



**SUBMISSION FROM**

**e-services & communications credit union ltd**

**IN RESPONSE TO**

The Central Bank of Ireland's Consultation on  
the Introduction of a Tiered Regulatory  
Approach for Credit Unions  
CP76

31<sup>st</sup> March 2014

## **Introduction**

e-services & communications credit union (The “Credit Union” or escu) appreciates the opportunity to make a submission in respect of Consultation Paper CP76, the proposed introduction of a tiered regulatory framework for credit unions (the “**Consultation Paper**” or “**CP76**”).

escu welcomes the introduction of a strengthened regulatory framework for the credit union sector. escu commends the initiative of the Central Bank to ensure consistency and clarity in the manner in which credit unions calculate their provisions.

The submission has two parts, the first part contains escu’s general comments and observations in relation to the Consultation Paper. We have also sought to make suggestions or recommendations in respect of the Consultation Paper where appropriate.

The second part responds to the specific questions posed in the Consultation Paper. It includes examples of the potential effects on the introduction of the tiered regulatory regime and its impact for the Credit Union. The Credit Union will be in a better position to further analyse the financial impact of the current proposal for escu once the Central Bank’s regulatory impact analysis is complete.

We hope these submissions are of some assistance to the Central Bank in its review of the Consultation Paper CP 76. We are happy to discuss any aspect of our submission with you at your earliest convenience.

## **Part One- General Comments**

### **(a) Contradiction – one size fits all approach – Type One**

escu notes that one of the key recommendations of the Commission on Credit Unions<sup>1</sup> was that credit unions should not be regulated on a ‘one size fits all’ basis. The Commission on Credit Unions recognised and valued credit unions’ unique characteristics. The Commission had a positive approach to the credit union sector with a number of recommendations for its future growth and sustainability.

The Commission on Credit Unions was conscious of the varying sizes and different business complexities of credit unions. Following its extensive analysis, the Commission on Credit Unions recommended that any proposed regulatory requirements put in place should be proportionate to the nature, scale and complexity of the credit union.

The Central Bank in its Consultation Paper acknowledges the recommendations of the Commission on Credit Unions. However, there appears to be a contradiction in its approach in that it fails to recognise the unique nature, scale and complexity of individual credit unions.

---

<sup>1</sup> 30<sup>th</sup> March 2012

Throughout the Consultation Paper there is considerable emphasis on a credit union's asset size and scale without any meaningful discussion of any other aspects of the credit union's business model. It is disappointing that there is no mention of key matters such as a credit union's common bond or membership size.

It is disheartening that under the tiered regime, all credit unions (regardless of their nature, scale and complexity) are initially all universally placed into Type 1 as a transitional arrangement.

Arguably, this initial Type 1 categorisation is in itself a 'one size fits all' approach to credit union regulation by the Central Bank. This approach is not consistent with the spirit or intention or recommendations of the Commission on Credit Union's Report.

### **(b) No Flexibility or Guidance**

Unfortunately, there is very little guidance offered in the Consultation Paper as to how any credit union with a Type 1 designation can advance or progress to Category 2.

From the limited information provided in the Consultation Paper, it would seem that a Credit Union may only make a submission once a year to change its categorisation. It is also unclear if a credit union can change its status from Category 1 to Category 2.

Moreover, there is no mention of a process whereby a credit union can appeal a categorisation by the Central Bank.

Notwithstanding the Central Bank's stated objectives outlined in the Consultation Paper, credit unions are not afforded the flexibility to operate different aspects of their business under the proposed tiered regulatory approach.

There is a very real danger that if the tiered regulation is introduced in the form proposed in the Consultation Paper that it will inhibit growth and future development of the credit union sector. Rather than enhance the credit sector the proposed regulation may adversely affect the viability of the sector by discouraging sustainable business models.

There have been some concerns voiced in the credit union movement that the proposed approach is flawed and that it may restrict the credit union's business model particularly in the case of smaller credit unions.

### **(c) Regulatory Impact Analysis**

There is very little evidence of any regulatory impact analysis conducted by the Central Bank in relation to the proposed tiered regulation and any consideration of alternative options.

### **(d) Lack of connection with PRISM**

Sadly, there would appear to be a disconnection between the Central Bank's risk based supervision approach (PRISM) and the tiered regulatory approach.

While e-services & communications credit union ltd like many other credit unions was designated a PRISM rating following the Central Bank's extensive PRISM inspections, the PRISM rating appears not to be taken into account. Instead, all credit unions are immediately allocated a transitional Type 1 categorisation.

We would argue that e- services & communications credit union ltd should initially be classified in Category 2 in terms of the existing range of services it currently provides. As a larger credit union with assets in excess of €100 M<sup>2</sup>, escu falls into the higher tier. Consequently, it should immediately be subject to more complex requirements.

If a larger credit union is already duly authorised by the Central Bank to provide commercial lending which is less restrictive, it should immediately be classified into Category 2 Credit Union (Type 3). This Category is further illustrated in the chart on page 21 of the Consultation Paper.

Instead, such a credit union will be bundled into a Category 1 type classification. Where this credit union continues to carry on the commercial lending activity (which it was previously authorised to do by the Central Bank) while in the transitional Category 1 it is in breach of regulation and this may jeopardise its authorisation from the Central Bank.

#### **(e) Two tiered approach instead of a three tiered approach**

We are surprised from a reading of the Consultation Paper that the Central Bank proposes to introduce a two tiered approach which is at variance with the three tiered model envisaged in the Report published by the Commission on Credit Unions.

The justification for a two tiered approach appears to be primarily based on a cursory analysis of other international jurisdictions namely the UK and Ontario, Canada.

This does take into account the unique Irish experience, the introduction of prudent regulation over the past two years, including the fitness and probity regime.

Unfortunately, there is no examination of the credit union's business model, its profile of membership, its loan book, the nature and range of activities and services which the credit union provides together with its operational model.

#### **(f) Too restrictive**

The culture of credit unions is distinct when compared with other financial services sectors. Unfortunately, there appears to be very little consideration of this unique nature in drafting the tiered regulation.

---

<sup>2</sup> As at 30<sup>th</sup> September 2013, escu has assets of €179M and reserves of €32.2M.

If the tiered approach as proposed under the Consultation Paper is introduced, it will effectively discourage credit unions from providing additional services to meet their members' needs. Credit unions will find it costly to continue providing existing services to its members.

Credit Unions which currently provide products and services to members will effectively be discouraged from doing so under the proposed two tier category approach.

The tiered regulation approach is very restrictive in terms of lending, investments, savings, additional services, reserves and liquidity. It does not reflect current market reality.

Clearly, credit unions promote financial inclusion in Irish society. They play a key role in social lending and providing financial services and products to its members. In providing their products and services and in particular, basic payment accounts for their members, credit unions meet the needs of lower income groups and the unbanked.

There is a real risk that the proposed regulation may create a climate of financial exclusion. The provision of access to credit for those that need it and can afford it will be severely restricted causing considerable hardship and inconvenience for members.

#### **(g) Primary objective - easier to regulate**

Notwithstanding the stated objectives of the Central Bank in the Consultation Paper, it would seem that the proposed tiered regulation appears to be drafted primarily to serve the Central Bank's needs by making it easier to regulate multiple credit unions rather than an attempt to accommodate credit union's existing business models within the tiered regime.

#### **(h) Governance – dedicated and in house resources**

The Credit Union commends any initiative to achieve a robust standard of corporate governance across the credit union sector. It welcomes any guidance notes issued by the Central Bank to comprehensively set out the standards and obligations in respect of corporate governance within credit unions. The Credit Union has introduced various changes to its structure and organisation in line with the Fitness and Probity regime.

The Credit Union is gravely concerned that the governance measures introduced in category 2 appear to go beyond what is required for other comparable financial institutions.

Specifically, the Credit Union raises objections to the proposal to have a 'dedicated' Risk Management Officer, Compliance Officer and Internal Audit Function. It notes that dedicated in this sense, as defined in the Consultation Paper means that such a person

must effectively be an in house resource in the Credit Union, with no other responsibilities in the credit union.

Most credit unions carry out activities with limited resources and are reliant on its loyal and devoted staff. Over the past number of years, escu has invested considerably in its staff to ensure that they have the required skills and competencies relevant to their roles. This training is actively encouraged by Management to ensure that the quality of services to members is enhanced. Continuing professional development is a core aspect of the range of educational arrangements provided by the Credit Union and is vital to the Credit Union's core Succession Plans and the individual employee's career path and career progression.

It is very common for staff in financial institutions to have dual roles. For example, in e-services & communications credit union ltd's current organisational structure the CFO is also the Credit Union's Compliance Officer. Such an arrangement is in line with Section 76D(2) (a) and (b) of the Credit Union Act 1997, as amended as it is possible for officers to hold another position in the Credit Union.

It is good practice in many financial institutions for their employees to have combined related roles as a cost savings measure but also as a compliance device. It is common in larger financial institutions to have a flexible organisational structure. It is usual practice for a Legal Department in a large financial institution to have an employee carrying out a number of distinct roles for example as Corporate Lawyer, Compliance Officer and Risk Management Officer. Under existing Credit Union legislation, it is permissible for a credit union officer to hold a dual role such as for example Compliance Officer and Risk Management Officer.<sup>3</sup>

Under the proposed tiered regulation no such flexibility is envisaged. Effectively, the credit union employees will be prohibited from having dual roles such as Risk Management and Compliance Function. e-services & communications credit union ltd's dual CFO's Compliance role will be untenable as it will be in contravention of the anticipated tiered regulation.

Furthermore, the Credit Union notes that the Commission on Credit Unions envisaged future collaboration between credit unions and the use of shared resources. There was also consideration of outsourcing by credit unions.

This was contemplated and expressed in the Credit Union Handbook chapter 10 on Governance. It discussed the new functions and roles, specifically the Risk Management Officer, Compliance Officer and Internal Audit Function. It stated that "it is a matter for the board of directors to determine whether functions should be performed in- house, through a sharing arrangement between credit unions or outsourced to a third party service provider."

---

<sup>3</sup> Section 76C (2) (a) and (b) and Section 76D (2) (a) and (b) of the Credit Union Act 1997 as amended.

The Credit Union is disappointed that the definition of ‘dedicated’ in CP76 is very limited. The Central Bank does not appear to permit credit unions to outsource either the Risk, Compliance or Internal Audit Functions to third parties.

It does not appear to contemplate credit unions having a shared resource such as Compliance, Risk Management or Audit Function.

To illustrate this point further, it is noted that the term ‘dedicated’ in CP 76 is further defined as being ‘in house’. This would appear to imply that the Credit Union is required to engage 3 entirely separate employees to fulfil the 3 separate Functions of Risk, Compliance and Internal Audit.

Lastly, the proposal that the Credit Union should have a dedicated Internal Audit Function which is in house is somewhat excessive. Such an arrangement is more appropriate to a large banking organisation with assets in excess of €500M.

#### **(i) Reduction in the decision making function of the Board**

One of the key driving forces behind successful businesses, including credit unions, is the quality of both governance and management. This includes the manner in which thinking processes and decision making are oriented. Strategic thinking requires a future vision if decisions impacting viability are to be made and acted upon.

Merely formulating an effective strategy is not enough as successful execution is facilitated by the right business model within the Credit Union. There should be a properly embedded risk management and governance framework in place. The risk management structures should have appropriate risk mitigation strategies.

Sadly, the strategic decision making functions of the Board are being somewhat eroded and undermined by the draft tiered regulation. By attempting to eliminate risk in credit unions, the Central Bank effectively encroaches upon the Credit Union’s democratic decision making processes.

Under the new regime, the Boards of credit unions will be restrained from managing a viable credit union business model instead the focus will be on risk avoidance.

From a reading of the Consultation Paper, there would appear to an over emphasis on the elimination of risk as opposed to the careful management of risk.

#### **(j) Restricted persons**

There is already a comprehensive arrangement in place whereby under Section 36 of the Credit Union Act 1997 as amended, loans to an officer of a credit union must be approved by the Special Committee. The Special Committee is comprised of a majority of the Board of Directors of the credit union together with at least one member of the Credit Committee.

The Credit Union has imposed considerable changes to its organisational structure and processes to ensure that there are no conflicts of interest in relation to the provision of loans to members. On appointment, Board members complete a related party declaration identifying members of the credit union to whom they are related. Moreover, Directors are required to declare an interest in a contract at a Board meeting and excuse themselves from decisions relating to such a contract.

Under the proposal under CP 76, the Central Bank wishes to impose limits for restricted persons. This is the greater of €200,000 or 5% of the regulatory reserves of the Credit Union. While commendable, this is in fact very difficult to monitor or enforce in practice.

The full range and category of persons defined in Section 2(1) of the Credit Union Act 1997 as amended is all encompassing. With respect to members of the family, this will include persons who are related but not in fact living in the same household or roof as a member of the Board of Directors, the Management Team of the Credit Union.

By comparing a restricted person as defined under the proposed tiered regulation with a comparable provision under Irish Companies legislation it would seem that proposed credit union regulation is more limiting.

A 'connected person' as construed under Section 26 of the 1990 Companies Act 1990 means being a director's spouse, parent, brother, sister or child. These are effectively mostly lineal descendants.

By contrast, the definition of restricted persons includes collateral or remoter relations which are excessive, manifestly unfair and extremely difficult to enforce or manage.

In any credit union, it is conceivable to have members who are related to one another particularly community credit unions. It is easy to identify immediate or primary family members who are related to restricted persons such as Board members or Management. It is somewhat unreasonable to expect Board members and Management to identify secondary family members such as cousins.

Arguably, this superfluous restriction may in fact be open to constitutional challenge.

### **(k) Overburdening Credit Unions with Legislation**

Over the past two years, the credit union sector has undergone sweeping and dramatic regulatory changes. Following the introduction of the Credit Union & Cooperation with Overseas Regulators Act 2012, credit unions have changed their governance structures, to meet these new requirements. They have tightened internal structures and processes to ensure there is an appropriate emphasis on separation of powers between the Board and the Manager. There is a clear division of labour between executive and non executive



functions. The Manager is responsible for the day to day operations of the credit union whereas the Board is responsible for strategic direction and vision.

Risk Management Officers and Compliance Officers have been appointed as well as an Internal Audit Function to provide assurances to the Board and the Central Bank in relation to compliance and risk mitigation measures.

Following the introduction of the Central Bank (Reform) Act 2010, credit unions have introduced appropriate measures to ensure fitness and probity standards for officers of the credit union in line with the new regime.

Moreover, a number of credit unions have also implemented key changes following PRISM inspections by the Central Bank.

The current existing regulatory requirements which have been introduced over the past two years are primarily designed to ensure that professional and sound practices are present in credit unions. This regulation endeavours to make sure that credit unions are well run and well managed. Credit unions are required to be financially sound. They must adopt and adhere to responsible, prudent and robust lending practices and make arrangements so that the savings of members are protected.

Following each of these regulatory changes, it is difficult to understand the introduction of the tiered regulation in the form proposed as it seems disproportionate to the objective of having a viable credit union sector.

Rather than complementing existing credit union regulation, it would seem that the tiered regulation has been drafted in isolation.

## **PART TWO**

**(i) 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.**

No, we do not agree with the proposed regulatory approach in the Consultation Paper. The Consultation Paper provides that the proposed tiered regulatory approach allows credit unions the “*flexibility to operate different aspects of their business with differing levels of nature, scale and complexity*”, for example a credit union could opt to “*invest in a limited range of investments but may engage in more sophisticated lending activities*”. We do not agree that the proposed approach achieves this level of flexibility.

We see no logic as to why all credit unions start the process as a Category 1 credit union. We would be of the view that the Central Bank has access to the necessary information that would enable them to categorise credit unions accordingly. Many credit unions including ourselves underwent comprehensive PRISM inspections by the Central Bank, yet the information derived from such inspections and the risk categorisation of credit unions under the PRISM regime is remarkably absent from categorisation under the

proposed 2 category approach. It is unacceptable that credit union’s ability to meet members’ needs will be reduced by being forced into category 1 and will be expected to overcome the unquantified obstacle of applying for category 2.

*(ii) 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 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.*

The operation of the 2 category approach as defined in the Consultation Paper is too simplistic. It imposes restrictive regulation and does not reflect current business requirements, or the potential development of credit unions. We have set out our concerns under the following headings. It is important to point out that the following observations are based on our own financial analysis.

### 1. LENDING

It is crucial that regulation does not prevent access to credit for those that need it, and, can afford it.

The Report from the Commission noted that credit unions are significantly under-lent. A tiered regulatory approach should aim to address good and sensible lending practices and will not adversely impact on income generation and the sustainability of the credit unions.

Restrictions on the ability to lend, and, thus impacting on the credit union’s ability to meet member needs and sustain core business, are illustrated in the Charts below.

- Chart 1 reflects the restrictions imposed on home loans
- Chart 2 reflects the restrictions imposed on non-personal lending

Chart 1 demonstrates restrictions on the number of home loans that can be provided by a category 2 only Credit Union and the impact such restricted lending limits will have on returns.

Chart 1: **Home Loans**

	Current Loan Book	15% > 10 years	Number of Loans 150k\ 200k	Build over 5 years	Avg Interest @ 2% for first 5 yrs	Next 5 years
<b>escu</b>	26,790,773	4,018,616	30	803,723	50,300	89,800

It is evident from the above Chart that the returns from home loans, in particular due to the limited volume that a credit union can offer (loan book of €26.7 million we are limited to 30 home loans). The obvious difficulty with this is that once the volume is reached (ie 30) the credit union is effectively barred from offering further home loans for numerous years *and indeed any loans governed by Section 35 that are greater than 10 years.*

Furthermore, credit unions are obliged to demonstrate the ability to underwrite such loans, and incur the cost of achieving the capabilities required. Without the ability to increase the volume returns, especially after 5 years, are concerning and note-worthy. It is questionable, under the proposed structure, if a viable product exists for any credit union to offer. Furthermore, the cost to implement this product line will far outweigh the limited earnings that can be made because of the limit restrictions. This is especially concerning any future developments for the sector.

Chart 2 below illustrates the restriction on non personal lending.

The concentration limits proposed under CP76 for non-personal lending are:

- both Category 1 and Category 2 Credit Unions can undertake lending to other Credit Unions up to a total amount outstanding of 12.5% of Regulatory Reserves;
- both Category 1 and Category 2 Credit Unions can undertake community lending up to a total amount outstanding of 25% of Regulatory Reserves;
- Category 1 Credit Unions can undertake commercial lending up to a total amount outstanding of 25% of Regulatory Reserves; and
- Category 2 Credit Unions can undertake commercial lending up to a total amount outstanding of 100% of Regulatory Reserves

Conscious of the need to grow the loan interest income in order to future proof consideration should be given to the removal of limits. Esccu have the skills and capabilities required and can support this via the appropriate policies and procedures, we view the inclusion of thresholds as a restriction to developing such lending products.

Chart 2 below illustrates the limited income that could be generated as a result of the limits proposed. Similar to the home loans scenario above it is questionable as to the viability of providing such products.

**Chart 2: Non personal lending**

	<b>Reserves 2013</b>	<b>To Other CU 12.5%</b>	<b>Communit y Commerci al (1) 25%</b>	<b>Avg Annual Lending</b>	<b>Income @3% margin</b>	<b>Commerci al (2) 100%</b>	<b>Avg Annual Lending</b>	<b>Income @3% margin</b>
escu	24,790,773	3,098,846	6,197,693	850,000	25,500	24,790,773	850,000	120,000

A third area of concern on the proposed lending arises in relation to restrictive person limits. Credit unions are currently obliged to set up special committees to approve loans to restrictive persons. The Consultation Paper proposes introducing financial limitations and requirements for lending to such persons for both Category 1 and *Category 2* credit unions.

Esccu has grave concerns with the introduction of such financial limitations which provides a blanket restriction without taking any account of the credit worthiness of individual members.

This further restricts the ability of the credit union to generate an income. It seeks to eliminate any risk that may be associated without taking cognisance of the ability of the Board, through the special committee, to manage the risk associated with members that fall within this category.

The proposal appears to take no account of the higher governance and risk management obligations imposed on a Category 2 credit union.

## **2. SAVINGS**

The tiered regulatory approach proposes to reintroduce the limit of €100,000 for Category 2, and for Category 1 proposes a limitation the *lower* of €100k or 1% of assets. The latter provides further restrictive measures than is currently under legislation and gives rise to question what, if any, relevance this has to Tiered Regulation?

Such limitations places credit unions in an anti-competitive position especially for Credit Unions that wish to develop and offer products comparable to Banks.

It is also questionable whether such a limitation will allow credit unions to meet members' needs now and into the future.

A tiered regulatory approach is a means of lifting the restriction for those credit unions that have the ability to manage and extensive deposit and saving deposit.

Furthermore, the CP proposes to limit total deposits to max of 50% of total savings for C1 and 75% for C2 credit unions. This restricts the move to an asset and liability matching model and will have a future impact on the development of the sector. The credit union should be free under the right risk management structures to match long term deposits with long term loans. .

## **3. INVESTMENTS**

escu has contributed to the detailed analysis work conducted by Davys in assessing the impact of the proposed changes to investment classes and limits. Appendix 2 attached to

this paper shows an analysis of the impact of the proposed changes under CP 76 for Category 1 and Category 2. Unfortunately, the consultation paper does not provide any insight to the rationale for proposing such radical changes to the investment framework.

Based on a high level assessment of our investment portfolio it is our belief that Investment income will be adversely affected and subsequently the proposal will act as a further impediment to growth and development.

The proposed investment framework will increase reliance on call deposits. This could see a reduction of up to 0.75% on yields – which is a very significant drop in earnings.

By introducing a max of 5 years under Category 1, escu would be forced to remove €40m of Government Bonds which are not due to mature until 2023/2024.

By introducing Regulatory Reserve as a measure to limit counterparty risk, it presents complications in terms of management. In addition, from our analysis the counterparty limit of 100% Regulatory Reserves (see Appendix 2), we will be required to remove €8.6m from Irish Life & Permanent and place in lower interest return credit institutions.

We expect the income derived from investments will decline resulting from these new rules and the cost of monitoring and administering them is likely to increase. This is further compounded by the lower yielding universe of authorised asset classes and investments, the wider range of counterparties required and all at a time when it is already very difficult to generate income.

Following the analysis there is potential for significant deposit outflows from the Irish banking system.

We are also concerned that the imposition of restrictive criteria could inadvertently tempt some credit unions into making riskier investments, compliant with the rules, than they would normally consider.

#### **4. LIQUIDITY**

We are very concerned that the proposed definition of liquid assets is extended to include a requirement of 10% of Unattached Savings to be available up to 7 days and 15% to be available up to 1 month. As illustrated in Appendix 2 you will note that a high proposal of our savings are unattached (90%) and if this proposal comes into effect we would be in breach as follows:

<b>Description:</b>	<b>Value required to be held</b>	<b>Current</b>	<b>Additional Req</b>
0-7 days	€13.2m	€3.7m	€9.5m
Up to 1 Month	€19.9m	€12.2m	€7.6m

#### **5. GOVERNANCE**

Having a requirement, for instance, for a *dedicated* risk management officer, compliance officer, or, internal audit function, as defined in the Consultation Paper, does not mean more prudent risk management or compliance frameworks are in existence. Terminology as “dedicated” and “in-house” when setting requirements for such engagements is inadequate and inappropriate.

It is clearly evident that minimum competency requirements are a more appropriate bench-mark. In some instances, outsourcing the engagement may be a more prudent and viable alternative for a credit union. The terminology used in the Consultation Paper makes no reference to fitness and probity in the context of these officers. Whilst the 2012 Act imposes mandatory obligation on each credit union to engage such officers, the level of engagement should remain a matter for each credit union to determine depending on the nature scale and complexity of their business model.

The Consultation Paper also provides that such officers should not hold any other responsibilities in the credit union. We question the logic behind a total restriction of this nature. The proposed approach ignores competencies and abilities of the officer and the ability of the Board to make a prudent decisions with regard to engagement of such officers.

The Act provides that such officers can hold another position in the credit union<sup>4</sup>. Whilst the Act also provides that the Central Bank has the power to prescribe certain positions as inappropriate to hold whilst the officer is in the role of risk management officer (or equally the compliance officer), we would question whether this section was envisaged as allowing a blanket ban on holding other positions within the credit union of otherwise.

Finally, the requirement for Category 2 credit unions to appoint external consultants to oversee Board rotation is unnecessary and inappropriate. We strongly oppose the requirement for external oversight in this regard.

***(iii) Are there any areas where credit unions could provide new additional products or 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.***

Debit Card- Business Case has been provided to the Central Bank 11<sup>th</sup> March 2014.

***(iv) 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 the supporting rationale.***

We feel the methodology for provisioning-General & Specific should be outlined in a Policy and agree that a provisioning policy must ensure consistency with the

---

<sup>4</sup> Eg Section 76C(2)(a) and (b)

requirements of section 108 of the Credit Union Act 1997, as amended and all relevant accounting standards.

***(v) 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.***

Tiered regulation should be introduced as soon as an appropriate tiered regulatory approach is defined. The tiered regulatory approach as proposed under the Consultation Paper would have a dire outcome for the Credit Union sector.

***(vi) 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.***

We cannot comment on commencement dates and transitional periods until a tiered regulatory approach has been decided upon.