Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Feedback Statement on CP159 - Consultation on Proposed Changes to the Credit Union Lending Regulations

August 2025

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Foreword

Following a Central Bank of Ireland (Central Bank) review of the lending framework for credit unions, including public and statutory consultation processes, a number of amendments to the lending framework came into effect from 1 January 2020. At the time of publication of these amendments, the Central Bank committed to perform and publish an analysis on credit union sector lending three years post commencement of the amendments, in order to assess and analyse the actual impact which the changes to the lending regulations had and to inform any decisions on the need for future change (the Review).

The Review commenced in Q4, 2023 and concluded in 2024 with a Report on Credit Union Lending[1] (the Review Report) published by the Central Bank in December 2024. The Review identified that the Central Bank considered that targeted changes to the lending framework were warranted to ensure it remains appropriate, including that it provides sufficient flexibility to those credit unions who wish to undertake house lending and business lending.

The publication of the Review Report was accompanied by the publication of Consultation Paper 159 – Consultation on Proposed Changes to the Credit Union Lending Regulations[2] (CP159), which set out in more detail the matters considered by the Central Bank in bringing forward proposed targeted changes, and a regulatory impact analysis (RIA) on the proposed changes. The changes proposed in CP159 included changes to the concentration limits for house and business lending and changes on lending practices for specific categories of lending.

The Central Bank would like to acknowledge the level of interest in the review of the lending framework and to thank all sector stakeholders for their constructive engagement, including meetings as part of the Review and input provided via submissions to CP159.

The Central Bank received seven submissions in response to CP159, including one joint submission made by four credit union bodies. The feedback received was generally supportive of the proposals outlined in CP159, with some requests for changes to the proposals (in particular

[1] "*Credit Union Lending*" (December 2024).
[2] "*Consultation on Proposed Changes to the Credit Union Lending Regulations (CP159)*" (December 2024).

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on the proposed concentration limit for business lending of 10% of total assets). In addition to the feedback on the proposals, some respondents took the opportunity to include suggestions for other changes to the lending regulations and also to aspects of the wider regulatory framework for credit unions.

The feedback received has informed our approach to the changes to the lending regulations, including on the concentration limit for business lending and some other changes related to the definition of "house loan" and related parties lending requirements. While data analysis undertaken as part of the Review indicates that significant capacity for house and business lending remains available under the existing concentration limits, it is important to recognise that the final changes now being implemented are targeted to ensure that an appropriate lending framework is in place for credit unions over the longer term as well as simplifying the approach in terms of having one set of limits for all credit unions irrespective of asset size. These changes will provide those credit unions who choose to offer house and / or business loans to their members with clarity on the longer-term scope for these categories of lending to facilitate their future strategic direction and business planning. While it is not the role of the Central Bank to endorse a set business model or loan portfolio mix for credit unions – this being a matter for the board of directors of credit unions – it is worth noting that the changes to the lending regulations may assist the sector in addressing the recommendation for credit unions from the Retail Banking Review[3]. The Retail Banking Review stated that the credit union sector and its leadership should develop a strategic plan that enables the sector to safely and sustainably provide a universal product and service offering, which is community based, and which is offered to all credit union members, directly or on a referral basis.

These changes to the lending regulations have also been informed by the Central Bank's statutory mandate[4] in relation to credit unions. The Central Bank recognises that credit unions continue to fulfil a central role in the Irish financial services landscape. These changes provide considerably greater agency to individual credit unions on the extent to which they may, should they so wish, include house lending, business lending and more diversified loan maturities within their loan books.

[3] "*Retail Banking Review*", Department of Finance (November 2022).
[4] Set out in section 84 of the Credit Union Act, 1997.

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The increased capacity being provided for house and business lending should be considered by credit unions in the context of potential business opportunities within these loan categories to support the transition to a low carbon economy.[5] It is a matter for each credit union to consider and decide upon whether and to what extent it avails of the opportunities provided. With such considerations and decisions comes increased responsibility for individual credit unions. It is our expectation that credit unions planning to avail of the increased capacity in house lending and business lending, provided by these changes, will do so in a phased, prudent, and sustainable manner. We also expect these credit unions to continue to develop the skills, expertise and risk management necessary for this type of lending.[6]

With specific reference to consumer protection, the Central Bank expects credit unions to adopt a consumer-focused culture, including when advancing credit and when dealing with member borrowers in arrears and to treat members fairly and sympathetically, with the objective of assisting the member to meet their lending obligations.[7] More specifically, we are of the view that the changes to the lending regulations must be accompanied by enhanced consumer protections for credit union members. Accordingly, as previously advised, the Central Bank intends to undertake further engagement with the sector on the extension of the revised Consumer Protection Code (including the Code of Conduct on Mortgage Arrears (CCMA)) to credit unions in due course to ensure that credit union members are afforded the same protections as other consumers of financial services.

As set out in the Central Bank's Strategy[8], we continue to improve and transform our approach to regulation and supervision to ensure we fulfil our mission in a rapidly changing financial ecosystem. Our new supervisory framework, effective since January 2025, remains risk-based and outcomes focused, but has evolved to deliver a more

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[5] See "*Planning for the Transition to Net Zero - Our Perspective*", Central Bank of Ireland (May 2025) and information published by the Department of Climate, Energy and the Environment on SDG Ambassadors (February 2025).

[6] The "*Regulatory & Supervisory Outlook*" report, Central Bank of Ireland (February 2025) highlights that credit unions' operational resilience and disruption preparedness requires further attention.

[7] In respect of relevant lending activities, the European Union (Consumer Mortgage Credit Agreements) Regulations 2016 and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium-Sized Enterprises) Regulations 2015, which include requirements on arrears, apply to credit unions.

[8] See "*Our Strategy*", Central Bank of Ireland (2024).

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integrated approach to supervision, drawing on all elements of our safeguarding outcomes (consumer and investor protection, safety and soundness, financial stability and integrity of the system). In addition, we will be amending the Credit Union Quarterly Prudential Return to include submission of enhanced lending data by credit unions which will enable enhanced credit risk monitoring and identification of risks and inform the need for supervisory intervention. While the focus of our work is resilience, adaptability and trustworthiness in the provision of financial services, responsibility for risk identification, management and mitigation rests first and foremost with the board and management teams of credit unions.

Recent changes to the Credit Union Act, 1997 (the 1997 Act) by the Credit Union (Amendment) Act 2023 (the 2023 Amendment Act)[9], together with these changes to the lending regulations, will provide credit unions with business opportunities, including in the areas of member services and collaboration. Many of these changes were advocated for by the sector or made in response to such advocacy. It is now up to individual credit unions to consider, address and determine how they might choose to avail of these opportunities or otherwise address any business model challenges they have, within the context of their own business planning and risk appetite. We consider that the broad regulatory framework for credit unions is now stable and appropriate. Looking ahead, much of the Central Bank's credit union-specific policy focus will concentrate on developing policy and regulations to enable the commencement of the remaining changes to the 1997 Act under the 2023 Amendment Act. Where changes to the credit union regulatory framework are warranted, the Central Bank will be responsive. The Central Bank encourages credit unions to focus on prudently growing their loan books.

[9] Changes to the 1997 Act by the 2023 Amendment Act were made following a Department of Finance led review of the Credit Union Policy Framework which concluded in 2022.

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1. Introduction

In the Central Bank of Ireland's (Central Bank) "Consultation on Proposed Changes to the Credit Union Lending Regulations" (CP159)[10], published in December 2024, the Central Bank proposed changes to the lending regulations for credit unions – set out in Part 4 of the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 (the 2016 Regulations) – along with a Regulatory Impact Analysis (RIA), and sought views from credit unions and other sector stakeholders on the proposed changes outlined. The proposed changes were informed by the Central Bank's statutory mandate in relation to credit unions, as set out in section 84 of the Credit Union Act, 1997 (the 1997 Act), which requires that the Central Bank administers the system of regulation and supervision of credit unions with a view to the protection by each credit union of the funds of its members and the maintenance of the financial stability and well-being of credit unions generally.

CP159 sought views from interested parties on four specific questions. The closing date for submissions was 11 February 2025. The Central Bank received seven submissions in response to CP159. The submissions received can be categorised as follows:

- Three submissions from individual credit unions

[10] "*Consultation on Proposed Changes to the Credit Union Lending Regulations (CP159)*" (December 2024).

- One joint submission from four credit union bodies[11]
- Two submissions from credit union shared-service organisations (CUSOs) and
- One submission from a statutory body.

Copies of submissions received are available on the Central Bank's website.[12]

Following completion of the public consultation and consideration of the submissions received, in line with section 84A of the 1997 Act the Central Bank has consulted with the Minister for Finance and the Credit Union Advisory Committee (CUAC) on the draft amending regulations which will give effect to changes to the lending regulations contained in the 2016 Regulations. The Central Bank also further consulted with credit union bodies as part of this process.

This Feedback Statement summarises the feedback received on CP159 and sets out the Central Bank's position on the final changes being made to the credit union lending regulations. It is intended to be read in conjunction with CP159 and makes reference to proposals and terms used in CP159, which can be found on the Central Bank's website here.

In addition to this introduction, this Feedback Statement comprises four sections (sections 2-5) and two Appendices, as follows:

- Section 2 provides a high-level summary of the changes proposed in CP159, the feedback received and the Central Bank's response to this feedback
- Section 3 provides a more detailed overview of the proposals set out, and the questions posed, in CP159 together with a summary of the feedback received[13] and a summary of the changes being made to the lending regulations

[11] The joint submission from credit union bodies was made by the Credit Union Development Association, the Credit Union Managers' Association, the Irish League of Credit Unions and the National Supervisors Forum.
[12] With the exception of one submission which was made on a confidential basis, the submissions are available on the Central Bank website here.
[13] On the summary of the feedback received, and within this Feedback Statement more generally, we have endeavoured to accurately and fairly represent the views received from stakeholders. Within the confines of a summary, it is not feasible to reference every point of feedback we received. Copies of submissions received – with the exception of one submission received on a confidential basis - are available on the Central Bank website.

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- Section 4 provides an overview of additional feedback provided in submissions to CP159 and the Central Bank's response to this feedback
- Section 5 provides details on the statutory consultation conducted in line with section 84A of the 1997 Act
- Appendix 1 includes the draft Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2025 (the draft amending regulations) which, when finalised, made and commenced, will give effect to changes to the 2016 Regulations[14]
- Appendix 2 sets out a comparison table outlining the key differences between the existing lending regulations and the revised lending regulations that will apply when the amending regulations commence.

In line with the Central Bank's "Open & Engaged" strategic theme[15] and the approach we take to stakeholder engagement, as reflected in our "*Open & Engaged Charter*"[16], this Feedback Statement is published to promote understanding of the policy formation process within the Central Bank and is not intended to be used as a tool to be used by credit unions to guide or assess their compliance with regulatory requirements.

[14] In addition to the changes relating to the lending regulations, the draft amending regulations include unrelated technical changes to Part 1 (Preliminary and General) of the 2016 Regulations (more specifically, to the definitions of "approved housing body" and "Tier 3 Approved Housing Body") and to Part 5 (Investments) of the 2016 Regulations (more specifically, Regulations 25(1) and 25(2)) in light of developments in the registration and regulation of approved housing bodies under the Housing (Regulation of Approved Housing Bodies) Act 2019.
[15] See "*Our Strategy*", Central Bank of Ireland (2024).
[16] See "*Open & Engaged Charter 2024 – 2026*", Central Bank of Ireland.

2. Executive Summary

Review of Credit Union Lending Regulations – Background

For the adequate protection of the savings of members, the Central Bank may prescribe, among other things, the classes of lending in which a credit union may engage, in addition to concentration limits for such classes of lending. Following a Central Bank review of the lending framework and public[17] and statutory consultation processes, from 1 January 2020 a number of amendments were made to the lending regulations. At the time of publication of these amendments in November 2019, the Central Bank committed to perform and publish an analysis on credit union sector lending three years post commencement of the amendments, in order to assess and analyse the actual impact which the changes to the lending regulations had and to inform any decisions on the need for future change (the Review).

The Central Bank commenced the Review in Q4, 2023. In carrying out the Review, the Central Bank undertook data analysis of credit union lending data reported by credit unions in quarterly Prudential Returns and analysis of feedback received from credit union sector stakeholders on the lending framework since the introduction of the changes to the lending regulations in 2020. We also analysed stakeholder feedback received during a series of bilateral meetings – held in November 2023 – focused on the Review (within this analysis, we also considered post-meeting submissions made by a number of sector stakeholders in relation to the Review).

In December 2024, the Central Bank published on our website a report on Credit Union Lending (the Review Report)[18].

Consultation on Potential Changes to the Lending Framework for Credit Unions

As outlined in the Review Report, having concluded the Review the Central Bank deemed that a number of targeted material changes to the lending regulations should be considered. The publication of the Review

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[17] "*Consultation on Potential Changes to the Lending Framework for Credit Unions (CP125)*" was published on 24 October 2018.
[18] "*Credit Union Lending*", Central Bank of Ireland (December 2024).

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Report was accompanied by publication of CP159, which set out in more detail the matters considered by the Central Bank in bringing forward proposed targeted material changes to the credit union lending regulations, and a RIA on the proposed changes.

The Central Bank proposed changes to the credit union lending regulations in respect of: (1) concentration limits for house and business lending; and (2) lending practices for specific categories of lending.

On the ***concentration limits for house and business lending***, the Central Bank consulted on the following proposals for change:

- Decouple the limits to prescribe new separate concentration limits for house lending and business lending
- Remove tiering whereby all credit unions regardless of asset size may avail of the same concentration limits and
- Adjust the lending capacity[19] available to all credit unions for house and business lending, within the new concentration limits, as follows:
    - House lending – 30% of total assets and
    - Business lending –10% of total assets.

On the ***requirements on lending practices for specific categories of lending*** (set out in Regulation 16 of the 2016 Regulations), the Central Bank proposed to remove Regulation 16 from the 2016 Regulations. Related to this change, the Central Bank outlined our intention to develop and include new guidance in the Credit Union Handbook setting out our expectations on credit unions reporting to their boards of directors on the performance of loans.

Feedback Received

Feedback in the submissions received was generally supportive of the proposals for change to the lending regulations as outlined in CP159, with some requests for change to the proposals (specifically related to the proposed 10% of total assets concentration limit for business lending).

[19] Per CP159, this proposed adjustment in capacity would result in significant overall capacity for house and business lending – €8.6 billion capacity compared to the €2.9 billion available under the current concentration limits based on sector total assets at June 2024.

Some submissions took the opportunity to include suggestions for other changes to the lending regulations (and guidance) including in the areas of related parties lending, large exposures and the definitions of "house loan" and "business loan". In addition, a small number of respondents to CP159 included suggestions for changes to other aspects of the regulatory framework for credit unions including the reserves, liquidity and savings requirements which apply under the 2016 Regulations.

Main Changes

The Central Bank has given detailed consideration to all of the submissions received and this feedback has informed the final changes being made to the lending regulations. Arising from this, and having engaged with the Minister for Finance, CUAC and credit union bodies as part of the statutory consultation process required under section 84A of the 1997 Act, the proposed 10% of total assets ***business lending concentration limit*** has been increased to 15% of total assets. Arising from other feedback, including suggestions received, on the broader credit union lending regulations the final changes include certain adjustments to increase regulatory flexibility in respect of the ***house lending concentration limit*** that was proposed in CP159, such that the lending regulations will now permit a prescribed maximum proportion of house lending for non-principal residence lending (outlined further below). In respect of the other proposals put forward in CP159, these have been retained on the basis that we consider the approach proposed in CP159 to be the most prudent and appropriate approach, while providing credit unions with clarity on the longer-term scope for house and business lending to facilitate their future strategic direction and business planning.

In response to feedback, including suggestions received, on the broader credit union lending regulations, the final changes to the lending regulations also include the following:

- **Non-principal residence house lending –** the definition of "house loan" will be amended to allow credit unions to provide loans to their members for other residence, i.e. non-principal residence, house lending. Such lending could include loans for second homes, holiday homes and buy-to-let (BTL) loans. A limit for such lending of 2.5% of total assets will apply for all credit unions within the 30% of total assets concentration limit for house loans. The

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revised definition of "house loan" will also clarify that loans to approved housing bodies will not come within the meaning of "house loan"[20] and that the property must be in the State.

- **Related parties lending (reporting requirements)** – the reporting requirements within the related parties lending regulations set out in Regulations 20(2) and Regulation 21(1) of the 2016 Regulations will be removed. The Central Bank will develop and include guidance on board reporting on related parties lending (including on related parties exempt exposures) in the Lending Chapter of the Credit Union Handbook.

- **Related parties lending (exempt exposures threshold)** – the monetary amount at which the exempt exposure provisions set out in Regulation 20(1) of the 2016 Regulations apply will be increased from the existing €2,000 threshold to €10,000.

Table 1 below provides a summary of the changes proposed in CP159 together with an overview of the final changes being made to the lending regulations following consideration of the submissions received (and our subsequent engagement with sector stakeholders as part of the statutory consultation process).

Table 1

Lending Area	CP159 Proposal	Final Changes to the Lending Regulations
Concentration Limits	**1.** Decouple the concentration limits for house and business lending to prescribe new separate concentration limits for house and business lending. **2.** Remove tiering whereby all credit unions regardless of asset size may avail of	**1.** Decouple the existing combined concentration limits – no change to the CP159 proposal in this regard. **2.** Remove tiering – no change to the CP159 proposal in this regard.

[20] A loan to a member of the credit union that is an approved housing body comes within the business loan category of lending.

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	the same concentration limits. **3.** Adjust the lending capacity available to credit unions for house and business lending, as follows: **a)** House lending – 30% of total assets and **b)** Business lending – 10% of total assets.	 **3.** Adjust capacity –some changes to the CP159 proposal in this regard, as follows: **a)** House lending – 30% of total assets (within this, an inner 2.5% of total assets limit for other residence house lending i.e. for non-principal residence). In addition – - The definition of "house loan" will be amended to include loans for other residences and, in light of this expansion of the definition, to clarify that loans to approved housing bodies will not come within the meaning of "house loan"[21] and that the property must be in the State. - The term "other residence" will be defined and **b)** Business lending – increase to 15% of total assets instead of the 10% limit proposed in CP159.
Lending Practices for Specified Categories of Lending	Removal of Regulation 16 of the 2016 Regulations with clear new guidance on reporting to the board of directors on the performance of loans to be developed and included in the Lending Chapter of the Credit Union Handbook.	No change.

[21] A loan to a member of the credit union that is an approved housing body comes within the business loan category of lending.

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Related parties lending (reporting)	No changes proposed in CP159.	Remove the related parties lending board reporting requirements from the 2016 Regulations. To accompany this change, the Central Bank will develop and include guidance on board reporting on related parties lending in the Lending Chapter of the Credit Union Handbook.
Related parties lending (exempt exposures threshold)	No changes proposed in CP159.	Increase the threshold amount at which Regulations 19 and 21 do not apply (and Regulation 20(2) does apply) – from the existing €2,000 threshold to a €10,000 threshold.

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3. Responses to Questions Posed in CP159

3.1 Changes to the Concentration Limits for House and Business Lending

Proposals set out in CP159

Under the current lending regulations set out in Part 4 of the 2016 Regulations, concentration limits are set out for the permitted categories of lending by credit unions. In respect of the house loan and business loan categories of lending, the prescribed combined concentration limits for house and business lending are on a tiered basis, incorporating:

- A 7.5% of total assets combined concentration limit for house and business lending. Within this, total business loans cannot exceed more than 5% of total assets
- A 10% of total assets combined concentration limit for house and business lending, subject to the credit union satisfying objective qualifying criteria relating to asset size and reserves (≥€50 million total assets and ≥12.5% regulatory reserve). Within this, total business loans cannot exceed more than 5% of total assets
- A 15% of total assets combined concentration limit for house and business lending for credit unions with total assets of at least €100 million, subject to approval from the Central Bank.

Our analysis of credit union lending data undertaken as part of the Review showed that, at a sectoral level - whether taking into account all credit unions or only those credit unions actively engaged in house and / or business lending - considerable capacity remained available for house and business lending within the existing combined concentration limits. However, having taken into account a number of factors and considerations - including the need for credit unions to have an indication of the future direction and scope for house and business lending to facilitate their future strategic direction and business planning – the Central Bank considered that changes to the concentration limits for house and business lending were warranted. Targeted material changes were warranted in order to ensure that the

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lending regulations remain appropriate for the credit union sector into the future, including that they provide sufficient flexibility to those credit unions who wish to undertake increased house lending and business lending.

CP159 proposed the following changes to the concentration limits for house and business lending:

- Decouple the limits to prescribe new separate concentration limits for house lending and business lending
- Remove tiering whereby all credit unions regardless of asset size may avail of the same concentration limits (thereby simplifying the approach in terms of one set of limits for all credit unions) and
- Adjust the lending capacity[22] available to all credit unions for house and business lending, within the new concentration limits, as follows:
  - House lending - 30% of total assets and
  - Business lending - 10% of total assets.

On the proposed changes to the concentration limits for house and business lending, we asked the following questions in CP159:

Question 1

Do you agree with the proposed changes to the concentration limits for house and business lending? These changes would:

- *decouple the limits to prescribe new separate concentration limits for house lending and business lending;*
- *remove tiering whereby all credit unions regardless of asset size may avail of the same concentration limits;*
- *adjust the lending capacity available to all credit unions for house and business lending, within the new concentration limits, as follows:*
  - *house lending – 30% of total assets*
  - *business lending – 10% of total assets*

[22] Per CP159, this proposed adjustment in capacity would result in significant overall capacity for house and business lending – €8.6 billion capacity compared to the €2.9 billion available under the current concentration limits based on sector total assets at June 2024.

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Please provide reasons for your answer.

Question 2

Do you have any other comments on these proposed changes including on the need for any transitional arrangements related to the changes?

Please provide reasons for your answer.

Submissions to CP159

Stakeholders broadly supported the CP159 proposals for changes to the combined concentration limits, although a number of submissions disagreed or raised concerns with the proposed capacity within the proposed new business lending concentration limit.

On ***decoupling the limits*** to prescribe new separate concentration limits for house lending and business lending, all submissions agreed with this proposed change. We received feedback that the loan amounts, durations, risk profiles and skill requirements for these loan categories have little in common to justify them being combined, that the existing combined concentration limits act as a barrier to entry and that the new separate limits would encourage credit unions to diversify their loan portfolios while recognising individual credit union differences in service goals and risk appetites. Similarly, we received feedback that decoupling recognises that not all credit unions have the risk appetite or skill set to engage in both house and business lending and that it would allow for a focused prudent loan growth model specific to individual credit union appetites and business model evolution.

On the ***removal of tiering***, all submissions agreed with this proposed change. We received feedback that the tiering arrangements introduced in 2020 were convoluted and unnecessary and that the application of the same concentration limits to all credit unions would simplify the regulatory requirements and allow credit unions to diversify their loan portfolios. We also received feedback in one submission that the continued link between the proposed concentration limits and a credit union's total assets, and constraints based on regulatory reserves (e.g. the large exposure limit) arguably preserves the tiering approach to regulation.

On ***lending capacity*** available to all credit unions for ***house lending*** within the proposed concentration limits, all stakeholders agreed with the

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proposed new house lending concentration limit of 30% of total assets. In this regard, submissions received noted the following:

- Sector developments related to the Mortgage CUSO
- That the proposed limit would benefit the overall sector
- That credit unions have demonstrated a prudent approach to building capacity and risk appetite in house lending to date
- The Central Bank's caution towards a prudent approach to diversification of the loan book, in particular towards credit unions increasing lending with longer maturities without due consideration of the impacts of such changes from both a liquidity and an Assets Liability Management (ALM) perspective
- The proposed changes would allow credit unions to diversify their loan books by increasing their activity in house lending, subject to available capital – and more generally, provide credit unions with the opportunity to grow their loan books in a prudent and sustainable manner – and that this would be in line with the respective credit union's strategy and risk appetite
- That the constraints of the current limits have impacted, or would soon impact, some individual credit unions' house lending activity
- The proposed changes would allow individual credit unions to continue to grow their loan books and loan to asset (LTA) ratio, assist credit unions with their strategic objectives and planning and benefit localities
- The importance of individual credit unions who wish to offer mortgages to their members being able to respond to consumer demand without encountering regulatory constraints that do not apply to their competitors on a like-for-like basis and
- For various reasons, including regulatory considerations, the additional house lending capacity provided for under the proposals would not result in all credit unions utilising the regulatory limit to their maximum.

On ***lending capacity*** available to all credit unions for ***business lending***, while two submissions were in agreement with both of the proposed concentration limits for house lending and for business lending, this was not entirely without reservations in respect of the proposed business lending concentration limit of 10% of total assets.

Five submissions disagreed with the proposed business lending concentration limit. In this regard, we received feedback that the

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proposed limit would present an anomaly and place some credit unions in a potentially less advantageous position when compared to the existing maximum combined house and business lending limit of 15% for larger credit unions with assets of at least €100 million. We received feedback that while the spirit of the proposal was positive, it would reduce the current maximum potential capacity for business lending for such larger credit unions (from a maximum potential of 15% of total assets[23] to a maximum potential of 10% of total assets). One individual credit union submission that agreed with the proposed changes to the lending concentration limits overall commented that, while beneficial to the credit union, the proposed business lending limit may in this way be restrictive for larger credit unions. Another individual credit union submission highlighted that it had invested in and developed significant footprints in both house and business lending to supplement its core personal lending activity and that it had identified agri-business lending as being in-demand by its members and a loan product it therefore wished to offer on an ongoing basis.

In disagreeing with the proposed business lending concentration limit, some of the points made in submissions are detailed below:

- The change should be much more positive in offering a realistic, future growth path to those credit unions interested in offering business loans to their members
- Individual credit unions pursue varying business models driven by the nature of their common bond and that the proposed increase in the house lending concentration limit is far more supportive of credit unions in urban locations than those in a rural location
- In the identification of a dependable future growth path, political pressure with respect to housing in general has perhaps led to a stronger focus on that market and the need for lending to support it which is reflected in the calibration of proposed new separate limits for house and business lending, and the Central Bank appearing to believe business lending is less deserving than house lending

[23] The existing combined concentration limit for house and business loans of 15% of total assets is, subject to a Central Bank application and approval process, available to credit unions with total assets of at least €100 million. Where this 15% of total assets limit applies the full limit may be utilised for house lending, business lending or a combination of house and business lending. A maximum potential of 15% of total assets for business lending under the current 15% limit assumes that a relevant credit union does not hold any house loans on its loan book.

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- That not all credit unions will be active in the house lending market, with SME (primarily agri-lending) and other traditional personal loans being the preferred lending activity for some credit unions
- The need for the Central Bank to give more thought into how differing business models can be accommodated rather than putting in place an arbitrary business lending concentration limit
- That the individual credit union's members support it offering both house loans and business loans
- That the relatively low sectoral uptake of business lending to date would appear to be informing the Central Bank's opinion that there is limited credit union appetite to engage in business lending, leading to the far lower proposed limit compared to house lending
- SME lending offerings by banks have been considerably impaired in recent years – e.g. by withdrawal from the market or reduced presence – which has been detrimental to SME consumers
- That credit unions undertaking low to medium risk SME / agri-lending would support both growth and diversification to the overall loan book
- That the Cultivate collaboration and broader business lending need a clear future growth path and this should be reflected in a higher limit
- Credit unions' strategic planning being guided almost completely by regulatory constraint rather than by the needs of members and its business
- There have been occasions where a credit union has had to withdraw business lending from offer due to it reaching its regulatory limits, and that this has caused reputational damage and unease amongst members;
- That the proposed business lending concentration limit may restrict competition and choice for consumers
- Noting commitments in the recently published Programme for Government to "*Position credit unions as community-centric financial institutions integral to their local communities, small businesses and farmers*" and
- The importance of larger credit unions, at a minimum, retaining their existing lending capacity to service the needs of those members requiring business loans.

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We received several alternative suggestions for the business lending concentration limit of 10% of total assets proposed in CP159, which generally suggested an increase to the limit proposed. Suggestions received included the following:

- Various suggestions to increase the limit to ***a 15% of total assets limit*** in order to truly decouple the existing combined concentration limits and as increased business lending may be some credit unions' sole route to loan diversification (where they do not offer house loans) and provide a pathway for those credit unions that have demonstrated skill and appropriate risk management frameworks for business lending to grow their loan book to a level of 15% of total assets
- A suggestion to ***introduce an application process to access a higher set limit*** for credit unions who wish to lend out more than 10% of total assets on business loans; some of the points noted to support this suggestion included the following:
  - While the 15% limit currently covers both house and business lending, there is no restriction to the full 15% limit being used for business lending
  - While the number of credit unions immediately impacted by the decrease is small, the focus for credit unions participating in the "Cultivate" initiative over the coming years is to prudently grow agri-business and wider business lending
  - The changes being made will be in place for a number of years to come and credit unions need to have an indication of the future direction and scope for both house and business lending
  - This approach would align with comments in the International Credit Union Regulators' Network (ICURN) 2023 Peer Review Report[24] (the 2023 Peer Review Report) on the Central Bank's performance of its regulatory functions in relation to credit unions, which highlighted the need for increased lending to ensure the future sustainability of the sector. It would also align with the 2022 Retail Banking Review's recommendation that the credit union sector and its leadership develop a strategic plan and the Programme for Government 2025 which states

[24] The International Credit Union Regulators' Network (ICURN) 2023 Peer Review Report on the Central Bank's performance of its regulatory functions in relation to credit unions is available in the "Communications" section of the "Credit Unions" area of the Central Bank website (under the "Reports" tab).

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that the Government will position credit unions as community-centric financial institutions integral to their local communities, small businesses and farmers
  - The need to ensure diversification of loan books throughout the country now, and in the years to come
  - It would prevent a "hard stop" for business lending at 10% of total assets, while at the same time it would give the Central Bank control, recognising year on year growth in business lending - and potential and anticipated future growth - and help to prevent negative impacts of the change, and
- A suggestion to ***increase the business lending concentration limit*** to perhaps a ***20%/25%/30%*** of total assets for all credit unions **or**, if the Central Bank is unwilling to do that, ***introduce an authorisation process to access a higher limit*** to facilitate credit unions with an appetite for business lending as part of their strategies.

In the context of the significant additional capacity that would be provided by the changes to the concentration limits for house and business lending, feedback to CP159 opined that ***regulatory liquidity requirements*** could be an impediment to credit unions increasing lending.

Five submissions called on the Central Bank to ***commence the changes to the lending regulations early or as soon as possible***[25], with two submissions suggesting that the changes should be commenced by 30 June 2025. Some of the reasons supporting the calls in the submissions for early commencement included the following:

- To allow for faster implementation of the changes given the consensus / support for them
- To allow those credit unions that are at, or close to reaching, their existing 15% limits to continue to lend / build their pipeline (reducing the potential need to pause promotion and avoiding potential member confusion and frustration)
- The change in the market with the departure of KBC and Ulster Bank since the original 2020 Regulations and
- The continued strengthening of credit unions' financial and governance performance.

[25] This feedback is relevant to all of the changes to the lending regulations that were proposed in CP159, i.e. including the proposal to remove Regulation 16 from the 2016 Regulations.

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On the need for ***transitional arrangements*** for the changes, submissions either did not address this point or expressed a view that transitional arrangements would not be needed.

Central Bank Response

Having considered the feedback received in submissions on the ***concentration limits for house lending and business lending***, the Central Bank has decided to proceed with the following changes to the 2016 Regulations:

- The limits will be decoupled and new separate concentration limits for house lending and business lending will be prescribed
- Tiering will be removed and, consequently, all credit unions regardless of asset size may avail of the same concentration limits
- The lending capacity available to all credit unions for house and business lending, within the new concentration limits, will be as follows:
  - House lending – 30% of total assets and
  - Business lending – 15% of total assets (an increase to the 10% of total assets business lending limit proposed in CP159).

These final adjustments will ensure the new separate concentration limits for these categories of loans remain appropriate for the credit union sector into the future, including that they provide sufficient flexibility to those credit unions who wish to undertake increased house lending and business lending, taking account of the broader legislative requirements, in particular section 35 of the 1997 Act.

On ***capacity for business lending***, recognising the feedback received in CP159 responses, noting in particular:

- Several respondents' concerns about the proposed limit reducing available capacity for business lending compared to the existing maximum potential business lending capacity (this feedback, it should be noted, is relevant for those credit unions with assets of at least €100 million that engage in limited or no house lending) and
- The feedback on individual credit unions pursuing varying business models, including a business model that does not include material

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house lending activity but focuses on traditional personal lending and business lending;

and having regard to the Central Bank's intention to adopt a longer-term view with regard to the lending capacity being made available to credit unions across both house and business lending, the Central Bank is increasing the business lending limit, from the proposed 10% of total assets, to 15% of total assets.

The Central Bank's analysis of credit union lending data set out in our recent Review Report shows that, at a sectoral level – whether taking into account all credit unions or only those credit unions actively engaged in house and / or business lending – considerable capacity remains available for house and business lending within the existing combined concentration limits. The new separate lending concentration limits will provide considerably higher house and business lending capacity to the sector – in excess of three times the existing capacity[26] – and will ensure that appropriately calibrated longer term concentration limits are in place for credit union house and business lending and that the sector has clarity on the maximum potential capacity for house and business lending over a longer-term horizon that facilitates their future strategic direction and business planning.

A gradual / phased approach to utilisation of additional capacity to undertake lending in specific loan categories can play an important role in mitigating some of the risks – outlined in CP159 – associated with engaging in new or expanded areas of lending and longer term lending and ensure that such lending is originated over the economic cycle. In this regard, the Central Bank reminds credit unions of our expectation that credit unions planning to avail of the increased flexibility to engage in house and business lending which the final lending concentration limit changes will provide, would do so in a phased, prudent, and sustainable

[26] Based on sector total assets as at June 2024, the changes to the concentration limits for house and business lending would result in overall capacity for house and business lending of c.€9.6 billion, comprised of house lending capacity of c.€6.4 billion and, within this maximum capacity of c.€535 million for non-principal residence lending, and business lending capacity of c.€3.2 billion compared to the c.€2.9 billion overall capacity available under the current concentration limits). Updating this to reflect sector total assets as at March 2025, overall capacity for house and business lending would be c.€9.9 billion, comprised of house lending capacity of c.€6.6 billion and, within this maximum capacity of c.€551 million for non-principal residence lending, and business lending capacity of c.€3.3 billion).

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manner and ensure that they have the skills, expertise and risk management necessary for this type of lending.

On the ***impact of the liquidity requirements on credit union lending***, as set out in the RIA included with CP159, at 30 June 2024, 117 credit unions (63% of all credit unions) were at that time required to maintain the maximum liquidity ratio of at least 30%. Up to a further 70 credit unions would be required to hold a higher minimum liquidity ratio of 30% (above their existing minimum liquidity requirement) if they were to engage in lending to the extent that at least 29% of their gross loans outstanding has a maturity of greater than 5 years. Of these 70 credit unions, 16 were holding liquidity of less than 30% at 30 June 2024 demonstrating that over three quarters of these 70 credit unions, even if they were to increase their gross loans outstanding for more than 5 years above 29% of total gross loans, would not be required to increase the level of liquid assets above the level currently held. It is expected that any increase in lending which could result in the remaining 16 credit unions being subject to an increased minimum liquidity requirement would be undertaken on a gradual basis. This provides the relevant credit unions with time to understand, assess and plan for the liquidity impacts of any changes to the maturity profile of their loan books and ensure compliance with the relevant liquidity requirements.

While the Central Bank recognises that, at an individual credit union level, the allocation of assets between loans and investments will vary significantly compared to the allocation at a sectoral level, the composition of credit union balance sheets indicates that there is sufficient scope for credit unions to increase their lending, both generally and in longer-term loan categories, taking account of the liquidity requirements contained in Part 3 of the 2016 Regulations.

In summary, the Central Bank's analysis suggests that the current liquidity requirements would not present an impediment to credit unions increasing their lending, including increasing the maturity profile of their loan books, in line with the opportunities that the changes to the concentration limits provide. The final changes to the lending concentration limits have been considered taking account of the potential impact on the current liquidity position of credit unions and the composition of relevant liquid assets across the sector. As regards the composition of balance sheets, it is a matter for each credit union to assess the allocation of its assets between investments and lending,

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cognisant of a number of factors including its own strategic plan and risk appetite. In terms of balance sheet management, credit unions should manage assets and liabilities prudently and reflective of their risk appetite. ALM should reflect projected inflows and outflows as well as ensuring resilience to withstand liquidity stress scenarios. Maintaining and building adequate levels of reserves, including adequate operational risk reserves, also remains key to ensuring credit union financial stability and resilience. The Central Bank does not consider that any changes to the regulatory liquidity requirements for credit unions are necessary.

On the need for ***transitional arrangements*** for the changes, and the fact that there will be no reduction in either house or business lending capacity for any cohort of credit unions under the final lending concentration limit changes, transitional arrangements in respect of the transition to the new concentration limits are not required.

On the calls in several submissions for the Central Bank to ***commence the changes to the lending regulations early / as soon as possible / by 30 June 2025***, the final changes to the lending regulations will come into effect on 30 September 2025, consistent with the indicative timelines set out in section 8 of CP159. The reasons put forward in submissions to CP159 to support the calls for early commencement did not provide any persuasive basis for an earlier commencement. While a very small number of credit unions are close to the existing combined concentration limits, and the Central Bank is mindful of the pipeline of lending some individual credit unions may have, the majority of credit unions still have significant additional capacity available to them within the existing combined limits. As outlined above, the new concentration limits will provide considerably higher house and business lending capacity to the sector for the longer term. In the context of the Central Bank's expectation on the gradual / phased utilisation of the increased flexibility to engage in house lending and business lending that the final lending concentration limit changes provide, and the clarity that the Central Bank's publication of the final changes to the lending regulations provides (i.e. publication of this Feedback Statement and draft amending regulations), a clear case for commencing the final changes earlier than planned has not been made. In addition, the commencement timeline has been informed in part by the necessary implementation work that the Central Bank will need to complete in

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advance of the final changes to the lending regulations coming into effect.

3.2 Removal of Regulation 16 of the 2016 Regulations

Proposals set out in CP159

On lending practices for specific categories of lending, Regulation 16 of the 2016 Regulations currently provides the following:

- a credit union may only grant a business loan, a community loan or a loan to another credit union where a comprehensive business plan and detailed financial projections (supported by evidence-based assumptions), appropriate for the scale and complexity of the loan, have been provided to it before it grants the relevant loan and
- a credit union must report on the performance of loans, in writing, to the board of directors of the credit union on a monthly basis, and such report must include details on the performance of business loans, community loans, house loans and loans to other credit unions.

Regulation 16 does not apply to a business loan granted by a credit union where the total amount of business loans granted to a borrower, or group of borrowers who are connected, is less than €25,000.

Recognising the rigidity of Regulation 16, the overarching requirement of section 35 of the 1997 Act[27], and that the requirements on board reporting on the performance of specific categories of lending may benefit from some refinement, in CP159 the Central Bank proposed to remove Regulation 16 from the 2016 Regulations. Related to this change, we also set out our intention to develop and include new guidance in the Credit Union Handbook outlining our expectations on reporting to boards of directors on the performance of loans.

On the proposed removal of Regulation 16 of the 2016 Regulations, we asked the following questions in CP159:

[27] Section 35 of the 1997 Act provides that the ability of the loan applicant to repay a loan shall be the primary consideration in the underwriting process of the credit union making the loan or participating in the loan, as the case may be.

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Question 3

Do you agree with the proposed removal of Regulation 16 of the 2016 Regulations? This change would remove the following requirements from the 2016 Regulations:

- *a credit union may only grant certain business loans, a community loan or a loan to another credit union where a comprehensive business plan and detailed financial projections (supported by evidence-based assumptions), appropriate for the scale and complexity of the loan, have been provided to it before it grants the relevant loan; and*
- *a credit union must report on the performance of loans, in writing, to the board of directors of the credit union on a monthly basis, and such report must include details on the performance of business loans, community loans, house loans and loans to other credit unions.*

Please provide reasons for your answer.

Question 4

Do you have any other comments on this proposed change including on the need for any transitional arrangements related to the change?

Please provide reasons for your answer.

Submissions to CP159

All submissions supported the CP159 proposal to remove Regulation 16. We set out below an overview of some of the key points stakeholders included in their feedback to the CP159 proposal:

- The requirement to provide a business plan for business loan exposures of €25,000 or greater leaves credit unions at an unfair disadvantage when compared to other competitors, with it being described as a regulatory burden
- The €25,000 threshold (relevant to the application of the requirement to obtain a business plan and detailed financial projections before granting a business loan) is too conservative
- Two submissions noted that the average credit union business loan outstanding is slightly below the €25,000 threshold and that this threshold has potentially acted as a brake on credit unions undertaking higher value business lending
- The proposed removal of Regulation 16 would allow for further growth of new competition into the SME market

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- The requirement has acted as a barrier for credit unions supporting members and the change would enhance member engagement and reduce the administrative burden on credit union members
- The change would deliver increased lending growth (one submission stated that delivering prudent, high-quality lending growth is a principal focus for credit unions lending to the business and community sectors)
- Two submissions noted other requirements which apply to business lending and lending generally – e.g. Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium-Sized Enterprises) Regulations 2015, as noted in CP159 – highlighting that these requirements provide additional protections and transparency for SME borrowers. One of these submissions stated that it would expect credit unions, if appropriate, to incorporate their own requirements or stipulations into their credit policies. We also received feedback in one submission that the documentation currently required under Regulation 16(1) would be sought in any event where the situation dictates and to assist with underwriting
- On the current requirements on reporting to the board on the performance of specific categories of loans under Regulation 16, the removal of requirements from the 2016 Regulations will provide credit unions with greater flexibility
- One submission provided feedback that reporting to the board on loan performance is conducted by credit unions as a matter of course and, as lending is a key credit union activity, boards should expect to be continually appraised of the performance of a key asset which perhaps is of higher risk than other credit union activities
- One submission provided feedback that the requirements of Section 35(10) of the 1997 Act and the updated guidance on board reporting on the performance of loans in the Credit Union Handbook (as proposed in CP159) should fulfil the purpose of Regulation 16 and
- Two submissions referenced the recent amendments to the 1997 Act, by the Credit Union (Amendment) Act 2023 (the 2023 Amendment Act), which reduced the minimum number of board meetings required from ten to six a year (in the context of feedback supporting new guidance on appropriate reporting arrangements as required under Section 35(10) of the 1997 Act and a recommendation that the new guidance on reporting to the board

on loan performance needs to be cognisant of board reporting cycles).

On the need for ***transitional arrangements*** for the changes, submissions either did not address this point or expressed a view that transitional arrangements would not be needed.

Central Bank Response

Having considered the feedback received in submissions to CP159, and noting that all submissions agreed with the proposal, the Central Bank is proceeding with the proposal to remove Regulation 16 from the 2016 Regulations. As proposed in CP159, related to this change the Central Bank plans to develop and include new, high-level, guidance in the Credit Union Handbook setting out our expectations on credit unions maintaining appropriate board reporting arrangements on the performance of loans.

As set out in the RIA published with CP159, and recognising the feedback received in CP159 responses, this change will result in less prescription with respect to lending practices for specific categories of lending and may result in increased applications for business loans from credit union members who, subject to a credit union's underwriting approach, may not necessarily be required to provide a comprehensive business plan or detailed financial projections to the credit union. This change will provide credit unions with increased flexibility to manage the underwriting of their loan books within their own risk appetite against the backdrop of a regulatory framework that facilitates credit unions' development through a balanced loan portfolio.

On the need for **transitional arrangements** for the removal of Regulation 16, taking account of the submissions received, the broader legislative requirements (in particular, section 35 of the 1997 Act) and the Central Bank's plan to develop and include new guidance in the Credit Union Handbook on credit unions reporting to their boards on the performance of loans, the Central Bank does not consider that transitional arrangements in respect of the removal of Regulation 16 are needed.

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4. Other Feedback

4.1 Other Feedback Related to Lending

In submissions to CP159, we received feedback which, while related to credit union lending and / or the credit union lending regulations and associated guidance in the Credit Union Handbook, was not directly in response to the proposed changes on which views were sought in CP159. We set out an overview of the feedback received in this regard in this section of the Feedback Statement. We also received feedback which was not related to credit union lending and / or the credit union lending regulations and associated guidance; we set out an overview of that feedback received in Section 4.2 below.

4.1.1 Future review of the credit union lending regulations

Feedback Received

Two submissions called for the Central Bank to keep the lending framework under review and to commit to a timeline for a future review of the lending framework following the commencement of the CP159-related changes, with one of these submissions suggesting a further review in 2027 (and for the sharing of sectoral aggregate data with credit union bodies to better inform this engagement).

Central Bank Response

The proposals set out in CP159 were brought forward by the Central Bank and consulted upon following the completion of a detailed review of credit union lending committed to in CP125, which was itself a broad and fundamental review of the credit union lending framework in place at the time. As set out earlier in this Feedback Statement, the changes being made to the lending regulations will put in place a lending framework for credit unions which is fit for the longer term. Throughout the last decade or so there has been significant legislative and regulatory change. The tailored legislative and regulatory framework for credit unions has already evolved through both fundamental, and iterative, changes to ensure, among other things, that credit unions are enabled to do more. Where changes to the credit union regulatory framework are warranted, the Central Bank will be responsive.

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However, as the Central Bank recently communicated[28], with limited exceptions (including the CP159-related changes) the Central Bank considers that the broad regulatory framework for credit unions is now stable and appropriate. Looking ahead, much of the Central Bank's credit union-specific policy focus will concentrate on developing policy and regulations to enable the commencement of the remaining changes to the 1997 Act under the 2023 Amendment Act.

4.1.2 Related parties lending

Feedback Received

One submission suggested that, in respect of the related parties lending requirements set out in the 2016 Regulations, the Central Bank make targeted changes to the pre-approval requirements, board reporting requirements and threshold amount for exempt exposures set out in Regulations 19-21.

We received a suggestion to amend Regulation 19(1) such that a credit officer, the credit committee or a special committee created by the credit union for the purpose could pre-approve related parties loans and that a credit officer, the credit control committee or a special committee created by the credit union for the purpose could pre-approve management actions in relation to such loans.

In addition, the submission suggested changes to:

- Regulation 21 to reduce the prescribed minimum frequency of reporting on related parties lending to the board of directors (with a reference also to the removal of those requirements set out in Regulation 21) in order to:
  - Take into account the revised minimum frequency of board meetings now required under Section 54 of the 1997 Act following the 2023 Amendment Act changes and
  - Align it with Regulation 20(2) of the 2016 Regulations which, in relation to related parties exposures below the prescribed €2,000 threshold (referred to in the Regulations as "exempt exposures"), requires credit unions to report on relevant loans on a quarterly basis and

[28] See "*Evolving with the times, credit unions in a changing landscape - Remarks by Deputy Governor Sharon Donnery*", 19 November 2024.

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- Regulation 20 to increase the monetary amount at which a loan is considered an exempt exposure under Regulation 20, from €2,000 to €10,000 in order to align to the increasing average loan value of credit unions and also to future-proof the provision.

Central Bank Response

On the suggestion that a credit officer or a special committee could ***pre-approve*** a related parties loan, having considered the feedback received the Central Bank considers that the existing pre-approval requirements laid down by Regulation 19 of the 2016 Regulations remain appropriate. The existing requirements are straight-forward and should already be well embedded in credit unions' lending policies and processes and a clear basis on the need for any change to the existing pre-approval requirements for related parties loans has not been demonstrated.

On the feedback suggesting that the Central Bank reduce the prescribed minimum frequency of ***reporting*** on related parties lending to the board of directors (or remove those requirements set out in Regulation 21) to align with the minimum frequency with which boards must meet under section 54 of the 1997 Act or to align the Regulation 21 requirement with Regulation 20(2) of the 2016 Regulations, the Central Bank is removing the reporting requirements set out in Regulations 20(2) and Regulation 21 from the 2016 Regulations. The Central Bank intends to develop and include high-level guidance in the Lending Chapter of the Credit Union Handbook setting out our expectations on credit unions maintaining appropriate board reporting arrangements on related parties lending (including exempt exposures). This approach aligns with the Central Bank's decision to remove board reporting requirements in respect of specific categories of lending under Regulation 16 and develop Credit Union Handbook guidance.

With regard to the suggestion to increase the ***monetary amount at which a loan is considered an exempt exposure*** under Regulation 20, from €2,000 to €10,000, having regard to the time the existing threshold has been in place, the value of the average new loan advanced (c.€6,842 based on the six months to 31 March 2025), and the Central Bank's intention to put in place lending regulations for the longer term, the Central Bank agrees that the threshold should be increased to €10,000. Noting that a number of important related parties requirements, in particular, those set out in Regulation 18 and 22, of the 2016

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Regulations, and certain tailored proportionate requirements set out in Regulation 20(2), will continue to apply to related parties loans that fall within the "exempt exposures" threshold[29] – it is the Central Bank's view that this change will not introduce any material incremental risk.

4.1.3 Lending to acquire or retain property rights in a house – definition of "house loan"

Feedback Received

One submission suggested that the Central Bank should broaden strand (c) of the definition of "house loan" to align it with the Mortgage Credit Directive. It was suggested that, in addition to a house loan made to a member secured by property for the purpose of enabling the member to buy a house that is already constructed on the property for use as their principal residence, strand (c) of the definition should include a loan made to acquire or retain property rights in a house that is already constructed on the property for use as the member's principal residence. It was submitted that in some cases of inheritance a loan applicant requires a house loan in order to acquire or retain an interest in a house, e.g. buying out siblings or other beneficiaries to discharge a capital acquisitions tax liability and that this is not covered by the current definition of "house loan".

Central Bank Response

Various definitions for house loans / mortgages exist across various legislation that applies to credit unions, including the Central Bank's macro-prudential mortgage measures, the European Union (Consumer Mortgage Credit Agreements) Regulations 2016 and the 2016 Regulations. These definitions have been developed to accommodate different policy purposes. In the context of the specific examples put forward to support a change to the definition of "house loan" to include loans to obtain or acquire property rights in a principal residence, the Central Bank considers that the current definitions of "house loan" and "personal loan" in the 2016 Regulations are sufficiently broad to allow credit unions to meet their members' borrowing needs in relevant scenarios. Subject to any applicable legal and regulatory requirements,

[29] These tailored requirements for exempt exposures include requirements to ensure that the exempt exposures threshold is monitored by the credit union and not exceeded and to maintain a register recording compliance with this requirement.

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credit unions can provide loans on such terms, including in relation to security and pricing, as they consider appropriate (should they wish to do so).

4.1.4 Definition of "business loan" – lending for non-principal private residences

Feedback Received

We received a suggestion to broaden the definition of "business loan" to allow for the purchase of non-principal residence property, in particular:

- Second homes
- Holiday homes within the State without reliance on rental income for repayment capacity and
- BTL property within the State with a defined loan-to-value (LTV) cap and where a credit union has mortgage lending expertise.

Central Bank Response

While the changes to the concentration limits for house and business lending build upon the existing lending framework for credit unions, in decoupling the limits, removing the current tiered approach and adjusting the lending capacity available, a material change to the approach adopted by the Central Bank in 2020 is now being made. In this way, the Central Bank is:

- Adopting a longer-term view with regard to overall available capacity and
- Providing considerably greater agency to credit unions on the extent to which they may, should they so wish, develop business models that incorporate house lending, business lending and more diversified loan maturities within their loan books.

The Central Bank has also considered recommendation 5.2 of the Retail Banking Review (November 2022)[30] and the improved sectoral reserves position and the experience gained by a number of credit unions in house and business lending since the 2020 changes to the lending regulations commenced. Given the above points, the Central Bank is of the view that there is scope to broaden the credit union lending framework to allow credit unions to provide loans to their members for non-principal residence house lending. To accommodate this change, the Central Bank has decided to amend the definition of "house loan" – such lending being more aligned with this category of lending than the "business loan" category of lending (as was suggested in stakeholder feedback) - and to include an inner limit for such lending of 2.5% of total assets for all credit unions within the 30% of total assets concentration limit for house loans. This will facilitate credit unions undertaking a certain level of lending in this area (if the individual credit union so wishes and where it is aligned with its risk appetite and business planning). At the same time, the inner limit for this type of lending will ensure that there are guardrails in place to mitigate the level of risk to credit union lending portfolios.

Any house lending undertaken for non-principal residence lending will utilise both the 2.5% of total assets inner limit and the overall 30% of total assets house lending limit.[31]

[30] "*Retail Banking Review*", Department of Finance (November 2022) – Recommendation 5.2 states that the credit union sector and its leadership should develop a strategic plan that enables the sector to safely and sustainably provide a universal product and service offering, which is community based, and which is offered to all credit union members, directly or on a referral basis. The report states that such a strategic plan should demonstrate how credit unions can:

- Scale their business model in a viable manner in key product areas such as mortgages and SME lending;
- Invest in expertise, systems, controls and processes such that the sector can deliver standard products and services across all credit unions, in a manner that manages risks arising and continues to protect members' savings; and
- Provide the option of in-branch services for members of all credit unions.

[31] To note, the existing definition of "business loan" clarifies that the business loan category of lending includes a loan to a member that is an approved housing body (AHB). Any loans to an AHB member in respect of non-principal residences will continue to be covered by the "business loan" category of lending. In order to ensure no potential overlap between the definitions of "business loan" and "house loan", the definition of "house loan" will be amended to clarify that it does not include a loan made to a member that is an approved housing body.

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4.1.5 Definition of "business loan" – loans for the purpose of purchasing or enhancing properties owned in the name of a holding company

Feedback Received

It was suggested in one submission that the Central Bank should support credit unions to meet industry best practice by broadening the definition of "business loan" to include loans for the purpose of purchasing or enhancing properties owned in the name of a holding company where the operating company is owned by the same shareholders / largely the same shareholders, and that a defined LTV cap could be prescribed as required.

Central Bank Response

The type of lending described in the CP159 feedback – i.e. lending by credit unions to incorporated members for the purpose of those members purchasing or enhancing properties that are owned not by the borrowing member, but by a holding company – would appear to represent limited, atypical lending opportunities for credit unions. An expansion of the definition of "business loan" for the purpose suggested would add unnecessary complexity to the credit union lending regulations. For this reason, the Central Bank has decided not to make the suggested change.

4.1.6 Lending concentration limit for loans to other credit unions

Feedback Received

We received a suggestion in one submission to amend the lending concentration limit for loans to other credit unions to 50% of regulatory reserves (in place of the current 12.5% of regulatory reserves limit). It was submitted that such loans are a potential source of funds for some credit unions for capital expenditure, liquidity and lending. It was also submitted that credit unions that do not offer mortgages could refer members to another credit union for mortgages and provide the funding for these mortgages, in whole or in part, resulting in a benefit to both credit unions involved. It was suggested that the concentration limit is too low and that the costs of putting arrangements in place are prohibitive relative to the value of loans that the current limit would permit. It was submitted that a change to the limit would empower credit unions towards greater utilisation of resources from within the sector and that while this matter may be addressed in time by corporate credit unions, there is an immediate need for inter credit union loans to be set at realistic levels in terms of exposure limits.

Central Bank Response

While recognising that the LTA ratio ranges from 14.7% to 71.1% across the sector, as at September 2024 the sector average LTA ratio for credit unions was 32.9% with a significant majority of credit unions (148) reporting an LTA ratio of below 40%.[32] The majority of credit unions currently have a relatively low level of loans compared to their assets and are already well funded at this time. Current data does not support a need for review or revision of the current concentration limit for loans to other credit unions. In the context of the feedback on empowering credit unions towards greater utilisation of resources from within the sector, the Central Bank is mindful that credit unions are now permitted to refer members to other credit unions for the purpose of receiving services following recent changes made to the 1997 Act by the 2023 Amendment Act. Referrals for services could, for example, be relevant in cases where a credit union has utilised the full capacity available to it under the concentration limit (or capacity up to its own risk appetite, etc.) for a particular category of lending and wishes to encourage and facilitate members to avail of services from the sector. The final changes to the lending regulations do not include any change to the concentration limit for loans to other credit unions.

On funding more generally, as highlighted in the RIA included in CP159, credit unions may need to take certain actions to ensure appropriate ALM which may include changes to their investment strategy, reallocation of assets from investments to lending, raising of additional funding and / or expansion of the existing funding base (for example, term deposit funding).

[32] Source: "*Financial Conditions of Credit Unions, 2024*" (Issue 11, April 2025), Central Bank of Ireland.

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4.1.7 Individual large exposures guidance

Feedback Received

In submissions to CP159, the Central Bank received feedback on the interaction of the lending concentration limits – in particular on the proposed house lending limit – with other aspects of the lending framework, namely the large exposure limit set out in Regulation 13 of the 2016 Regulations and Central Bank's guidance on this topic which is set out in the Lending Chapter of the Credit Union Handbook. In this regard, two submissions provided feedback that the Central Bank's guidance on what it considers to be an individual large exposure (i.e. 2.5% of regulatory reserves) is restrictive and that the maximum large exposure permitted in Regulation 13(1) of the 2016 Regulations should apply if credit unions are to participate fully in the mortgage lending market.

Central Bank Response

The feedback received on the Central Bank's guidance, set out in the Lending Chapter of the Credit Union Handbook, on what we consider to be an individual large exposure (i.e. 2.5% of regulatory reserves) suggests that some stakeholders may be interpreting the Central Bank's guidance as a separate large exposure limit (in addition to the limit set out in the lending regulations). To clarify, the individual large exposure amount set out in guidance in the Credit Union Handbook does not represent a regulatory limit. As was set out in the published FAQ document on the Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2019[33] (which gave effect to the final CP125 changes), guidance on large exposure amounts facilitates credit unions to better manage and monitor borrower concentration risk in their loan portfolios. The 2.5% of regulatory reserves quantum is a suggested indication for credit unions as to what loan exposures may warrant particular or more frequent attention as part of credit risk management and monitoring practices. The actual large exposure limit, which a credit

[33] See FAQ 30 of "*Implementation of the Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2019 for Credit Unions, Frequently Asked Questions*"..

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union may have, is prescribed in Regulation 13 of the 2016 Regulations.[34]

4.1.8 Monthly reporting to the board of directors guidance

Feedback Received

We received a suggestion in one submission that in light of the amendments introduced to the 1997 Act by the 2023 Amendment Act, which now provides for a minimum of six board meetings a year, the Central Bank should consider potential changes to other guidance for monthly reporting set out in the Credit Union Handbook, including guidance in respect of rescheduled loans set out in paragraph 3.13 of the Lending Chapter (Systems, Controls and Reporting for Rescheduled Loans).

Central Bank Response

The Central Bank notes that paragraph 3.13 (Systems, Controls and Reporting for Rescheduled Loans) of the Lending Chapter of the Credit Union Handbook currently refers to "each monthly board meeting" in the context of our guidance on credit unions reporting on rescheduled loans to the board of directors. As part of the Central Bank's planned implementation work in respect of the final changes to the credit union lending regulations set out in this Feedback Statement, we will be updating the Lending Chapter of the Credit Union Handbook to make any necessary and appropriate revisions, including to the guidance included therein.

4.1.9 Other lending or lending regulations related feedback

Feedback Received

In more general submission feedback, one submission set out challenges and regulatory requirements for new entrants. In this regard, it was submitted that creating consumer awareness and establishing scale and long-term sustainability in the mortgage market will be far more difficult

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[34] Subject to Regulation 13(2), the maximum loan exposure to a borrower or group of borrowers who are connected is the greater of €39,000 or 10% of the regulatory reserve of the credit union.

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with regulatory requirements that prevent credit unions from fully participating in the market or that impose additional regulatory cost burdens (e.g. liquidity, capital) on all credit unions but that are more onerous than those applicable to competing mortgage lenders. It was submitted that where scale is a factor in competition, new market entrants for essential services may need to be protected. It was submitted that even if credit unions, as new competitors, were subject to the same regulatory requirements as other mortgage lenders, this may act as a barrier to entry and impediment to growth.

The same submission addressed collaboration, standardisation and the 2023 Amendment Act. The submission expressed a view that collaboration and standardisation have been central to the success of recent credit union initiatives.

Central Bank Response

We acknowledge the feedback received in relation to the broader considerations and factors which have the potential to impact on credit union lending. Noting that this particular feedback did not call for change to the credit union lending regulations, no changes are being made to the regulations in this regard.

On collaboration, as set out in CP159, the Central Bank recognises developments on credit union sector collaboration relevant to lending which have progressed and emerged since the 2020 changes to the lending regulations including, in the context of the CP159 changes, the credit union agri-business loan offering under the "Cultivate" brand provided by a number of credit unions with the support of Collaborative Finance, a credit union shared-service organisation (CUSO), and the establishment and role of a separate mortgage CUSO for credit unions. The Central Bank's view is that increased collaboration between credit unions, if fully leveraged, could yield more strategic transformation for the sector.

On the 2023 Amendment Act changes to the 1997 Act, the legislative framework for credit unions has undergone significant change with the introduction of the 2023 Amendment Act. When fully commenced, it will provide a number of business model development opportunities to the sector, including in respect of collaboration, through CUSOs, and the establishment of a new credit union type (i.e. corporate credit union). Those changes, as well as the final changes to the lending regulations

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under CP159, will allow credit unions to do more. It is now a matter for individual credit unions, should they so wish – and where it is safe and sustainable and in the interests of their members – to avail of the opportunities that the recent and forthcoming changes to the 1997 Act and the changes we are now making to the 2016 Regulations provide.

4.2 Other Feedback

Feedback Received

In addition to the feedback received on credit union lending and the credit union lending regulations, a small number of respondents to CP159 called for broader changes to other aspects of the credit union regulatory framework. In summary, these included:

- A request for a review of credit union ***liquidity requirements*** as an impediment to mortgage lending and full utilisation of concentration limits and a suggestion that a new approach to liquidity is needed that takes account of net cash flows, quality of liquid assets and the stability and run-off of savings, loans and investments. We also received feedback that the sector would welcome early discussion on changes to the liquidity requirements; in particular, early consideration of the criteria for short-term liquidity was sought.

- Related to liquidity, the need for a more advanced ***ALM model*** to assist credit unions in loan maturity transformation. The role which a corporate credit union could play in this area in the future was mentioned as was the need for the sector to have a centralised liquidity support mechanism to provide alternative funding options other than member savings when increasing lending and maturity limits. One submission identified several areas for consideration in the context of an ALM model, including engagement with the Central Bank on delivery of an advanced ALM model and to inform consultation / draft regulations including revisions to Part 2 Reserves and Part 3 Liquidity of the 2016 Regulations. It was also suggested that as part of the development and ongoing exploratory work on a more advanced ALM model, the sector would benefit from a specific and detailed ALM Chapter in the Credit Union Handbook.

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- A request for a review of credit union ***regulatory reserve requirements*** as an impediment to mortgage lending and full utilisation of concentration limits – noting that under the current framework credit unions cannot avail of risk weighting of assets or discounted calculations for mortgage lending and credit unions needing funds currently allocated as reserves for other purposes, such as strategic development.
- A request for a review of the ***statutory savings limit*** for credit unions to take account of mortgage activity in a similar manner to the Deposit Guarantee Scheme (DGS) (e.g. temporary high balances).
- Feedback that ***more granular data*** will be required to allow credit unions and the Central Bank to monitor activity and risks associated with more complex products, pricing and balance sheets.
- Feedback that transitional arrangements will be required in respect of the ***full application of Consumer Protection Code*** (the Code) (encompassing the CCMA) to credit unions and that the Central Bank's position that the proposed CP159 changes to the lending regulations must be accompanied by enhanced consumer protections for credit union members should not act as an impediment to credit unions availing of increased lending limits.

Central Bank Response

The Central Bank acknowledges the feedback received from some respondents to CP159 on other broader aspects of the regulatory framework for credit unions. The purpose of this consultation was to seek views on proposed changes to the credit union lending regulations as set out in CP159. While the Central Bank has considered, and addressed within this Feedback Statement, other suggestions for change to the credit union lending regulations received in submissions to CP159, suggestions for change on other aspects of the regulatory framework for credit unions are out of scope of the CP159 review and have not been considered.

The Central Bank recognises that credit unions continue to fulfil a central role in the Irish financial services landscape. While we note the incremental changes that have taken place in credit union

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business models over the past decade, challenges remain for credit unions evidenced by low LTA ratios, variable investment returns and high cost income metrics. The financial services landscape is changing at pace, and how credit unions deliver products and services to meet members' needs will be a critical factor to future sustainability. Following the Department of Finance's review of the Credit Union Policy Framework which concluded in 2022, changes to the 1997 Act by the 2023 Amendment Act have provided credit unions with a number of opportunities, including in the areas of member services and collaboration. A number of these changes had been sought and supported by the sector through sector representatives. Noting that some of the changes to the 1997 Act are yet to be commenced, it is a matter for credit unions to consider, address and determine how they might avail of the various opportunities, within the context of their own business planning and ideally within the context of a broader sectoral strategic plan.[35]

As outlined earlier in this Feedback Statement, with limited exceptions, the Central Bank considers that the broad regulatory framework for credit unions is now stable and appropriate. Where changes to the credit union regulatory framework are warranted, the Central Bank will be responsive.

Consumer Protection Code

With specific reference to the potential need for transitional arrangements in respect of the full application of the revised Consumer Protection Code (including the CCMA) to credit unions, we view that the changes to the credit union lending regulations must be accompanied by enhanced consumer protections for credit union members. The Central Bank intends to undertake further engagement with the sector on the extension of the revised Code to credit unions in due course to ensure that credit union members are afforded the same protections as other consumers of financial services. The Central Bank will consider any feedback received as part of this planned further

[35] In this regard, a recommendation of the Retail Banking Review stated that "*the credit union sector and its leadership should develop a strategic plan that enables the sector to safely and sustainably provide a universal product and service offering, which is community based, and which is offered to all credit union members, directly or on a referral basis*". In addition, the current Programme for Government, "Programme for Government 2025 – Securing Ireland's Future", includes a commitment to "*position credit unions as community centric financial institutions integral to their local communities, small businesses and farmers*".

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engagement with the sector prior to the extension of the revised Code to credit unions.

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5. Consultation under section 84A of the Credit Union Act, 1997

Following consideration of the submissions received on CP159, the Central Bank provided draft amending regulations, along with an overview of the feedback received on CP159 and changes made following consideration of submissions, to the Minister for Finance and CUAC in line with the statutory consultation required under section 84A of the 1997 Act.[36] In addition, credit union bodies were provided with draft amending regulations and related documentation and invited to provide any additional comments ahead of finalisation of the amending regulations.

Feedback Received

The **Minister for Finance** expressed support for the proposed changes to the 2016 Regulations. The Minister noted the amendments made by the Central Bank on receipt of feedback on the CP159 proposals, in particular the increase in business lending concentration limit from the 10% of total assets limit proposed in CP159 to 15% of total assets, and the introduction of the inner limit of 2.5% of total assets for "other residence" house lending.

The Minister recognised that the feedback received from sectoral stakeholders and the 2023 Peer Review Report had been considered, and that the changes are aligned with the Retail Banking Review's objective that credit unions play a greater role in the provision of retail

[36] The draft amending regulations shared as part of the statutory consultation process also included proposed technical changes to Part 1 (Preliminary and General) and Part 5 (Investments) of the 2016 Regulations in light of developments in the registration and regulation of approved housing bodies under the Housing (Regulation of Approved Housing Bodies) Act 2019.

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banking products and services in the coming years, and a number of Programme for Government commitments.

The Minister noted that the changes will allow credit unions the flexibility and capacity to pursue differing lending profiles, according to their own strategies and risk appetites and that this represents a huge opportunity for the sustainable expansion of the sector.

CUAC welcomed the proposed changes to the 2016 Regulations.

CUAC noted, in particular, that the changes to the combined concentration limits for house and business lending will provide those credit unions that wish to engage in house and business lending with sufficient capacity to do so, and facilitate their strategic and business planning for the longer term in line with their risk appetite.

CUAC acknowledged the increased proposed concentration limit for business lending (to 15% of total assets), noting that this will help to future-proof the credit union lending regulations.

CUAC welcomed the removal of the regulatory requirement for a comprehensive business plan for all business loan exposures of €25,000 or more under Regulation 16 of the 2016 Regulations noting that this requirement has proven to be a barrier for credit unions in supporting members and its removal will reduce the administrative burden for members and credit unions.

On the proposed changes to the lending regulations more generally, CUAC noted that they will provide credit unions with the opportunity to grow their loan books in a prudent and sustainable manner.

CUAC requested that guidelines issued in respect of board reporting on lending take into consideration the recent amendments under the 2023 Amendment Act.

The Irish League of Credit Unions **(ILCU)** welcomed the changes proposed, in particular the change in the concentration limit for business lending from 10% to 15% of total assets.

ILCU also requested the Central Bank to consider changes to three areas, one of which related to the lending regulations and two of which related to the broader credit union regulatory framework. On the lending regulations, ILCU referenced guidance on large exposures in the Lending Chapter of the Credit Union Handbook and provided feedback

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that the large exposure limit in Regulation 13 of the 2016 Regulations is too restrictive and that the maximum large exposure limits set out in the 2016 Regulations should apply if credit unions are to participate fully in the mortgage lending market, rather than a credit union considering any exposure greater than 2.5% of the regulatory reserve to be an individual large exposure. On the two other areas ILCU asked the Central Bank to consider, these related to the regulatory reserve requirement under Regulation 4(1) of the 2016 Regulations and the investment counterparty limit for direct investments in corporate bonds under Regulation 26(2) of the 2016 Regulations.

The Credit Union Development Association **(CUDA)** expressed full support for the Central Bank's proposed amendments and welcomed the additional changes under CP159.

In its feedback, CUDA noted the Central Bank's additional proposed amendments, included further to CP159 feedback, and that these are complemented by those amendments proposed in CP159. CUDA also noted that collectively the amendments will allow credit unions greater diversity and scope when managing their loan books and its view that these collective targeted changes to the lending framework will allow for prudent growth in mortgage and business lending in the credit union sector, whilst providing real competition in the wider lending landscape.

CUDA expressed its support for the proposed AHB-related changes to the 2016 Regulations.

CUDA also provided additional commentary relating to feedback submitted as part of the joint submission made to CP159[37]. Similar points of feedback were received from the Credit Union Managers' Association (CUMA). In this regard, these two bodies advocated for the following (in summary):

- Resolution of the consultation process and implementation of the amending regulations as soon as possible to support operational readiness and strategic planning at credit union level
- A commitment from the Central Bank to a review of the lending framework three years post commencement to ensure the lending framework remains agile and to allow for an assessment of the

[37] The joint submission from four credit union bodies was made by the Credit Union Development Association, the Credit Union Managers' Association, the Irish League of Credit Unions and the National Supervisors Forum.

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new concentration limits, including the new inner limit for house loans for other residences, the uptake and management of same and the appropriateness of the concentration limits

- Greater transparency and sharing of sectoral aggregate data on a periodic basis, facilitated by the forthcoming changes to credit union reporting (noting that such transparency is vital for peer benchmarking and strategic insight)
- Updated guidance in the Credit Union Handbook on board reporting practices and related parties lending.

CUDA noted that it had raised a number of supplementary amendments to the lending framework in the joint submission made to CP159, acknowledged its overriding objective for the fast implementation of key changes and that it would welcome feedback on those supplementary amendments in the Feedback Statement on CP159 in order that it can duly assess the appropriateness of each proposed supplementary amendment going forward. Separately, on liquidity and ALM rules, again with reference to the joint submission made to CP159, CUDA advocated for early dialogue with the Central Bank on other prudential areas, in particular Part 3 (Liquidity) and Part 2 (Reserves) of the 2016 Regulations, especially as credit unions diversify their loan books to increase lending with longer maturities and to support the development of an advanced ALM model for the sector.

In its response to the statutory consultation process, **CUMA** expressed its full support for the proposed changes and additional enhancements introduced under CP159 and included a number of key observations and commentary on the lending concentration limits, removal of Regulation 16, related parties lending, the technical changes relating to AHBs and implementation considerations.

On the lending concentration limits, CUMA noted and welcomed the proposed inclusion of lending for other residences within the house loan definition with a 2.5% of total asset inner limit. It expressed a view that this represented a positive step and recommended monitoring its impact and maintaining flexibility for future adjustments, particularly for credit unions with strong risk management frameworks and a strategic ambition to grow in this space. CUMA also expressed strong support for the proposed increase in the proposed business lending limit (to 15% of total assets) and suggested that further increases –

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potentially through application-based or risk-tiered models – be considered over time to support more advanced business model development.

On the removal of Regulation 16, CUMA fully supported the removal of the Regulation 16 requirements which in its view have proven to be administratively burdensome and welcomed the Central Bank's planned guidance in the Credit Union Handbook (requesting early access to the proposed wording to support timely policy and procedural updates).

On related parties lending, CUMA supported the proposed changes, viewing these as proportionate changes that reduce operational burden while maintaining appropriate governance standards.

The **National Supervisors Forum** had no observations on the draft amending regulations as part of the statutory consultation process.

Central Bank Response

The Central Bank welcomes the responses received from the Minister for Finance, CUAC and credit union bodies to the statutory consultation process undertaken in relation to the CP159 (and technical AHB) related changes to the 2016 Regulations. The Central Bank is committed to engaging with stakeholders in an open and transparent manner. Set out below are the Central Bank's comments on the feedback received as part of the statutory consultation process.

On the feedback on the Central Bank's ***planned guidance on board reporting*** on lending taking into consideration the recent amendments to the 1997 Act by the 2023 Amendment Act, and on the planned updated guidance for board reporting on lending and on related parties lending more generally, as set out earlier in this Feedback Statement, the Central Bank plans to develop and include new, high-level guidance in the Credit Union Handbook. This guidance will set out our expectations on credit unions maintaining appropriate board reporting arrangements on the performance of loans and on related parties lending. It is envisaged that the guidance will take into account recent amendments to the 1997 Act by the 2023 Amendment Act regarding the minimum number of board meetings in a year and intervals between board meetings. The Central Bank intends to publish the new guidance in tandem with the commencement of the amending regulations. The

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Central Bank will inform relevant stakeholders when the guidance is published in the Credit Union Handbook.

On the interaction of guidance on ***large exposures*** in the Lending Chapter of the Credit Union Handbook and the large exposure limit prescribed in Regulation 13, this feedback was also received as part of the public consultation process and is addressed in section 4.1.7 of this Feedback Statement.

On the requests that the Central Bank commit to ***reviewing the lending framework three years post commencement of the changes***, the proposals set out in CP159 were brought forward by the Central Bank following a review of the lending framework as committed to in the Feedback Statement on CP125 and which also considered significant feedback provided by stakeholders. As set out in CP159, significant changes now being made to the lending regulations will put in place a lending framework for credit unions which is fit for the longer term.

In respect of ***other aspects of the broader regulatory framework*** raised by some stakeholders as part of the statutory consultation process, that is, feedback on the regulatory reserve requirements (under Regulation 4(1) of the 2016 Regulations), the investment counterparty limit for direct investments in corporate bonds under Regulation 26(2) of the 2016 Regulations and on early dialogue on Parts 2 and 3 of the 2016 Regulations ("Reserves" and "Liquidity" respectively), these matters are not within scope of the proposed credit union lending and investment regulations changes (including the technical AHB-related changes) which are currently being progressed. Accordingly, they did not fall within the statutory consultation process. To the extent that these points were raised in submissions on CP159, they are addressed in section 4.2 of this Feedback Statement.

On ***greater transparency and sharing of sectoral aggregate data*** on a periodic basis, facilitated by the forthcoming changes to credit union reporting, the Central Bank is considering how we can make more sectoral aggregate data available to relevant stakeholders on a periodic basis and will be engaging with sector stakeholders further on this in due course.

Having considered the feedback received through the statutory consultation process the Central Bank is of the view that the amendments being made to the 2016 Regulations introduce necessary

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and material changes for credit unions, informed by feedback received as part of the Review, the public consultation process (CP159) and the statutory consultation process under section 84A of the 1997 Act. The Central Bank is satisfied that these changes, when made, will ensure an appropriate lending framework is in place for credit unions over the longer term as well as simplifying the approach in terms of one set of limits for all credit unions. The regulation making powers of the Central Bank afford flexibility to ensure that all regulations applicable to credit unions remain fit for purpose and proportionate. In this regard, where regulatory changes are warranted, the Central Bank will be responsive.

Appendix 1: Draft Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2025

STATUTORY INSTRUMENTS.

S.I. No.   of 2025

CREDIT UNION ACT 1997 (REGULATORY REQUIREMENTS) (AMENDMENT) REGULATIONS 2025

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S.I. No.   of 2025

CREDIT UNION ACT 1997 (REGULATORY REQUIREMENTS) (AMENDMENT) REGULATIONS 2025

In exercise of the powers conferred on the Central Bank of Ireland (the "Bank") by section 182A of the Credit Union Act, 1997 (No. 15 of 1997) (the "Act"), the Bank, having consulted the Minister for Finance, the Credit Union Advisory Committee and other bodies that appear to the Bank to have expertise or knowledge of credit unions generally and that the Bank considers appropriate to consult in the circumstances, hereby makes the following regulations:

1. These Regulations may be cited as the Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2025.

2. In these Regulations "Principal Regulations" means the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 (S.I. No. 1 of 2016).

3. These Regulations commence on 30 September 2025.

4. Regulation 2 of the Principal Regulations is amended by –

(a) substituting the definition of "approved housing body" with the following:

"'approved housing body' means -

(a) a person registered as an approved housing body in accordance with section 28 of the Housing (Regulation of Approved Housing Bodies) Act 2019, or

(b) a person who, by virtue of section 26A(1) of the Housing (Regulation of Approved Housing Bodies) Act 2019, is registered as an approved housing body in accordance with section 28(2)(a) of the Housing (Regulation of Approved Housing Bodies) Act 2019;",

(b) substituting the definition of "house loan" with the following:

"'house loan' means a loan made to a member, other than a member that is an approved housing body, secured by property in the State for the purpose of enabling the member to -

(a) have a house constructed on the property as their principal residence,

(b) improve or renovate a house on the property that is already used as their principal residence,

(c) buy a house that is already constructed on the property for use as their principal residence,

(d) refinance a loan previously provided for one of the purposes specified in (a), (b) or (c) for the same purpose,

(e) have a house constructed on the property as their other residence,

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(f) improve or renovate a house on the property that is already used as their other residence,

(g) buy a house that is already constructed on the property for use as their other residence, or

(h) refinance a loan previously provided for one of the purposes specified in (e), (f) or (g) for the same purpose;”,

(c) inserting the following definition:

“‘other residence’ means a house that is not for use as the member’s principal residence;”,

(d) inserting the following definition:

“ ‘permitted approved housing body’ means an approved housing body that is –

(a) providing or managing more than 300 dwellings,

(b) providing or managing between 50 and 300 dwellings and having development plans in place to provide or manage more housing in future in addition to the existing housing it provides or manages, where those development plans are to reach more than 300 dwellings, or

(c) providing or managing less than 50 dwellings and applying for, or in receipt of, loans from Housing Finance Agency Public Limited Company, private finance or loans from other sources and having development plans in place to provide or manage more housing in future in addition to the existing housing it provides or manages, where those development plans are to reach more than 300 dwellings;”, and

(e) deleting the definition of “Tier 3 Approved Housing Body”.

5. The Principal Regulations are amended by substituting for Regulation 12 the following:

“*Concentration Limits*

12. (1) A credit union shall not make -

(a) a community loan, where such a loan would cause the total amount of outstanding community loans of the credit union to exceed 25 per cent of the credit union’s regulatory reserve,

(b) a loan to another credit union, where such a loan would cause the total amount of outstanding loans of the credit union to other credit unions to exceed 12.5 per cent of the credit union’s regulatory reserves,

(c) a business loan, where such a loan would cause the total amount of outstanding business loans of the credit union to exceed 15 per cent of the assets of the credit union,

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(d) a house loan, where such a loan would cause the total amount of outstanding house loans of the credit union to exceed 30 per cent of the assets of the credit union, or

(e) a house loan, where such a loan would cause the total amount of outstanding house loans for the purposes specified in subparagraphs (e), (f), (g) and (h) of the definition of 'house loan' to exceed 2.5 per cent of the assets of the credit union.".

6. The Principal Regulations are amended by deleting Regulation 12A and Regulation 16.

7. The Principal Regulations are amended by substituting for Regulation 20 the following:

"*Related Parties – Exempt Exposures*

20. (1) Regulations 19 and 21 do not apply where the total credit union exposure to the related party is not greater than €10,000.

(2) In relation to exempt exposures referred to in paragraph (1), a credit union shall ensure that –

(a) the credit union monitors these loans to ensure that the limit imposed is not exceeded, and

(b) a register of these loans recording how it has complied with this requirement is maintained by the credit union.".

8. Regulation 21 of the Principal Regulations is amended by substituting for paragraph (1) the following paragraph:

"(1) A credit union shall record and monitor loans made to related parties.".

9. Regulation 25 of the Principal Regulations is amended –

(a) in paragraph (1), by substituting for paragraph (f) the following:

"(f) regulated investment vehicles where the underlying investments of the regulated investment vehicle are investments in a permitted approved housing body;", and

(b) by substituting for paragraph (2) the following:

"(2) For the purposes of Regulation 25(1)(f), the underlying investments of a regulated investment vehicle in a permitted approved housing body shall consist exclusively of loans or other forms of debt financing provided by the regulated investment vehicle to the permitted approved housing body.".

10. The revocation, amendment or substitution of any enactment, or part of enactment, by these Regulations –

(a) shall not affect any direction given by the Bank, any investigation or any disciplinary, sanctioning or enforcement action undertaken by the Bank or by any other person, in respect of any matter in existence at, or before, the time of the revocation, amendment or substitution, and

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(b) shall not preclude the taking of any legal proceedings, or the undertaking of any investigation, or disciplinary, sanctioning or enforcement action by the Bank or any other person, in respect of any contravention of an enactment (including anything revoked, amended or substituted by these Regulations) or any misconduct which may have been committed before the time of the revocation, amendment or substitution.

Signed for and on behalf of the CENTRAL BANK OF IRELAND

………of……… 2025

ELAINE BYRNE,

Registrar of Credit Unions

EXPLANATORY NOTE

(*This note does not form part of the Instrument and does not purport to be a legal interpretation*)

The purpose of these Regulations is to amend the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 (S.I. No. 1 of 2016).

Appendix 2: Comparison Table

Lending Area	2016 Regulations	Requirements in Amending Regulations
Concentration Limits	**Combined concentration limits for house and business lending** on a tiered basis as follows: • A **7.5% of total assets limit** available to all credit unions. Features: o Calculated as a percentage of total assets; o Entire limit may be utilised by the credit union for house lending and o Up to a maximum of 5% of total assets may be utilised by the credit union for business lending. • A **10% of total assets limit** available to credit unions meeting objective asset size criteria (minimum total asset size of €50 million) and holding regulatory reserves of 12.5% or greater. Features: o Calculated as a percentage of total assets; o Credit union must notify the Central Bank at least one month in advance o Entire limit may be utilised by the credit union for house lending; and o Up to a maximum of 5% of total assets may be	**Separate concentration limits** for house lending and business lending available to all credit unions regardless of total assets size, as follows: • **House lending** – a 30% of total assets limit (within this, an inner 2.5% of total assets limit for non-principal residence (or ”other residence” house lending)) and • **Business lending** – a 15% of total assets limit. The **definition of "house loan"** in Regulation 2 of the 2016 Regulations will be amended to include loans for other residences and, in light of this expansion of the definition, to clarify that loans to approved housing bodies will not come within the meaning of "house loan"[38] and that the property must be in the State. The term **"other residence"** will be defined in Regulation 2 of the 2016 Regulations as meaning a house that is not for use as the member's principal residence.

[38] A loan to a member of the credit union that is an approved housing body comes within the business loan category of lending.

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	utilised by the credit union for business lending. • A **15% of total assets limit** for credit unions with assets of at least €100 million. Features: o Calculated as a percentage of total assets o Subject to an application and approval process o The entire limit may be utilised by the credit union for either house or business lending, subject to any conditions attaching to a Central Bank approval.	
Lending Practices for Specified Categories of Lending / Regulation 16 of the 2016 Regulations	Regulation 16 provides that a credit union shall only grant a business loan[39], community loan or loan to another credit union where a comprehensive business plan and detailed financial projections are provided. In addition, a credit union must report on the performance of certain business loans, community loans and loans to other credit unions to the board on a monthly basis.	Regulation 16 of the 2016 Regulations will be removed and new guidance on reporting to the board on the performance of loans will be included in the Lending Chapter of the Credit Union Handbook.
Related parties lending (reporting)	Regulations 18-22 of the 2016 Regulations contain specific requirements in relation to related parties lending exposures.	The related parties lending board reporting requirements set out in Regulations 20 and 21 of the 2016 Regulations will be removed. New guidance on board reporting on related

[39] Regulation 16(3) states that "This Regulation does not apply to a business loan granted by a credit union where the total amount of business loans granted to a borrower, or group of borrowers who are connected, is less than €25,000".

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	On exempt related parties loan exposures, Regulation 20 requires a **report on these loans to be reviewed and approved by the board of directors** of the credit union on a quarterly basis. In addition, Regulation 21 requires that a credit union shall record and monitor loans made to related parties and **report, in writing, to the board of directors** on related parties loans on a monthly basis.	parties lending will be included in the Lending Chapter of the Credit Union Handbook.
Related parties lending (exempt exposures threshold)	The **threshold amount for related parties exempt exposures** – i.e. related parties exposures to which Regulations 19 and 21 of the 2016 Regulations do not apply – is **€2,000 or less.**	The **threshold amount for related parties exempt exposures** will be increased to exposure of **€10,000 or less**.

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