would consider an appropriate timeline for the application of the MCC and MCR to credit union core services.

Consultation process

This Consultation Paper seeks stakeholder views on the Central Bank's proposal to apply the MCC and the MCR to credit union core services such as lending.

The Central Bank invites general feedback from interested stakeholders, including firms, representative bodies, consumers and service providers.

We encourage submissions to be submitted by email due to remote working. When submitting a response via email, the Central Bank asks that respondents include the following subject heading in their email "Consultation on the application of the MCC and MCR to the credit union sector" and address their response to consumerprotectionpolicy@centralbank.ie.

The consultation will remain open for three months from **19 January 2022 to 19 April 2022**.

It is the policy of the Central Bank to publish all responses to its consultations. The Central Bank will make all submissions available on its website. Commercially confidential information should not be

included in consultation responses. Information deemed potentially libellous or defamatory will not be published. The Central Bank will accept no liability in respect of any information provided, which is subsequently released, or in respect of any consequential damage suffered as a result.

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