



credit union development association

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The Central Bank of Ireland
New Wapping Street
North Wall Quay
Dublin 1

19th April 2022

Re: Submission CP147 Application of the Minimum Competency Code 2017 and the Minimum Competency Regulations 2017 to credit union core services

Dear Central Bank,

We set out below our responses to CP147. Thank you for the opportunity to respond to this Paper. We set out a short Introduction followed by our responses to the three Questions posed in the Paper.

Introduction

It is disappointing that the analysis set out in the Paper does not provide a correct picture of the level of recognised qualifications in the sector. This makes it difficult to assess the impact of the proposed changes and to determine the timelines required in order to meet new minimum competency standards. We understand our colleagues in LIA have provided the Central Bank with more accurate figures. LIA have over 2,400 members working in credit unions. It is encouraging that these figures portray a more favourable overview of the sector and the extent of recognised qualifications already obtained by credit union personnel. The wording of some of the questions in the Central Bank's **Questionnaire on Qualifications in the Credit Union Sector** caused a considerable amount of confusion, and as a result produced inaccurate figures. For example, some responses to the questions were not answered based on those who had obtained S&I qualifications, in their own right, but related the question to whether the credit union provided the relevant retail financial product e.g. term deposits. This was a reasonable approach by the credit unions in the context of the questions posed.

The Paper provides that 40 credit union officers have APA S&I. This is not accurate. LIA note that 260 officers have an APA S&I, for example. In addition the Paper does not appear to have counted those with QFA which would meet the S&I minimum competency requirements. We are pleased by the high level of credit union personnel that continue to avail of the CUA and QFA through the LIA and as designated a Level 7 qualification the LIA provide a recognised qualification under MCC and MCR.

The credit union specific qualification (such as CUA) is important when considering the level of requirements set out in Appendix 3 – which is unnecessarily broad when taking account of the credit union business model.

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.

We agree that personnel providing financial advice to consumers should be appropriately experienced and qualified to do so. That said, MCC and MCR should have regard to the scale and complexity of the financial products and services being offered. We see no merit in credit union personnel having to obtain qualifications that have no bearing to the financial product and services being offered by the credit union. In this context it would seem to us that the requirements as contained in Appendix 3 for Savings and Investments is grossly excessive and unwarranted when compared with the type and volume of term deposits offered by credit unions.

However, we are pleased to see that the Paper recognises the qualifications specifically designed by LIA for those working in the credit union sector as already meeting the required recognised standard, and we commend credit union personnel who have already obtained recognised qualifications.

Aside from the apparent disconnect between the minimum competencies required for S&I retail financial products and the types of products offered by credit unions we are supportive of minimum competency requirements for personnel performing Relevant Functions (advice or information to consumers on retail financial products; arranging or offering to arrange retail financial products for consumers). We have concerns with regard to the disproportionate impact that MCC and MCR will have on Specified Functions in credit unions. The Board of Directors in credit unions are obligated to hear appeals against non-approval of loans/consumer credit (Section 37(2), Credit Union Act 1997 as amended). This would make the Board of Directors of the credit union subject to MCC and MCR as they are obligated to perform a Specified Function as defined in Appendix 2 of MCC. A tailored Fitness and Probity regime was required by the credit union sector to avoid a similar disproportionate impact of those regulatory requirements on credit unions, [please see Central Bank CP83 and CP113]. Whilst MCC and MCR are applicable to other RFSPs (banks, insurance companies, etc.) there is no legislative requirement to obligate all their Board members to meet the minimum competency requirements as set out in MCC and MCR.

In this regard, we would request that sector specific provisions are applied to the broader Specified Functions to avoid a disproportionate impact on directors, Boards and committees.

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.

A four-year transitional period is within keeping with other amendments to MCC and MCR. However, the Paper, as noted above, does not provide accurate analysis of the number of credit union officers that will be required to obtain recognised qualifications. Whilst supportive of minimum competency standards, without an accurate RIA the results are uncertain re: 1. the number of officers who will be required to obtain a recognised qualification, 2. the financial impact on the credit union and 3. the disruptive impact on the business.

In addition to this, the Paper does not provide a breakdown of credit union officers that will require a recognised qualification that are 1. employees or 2. volunteers.

There is no legal requirement for volunteers (including directors) to sit on credit committees and/or credit control committees (the latter being significant under Specified Functions), however volunteerism is not only a feature of the governance model but a necessity in many credit unions as part of their operational structure. Minister Fleming through legislative reforms for the credit union sector is proposing to strengthen the requirement for credit unions to “support and develop the volunteer and cooperative movements” and is proposing to change legislation “to reflect the role of the sector in developing volunteers and its role as a large cooperative movement in Ireland”.

That said, we are supportive of all credit union officers obtaining the required minimum competencies in order to perform the relevant function. However, volunteers by their very nature are in employment elsewhere or operate a dual role in society. As a result, time flexibility will be crucial.

We would propose that the Transitional Period is extended by an additional 12 months. The addition of 12 months will permit credit union staff and volunteers to obtain the recognised qualifications whilst having less impact on the operational model.

Do you agree with the timeline?

Please set out the reasons for your views.

Under normal course of events, we would be of the view that Q1, 2023 is a reasonable lead in period for a RFSP. However, as proposed amendments to MCC and MCR are likely to run concurrently with proposed legislative amendments for credit unions – the outcome of which will have a likely impact on the application of MCC and MCR on a credit union, we cannot see the Transitional Period commencing in practice, in early 2023 as proposed by you.

Minister of State, Sean Fleming TD, recently issued proposals for legislative amendments to the Credit Union Act 1997. At least one of the proposed amendments will impact a credit union's obligations under MCC and MCR. By way of example, the legal obligation for the Board of Directors to act as an appellate committee will change. Whilst fully supportive of Minister Fleming's proposed amendments and his target for new legislation by the end of Q4, 2022, we also believe this target to be extremely ambitious. Once the proposed legislative amendment(s) are enacted (whether in Q4, 2022 or some later period in 2023), credit unions will then start the process of implementing the new legal requirements and to determine what new discretionary or mandatory governance structures are required. These will then have to be assessed against requirements set out in MCC and MCR - officers embarking on recognised qualifications may not require them, whilst those not intending to obtain qualifications may be required to do so. As a result, and to prevent the clock ticking on the Transitional Period we request that the timeline commence at the earliest in Q1, 2024 or some other period as determined by the commencement of the new credit union legislative amendments. New legislation could also counteract the disproportionate impact of MCC and MCR on the current governance structure – giving credit unions an alternative for appellate committees. If Board members sit on the new appellate committee they will require a recognised qualification.

Thank you for an opportunity to respond to CP147. Please do not hesitate to contact us if you have any questions in relation to CUDA's responses.

Yours sincerely,

Elaine Larke
Head of Legal and Compliance
CUDA