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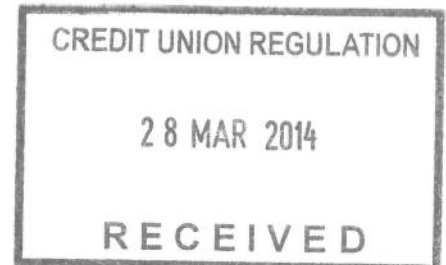
Castleblayney Credit Union Limited

Credit Union House · Castleblayney · Co. Monaghan

Telephone: 042 9740393 · Fax: 042 9746714

Email: castleblayneycreditunion@eircom.net

Ms. Sharon Donnery
Registrar of Credit Unions
PO Box 559
Dame Street
Dublin 2



27th March, 2014

Re: Consultation on the Introduction of a Tiered Regulatory Approach for Credit Unions ('CP76').

Dear Ms Donnery,

I refer to the consultation paper on the introduction of a Tiered Regulatory Approach (CP76), issued from your office in December 2013. The Board of Castleblayney Credit Union have discussed the contents of the paper and have reiterated that the timing of this is inappropriate for credit unions who are focusing on embedding the new legislation and putting a new risk management and compliance framework in place at this time.

The Board has grave reservations as to the potential impact your proposals will have on both the Credit Union movement and specifically our entity. The following issues are of major concern to our credit union.

5.2 Lending

Restricted Persons:

The Board believes that the imposition of such regulation is unconstitutional and an infringement on the rights of members of the Board of Directors, the management team and their family members. It could also cause data protection issues as members are entitled to be informed as to the reason their loan has been refused. This will also impact on the ability of Credit Unions to attract new volunteers. The wide definition of family member is unwarranted and inconsistent with the purpose of the definition of family member in Section 2(1) of the 1997 Act, which related to operational relationships.

Commercial Lending: The Board require clarity on the definition of commercial lending. Does it include small loans to a small business/farmer or sole trader. If this is the case these limits are too



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restrictive for rural credit unions at the heart of the farming community. These limits would have a serious impact on this sector.

Lending Limits linked to Regulatory Reserves: The Board objects to the linking of lending limits to regulatory reserves. Regulatory reserves are and should be set by Credit Unions relative to the risk profile of the entity and therefore reserve levels should be relative to lending and not the other way around.

Maturity Limits: The Board welcomes the amendment of Section 35 limits for Category 2 Credit Unions, however the thresholds which determine when a Credit Union is eligible to be considered Category 2 are too restrictive and ask that the commission's proposed three tiered system be reconsidered.

5.3 Investments: The Board objects to all proposals relating to Investments. It is the Board's opinion that to enforce such limits on Credit Unions will have such an impact as to make many Credit Unions unviable. We would remind the Bank of its core objective as the competent authority of Credit Unions of ensuring the financial stability of Credit Unions for the protection of consumers and the financial system. Imposing such debilitating restrictions on what instruments Category 1 Credit Unions can invest will not serve to make Credit Unions more robust or shareholders savings any more secure. In such absence, we question the purpose and value of this inclusion in your proposals. Imposing requirements on Credit Unions to increase counterparties possibly outside the state is inconsistent with the current market in which Credit Unions operate. With the sector having consolidated considerably over recent years, we strongly recommend increasing the counterparty limits rather than decreasing such limits. Many credit unions depend on investment income to pay dividends due to decreasing loan books.

5.4 Savings: It is the view of the Board that imposing a maximum limit of €100,000 that an individual member can hold in Credit Unions will undermine the confidence of our members, existing and new. To restrict members from saving above €100,000 by way of legislation could be viewed as ensuring members do not exceed the deposit guarantee limits which could be construed by members as an indication of instability

The above raised issues are based on the current information available to the Board. We note under our consultation proposal issued by your office in October 2012 that you will be providing a Regulatory Impact Analysis as part of this consultation. In the absence of this information the Board are unable to submit further responses until we are provided with such analysis.

To conclude, based on the information provided to date, the Board are of the view that the general thrust of these set of proposals are over-restrictive, inappropriate and imbalanced for the credit union model.

Yours sincerely



Tony Conlon

Chairman
