

**Credit Union Technology Suppliers Forum**  
c/o P.O. Box 8332, Blackrock Business Park, Co. Dublin

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Credit Union Code  
Consumer Protection Codes Department  
Financial Regulator  
P.O. Box 9138  
College Green  
Dublin 2

**CP35 Voluntary Standards for Credit Unions (Savings & Loans)  
Submission by the Credit Union Technology Suppliers Forum**

The Credit Union Technology Suppliers Forum (CUTSF) consists of nine suppliers providing member accounting systems to practically every credit union in the State. The Forum meets regularly and has the following objectives:

- (a) to discuss non-competitive areas of common interest to suppliers of credit union member accounting systems
- (b) to bring about better understanding and working relationships with credit union representative bodies and regulators
- (c) to contribute to the development of credit union IT standards.

The Forum made a detailed submission to CP32 in June 2008. We are advised the CP35 is part of the same consultation process. It is disappointing that we have had no direct response to the important issues raised in our previous submission. We are concerned that many of our credit union users appear to be unaware of CP35 as the Financial Regulator has not written to them inviting submissions. As these are voluntary standards, it is imperative that they have the support of credit unions.

Our previous submission focused solely on technology issues relating to the proposed Code. We have adopted a similar approach to this submission. Our main message is that sufficient time should be made available for the implementation of any system changes in support of the proposed standards. Suppliers are best positioned to estimate the time needed to specify, programme, test and implement system changes. Consultation with suppliers is therefore a prerequisite for successful implementation.

Our feedback on CP35 is outlined on the attached pages. We look forward to meeting you or reading your response to our submissions.

Yours sincerely

Credit Union Technology Supplies Forum

Credit Union Technology Suppliers Forum (CUTSF) members are:  
Everest Computers Limited, Fern Computer Services Limited, ICE CUBE Computer Services Limited,  
Langford Computer Support, Octagon Computer Services Limited, Pallas Computer Systems Limited,  
Percom Computers Limited, Progress Systems Limited, Wellington Computer Systems Limited.

## Voluntary Standards

This submission focuses solely on technology related issues. In particular, suppliers are conscious that certain provisions within the draft code will necessitate system changes. It is noted that the provisions of the Code will come into effect on a date to be agreed by the Financial Regulator with the Credit Union Movement. The Financial Regulator and the Credit Union Movement need to take account of the lead times for specifying, programming, testing, and implement system changes in credit unions before setting dates.

As it is a voluntary Code it may not be adopted at all or in full by all credit unions. Software suppliers can only implement system changes when requested to do so by individual credit unions. In some cases, system changes are prioritised by User Groups.

Software suppliers acknowledge that there are other aspects of the draft code that credit unions and their representative bodies may be interested in and that these may be covered in their respective responses to the consultation paper.

## Detailed Response

### Definitions

- **“business day”**. The ‘definition equates to bank working days. All credit unions are not open Monday to Friday, therefore business days do not equate to credit union working days. Do we calculate business days based on bank working days or credit union working days? Why not just use days or weeks?

### Chapter 1 – General Principles

- 4. The ‘resources and procedures, systems and control checks’ necessary for compliance with these standards are not outlined. In particular, it is unclear what records are required to be kept in an electronic format.

### Chapter 2 – Provision of Information

- 1(v). **Acknowledgement for Mandates**. A distinction should be drawn between incoming and outgoing payments. Credit unions receive **incoming payments** by standing order, direct debit and payroll deduction to a savings or loan account. In all cases the mandate is from the member to his bank or employer to pay the credit union. The credit union may initiate the process or originate the payment but the funds are not coming from a credit union account. Credit Unions can accept instructions to make **outgoing payments** by standing order or direct debit, usually on a credit union budget / deposit account. In the case of a standing order, the member will approach the credit union and in the case of a direct debit the originator will send a completed mandate to the credit union. It is correct that the credit union acknowledge the members instruction to debit their account for outgoing payments. Banks and employers will do likewise for incoming payments.

- **1(vi). Communications via electronic media.** The requirement for secure electronic communications with members should depend on the sensitivity of the data. For example, online applications and access to account information should always be encrypted, while general emails of a non-sensitive nature and marketing emails need not be encrypted. Will the Financial Regulator provide guidelines regarding the security requirements attaching to the electronic media in use in credit unions?
- **2 Statements.** Statements refer to share and deposit accounts with balances > €20. Some accounts with loans can have savings balances between €0 and €20 and presumably a statement of transactions would be required on these accounts. Does the €20 refer to the balance at the statement date or is it a threshold for the period covered by the statement. We would suggest the following wording "...balance in excess of €20 during the period covered by the statement, or a loan balance, unless otherwise agreed with you in writing". This will ensure that accounts closed during the period.
- **2.(a)** The dividend will only be known and applied to accounts once approved by members at AGM. As such it will usually apply to prior periods, even for annual statements. In addition, although deposit rates are set in advance, interest may be applied annually. Dividend and deposit interest will be recorded when paid and the relevant rates and period covered shown on the statement.
- **2.(b)** We assume a member can opt not to receive a statement or have it posted to an address other than their home address. If so, this should be reflected in the wording. Delete 'last known'.
- Is there a requirement for a credit union to keep sending statements to a last known address where statements have been previously returned undelivered? Can a block be put on the issuance of these statements?
- If a statement of account is issued annually, can it be issued with a notice of Annual General Meeting?
- Is there a requirement under this provision to physically issue a statement of account to the member? If a member is registered for an online service that provides access to account balances and statements at any time, is there still a requirement to physically issue a statement, at least annually? If the answer is yes, can a member agree to waive this requirement?
- **3. Changes in Interest Rates.** Does this provision cover loan interest rates? If so, how is it intended that members should be notified? 3(ii) specifies what is required in relation to changes in the interest rates on deposit accounts.
- **4. Accounts.** Does 'credited to that account on that day' relate to a requirement to process transactions on the same day or does it refer to the value date for lodgements. In practice, express lodgements and transactions at schools and sub offices may not be processed until the following day.
- **5. Joint Account Limitations.** Suppliers need to be made aware of the limitations that are intended for the operation of joint accounts (e.g. number of signatures for withdrawals / borrowing, monetary limits etc). These limitations may have to be programmed.

## Chapter 3 – Responsible Lending

- **1. Sufficient information for loans..** There is no indication of what would be considered “sufficient information”. Is the information sought on the Loan Application Form in ILCU’s Standard Rules for Credit Unions sufficient? If not, what other data needs to be captured?
- **2. Statement of reasons..** Can the Regulator provide a pro-forma of this statement or indicate what it should contain? If the statement is included as part of the loan application form or credit agreement, will the statement have to be signed and countersigned separately or can it be incorporated in the overall form?
- **3. Debt Consolidation..** We assume this provision and associated warning does not apply to top-up loans involving consolidation of existing credit union debt. For comparisons with other loans or credit facilities to be consolidated, can the Financial Regulator point to publicly available sources of information?
- **4. Arrears and Guarantees..** Credit Unions need to be careful about changing credit agreements where a loan is guaranteed. A new credit agreement nullifies the existing guarantee.

## Chapter 5 – Common Standards for all Credit Unions

- **1. General - Recording Instructions.** These provisions are open to misinterpretation and abuse. The requirement that the date of both the receipt and transmission of instructions be recorded (p.14) has already been interpreted by some service providers to mean that telephone instructions must be recorded. This is clearly not the case. The extent to which member instructions need to be recorded, stored and reflected on member accounts should be clarified. How long does this data have to be held?
- **3. Unsolicited Contact.** The Regulator should clarify the status of contact with members for the purpose of debt recovery. A system change may be required to register members’ preferences in relation to unsolicited contact by way of personal visit or telephone. Can you confirm that email, SMS and letter post are not covered by this provision?
- **4. Charges.** How are Credit Unions obliged to notify members of changes in interest rates? Are individual notifications to members required?

## Conclusion

The Credit Union Technology Suppliers Forum looks forward to engaging constructively with all parties to bring about the implementation of standards subject to agreement between the Financial Regulator and the Credit Union Movement.

Software suppliers are available to meet the Financial Regulator and credit union stakeholders, if requested.