

To: Registry of Credit Unions

From: Firhouse Credit Union Limited

Submission "Introduction of a Tiered Regulatory Approach for Credit Unions"

Question 1: Do you agree with the proposed tiered regulatory approach for Credit Unions?

No, we do not agree. Although there are different complexities of Credit Union, all Credit Unions carry out the same functions. Those credit unions who want to expand their services and offerings should opt in to these services by showing they have the expertise and knowledge to carry out more complex facilities. This can be prepared through business plans and strategy.

Question 2: Do you agree with the approach set out in 5.2 – 5.11?

No, we do not agree.

Lending: The Credit Union was designed for use in the community. The majority of our lending is for personal members who use us for productive purposes. There are members of the community who are self-employed or entrepreneurs who require finance and the banks are not lending. We need to assist these members.

Restricted person limits. We do not agree with this as we have a common bond therefore our members will be family members and relations of the directors.

Section 35 is fit for purpose as is.

Small scale business lending should be allowed as this will assist in growing the loan book. There are good, strong businesses who would use the Credit Union. This class of loan could be extended to members of the community who are employing local people and have gone through due diligence with the County Enterprise Board.

Investments Credit Unions need to diversify risk across a number of counterparties. They also need to avail of a good rate of return on their investments. This can only be done by using investment instruments which are structured to maximize returns while using a broad range of counterparties. Bank bonds are 100% capital guaranteed and some rank pari-passu with deposits. With the new **Bail in** regime coming in 2018 regarding deposits we feel that the existing guidance notes on investments should remain the same. It should also be noted that restricting Credit Unions to deposits will only serve to encourage banks to reduce interest rates further as they will be aware that Credit Unions will have no choice but to accept same. The new proposals are effectively encouraging uncompetitive deposit rates from banks.

If larger credit unions want to avail of other types of investments outside the current guidance notes, they can apply to the registrar.

If the registrar continues down this path our investment income will half and put our Credit Union in a situation where we may not be able to pay a dividend to our members and the outstanding service to our members will suffer.

We are loyal to our country and would like to invest in our own banks. We think 30% would not be unreasonable.

The maximum term should be at least 10 years where a Credit Union has loans out to this term. Matching loan length with investment criteria will align exposures.

The type of investment should be aligned to the complexity and expertise of the Credit Union. Application to the regulator to invest in complex instruments would mean that Credit Union will only invest in the type of investment they have the expertise to use.

Savings We have no issue with the savings limit of €100,000 as this is our limit. We believe if a person has more than this they should be investing in higher interest earning accounts.

The Board

31/03/2014