

# Central Bank of Ireland's Consultation on the Introduction of a Tiered Regulatory Approach for Credit Unions: Consultation Paper CP 76

Gorey Credit Union Ltd – Submission  
20/3/2014

- 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.*

**We do not understand the rationale for dismissing the recommendation of the Commission Report for a three-tier categorisation of credit unions. While only two jurisdictions have a two-tier regulatory approach as outlined in CP76, why was this deemed to be the most appropriate? The recognition and acknowledgment that smaller credit unions may be run on a voluntary or part-time basis as opposed to medium sized credit unions is lost in amalgamating these two categories. We further believe consideration should be given to categorisation to include additional services as mentioned in (iii ) and therefore we do not agree with this approach.**

- 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.*

**We consider the limits contained therein are too prescriptive and take no cognisance of a rapidly changing financial environment. Best practice for investment diversification with minimum gross capital guarantee should be considered as an alternative, thereby allowing credit unions to respond in a timelier manner to investment opportunities. Lending type limits give no consideration to diverse requirements at local level within various communities. Category 1 maximum term does not allow for any extenuating circumstances. While we accept the rationale for restricted persons' limits, we believe the limits are too restrictive and each credit union should document its own limit in its lending policy. Category 2 savings limit is anti-competitive and should allow these credit unions set a limit subject to asset size and risk. There is no facility for developing alternative savings products that may provide for no return on savings thereby creating no risk. Reserves for Category 2 should be risk weighted as the norm and include a minimum operational reserve with the appropriate calculation formulae being provided by Central bank. We believe this to be a more realistic method of reserving. Based on the above, we do not agree with the proposals as outlined.**

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.*

**All credit unions should be allowed offer any current financial services or products from providers regulated by Central Bank weather as a referrer or as agent within the ability of that credit union. Minimum competencies, skill-sets, due diligence on product provider, risk assessment and appropriate insurances should be carried out/in place, properly documented and prior minimum notice provided to Central Bank before commencement of any service. We consider this approach would help self-regulate credit unions while promoting opportunities for on-going services development. We believe this fits well with our operating principles and ethos.**

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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.*

**While we are in general agreement with the thrust of the proposal, we believe Section 35 should be reviewed and amended in the context of risk assessment in individual circumstances.**

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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.*

**We believe that most credit unions have dealt proficiently with PRISM visits, on-going loan book reviews and daily operations simultaneously that the introduction of the regulatory approach at this time will not present any further undue difficulty.**

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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.*

**The proposed timelines appear to us to be reasonable.**

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