

Chapter 23 incorporates thirteen credit unions in Kerry and West Limerick and welcome the opportunity to present its views on the Consultation Paper CP 76.

While credit unions recognise the need for regulation it is felt that regulation must allow for the continued development and growth of credit unions. There is a concern that many of the small community credit unions will find it increasingly difficult to function due to the increasing cost of regulation and the new proposed tiering. Rural Ireland is already under threat with the closure of Garda Stations, local Bank branches and the threat to the rural post office. Is their local credit union next?

While regulation will inevitably take into account the scale and complexity of the credit union Chapter believes it is not necessary to put credit unions into separate tiers or categories for this purpose by doing so this places a limit on the ability of the credit union to develop and better serve their members. Excessive or misplaced regulation will severely challenge the ethos and focus of credit unions.

What is needed is a transparent regulatory system tiered by reference to the scale of each credit union where regulatory targets are set out for the various areas of operation and credit unions are monitored to ensure they meet those targets. The steps of which the Regulator must then take if these targets are not met must be entirely clear and a mechanism for credit unions to appeal such orders/decisions must be provided.

#### **4.8 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.**

Chapter 23 strongly objects to this proposed tiered regulatory approach for credit unions. The Commission on Credit Unions introduced the idea of tiered regulation for credit unions. It was supposed to be three tiers:

- Assets <€10 million
- Assets between €10 million to €100 million
- Assets greater than €100 million

How is it possible to regulate a credit union who have €10 million in assets or less the same as a credit union with €99 million in assets?

A credit union with €10 million faces different problems and challenges to a credit union which has €99 million in assets. There is a vast difference between the size of problems these credit unions face.

It was envisaged under the Commission on Credit Unions that smaller credit unions would be subject to simpler regulation however, this consultation paper now suggest differently.

### 5.12 (i)

**Do you agree with the proposals for the operation of the two category approach for credit unions set out in section 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 making 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.**

Chapter 23 disagrees with this and feels that it further restricts credit unions. Some credit unions have already placed a cap on member's savings but should be able to change this if it is felt necessary. This proposal of a "cap" on savings of 1% of assets or €100,000 is very restrictive.

Credit unions already face challenges in trying to increase their loan book due to restrictions on lending limits and even the demand for lending. This proposal would further restrict credit unions capabilities.

We strongly object to the "Restricted Person Limits". Credit Unions Board of Directors and Oversight Committee members are volunteers and as such make a conscious decision to give freely of their time to ensure the continuation of not only their local credit union but the movement in general. Why should anyone other than the person volunteering be restricted? As volunteers we understand that we are held to higher standards and cannot apply for a loan under the normal procedure. What happens to treating each member equally? This is discriminating against the member. Furthermore define "a member of the family of a member of the Board of Directors or the management team of a credit union".

### 5.12 (ii)

**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 supporting rationale and the associated additional requirements.**

Credit Unions strive on a continual basis to improve services for their members and in doing so are always trying to find new additional services to better serve their member and their needs.

However, the tiering as envisaged in this consultation paper would prevent credit unions less than €100 million in category 1 from doing so. This further restricts credit unions as they strive to serve their members to the best of their ability.

### **6.3 (i)**

**Do you agree that a provisioning framework should be developed for credit unions as proposed in section 6.2? If you have additional proposals please provide them along with supporting rationale.**

No, Chapter 23 does not agree that this should be introduced as it appears that the regulator is trying to micro-manage credit unions. The process needs to be transparent and this is not the case. There are no explanations given for this approach and the changes which differ from the Commission on Credit Unions yet throughout the document credit unions are asked to give a rationale for all their answers.

### **7.2 (i)**

**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.**

No, Chapter 23 does not agree that this regulatory approach should be introduced. The Central Bank needs to engage with credit unions and their representative bodies during which the Central Bank needs to listen.

To conclude Chapter 23 would urge the Central Bank to consider that the Irish Credit Union movement have 70% penetration and is the envy of credit unions worldwide. “The Credit Union Model” is referred to throughout the document yet no other “Credit Union Model” have been able to replicate the success of the Irish Credit Union movement.