

An Post Employees' Credit Union Ltd.

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Registry of Credit Unions
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1 March 2013

Submission in relation to CP62: Fitness and Probity Regime for Credit Unions On behalf of An Post Employees' Credit Union

Dear Sir or Madam

An Post Employees' Credit Union (APCU) aims to meet the savings and personal borrowing needs of An Post employees nationwide. Established in 1968, it has 5,700 members and assets of €43M. A member owned co-operative, it is run independently from An Post.

APCU welcomes the proposed introduction of a Fitness and Probity regime for credit unions. We believe that an appropriate regime will help maintain the safety of the sector, the reputation of the credit union "brand" and the assets of the Deposit Protection Fund.

The first part of this submission responds to the specific questions posed in CP62 while the second part of the submission adds some additional observations.

Firstly, in relation to the questions posed in CP62:

1. We agree with the tailored approach to the designation of CFs and PCFs in the draft Regulations. We believe that the two CFs and two PCFs are sufficient.
2. We agree with the phased introduction approach.
3. In relation to the draft standards, we believe that the standards set out in relation to **honesty/ ethics/ integrity** and also in relation to **financial soundness** are adequate and clearly explained. We believe, however, that the standards set out in relation to **competency/ capability** are insufficiently detailed. As this will be the most difficult area for credit unions to manage, further assistance is

absolutely essential to ensure that the regime is effective and to achieve some level of uniformity of interpretation across the sector.

4. In relation to guidance notes, APCU believes that these are essential. Examples and case studies would be very helpful.
5. The schedule of possible guidance notes looks very useful. We also suggest some specific guidance on completing annual due diligence reviews and how to approach a situation where an officer no longer appears to comply with the appropriate standards.
6. APCU does not act as a retail intermediary and has no feedback to offer on this section.

Secondly, some general comments regarding CP62:

7. Omitting the draft Individual Questionnaire from CP62 was a serious omission, regardless of the fact that it had been circulated to the representative bodies in 2012.
8. There appears to be a lost opportunity in the proposed Fitness and Probity regime to make a contribution towards eliminating some of the known CU governance weaknesses (such as over-influence by: small groups, family groups, an over-dominant director, an over-dominant manager). It may be argued that these issues will be addressed more appropriately in the context of Credit Union and Co-operation with Overseas Regulators Act 2012 but APCU believes that every single opportunity must be used to help manage this particular issue.
9. We have a concern that the introduction of Central Bank pre-approval in relation to certain roles will have serious unintended consequences. For example, it will discourage mobility of managers within the sector. It will also discourage mergers/ transfers of engagements as one of the main drivers of credit union change (the Manager) may want to avoid the risks of the Central Bank pre-approval process.
10. Because of the nature of credit unions as “member owned, self help organisations”, APCU believes that there is a role on the Board for a small number of members who may not meet the competency/ capability benchmarks but can make a serious contribution in relation to member representation, “street knowledge” and appropriate organisational culture. We would like to see sufficient flexibility to allow a small number of such Board members.

11. APCU would like some clarification regarding the fitness and probity regime for legal money-lending firms.

The Board of An Post Employees' Credit Union hope that the above comments are useful in your ongoing preparations for the new Fitness and Probity regime.

Yours faithfully

Patrick Glavin
P.P. **MARY HARRAHILL**
Chairperson

Paul Ryan
PAUL RYAN
Manager