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25 February 2013

Re: Fitness and Probity regime for credit unions

Dear Sir/Madam,

I enclose our submission from RTE Credit Union in relation to the Consultation Paper on the Fitness and Probity regime for credit unions (CP 62).

Yours faithfully,

Sharon Carroll

Secretary
RTE Credit Union

RTÉ Credit Union Response to Consultation Paper 62: Fitness & Probity Regime for Credit Unions

RTÉ Credit Union welcomes the opportunity to respond to the above consultation paper. The Board has reviewed the document and discussed it at its recent Board meeting. We have considered the questions raised in the document and now provide answers in red below.

Section 4: Overview of the Fitness and Probity Regime for credit unions

(i) Do you agree with the tailored approach to the designation of CFs and PCFs for credit unions in the draft Regulations? Do you think any additional CFs or PCFs should be designated? If you have other suggestions please provide them along with the supporting rationale. It should be noted that the Act is prescriptive in setting the relevant criteria applying to functions and positions which may constitute CFs and PCFs.

RTÉ Credit Union (RTÉCU) believes that the tailored approach to the designation of CF and PCFs is a reasonable one. We would argue that the roles of Vice-Chair and Secretary should also be PCFs. As the Vice chair deputises for the Chair during annual leave and sick leave etc, s/he must fulfil the all requirements for the role and should, therefore, be assessed and approved in the same manner as the chair. The role of Secretary is an important function in any business and, given the importance of the role, should also be a PCF. Loan Officers have the discretion to grant loans up to certain defined limits. Given the level of control they have over lending within their prescribed limits, we would argue that Loan Officers should be CF functions.

(ii) Do you agree with the phased approach for the implementation of the Fitness and Probity regime for credit unions? If you have other suggestions please provide them along with the supporting rationale.

A phased approach to the implementation of the Fitness and Probity regime is a reasonable one. Provided sufficient guidance is provided by the Bank, the timescales outlined should give a reasonable amount of time to all Credit Unions to be fully prepared and able to meet their obligations under the proposed regime. Please see our response to Question (iv) below.

Section 5: Standards of Fitness and Probity for credit unions

(iii) Do you think the draft Standards cover all relevant matters for credit unions? If you have other suggestions, please provide them along with the supporting rationale.

3.1 of the Standards as set out in Appendix B, states:

“A person shall have the qualifications, experience, competence and capacity appropriate to the relevant function.”

3.1 does not facilitate the appointment of a volunteer director as they may not have the direct financial experience to fulfil the role. Historically, directors were elected by the membership of a Credit Union and then undertook training and gained experience “on the job”. As drafted, 3.1 does not appear to permit the appointment of directors to Credit Unions who can undergo training after appointment and gain experience over time. It would be helpful if this could be clarified further, particularly in light of Section 20 (4) (i) of the 2012 Act.

4.(l) The requirement that a CF or PCF cannot be more than 9 weeks in arrears is too onerous. There may be timing or other issues regarding missed payments and to simply disqualify an otherwise excellent candidate on this basis of a simple 9 week timeline is somewhat draconian. We would suggest that a more realistic time limit be considered.

Section 6: Guidance on Fitness and Probity for credit unions

(iv) Do you think that the Central Bank should issue guidance on the Fitness and Probity regime for credit unions?

To ensure a consistent approach to the implementation of Fitness and Probity across all Credit Unions, the Central Bank should issue guidance in this area. In particular, there must be a consistent approach to due diligence across the Credit Union sector. This will ensure that the Nominations Committee of each Credit Union can be seen as acting reasonably by prospective volunteers and directors when conducting pre-qualification investigations. In addition, the Central Bank should consider producing a template of detailed specific questions to which answers are to be provided by prospective recruits. Consideration should also be given to a requirement for ICB reports on each director to ensure ongoing compliance with the requirement that all CFs and PCFs are of good financial standing i.e. are not more than 9 weeks (as noted in answer to Q (iii) above, a more realistic time limit than 9 weeks should be considered) in arrears in respect of any loan outstanding with any financial institution.

(v) Are there any additional areas of the Fitness and Probity regime for credit unions which the guidance should cover? If you have other suggestions please provide details along with the supporting rationale.

The Fitness and Probity Regime must be extended to cover temporary and contract staff. As it is very likely that certain support activities may be outsourced or shared among a number of Credit Unions, companies providing services to Credit Unions should also be governed by the Fitness & Probity Regime where necessary. Such service providers should be required to provide Statements of Compliance with the Regime prior to engagement.

Section 7: Credit unions authorised as retail intermediaries

(vi) Do you agree with the implementation timeframe for the application of the existing Fitness and Probity regime to those credit unions also authorised as retail intermediaries? If you have other suggestions please provide them along with supporting rationale.

This approach seems reasonable.