

Central Bank of Ireland's Consultation on the Introduction of a Tiered
Regulatory Approach for Credit Unions: Consultation Paper CP 76

Ballygall Credit Union Ltd – Submission
March 2014

Q1. Do you agree with the proposed tiered regulatory approach for credit unions? If you have other suggestions please provide them along with the supporting rationale.

We agree in principle with a tiered regulatory approach but not with the proposals outlined in this Consultation Paper. We feel that it was the aim of the Commission and the view of stakeholders involved that tiered regulation should be a positive and that smaller simpler Credit Unions would have simpler less intrusive regulation. The Commission envisaged that the majority of Credit Unions would be in the lower tier and that they could expect the current level of regulation and not additional levels. We feel that this two tier proposal will force Credit Unions to amalgamate to acquire an asset base of € 100 Million which is not what was proposed by the Commission.

Q2. Do you agree with the proposals for the operation of the two category approach for credit unions set out in sections 5.1-5.11? If you have other suggestions, please provide them along with the supporting rationale. It should be noted that tiering is possible where regulation powers are available to the Central Bank. Where requirements are set out in the 1997 Act they apply to all credit unions and cannot be tiered.

The operation of the two category approach causes our Credit Union most concern as it will impact on our ability to generate income and could prove detrimental to our Credit Union

Re. Investments – we feel that these proposals will have a significant effect on the returns that Credit Unions will be able to generate on their investments. The proposal to link the amount held in any counterparty to Regulatory Reserves will mean that we will have to hold investments with six or more counterparties as opposed to the current number of four. We are unhappy with this as it will force us to invest funds outside of Ireland and secondly it will have a negative impact on our returns. With regard to Liquidity the proposal that a credit union holds at least 10% of unattached saving available up to seven days and up to 15% of unattached savings available up to one month will also prove expensive in lost income to the Credit Union. We do not agree with the proposed limits for Category 1 credit unions in particular i.e. the proposals to reduce the maximum investment term from 10 years down to 5 and also the proposed requirement for half of total investments to be under 3 years. We also believe that Credit unions should be permitted to invest in collective investment schemes, particularly as this would facilitate investment in State projects as envisaged by the Commission.

RE. Lending – We are unhappy with the proposals on classes of lending and concentration of limits together with the restricted person limit. With regards to proposals on lending, we think that the concentration limits on commercial and community lending are unnecessary and unworkable. The definition of commercial lending should be split to define commercial, covering small business/sole trader, versus large scale commercial lending. We also object in the strongest possible terms to the proposals around the creation of restricted persons limits under lending. This is a very important issue that will affect boards, staff and family members hugely. Good members should not be penalised for no good reason. This proposal would make it more difficult to attract volunteers for the board of directors. The definition of family is so broad as to make the proposal completely unworkable especially for smaller credit unions.

Q3. Are there any areas where credit unions could provide new additional services to their members? Should these be available to Category 1 and Category 2 credit unions or only Category 2 credit unions? If you have suggestions please provide them along with the supporting rationale and the associated additional requirements.

Submission re CP76 from Ballygall Credit Union

Note: Both Category 1 and 2 will be able to provide the additional services currently available under the Exemption from Additional Service Requirements Regulations which include:

- Account access by phone
- Account access by internet
- Third party payments (including EFT)
- ATM services
- Bureau de change
- Certain insurance services on an agency basis
- Group health insurance
- Bill payment
- Money transfers
- Standing orders
- Direct debits
- Financial counselling and
- PRSAs on an introduction basis.
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Q4. Do you agree that a provisioning framework should be developed for credit union as proposed in Section 6.2? If you have additional proposals please provide them along with the supporting rationale.

We agree that there should be a new model for bad debt provisioning but maybe this should be driven by the representative bodies and not the Central Bank. The Central Bank need to provide a more detailed explanation of the preferred method they seek to impose.

Q5. Do you agree that the tiered regulatory approach should be introduced at this time? If you consider that alternative timing is more appropriate, please provide suggestions, along with the supporting rationale.

Credit Unions are undergoing massive changes at present implementing the new regulatory framework. An appropriate period should be allowed to embed these requirements. Many Credit Unions are considering restructuring at this time, a complex process requiring careful management.

Q6. If it is considered that the tiered regulatory approach should be introduced at this time, do you agree with the proposed timelines for the introduction of the tiered regulatory approach set out in section 7.1, in particular the transitional period proposed between the publication and commencement of the regulations? If you have other suggestions please provide them, along with the supporting rationale.

The timeline for implementation of the proposed tiered regulatory approach is too short given all of the other changes that credit unions are having to deal with as a result of the implementation of the Credit Union and Co-operation with Overseas Regulators Act. A suitable period of time should be allowed for credit unions to bed in these changes before having to understand and prepare for a tiered regulatory system.