

Emyvale  
DISTRICT  
Credit Union Limited



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

27<sup>th</sup> March 2014

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

Dear Ms. Donnery,

The consultation paper as issued from your office in December 2013 refers. Before outlining our position in relation to the specific proposals set out in your document, we would like to state that Emyvale District Credit Union Limited welcomes the proposed introduction of a tiered regulatory approach by the Central Bank in its supervision of Credit Unions.

We are of the view of our Board of Directors that the level of prudential supervision which the Bank imposes on Credit Unions should be relative to the nature, scale and complexity of the entity. This was one of the areas in which the Board of Directors of Emyvale District Credit Union Limited agreed with the recommendations as proposed by the Commission on Credit Unions

However, having reviewed the content of CP76, the Board of Directors has reservations as to the potential impact your proposals will have on both the Credit Union movement and specifically Emyvale District Credit Union Limited. We shall address the following issues in the order in which they were presented in CP76.

Emyvale District Credit Union Limited is regulated by the Central Bank of Ireland.  
When acting as an insurance intermediary Emyvale District Credit Union Limited is regulated by the Central Bank of Ireland.

## **Lending**

**Restricted Persons:** The Board of Emyvale District Credit Union Limited believes that the imposition of such regulation will be derisory to existing Directors and Management in that it will be unfairly prejudicial to their family members. 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.

**Community Lending:** The Board of Directors is concerned with your proposals in relation to Community Lending. Whilst we welcome your acknowledgement that Credit Unions should support local communities, the proposal lack clarity in what you deem Community Lending.

**Lending Limits linked to Regulatory Reserves:** The Board of Directors wishes to make clear our objection 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 of Directors 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.

**Investments:** The Board of Directors clearly 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. Imposing such 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. Imposing requirements on Credit Unions to increase counterparties is inconsistent with the current market in which Credit Unions operate. We strongly recommend increasing the counterparty limits rather than decreasing such limits.

The above raised issues are based on the current information which the Board of Directors has access to. We note under our consultation proposal issued by your office in October 2012 that you will be providing a Regulatory Impact Analysis (RIA) as part of this consultation. In the absence of the information contained in this RIA we are unable to submit further responses and we earnestly await the circulation of this analysis.

In conclusion however, based on the information provided to date, whilst there is merit in your proposals in relation to governance, it is the view of the Board of Directors of Emyvale District Credit Union Limited that these set of proposals are over-restrictive and imbalanced.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Padraig Donohue', with a large, stylized flourish extending to the right.

Padraig Donohue,  
Chairperson,  
Emyvale District Credit Union Limited