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Central Bank of Ireland

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Consultation on Proposed Regulatory Framework for Credit Union Investment in Credit Union Service Organisations

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Contents

1. Introduction	3
2. Purpose of the Consultation	6
3. Overview of CUSOs	7
3.1. Current Credit Union Investment in CUSOs.....	7
3.2. Potential Benefits of CUSOs.....	9
3.3. Potential Risks and Supervisory Considerations.....	10
4. Legislative and Regulatory Framework	13
4.1. Current Legislative and Regulatory Framework for Credit Union Investments	13
4.2. Credit Union (Amendment) Act 2023	14
4.3. Current Regulatory Expectations for Credit Union Investment in CUSOs	15
5. Pre-Consultation Targeted Stakeholder Engagement	18
5.1. Targeted Stakeholder Engagement Approach	18
5.2. Feedback from Targeted Stakeholder Engagement	19
6. Proposed Regulatory Framework for Credit Union Investment in CUSOs.....	24
6.1. Key Proposals	26
6.1.1. Proposed Definition of CUSO	26
6.1.2. Proposed Permitted Investment Modalities	27
6.1.3. Proposed Counterparty and Concentration Limits.....	29
6.1.4. Overview of Proposed Qualitative Requirements	31
6.1.4.1. Due Diligence and Board Approval	31
6.1.4.2. Ongoing Monitoring.....	32
6.1.4.3. Reporting and Disclosure in the Annual Report	33
6.1.5. Investments Held at Commencement of New Regulations	34
7. Regulatory Impact Analysis.....	35
8. Next Steps	36
9. Summary of Areas Where Central Bank is Seeking Views.....	37
10. Making Submissions.....	39
Appendix A: Regulatory Impact Analysis	40

1. Introduction

The Central Bank of Ireland (Central Bank) is publishing this consultation paper to seek views on the introduction of a regulatory framework for credit union investment in credit union service organisations (CUSOs).

Investments by credit unions are governed by the Credit Union Act, 1997 (the 1997 Act), in particular by Section 43(1) which provides:

“A credit union shall manage its investments to ensure that those investments do not (taking account of the nature, scale, complexity and risk profile of the credit union) involve undue risk to members' savings and, for that purpose, before making an investment a credit union shall assess the potential impact on the credit union, including the impact on the liquidity and financial position of the credit union.”

Section 43(3) of the 1997 Act provides the Central Bank may prescribe investments in which a credit union may invest its funds and other matters related to those prescribed investments. The Central Bank has made regulations in relation to investments, including prescribed permissible classes of investments and associated limits (including counterparty, concentration and maturity limits), which are set out in Part 5 of the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 (the 2016 Regulations).

The Credit Union (Amendment) Act 2023 (the 2023 Amendment Act), which is being commenced in phases, will, upon phase 4 of its commencement, amend section 43(2)(b) of the 1997 Act to provide for credit union investment in CUSOs. That amendment will require the Central Bank to prescribe a regulatory framework for credit union investment in CUSOs. The Central Bank proposes to include a new Part (Part 5A) to the 2016 Regulations to establish the regulatory requirements for credit union investment in CUSOs.

The proposed regulatory framework outlined in this consultation paper has been informed by the Central Bank's statutory mandate in relation to credit unions as set out in section 84 of the 1997 Act which requires that the Central Bank administer the system of regulation and supervision of credit unions with a view to (i) the protection by each credit union of the funds of its members, and (ii) the maintenance of the financial stability and well-being of credit unions generally.

Protection of member funds is a core responsibility of credit union boards and management. As provided under section 43(2) of the 1997 Act, a credit union may invest any of its funds which are surplus to its operating requirements and are not immediately required for the purposes of the credit union. Credit unions planning to incur expenses establishing or investing in a CUSO should satisfy themselves that the expenditure is in the long-term interest of members and is grounded in informed due diligence of the CUSO including its business model. As with all credit union investments, any investment in a CUSO should be done on a prudent basis, be well-managed and be in line with the credit union's strategy, capabilities and risk appetite.

CUSOs can provide benefits to credit unions but can also introduce risks to credit unions both through the actual investment and also through utilisation of a CUSO for the provision of services.

Investments by credit unions in CUSOs, as entities both owned by and providing services to credit unions, have a unique risk profile which differs from other credit union investments.

While the Central Bank considers that investment in CUSOs by credit unions can bring benefits to individual credit unions and the sector overall, the Central Bank is of the view that such investments can also pose risks to credit unions, and it is a matter for credit unions

to ensure that those risks are effectively managed. The proposals for a regulatory framework for investment by credit unions in CUSOs set out in this document are aimed at introducing appropriate guardrails for such investments.

The Central Bank will consider the feedback received as part of this consultation prior to finalising the regulatory framework for credit union investment in CUSOs and publishing a statutory instrument giving effect to the introduction of the final regulatory framework for credit union investment in CUSOs.

The consultation paper is structured as follows:

- Section 2 sets out the purpose of this consultation;
- Section 3 provides an overview of CUSOs;
- Section 4 sets out the legislative and regulatory background to this consultation;
- Section 5 provides an overview of the pre-consultation targeted stakeholder engagement conducted;
- Section 6 provides an overview of the Central Bank's proposed regulatory framework for credit union investment in CUSOs;
- Section 7 provides an overview of the Regulatory Impact Analysis (RIA) undertaken;
- Section 8 outlines next steps in relation to the consultation;
- Section 9 summarises the areas where the Central Bank is seeking views;
- Section 10 sets out how to make submissions to the Central Bank; and
- Appendix A contains the full RIA.

2. Purpose of the Consultation

The purpose of this consultation is to seek stakeholder views on the Central Bank's proposed regulatory framework for credit union investment in CUSOs.

Section 6 of this consultation paper sets out an overview of the proposed regulatory framework for credit union investment in CUSOs to be introduced through the insertion of a new part (Part 5A) to the 2016 Regulations and seeks views on these. The specific questions that credit unions and stakeholders are asked to respond to are set out in Section 9.

Detail on the RIA, which assesses the likely impact of the introduction of the proposed regulatory framework for credit union investment in CUSOs, is set out in Section 7. The full RIA is contained in Appendix A. Credit unions and other sector stakeholders may wish to provide additional information or analysis on the likely impact of the introduction of the proposed regulatory framework. This can be included in submissions to this consultation process.

3. Overview of CUSOs

CUSOs are collaborative entities owned, or part-owned, by credit unions to provide services, infrastructure or specialised expertise to credit unions and their members on a shared or collaborative basis. CUSOs operate as commercial outsourced service providers and are separate legal entities from their credit union owners. The CUSO model reflects the co-operative principle of the credit union sector and acts as a key mechanism through which credit unions collaborate to meet member needs. Well-managed CUSOs can assist credit unions by sharing costs and resources, realising economies of scale to provide specialist support and technology and to improve operations and capabilities in ways which are difficult or not feasible for individual credit unions to achieve on their own.

CUSOs are a well-established feature of the credit union sector in several jurisdictions, particularly in the United States and Canada, where CUSOs commonly provide a wide range of services to credit unions including operational and back-office support, technology and digital services and compliance and risk management services.

3.1. Current Credit Union Investment in CUSOs

There are a number of CUSOs currently operating in the Irish credit union sector which have been developed over recent years through sector-led collaborations. Cohorts of credit unions have come together to establish such jointly owned entities designed to deliver solutions to address specific issues for the credit union sector.

CUSOs have been established to support credit unions in achieving economies of scale, managing operational costs and responding to evolving member needs. CUSOs have allowed credit unions to expand into new products and services to meet their needs and the needs of their members.

The Central Bank issued a letter to credit unions dated 7 October 2019 on investment and participation in credit union owned outsourced service providers (CUSPs) (the 2019 Letter)¹. The 2019 Letter outlined the regulatory expectations where, subject to section 26 of the 1997 Act², credit unions planned to establish or invest in a CUSP³. In accordance with the 2019 Letter, and underpinned by section 26 of the 1997 Act, credit unions collaborated in developing shared services solutions to support the business needs of credit unions. Since that date a number of CUSOs have been established in Ireland with investment from credit unions, either alone or together with non-credit union investors, in accordance with the regulatory expectations set out in the 2019 Letter. Section 4.3 of this consultation paper sets out further details on the regulatory expectations that were communicated in the 2019 Letter.

The CUSOs established to date provide a range of services to credit unions including payment solutions, the provision of current accounts, lending supports/standardised lending products and HR support, and, depending on the CUSO, provide services to both investor credit unions and non-investor credit unions for agreed service fees. Fees for the provision of services are generally payable regardless of whether a credit union service user is also an investor in that particular CUSO.

CUSOs in Ireland are financed through collective investment by credit unions to establish and capitalise the CUSO, typically on a shared or proportionate basis and in accordance with investment/membership agreements between the CUSO and investor credit unions. The ownership structure of a CUSO will

¹ [Investment and Participation in Credit Union Owned Outsourced Service Providers \(CUSPs\) 7th October 2019](#).

² Section 26(1) of the 1997 Act states that 'a credit union shall not carry on any business or activity which is not appropriate or incidental to the objects for which, in accordance with section 6, it is formed'.

³ Referred to in the 2019 Letter as CUSPs, which are one and the same as CUSOs.

depend on the legal structure of that CUSO and is a matter for consideration by the credit unions proposing to establish the CUSO.

3.2. Potential Benefits of CUSOs

Overall, the experience to date shows that CUSOs can play an important role in supporting sector development, while also highlighting the importance of clear governance, risk management and strategic alignment between CUSOs and investor credit unions.

For example:

- CUSOs enable participating credit unions to achieve economies of scale by pooling investment and operational resources;
- CUSOs can support innovation and product development by bringing credit unions together to address a sector-wide need or requirement or to respond to changing member expectations;
- CUSOs allow credit unions to access centralised specialist or technical expertise while also allowing for non-credit union owners who may bring their expertise to a CUSO;
- CUSOs can contribute to improving operational resilience and efficiency, where shared platforms can reduce duplication in the sector and promote consistent standards;
- CUSOs enable credit unions to outsource to service providers which share the co-operative principles of the credit union sector, where outsourcing is a feature across the financial services industry;
- CUSOs can support sustainability by helping credit unions collaborate strategically to provide sector-wide solutions to shared challenges, encouraging cooperation;
- CUSOs can help credit unions diversify by providing a collaborative framework to launch more complex products.

3.3. Potential Risks and Supervisory Considerations

While CUSOs offer benefits and obvious opportunities they also introduce risks for investing credit unions. Before a credit union decides to invest in a CUSO, it must ensure that it complies with the legislative requirements of section 43 of the 1997 Act. In this regard, appropriate due diligence is of the utmost importance to ensure that those investments do not involve undue risk to members' savings. As set out in section 43(1) of the 1997 Act, before making an investment, a credit union shall assess the potential impact on the credit union, including the impact on the liquidity and financial position of the credit union.

Subject to the nature of the service provided and the investment commitment for the credit union the potential risks include the following:

- Financial and investment risks that may expose the credit union to potential financial impairment or loss and/or future funding commitments;
- Strategic risks associated with the success or failure of the CUSO's business model or its service platform;
- Governance risks such that the credit union does not maintain adequate oversight of the CUSO to ensure strategic alignment with the credit union's business model and risk appetite;
- Governance risks can also lead to potential conflicts between investors and have negative consequences for the strategic direction of the CUSO;
- Reputational risk which exists where CUSO-related issues or service failures negatively impact member confidence in the credit union and/or the credit union sector; and
- Liquidity risk which may arise from difficulty exiting investment in CUSOs, recognising that investments in CUSOs are largely illiquid.

In addition to the aforementioned risks, outsourcing risk is a key risk which exists in relation to the outsourcing of a service from a credit union to a CUSO. While this risk also applies to outsourcing a service from a credit union to any other third-party outsourced service provider, the dual role relationship between a credit union and a CUSO in which it invests, and to which it also outsources, may compound the risks noted above. That dual role relationship could, for instance, give rise to ‘step-in’ risk, where a credit union may ‘bail out’ a failing CUSO to protect its initial investment and ensure its own operational continuity.

An outsourcing concentration risk may be created when a credit union relies too heavily on one CUSO for critical services. It may also arise where such a significant number of credit unions rely on a particular CUSO that in the event of the failure of that CUSO there may be sector-wide implications which could also give rise to single point of failure risk.

When outsourcing to a CUSO, credit unions must comply with their outsourcing, governance, risk management and business continuity obligations as set out in the 1997 Act, in particular section 76J (Outsourcing). Section 76J(3) of the 1997 Act provides:

“A credit union shall exercise due skill, care and diligence when entering into, managing or terminating any outsourced activities with a service provider.”

Furthermore, credit unions are expected to have regard to the Central Bank’s Cross-Industry Guidance on Outsourcing⁴ and to be able to demonstrate that it has been adequately considered and applied in light of the specific risk profile, nature, scale and complexity of the credit union.

⁴ [Cross-Industry Guidance on Outsourcing, December 2021](#).

The Central Bank's "Our Approach to Supervision" publication dated May 2026⁵ outlines the Central Bank's Supervisory Principles including Firms' Responsibilities: ***"responsibility for risk identification, management and mitigation rests first and foremost with the boards and management teams of firms"***.

For credit unions this underlines that it is the responsibility of credit union boards to ensure that decisions made in relation to outsourcing to any third-party providers are made prudently and that credit unions have effective governance, risk management and business continuity processes in place in relation to outsourcing, to mitigate potential risks.

⁵ [Our Approach to Supervision, May 2026](#).

4. Legislative and Regulatory Framework

4.1. Current Legislative and Regulatory Framework for Credit Union Investments

Section 43 of the 1997 Act governs investments made by credit unions, it specifies how credit unions shall manage and invest their surplus funds and requires credit unions to ensure investments do not pose undue risk to members' savings. Section 43(1) provides:

“A credit union shall manage its investments to ensure that those investments do not (taking account of the nature, scale, complexity and risk profile of the credit union) involve undue risk to members' savings and, for that purpose, before making an investment a credit union shall assess the potential impact on the credit union, including the impact on the liquidity and financial position of the credit union.”

Section 43(3) of the 1997 Act provides the Central Bank may prescribe certain matters in relation to investments. In this regard, the Central Bank has set out investment regulations for credit unions in Part 5 of the 2016 Regulations.

The 2016 Regulations prescribe the classes of investment which a credit union can undertake and contain certain limits – including concentration limits for all classes of investments (other than accounts in credit institutions) and counterparty limits for investment. The 2016 Regulations also prescribe maturity limits and minimum rating requirements for certain investments.

4.2. Credit Union (Amendment) Act 2023

Upon phase 4 of the commencement of the 2023 Amendment Act, section 24 of the 2023 Amendment Act will amend section 43(2)(b) of the 1997 Act to provide a statutory basis for credit union investment in CUSOs.

Section 24 of the 2023 Amendment Act provides:

"Section 43 of the Principal Act is amended, in subsection (2), by the substitution of the following paragraph for paragraph (b):

"(b) the shares of, stocks in, deposits with, loans to, or any other obligation of, a corporate credit union, a society registered under the Industrial and Provident Societies Act 1893 or a company –

(i) providing services relating to the objects and purposes specified in section 6(2), or

(ii) engaging in activities relating to the operations of credit unions, as the Bank may prescribe;".

Although the term CUSO is not defined in the 2023 Amendment Act, or used in section 24 of the 2023 Amendment Act, it is understood that the companies referred to in section 24 (and underlined above for ease of reference), which provide services relating to the objects and purposes specified in section 6(2) of the 1997 Act or which engage in activities relating to the operations of credit unions (the criteria in subparagraphs (b)(i) or (b)(ii) above) are CUSOs. The legislation does not use the term CUSO, but it does establish the legal structure needed to provide for credit union investment in CUSOs.

To implement the legislative change outlined above the Central Bank is required to develop a regulatory framework for credit union investment in CUSOs through amendments to the 2016 Regulations. It is proposed that this will be introduced through insertion of a new

Part (Part 5A) to the 2016 Regulations. Further detail on the proposed regulatory framework is set out in Section 6.

4.3. Current Regulatory Expectations for Credit Union Investment in CUSOs

The 2019 Letter set out the Central Bank’s regulatory expectations where credit unions invest in CUSPs⁶ and outlined considerations for outsourcing to CUSPs. The 2019 Letter stated that a credit union may be able to incur permissible expenses⁷ to fund CUSP arrangements, provided that the credit union is able to demonstrate to the Central Bank’s satisfaction that:

- i. The expenditure incurred in investing in the CUSP is directly linked to an authorised activity of the credit union and it is necessary in order to fulfil the credit union’s current and future operating requirements;
- ii. The CUSP arrangement is compatible with its objects and purposes (per section 6(1)(a) and section 26 of the 1997 Act); and
- iii. The funding of the CUSP arrangement at no time involves undue risk to members' funds.

The Central Bank’s regulatory expectations for credit unions investing in a CUSP included, at a high-level:

- Certain specified matters to be confirmed as part of the credit union’s pre-investment due diligence on a CUSP;
- A notification of intention to be submitted to the Central Bank containing specified information;

⁶ Referred to in the 2019 Letter as CUSPs, which are one and the same as CUSOs.

⁷ The 2019 Letter specified a non-binding limit that a credit union’s overall CUSP investment limit in should fall below 2% of total assets and individual limits should be less than 50% of that.

- Investments in CUSPs to be noted, as specified, in the credit union's annual report for member transparency; and
- Notification of material changes in relation to the CUSP.

The 2019 Letter also confirmed that credit unions must comply with their outsourcing, governance, risk management and business continuity obligations as set out in the 1997 Act, in particular section 76J (Outsourcing) when outsourcing to a CUSO. The following considerations in relation to outsourcing to a CUSP were listed:

- Credit unions should ensure well-developed outsourcing objectives are integrated within its business model strategy and risk appetite.
- Credit unions' risk management function should consider CUSP operational capabilities and related business continuity and substitutability arrangements.
- Credit unions should establish a clear line of risk oversight of outsourced activities and provide for detailed management and board reporting.
- Service contracts must reflect section 76J requirements.
- Where a credit union outsources to a CUSP that has sub-contracting arrangements in place, the credit union must confirm that the CUSP oversees and manages the activities of the sub-contracted provider to ensure the fulfilment of all services in line with the original outsourcing contract and relevant service level agreement.
- A credit union must 'identify the operational risks it is exposed to, or is likely to be exposed to, and provide for the management and mitigation of those risks in the credit union's risk management system' under section 76(E) of the 1997 Act – Operational Risk.

The Central Bank has engaged with the credit union sector to gain further insight into current credit union investment in CUSOs and to inform the development of the proposed regulatory framework (see Section 5 of this consultation paper). In proposing the introduction of

the regulatory framework set out in this consultation paper, sector stakeholder feedback and suggestions received in relation to credit union investment in CUSOs gathered during pre-consultation targeted stakeholder engagement has been considered.

The Central Bank adopts an outcomes-focused, risk-based approach to supervision ensuring we remain effective in addressing the rapidly changing risk landscape. Firms are expected to maintain strong governance, risk management and operational resilience, and to act in the best interests of their customers.

5. Pre-Consultation Targeted Stakeholder Engagement

During Q4 2025, to help inform the development of the regulatory framework for credit union investment in CUSOs and in line with the Central Bank's strategic theme of being open and engaged, the Central Bank engaged with credit union sector bodies and certain existing CUSOs to seek their views and experiences of investment by credit unions in CUSOs to date. The Central Bank would like to acknowledge the time and effort stakeholders contributed to the pre-consultation targeted stakeholder engagement process.

5.1. Targeted Stakeholder Engagement Approach

The stakeholder engagement was conducted in two parts:

- i) The provision of a questionnaire for completion to credit union sector bodies⁸; and
- ii) Meetings with four existing CUSOs⁹.

The Central Bank utilised the pre-consultation targeted stakeholder engagement to ascertain views, gather information and receive feedback across a range of themes (see Section 5.2 below). Our consideration of this stakeholder engagement, together with Central Bank research, analysis and combined with the Central Bank's statutory mandate, have informed the proposals contained in this consultation paper.

⁸ The Irish League of Credit Unions, the Credit Union Managers' Association, the Credit Union Development Association and the National Supervisors Forum.

⁹ Bilateral virtual meetings were held with Metamo DAC, Payac Services CLG, CU Mortgage Services DAC and Collaborative Finance CLG during the pre-consultation targeted stakeholder engagement.

5.2. Feedback from Targeted Stakeholder Engagement

The common topics and consistent points of feedback which arose are summarised below under six themes of engagement. The Central Bank has endeavoured to provide an accurate representation of the views received from stakeholders in the summary below which focuses on the most material feedback received during the pre-consultation targeted stakeholder engagement.

Theme 1: Description/definition of a CUSO in the proposed regulatory framework

Overall, there was broad acknowledgement that the regulatory framework should include a definition of a CUSO and feedback from stakeholders supported a regulatory approach that clearly defines CUSOs, protects co-operative ownership and sector alignment and enables flexible investment decision making. Stakeholders also expressed a view that the regulatory framework might seek to mitigate against fragmentation (i.e. the risk of more than one CUSO providing an overlapping or similar service to credit unions) while recognising the limitations of the regulatory framework to do so. Stakeholders also highlighted that CUSOs would continue to fulfil a collaborative, strategic purpose.

Theme 2: Current investment in CUSOs/role of CUSOs in the credit union sector in Ireland

CUSOs are seen by stakeholders as providing vehicles for collaboration and future sector resilience and have an important role to play in the Irish credit union sector. Feedback noted that existing CUSOs are providing services to credit unions including payment services, IT services and product standardisation. Stakeholder feedback stated that credit unions undertake investment in CUSOs by way of shares or stock in the CUSO. Stakeholders expressed views that CUSOs should be guided by a clear, co-ordinated regulatory

framework, while maintaining flexibility. This was noted particularly in relation to anticipated future interaction between CUSOs and corporate credit unions¹⁰ where certain CUSOs might develop into corporate credit unions in future. A suggestion was made that the proposed regulatory framework might be differentiated depending on the nature and complexity of the services the CUSOs provide.

Theme 3: *Potential risks posed to credit unions through investment in CUSOs*

The feedback from all stakeholders highlighted a consistent set of risks associated with credit union investment in CUSOs and also where credit unions utilise the services of a CUSO. These risks, include financial risk, governance risk, operational risk, outsourcing vulnerabilities and business continuity risk. Additional matters such as first-mover risks in relation to due diligence and information gaps and the risk that a CUSO may survive financially but yet fail to deliver on its intended strategic purpose were also raised as risks for credit unions. Fragmentation risk was highlighted repeatedly as a risk for the credit union sector should multiple CUSOs be established that provide overlapping or competing services.

It was noted also that CUSO investments carry operational dependencies, as the credit union often relies on the CUSO for critical member-facing or back-office services, creating a dual role relationship for the credit union as both investor and customer.

With respect to the risks identified, stakeholders also identified a number of risk mitigants such as credit unions undertaking comprehensive due diligence in advance of undertaking any investment and the importance of the CUSO preparing a robust

¹⁰ Phase 5 of the commencement of the 2023 Amendment Act will introduce amendments to the 1997 Act to provide for corporate credit unions whose members (and common bond) are other credit unions and whose objects may include providing services to their credit union members and the members of their credit union members and those objects set out in section 6(2)(a)-(c) of the 1997 Act.

business case for credit union investors which includes documented exit strategies among other matters. Stakeholders also saw regular engagement between CUSOs and their credit union members / service users as a risk mitigant, as well as representation on the board by investing credit unions.

Theme 4: Regulatory requirements including concentration limits

Stakeholders acknowledged the merits of introducing a regulatory framework for investment by credit unions in CUSOs to ensure that such investments do not present an inappropriate level of financial risk for credit unions but were also of the view that any regulatory framework should not be overly burdensome.

With respect to concentration and counterparty limits, stakeholder feedback did not raise any significant concerns with the non-binding limits set out in the 2019 Letter outlining that they remain appropriate in terms of quantum but with some calls for greater flexibility. One suggestion was to double those limits while another suggestion involved the introduction of a mechanism to allow higher investment by individual credit unions in a CUSO where supported by a robust business case.

There was broad consensus from stakeholders that investments in CUSOs differ from traditional credit union investments in that they are not readily liquid, lack defined maturity dates, depend on operational performance and are associated with an outsourcing relationship between the investing credit union and the CUSO. It was recognised that investment in CUSOs warranted a differentiated regulatory framework to the regulatory framework in place for other credit union investments (contained in Part 5 of the 2016 Regulations).

Most stakeholders put forward other matters beyond investment limits which might be considered for inclusion in the proposed

regulatory framework, it was stated however that these should not be overly burdensome nor disincentivise such investment. Another suggestion was that the regulatory framework should be focused on limits alone. It was also put forward that a minimum number of investing credit unions be required to establish a CUSO. A flexible, proportionate and future-proofed regulatory framework was favoured overall.

Theme 5: Other feedback received

Stakeholders expressed the view that the proposed regulatory framework should recognise differences between CUSOs and the specific inherent risk different CUSOs present to investing credit unions. One stakeholder advocated for the categorisation of CUSOs according to the risk level they pose. Engagement with the Central Bank before establishing a CUSO was also suggested as being helpful by some stakeholders.

One stakeholder noted their belief that a change of mindset is needed so that CUSOs are seen as an ‘investment’ rather than an ‘expense’. Another stakeholder stated that their hope is that there would, in the future, be a return for credit unions on investments made in CUSOs.

Theme 6: Specific feedback from existing CUSOs

Specific feedback received as part of the bilateral meetings held with representatives from existing CUSOs highlighted the importance of preparing a robust business case at the initial development stages, as required in accordance with the 2019 Letter. Stakeholders also provided feedback on conflicts of interest among credit union investor members and the need to get the balance of investors correct, particularly in relation to having a mix of skills, expertise and perspectives represented in the CUSO. The slow rate of take-up of services, with credit unions adopting a ‘wait and see’ approach before

committing to investing in or outsourcing to a CUSO was also mentioned.

The variety of structures, between Designated Activity Company (DAC), Company Limited by Guarantee (CLG) and joint ventures across existing CUSO stakeholders was noted as was the fact that a lack of investment was not raised by any of the existing CUSO stakeholders as an issue or a concern.

6. Proposed Regulatory Framework for Credit Union Investment in CUSOs

On the commencement of section 24 (as part of phase 4 of commencement) of the 2023 Amendment Act, the Central Bank is required to introduce changes to the 2016 Regulations to align the regulatory framework with the amendments to section 43(2)(b) of the 1997 Act to include investment in CUSOs, as prescribed by the Central Bank, as a permitted class of credit union investment.

In summary, the Central Bank is proposing to introduce a regulatory framework for credit union investment in CUSOs which will:

- Introduce a definition for CUSOs;
- Prescribe investment in CUSOs as a permitted class of credit union investment;
- Prescribe related counterparty and concentration limits for credit union investment in CUSOs; and
- Prescribe certain qualitative regulatory requirements related to credit union investment in CUSOs.

The Central Bank proposes to introduce a new Part (Part 5A) to the 2016 Regulations to establish the proposed regulatory framework for credit union investment in CUSOs. This approach reflects the distinct nature of investments in CUSOs, ensures that the specific requirements applicable to CUSOs do not apply to other categories of credit union investment (and vice versa) and provides transparency of the regulatory framework for credit union investment in CUSOs.

The proposals are with a view to ensuring a proportionate regulatory framework for investment in CUSOs which reflects the nature, scale

and complexity of CUSOs and their role in the credit union sector. We have also developed the proposed regulatory framework having regard to our regulatory approach including the regulatory simplification agenda¹¹, consideration of the regulatory frameworks for investment by credit unions in CUSOs applicable in other jurisdictions and a review of the current landscape for credit union investment in CUSOs in Ireland. All points of feedback received during the pre-consultation targeted stakeholder engagement were also considered and informed the proposed regulatory framework set out below.

Credit union investment in CUSOs differs significantly from other credit union investments in that they are strategic investments and not purely financial. They also exhibit certain characteristics which distinguish them from other investments, for instance investments in CUSOs are usually illiquid, do not have a defined maturity date and involve credit union participation in governance of the CUSO.

The proposed regulatory framework may be supplemented with the inclusion of guidance on specific matters related to credit union investment in CUSOs in the Credit Union Handbook if appropriate.

Further detail on the Central Bank's specific proposals in relation to each of the above areas is outlined in this section and the Central Bank welcomes views on each of these areas, in particular in response to the questions posed.

¹¹ [Regulating & Supervising Well – A More Effective and Efficient Framework, December 2025.](#)

6.1. Key Proposals

Further detail and the rationale for each of the components of the proposed regulatory framework for investment by credit unions in CUSOs is outlined below.

6.1.1. Proposed Definition of CUSO

The Central Bank is required to prescribe investment in CUSOs as a prescribed class of permitted investments for credit unions. To implement that change the Central Bank proposes to include a definition of CUSO for the purposes of the proposed regulatory framework. A clear definition is necessary to distinguish CUSOs from other service providers and to provide clarity and transparency for the credit union sector.

The proposed definition is as follows:

“Credit Union Service Organisation” or “CUSO” means –

(a) a company that is at least 50% owned, directly or indirectly, by two or more credit unions, and whose primary purpose is:

(i) the provision of services to credit unions relating to the objects and purposes specified in section 6(2) of the Act; or

(ii) the engagement in activities relating to the operations of credit unions; or

(b) a holding company that is at least 50% owned, directly or indirectly, by two or more credit unions, and the subsidiaries of which are comprised exclusively of one or more companies referred to in (a).”

The proposed definition incorporates structural, ownership and purpose requirements to ensure clarity regarding which entities qualify as CUSOs for regulatory purposes.

The requirement for at least 50% credit union ownership by at least two credit unions reflects the collaborative nature of CUSOs and

distinguishes them from other service providers while also allowing for non-credit union owners who may bring the technical expertise to a CUSO needed to help credit unions innovate at scale.

The primary purpose requirement is closely aligned with the legislative provision set out in section 24 of the 2023 Amendment Act. It is intended to ensure that CUSOs are principally oriented towards providing services relating to the objects and purposes of credit unions or engaging in activities relating to the operations of credit unions, without unduly constraining the commercial activities of CUSOs.

The proposed definition also recognises that credit unions may use holding company structures to organise or facilitate their investment in CUSOs. The proposed definition is intended to ensure that such holding companies, subject to meeting the other requirements of the definition in relation to ownership and purpose, are within the scope of the proposed regulatory framework for credit union investment in CUSOs.

Consultation Question 1: Do you agree with the proposed definition of a CUSO? Are there any aspects of this definition which you consider should be amended or clarified? If so, please specify.

6.1.2. Proposed Permitted Investment Modalities

Section 24 of the 2023 Amendment Act substitutes the following for section 43(2)(b) of the 1997 Act:

“(b) the shares of, stocks in, deposits with, loans to, or any other obligation of, a corporate credit union, a society registered under the Industrial and Provident Societies Act 1893 or a company -

- (i) providing services relating to the objects and purposes specified in section 6(2), or*
- (ii) engaging in activities relating to the operations of credit unions,*

as the Bank may prescribe;”.

Upon phase 4 of the commencement of the 2023 Amendment Act, section 43(2)(b) will state that the Central Bank may prescribe investment in a CUSO by way of shares, stocks, deposits, loans, or other obligations.

The Central Bank proposes that credit union investment in CUSOs be limited to investment by way of shares of, or stocks in, a CUSO or, in the case of investment being undertaken in a CLG, a credit union may invest in that CUSO by becoming or being a member of that CUSO. This proposed approach reflects the model of investment in existing CUSOs to date and ensures that the proposed regulatory framework will allow for investment in CUSOs with different corporate structures, including companies established without share capital such as CLGs.

Stakeholder feedback during pre-consultation targeted stakeholder engagement indicated that investment by way of shares or stocks represents the most appropriate and most likely form of credit union investment in CUSOs. This form of investment aligns with the collaborative ownership model that underpins CUSOs. The Central Bank is of the view that investment by way of deposits or loans would create a different risk profile and operational relationship that is not considered appropriate for CUSO investments at this time. The proposed approach maintains flexibility for evolution of investment modalities should the regulatory framework require amendment in the future.

Consultation Question 2: Do you agree with the proposed investment modalities for credit union investment in CUSOs? Do you have any other comments on the proposed investment modalities for credit union investments in CUSOs?

6.1.3. Proposed Counterparty and Concentration Limits

The Central Bank recognises that investment limits provide an important safeguard to protect members' funds and help to ensure that a credit union's exposure to CUSOs does not create undue risk to the stability of individual credit unions or to the credit union sector generally.

The Central Bank proposes to establish counterparty and concentration limits for credit union investment in CUSOs, comprising:

1. **Counterparty Limit:** A limit on the amount a credit union may invest in any single CUSO.
2. **Concentration Limit:** A limit on the total amount a credit union may invest across all CUSOs.

Investment limits are the primary regulatory tool for managing credit union exposure to CUSO investments. Such limits provide regulatory certainty as to the scope for credit unions to undertake investment in CUSOs whilst supporting credit unions to use CUSOs as vehicles for strategic collaboration. In determining appropriate limits, the Central Bank is cognisant of the specific risk profile of credit union investment in CUSOs arising from the inherent differences between such investments and traditional credit union investments.

On the investment limits for credit union investment in CUSOs the Central Bank proposes the following:

1. **Counterparty Limit of 10% of regulatory reserves** meaning that a credit union could not invest more than 10% of its regulatory reserves with any one individual CUSO.
2. **Concentration Limit of 20% of regulatory reserves** meaning that the combined amount a credit union can invest in CUSOs overall could not be more than 20% of its regulatory reserves.

The Central Bank considers regulatory reserves are the appropriate basis for calculating these limits. Regulatory reserves provide a measure of the loss absorption capacity of the credit union while also allowing a credit union continued flexibility in relation to management of its reserves position and related CUSO investments.

The Central Bank considers 10% and 20% of regulatory reserves as an appropriate quantum for the counterparty and concentration limits respectively. These limits are broadly aligned to the non-binding limits which were set out in the 2019 Letter and, as part of the pre-consultation targeted stakeholder engagement undertaken, no significant issue was raised with the quantum of these limits (2% of total assets in aggregate; 1% of total assets to any one individual CUSO). Analysis undertaken as part of development of these proposals also indicates that, based on the level of investments in CUSOs by credit unions to date, the proposed limits provide credit unions with sufficient capacity to undertake further investment in CUSOs if they so decide.

Based on the sector's total regulatory reserve position at 31 December 2025, at a sectoral level no more than €259.5m may be invested in any one CUSO and the sector's total exposure to all CUSOs may not exceed €519.0m. Further detail on the potential capacity for credit union investment in CUSOs is set out in Section 5 of the RIA contained in Appendix A.

Consultation Question 3: Do you agree with the proposed counterparty and concentration limits for credit union investment in CUSOs? Do you have any other comments on the proposed limits?

6.1.4. Overview of Proposed Qualitative Requirements

In addition to quantitative limits, and in recognition of the strategic, operational and governance risks which arise due to the inherent characteristics of credit union investment in CUSOs, the Central Bank proposes to establish limited but targeted qualitative requirements for credit unions investing in CUSOs. Credit unions must ensure that any investment in CUSOs align with the credit union's strategic objectives, risk appetite and the core responsibility to protect members' savings. These requirements place responsibility on credit union boards to ensure that investment decisions are made prudently, are aligned with the requirement set out in section 43(2) of the 1997 Act to ensure that investments do not involve undue risk to members' savings and that ongoing oversight of investments in CUSOs is maintained.

6.1.4.1. Due Diligence and Board Approval

The Central Bank views that appropriate due diligence conducted by the credit union before any investment in CUSOs is essential so that the credit union can ensure it has sufficient information to make sound and prudent investment decisions. The Central Bank proposes as a requirement that credit unions must conduct and document appropriate due diligence prior to making any investment in a CUSO.

It is proposed that due diligence should include, at a minimum:

- A review of the CUSO business case and plan including its financial position and projections;
- An assessment of the CUSO's business model, strategy, governance structure and risk management arrangements; and
- An understanding of any future funding commitment to which the credit union may be exposed arising from the proposed investment.

In addition to the requirement for due diligence, it is proposed to include a requirement that before making an investment in a CUSO a credit union shall ensure that such investment is approved by the board of directors of the credit union.

The appropriate level of due diligence required will vary according to the amount to be invested, the maturity of the CUSO and the inherent risk and complexity of the CUSO business model. However, a minimum due diligence requirement addresses concerns regarding the risk that credit unions may not undertake sufficient due diligence. It is the responsibility of credit union boards to satisfy themselves regarding the suitability of an investment and to ensure the appropriate level of due diligence is performed.

Consultation Question 4: Are the proposed due diligence requirements and the board approval requirement appropriate? Do you have any other comments on the proposed due diligence and board approval requirements?

6.1.4.2. Ongoing Monitoring

In order to ensure that there is sufficient oversight by the credit union of its investment in a CUSO, the Central Bank considers that credit unions should monitor, on at least an annual basis, the financial and operational performance of any CUSO in which it holds an investment. This requirement may require a credit union to receive regular reports from any investee CUSO on the activities and performance of the CUSO.

This requirement is aimed at ensuring that credit union boards and management remain fully informed of the nature and risk characteristics of their CUSO investments. It reinforces the need for boards to consider the performance of their investments in their decision-making and oversight processes. Regular reporting also

provides credit unions with visibility of material developments affecting CUSOs.

Consultation Question 5: Is the proposed monitoring requirement appropriate? Do you have any other comments on the proposed monitoring requirement?

6.1.4.3. Reporting and Disclosure in the Annual Report

In the interests of member transparency, the Central Bank considers it appropriate that credit unions include supplementary detail on their investments in CUSOs in their annual reports to members. It is proposed that this requirement would require disclosure related to:

- The name of each CUSO, in which the credit union holds an investment;
- The total nominal amount invested to date, and the current value of the investment held in each CUSO at the balance sheet date; and
- The amount of any future funding investment commitments to which the credit union is exposed for each CUSO in which the credit union holds an investment.

The protection of members' savings is a core responsibility of credit union boards. The disclosure of the proposed information on CUSO investments in the annual report provides key information on the risk profile of CUSO investments held to credit union members which enhances transparency.

Consultation Question 6: Is the proposed requirement for reporting and disclosure in the annual report appropriate? Do you have any other comments on the proposed reporting and disclosure requirement?

6.1.5. Investments Held at Commencement of New Regulations

The Central Bank is of the view that the proposed regulatory framework for credit union investment in CUSOs should establish a consistent and comprehensive framework for all credit union investment in CUSOs. To ensure a cohesive transition, it is proposed that any investment in a CUSO made prior to the commencement of the regulations will be within scope of the regulatory framework.

This approach will ensure that the regulatory limits and relevant qualitative requirements will apply to existing investments and will result in a consistent regulatory approach for CUSO investments regardless of when the investment was made.

This approach will also ensure that existing investments held in CUSOs are integrated, where appropriate, with future credit union investment in CUSOs.

Consultation Question 7: Do you have any comments on the proposal that investments in CUSOs held at commencement of the regulations will be within scope of the proposed regulatory framework?

7. Regulatory Impact Analysis

In accordance with the Consultation Protocol for Credit Unions¹², the Central Bank has conducted a RIA to assess the impact of the introduction of the proposed regulatory framework for credit union investment in CUSOs set out in this consultation paper.

The full RIA is set out in Appendix A. Credit unions and other sector stakeholders may also wish to provide additional information or analysis, as part of any submissions to this consultation paper, on the likely impact of the introduction of the proposed regulatory framework for credit union investment in CUSOs.

¹² [Consultation Protocol for Credit Unions, 2012](#)

8. Next Steps

The table below sets out proposed next steps and indicative timelines for the introduction of the proposed regulatory framework for credit union investment in CUSOs set out in this consultation paper.

Indicative Date	Step
12 June 2026	Consultation Paper published
12 August 2026	Consultation period closes
Q4 2026	Undertake statutory consultation as required under S84A of the 1997 Act
Q4 2026	Publish Feedback Statement
Late-2026/ Early-2027	Commencement of Final Regulations

9. Summary of Areas Where Central Bank is Seeking Views

The Central Bank is seeking views on the following:

1. Do you agree with the proposed definition of a CUSO? Are there any aspects of this definition which you consider should be amended or clarified? If so, please specify?
2. Do you agree with the proposed investment modalities for credit union investment in CUSOs? Do you have any other comments on the proposed investment modalities for credit union investments in CUSOs?
3. Do you agree with the proposed counterparty and concentration limits for credit union investment in CUSOs? Do you have any other comments on the proposed limits?
4. Are the proposed due diligence requirements and the board approval requirement appropriate? Do you have any other comments on the proposed due diligence and board approval requirements?
5. Is the proposed monitoring requirement appropriate? Do you have any other comments on the proposed monitoring requirement?
6. Is the proposed requirement for reporting and disclosure in the annual report appropriate? Do you have any other comments on the proposed reporting and disclosure requirement?
7. Do you have any comments on the proposal that investments in CUSOs held at commencement of the

regulations will be within scope of the proposed regulatory framework?

10. Making Submissions

Please make your submissions in writing, if possible, electronically as a word document or a .pdf document by email, on or before 12 August 2026.

When addressing the questions raised in this consultation paper, please use the relevant Section heading to identify the Section you are referring to and clearly set out the basis for your views.

The Central Bank intends to make all submissions available on the Central Bank website. Accordingly, commercially confidential information should not be included in consultation responses. Information deemed to be potentially libellous or defamatory will not be published. The Central Bank will accept no liability in respect of any information provided which is subsequently released, or in respect of any consequential damage suffered as a result. Submissions should be marked “Consultation on Proposed Regulatory Framework for Credit Union Investment in Credit Union Service Organisations (CP169)” and sent by email to rcuconsultation@centralbank.ie.

In the event that you are unable to send your response electronically, please forward it by post before 12 August 2026 to:

Registry of Credit Unions
Central Bank of Ireland
PO Box 559
New Wapping Street
North Wall Quay
Dublin 1

Appendix A: Regulatory Impact Analysis



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Regulatory Impact Analysis on the Proposed Regulatory Framework for Credit Union Investment in Credit Union Service Organisations

June 2026

Contents

1.	Introduction.....	3
2.	Context.....	5
3.	Baseline and Options Considered.....	7
4.	Proposed Regulatory Framework for Credit Union Investment in CUSOs	8
5.	Analysis of Costs, Benefits and Impacts of the Introduction of the Proposed Regulatory Framework.....	9
5.1.	Information Sources	10
5.2.	Costs.....	10
5.3.	Benefits.....	13
5.4.	Impacts	14
5.5.	Overall Assessment	18

1. Introduction

The [Consultation Protocol for Credit Unions](#) (the Consultation Protocol) provides that a Regulatory Impact Analysis (RIA) will be carried out by the Central Bank, where practicable, when consulting on new regulations. The Central Bank is now undertaking a consultation on the introduction of a regulatory framework for credit union investment in credit union service organisations (CUSOs) via “CP169-Consultation on Proposed Regulatory Framework for Credit Union Investment in Credit Union Service Organisations” (CP169) on foot of an amendment to be introduced to section 43 of the Credit Union Act, 1997 (the 1997 Act) by section 24 of the Credit Union (Amendment) Act, 2023 (the 2023 Amendment Act).

The 2023 Amendment Act, which is being commenced in phases, will, on phase 4 of its commencement, amend section 43(2) of the 1997 Act to provide for credit union investment in CUSOs. That amendment will require the Central Bank to prescribe a regulatory framework for credit union investment in CUSOs. The Central Bank proposes to include a new Part (Part 5A) to the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 (the 2016 Regulations) to establish the regulatory requirements for credit union investment in CUSOs.

The proposed regulatory framework outlined in the consultation paper has been informed by the Central Bank’s statutory mandate in relation to credit unions as set out in section 84 of the 1997 Act which requires that the Central Bank administer the system of regulation and supervision of credit unions with a view to (i) the protection by each credit union of the funds of its members, and (ii) the maintenance of the financial stability and well-being of credit unions generally.

The Central Bank has undertaken a RIA, set out below, to examine the impact of the proposed regulatory framework for credit union investment in CUSOs including, but not limited to:

- The potential costs to credit unions to implement the proposed regulatory framework (e.g. operating costs associated with due diligence assessment and investment decisions, additional costs to adapt governance systems for the new investment class);
- The potential benefits to credit unions of the proposed regulatory framework (e.g. certainty as to the regulatory framework for CUSOs, economies of scale in designing solutions, greater collaboration and innovation within the sector); and
- The potential impacts on credit unions of the new regulatory framework (e.g. overall capacity for investment in CUSOs for the sector and minimum, average and maximum capacity available to individual credit unions for investment in CUSOs).

The RIA is structured as follows:

- Section 2 provides an overview of the credit union sector based on Prudential Returns submitted by credit unions to the Central Bank and the policy context of current regulatory expectations for credit union investment in CUSOs;
- Section 3 sets out the current baseline for credit union investment in CUSOs and the options considered by the Central Bank;
- Section 4 provides an overview of the proposed regulatory framework for credit union investment in CUSOs; and
- Section 5 examines the potential benefits, costs and impacts of the proposed regulatory framework for credit union investment in CUSOs as well as setting out the Central Bank's overall assessment of the proposed framework.

2. Context

As at 31 December 2025, there were 171 active credit unions, with total reported membership of approximately 3.7 million. Based on 31 December 2025 Prudential Return data:

- Total sector assets were €22.7bn comprising total loans of €7.7bn and total investments of €13.9bn;
- Total sector member savings were €19bn; and
- Total sector realised reserves were €3.6bn.

The average realised reserves ratio has remained stable over the period 2021-2025 with marginal continued increases since 2022, with average sector realised reserves ratio of 16.7% reported by credit unions and with all 171 credit unions reporting total realised reserves of at least 12.5% of total assets for this period.

Credit union investment in CUSOs is an established practice across the Irish credit union sector with several CUSOs in operation providing a range of services to credit unions. Existing investments made in CUSOs to date by credit unions have been made under section 26 of the 1997 Act¹. In 2019, the Central Bank issued a letter² (the 2019 Letter) to credit unions setting out our regulatory expectations where credit unions proposed to establish or invest in a 'credit union owned outsourced services provider'. The 2019 Letter, amongst other things, set out non-binding³ limits for credit union investment in a credit union owned outsourced services provider (CUSP)⁴.

¹ Section 26(1) of the 1997 Act states that a credit union shall not carry on any business or activity which is not appropriate or incidental to the objects for which, in accordance with section 6, it is formed'.

² [Investment and Participation in Credit Union Owned Outsourced Service Providers \(CUSPs\) 7th October 2019](#).

³ The 2019 Letter set out non-binding investment limits for credit union investment in CUSOs – this set a maximum exposure of 2% of total assets (in aggregate across all CUSO investments) and 1% of total assets for an individual CUSO investment.

⁴ Referred to in the 2019 Letter as CUSPs, which are one and the same as CUSOs.

Further detail on the current position with respect to CUSOs and relevant background on the legislative and regulatory framework for credit union investment in CUSOs is set out in Sections 3 and 4 of CP169.

3. Baseline and Options Considered

Baseline scenario:

In the absence of the phase 4 commencement of the 2023 Amendment Act and the introduction by the Central Bank of a regulatory framework for investment by credit unions in CUSOs, the current position with respect to investment by credit unions in CUSOs would remain. Credit unions would continue to be able to invest in CUSOs by reference to the provisions of section 26 of the 1997 Act and in line with the regulatory expectations for such investments as communicated in the 2019 Letter.

Options considered:

- **Option 1:** Do not introduce a regulatory framework for investment by credit unions in CUSOs – this would result in continuation of the current position with respect to CUSO investments.
- **Option 2:** Introduce a regulatory framework for credit union investment in CUSOs.

The Central Bank considers Option 2 to be the most appropriate approach as it allows for the phase 4 commencement by the Minister for Finance of the 2023 Amendment Act, it ensures that credit unions can continue to invest in CUSOs by prescribing them as a permitted class of investment for credit unions and it provides clear regulatory requirements for such investments.

4. Proposed Regulatory Framework for Credit Union Investment in CUSOs

As set out in CP169, the Central Bank is proposing the introduction of a regulatory framework for credit union investment in CUSOs. The Central Bank is proposing that the regulatory framework will:

- Introduce a definition for CUSOs;
- Prescribe investment in CUSOs as a permitted class of credit union investment;
- Prescribe related counterparty and concentration limits for credit union investment in CUSOs; and
- Prescribe certain qualitative regulatory requirements related to credit union investment in CUSOs.

Further detail on the specifics of each of these proposals is available within Section 6 of CP169.

5. Analysis of Costs, Benefits and Impacts of the Introduction of the Proposed Regulatory Framework

The potential costs and benefits for credit unions and the credit union sector as a whole have been considered for the proposed regulatory framework for credit union investment in CUSOs as outlined in Section 6 of CP169. The potential impact of the introduction of the regulatory framework has been assessed on an individual and collective basis to understand the proposed impact on individual credit unions and on the sector overall.

The costs, benefits and impacts of the introduction of a regulatory framework for investment by credit unions in CUSOs have been considered relative to the current baseline scenario whereby credit unions invest in CUSOs (in line with regulatory expectations which the Central Bank set out in the 2019 Letter).

The Central Bank highlights the challenges and limitations associated with undertaking a RIA on the introduction of a regulatory framework for credit union investment in CUSOs. The analysis on the potential impact of the proposed framework has been undertaken subject to certain assumptions which are specified throughout this section where relevant.

It is a matter for individual credit unions to consider their own risk appetite regarding investment decisions within the parameters set out in the credit union regulatory framework and the broader legislative framework. Credit unions considering any change in their

investment strategy must give careful consideration to the consequential impacts.

5.1. Information Sources

Data provided to the Central Bank through the quarterly Prudential Returns has informed the analysis of the potential impact of the proposed counterparty and concentration limits for credit union investment in CUSOs. Where financial data analysis has been performed, this is by reference to the 31 December 2025 Prudential Returns submitted by individual credit unions.

In addition, to help inform the development of a regulatory framework for credit union investment in CUSOs, and in line with the Central Bank's strategic theme of being open and engaged, the Central Bank undertook pre-consultation targeted engagement with specific sector stakeholders. Further detail on this targeted engagement is set out in Section 5 of CP169.

Credit unions may wish to provide additional information or data analysis they have on the potential impact of the proposed regulatory framework for credit union investment in CUSOs through any responses they provide to CP169.

5.2. Costs

If the proposed regulatory framework in CP169 is introduced, through an amendment to the 2016 Regulations, this will formally recognise the investment by credit unions in CUSOs as a permitted class of investment. The composition of a credit union's investment portfolio is a matter for credit unions to determine in accordance with their business strategy, investment strategy and risk appetite. While it is not expected that the potential introduction of this new class of investment would result in a material increase in the overall

cost base for credit unions or for the credit union sector, the Central Bank expects credit unions to continue to undertake, as part of their business strategy, a thorough assessment of the costs associated with investment decisions.

It is likely that a credit union proposing to invest in a CUSO would incur costs prior to any investment decision in undertaking necessary due diligence assessments to ensure that the investment aligns with the credit union's business model, investment strategy and risk appetite, and to ensure it does not involve undue risk to members' savings. Undertaking such assessments may, depending on the nature of the investment and available expertise within the credit union, require the use of expertise external to the credit union. The Central Bank would not consider this cost to be materially different to the costs incurred by credit unions when undertaking CUSO investments in line with the regulatory expectations set out in the 2019 Letter. Any such cost would likely be time-limited and associated with the investment decision. A credit union considering an investment in a CUSO should ensure that any costs incurred are proportionate when compared to the expected benefit of the investment to the credit union.

Where an investment in a CUSO is undertaken, a credit union is required to ensure that their existing risk management systems, controls, investment policies and procedures appropriately reflect any risks identified as associated with the CUSO investment. Some costs may be borne by a credit union arising from adapting its risk management systems and governance frameworks (e.g. investment policy amendments, implementing reporting/monitoring procedures for the board) to consider the appropriate risk management and oversight of any investment it holds in a CUSO, however such adjustments to systems may have already been made where a credit union currently invests in CUSOs.

Given that the introduction of a regulatory framework will formalise regulatory requirements for credit union investment in CUSOs and place them on a statutory footing, there may be a slight increase in ongoing compliance and monitoring costs by credit unions to ensure that such investments are and remain in compliance with the regulations. The Central Bank does not however consider that these costs would be material and, given that CUSO investments have already been undertaken by a number of credit unions, some of these costs may have already been incurred. Other costs associated with investment in a CUSO, for example adaption/integration of operational/IT systems with the systems of the CUSO, may also be incurred by a credit union.

Where a credit union chooses to invest in a CUSO, any potential future costs associated with utilisation of the CUSO's services on an ongoing basis should be considered (e.g. regular/annual service fees, fees per usage/transaction) prior to investment. Credit unions should ensure that any ongoing operational costs are considered reasonable in the context of the services provided to the credit union from the CUSO.

If a credit union's investment in a CUSO does not provide the anticipated benefits/return on investment, it may be detrimental to the overall financial position of the credit union and its members. It is essential that a credit union comprehensively reviews and assesses proposed investment opportunities and conducts rigorous due diligence in advance of any investment decisions to ensure proposed benefits/returns are realistic and fully understood by the credit union.

Where a credit union chooses to reallocate capital from existing investments to facilitate investment in a CUSO, they should consider

any potential opportunity cost associated with the investment decision. As CUSO investments would not necessarily be expected to provide an ongoing/regular investment income, reallocation of capital away from existing investment classes (e.g. accounts in authorised credit institutions) may reduce the overall level of investment income generated by the credit union.

5.3. Benefits

The introduction of the new investment class would put credit union investment in CUSOs on a statutory footing, providing clarity and certainty for credit unions and the credit union sector as to the regulatory framework associated with such investments. This certainty may facilitate increased credit union investment in CUSOs.

The introduction of a regulatory framework with associated counterparty and concentration limits will provide clarity as to the potential level of investment which credit unions individually, and the credit union sector as whole, can invest in a single CUSO as well as the level which can be invested in all CUSOs in aggregate across the sector. This will also provide credit unions with greater certainty as to the extent to which potential investment opportunities can be considered in business planning and strategic decision-making.

The introduction of the proposed regulatory framework and the clarity and certainty which it provides may also provide individual credit unions (and the credit union sector) with access to service providers that have the potential to realise economies of scale which may not be achievable for a single credit union accessing a service. Further credit union investment in CUSOs may also allow individual credit unions (and the credit union sector) to have access to, and have a level of control over, service providers with an ethos more aligned to the wider ethos of the credit union sector than existing non-CUSO providers.

The sector's access to CUSOs and their platforms may reduce existing duplication of services provided to the sector and promote consistent standards, thereby contributing to improved operational resilience for individual credit unions and the sector.

By ensuring that credit unions can continue to invest in CUSOs, albeit within the confines of the proposed regulatory framework, credit unions may continue to benefit from investments in CUSOs through economies of scale, such as reduced costs and access to new expertise and services that an individual credit union may not have the scale to offer by itself. This may be of particular benefit to smaller credit unions. Investment in CUSOs may allow for expanded service offerings or development of new services for individual credit unions and the wider credit union sector.

Depending on the business model of the CUSO, a credit union may also benefit from an additional revenue stream that it would not previously have access to, where the CUSO provides a return on investment to an investing credit union.

While aspects of the proposed regulatory framework are aligned with the regulatory expectations for CUSO investments which were specified in the 2019 Letter, the formalising of requirements in the regulatory framework will assist in increasing transparency for credit union members, as for example with the proposed requirement for reporting and disclosure in the annual report.

5.4. Impacts

The potential impact of the introduction of a regulatory framework for credit union investment in CUSOs has been assessed to identify the potential effect on credit unions of the introduction of the new investment class, based on the proposed counterparty and

concentration limits and relative to the current position under the non-binding limits specified in the 2019 Letter. The analysis has been performed to assess the potential overall sector impact and the impact on cohorts of credit unions (by asset size).

Overall capacity for investment in CUSOs under the proposed counterparty and concentration limits

Table 1 provides an overview of the capacity for credit union investment in CUSOs generated by the proposed counterparty and concentration limits at a sectoral level and for cohorts of credit unions based on their asset size. Based on regulatory reserves reported by credit unions in the quarterly Prudential Return for 31 December 2025, the total potential sectoral capacity for investment in an individual CUSO is €259.5m and the total potential sectoral capacity for investment in CUSOs in aggregate is €519m.

[Table 1 | Capacity for credit union investment in CUSOs⁵](#)

	Asset Bucket			Total Sector Capacity
	< €40m	€40m – €100m	≥ €100m	
Proposed Counterparty Limit	€11.5m	€49.4m	€198.6m	€259.5m
Proposed Concentration Limit	€23.0m	€98.9m	€397.2m	€519.0m

Source: Credit Union Prudential Return data as at 31 December 2025

⁵ Based on proposed counterparty and concentration limits of 10% and 20% of regulatory reserves respectively.

Minimum, average and maximum capacity available to credit unions for investment in CUSOs under the proposed counterparty and concentration limits

Table 2 outlines the minimum, maximum (reflective of the smallest and largest credit union in each cohort) and average capacity generated by the proposed counterparty and concentration limits for credit unions in each of the asset cohorts. Given that the capacity to invest in CUSOs is a function of regulatory reserves, credit unions with higher regulatory reserves relative to their total assets will have higher capacity for investment in CUSOs.

[Table 2 | Minimum, average and maximum capacity available to credit unions for investment in CUSOs under the proposed counterparty and concentration limits⁵](#)

	Capacity	Asset Bucket		
		< €40m	€40m - €100m	≥ €100m
Proposed Counterparty Limit	Minimum	€53k	€463k	€1.1m
	Average	€294k	€810k	€2.8m
	Maximum	€446k	€1.3m	€7.7m
Proposed Concentration Limit	Minimum	€105k	€926k	€2.3m
	Average	€588k	€1.6m	€5.6m
	Maximum	€892k	€2.6m	€15.5m

Source: Credit Union Prudential Return data as at 31 December 2025

Investment capacity available under the proposed regulatory framework compared to the non-binding limits specified in the 2019 Letter

Table 3 outlines, for illustrative purposes only, the greater capacity for investment in CUSOs available to credit unions by asset cohort and the credit union sector under the proposed regulatory framework when compared to the non-binding limits set out in the

2019 Letter. The proposed move from setting the limits as a percentage of total assets to a percentage of regulatory reserves results in a total sectoral increase of €32.1m and €64.2m for investment in an individual CUSO and total investments in CUSOs respectively (based on data submitted by credit unions as at 31 December 2025).

[Table 3 | Investment capacity available under the proposed counterparty and concentration limits compared to the non-binding limits under the 2019 Letter^{5 6}](#)

	Asset Bucket			Total Sector Capacity
	< €40m	€40m – €100m	≥ €100m	
Proposed Counterparty Limit	€11.5m	€49.4m	€198.6m	€259.5m
Maximum CUSO investment to individual CUSO (based on the 2019 Letter)	€10.4m	€42.9m	€174.1m	€227.4m
Difference	€1.1m	€6.5m	€24.5m	€32.1m
Proposed Concentration Limit	€23m	€98.9m	€397.2m	€519m
Total CUSO investments (based on the 2019 Letter)	€20.8m	€85.8m	€348.2m	€454.8m
Difference	€2.2m	€13.1m	€49m	€64.2m

Source: Credit Union Prudential Return data as at 31 December 2025

⁶ The 2019 Letter specified a non-binding limit that a credit union's overall CUSP investment limit in should fall below 2% of total assets and individual limits should be less than 50% of that.

5.5. Overall Assessment

The Central Bank has concluded that the preferred option, introducing a regulatory framework for investment by credit unions in CUSOs, is the most effective and proportionate approach.

Relative to the baseline, it allows for the phase 4 commencement of the 2023 Amendment Act and places requirements for credit union investments in CUSOs on a statutory footing. It also provides certainty and clarity on the regulatory framework for such investments in addition to introducing a simplified approach with respect to the regulatory requirements relative to the regulatory expectations which were set out in the 2019 Letter.

The introduction of the regulatory framework is not expected to give rise to significant incremental costs for credit unions and will continue to ensure that credit unions can utilise CUSOs as a mechanism, where deemed appropriate by the credit union, to improve operational efficiency, enhance competitiveness and collaborate effectively by taking advantage of economies of scale, pooled resources and specialist expertise.

Credit unions are reminded of their legislative requirement under section 43(1) of the 1997 Act that investments should be managed to ensure that they do not (taking account of the nature, scale, complexity and risk profile of the credit union) involve undue risk to members' savings and that before making an investment an assessment should be undertaken to assess the potential impact on the credit union, including the impact on the liquidity and financial position of the credit union.

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