Date: 26 March 2014

Consultation: Tiered Regulatory Approach

Points in relation to investments:

1) It is estimated that the requirement to limit the total invested with a provider to the value of the Statutory Reserve would cost the credit union €29,900 in a calendar year.
2) This loss in come would represent an 8.2% drop in our investment income.
3) This could mean the difference between paying a dividend and not.
4) Currently the credit union has funds with five institutions. The analysis assumes that the requirement would be for seven. Any increase in this number would have a further detrimental effect on the credit union's investment income.
5) The credit union would have to source other recipients for its funds. It is likely this would mean lodgements in non-Irish financial institutions.
6) Such institutions, because of the lack of knowledge of their financial position may pose a higher investment risk.
7) Such institutions may not be the subject of government guarantees.
8) The proposals on liquidity could have further adverse effects on the credit union's investment income. Currently the credit union has funds of €843K or 4.6% of unattached shares available within seven days and 13.4% within one month. 36.6% of unattached shares are available within three months.
9) Deposit account funds of €67K and current account funds of €390K represent a further 2.4% of unattached shares on demand.
10) To meet the proposed liquidity requirements the credit union would have to maintain €1886K on demand. It is estimated that this would cost the credit union a further €10,430 in lost investment income.
11) Therefore the effect on the credit union of the proposed investment and liquidity changes would be €40,330 or 11.1% reduction in investment income.