Consultation Paper 76

Cork Chapter XI represents 33 credit unions in the County of Cork and we wish to make the following submission.

Q1: Proposed Tiered Regulation

As Chapter, we are very conscious that the smaller credit unions i.e. less than €10 million assets are not being considered in this process. Their current status will be undermined if they are absorbed into the new Category 1. They do not appear to be given additional time to comply with any changes/ regulations introduced as they are currently afforded.

Q2 Sections 5.2 – 5.11

Section 5.2.4 – limitation of aggregate of lending to restricted persons up to the greater of €200k or 5% Regulatory Reserve.

What is the rationale for this?

Why is it necessary to differentiate directors/management from other members. A restriction on the maximum loan available to directors/managers and families could result in a disincentive in attracting new directors.

Section 5.3.2 – Maximum term of 5 years for investments.

What is the rationale for this proposal?

This will prohibit credit unions from availing of long term attractive investments; why is this necessary if liquidity levels are adequate?

Section 5.3 Investments restricted to 100% Regulatory Reserve

What is the rationale for this?

Credit Unions will be forced to use an increased number of investment banks (6/7/8) dependent on their level of investments, rather than the current minimum of 4 institutions. This will result in credit unions dealing with institutions offering lower returns, resulting in a significant loss of income. This will also force credit unions to transfer investment funds outside the State (to European Banks). New Intermediaries may result in the access to liquid funds being further restricted.

Section 5.10.1- Liquidity 10% unattached savings up to 7 Days and up to 15% available up to one month.

What is the rationale for this? Money in seven day and one month accounts attract very low interest rates and this proposal will again result in loss of income. Coupled with 5.3 above, non Irish banks do not currently offer instant access to a proportion of an investment and hence this proposal will result in loss of income and will also impact significantly on liquidity requirements.

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Q3 New Products

Any credit union that can satisfy the requirements to provide new services should be enabled to do so; there should not be any restrictions based on the asset size of the credit unions only. The capacity to deal with new services should be equally important.

Q 4 Provisioning

No requirement for change as the current regulations are adequate.

Q5 & Q6

We believe that the current CP 76 is premature. The current 3 categories have not had sufficient time to become embedded to enable us to review the impact on credit unions to date. Credit unions are still working hard to implement the new legislation and need time to do so. Seeking opinions at this early stage just adds to the heavy workload of credit union boards at present.

Yours Faithfully

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