

1. Introduction of a Tiered Regulatory Approach for Credit Unions

Inchicore & District Credit Union Limited

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Inchicore

Dublin 8.

Response to Consultation Paper 76

4.8 The Central Bank is seeking views on the following:

(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.

A tiered approach may be appropriate if as, envisioned by the Commission on Credit Unions, it is proportionate to the complexity of the services offered. We do not believe that it should be purely based on size.

Any tiering of credit unions must not become a management tool for the bank that is charged with the regulation of credit unions.

If credit unions wish to remain with the services they are allowed by law there should be no need to categorise them in a tiering structure.

It is our understanding that there is no such structure in the United States where credit unions offer a more sophisticated range of services.

We are of the opinion that tiering may not be necessary.

(i) 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.

(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 the supporting rationale and the associated additional requirements.

Lending

It is difficult to answer this question for Inchicore Credit Union alone. If we remain as is the necessity to apply for permission to offer more sophisticated services may not exist. We are aware that in the future larger credit unions may wish to offer these services. A mechanism for them to provide these services will be required, not necessarily a tiering system.

The 1997 Act (Section 35) is workable by us and the suggestions for category 2 seem reasonable provided they are not used to micro manage a credit union if another system is not readily available.

While we recognise that exposure to connected persons can be risky to credit unions we are at a loss to understand why this concept has been widened to include such a large category of people. Inchicore Credit Union has a robust credit policy which recognises the right of each member to obtain credit from the credit union with prudent underwriting requirements. Connected members are provided for in the policy recognizing the requirements of the Bank and in keeping with sound lending principles.

Savings

We currently operate within the proposal but are concerned that if in the future we needed to increase this limit would we have to apply for category 2.

Investments

The credit union has a large amount of member's savings in Investments. As such we have a fiduciary responsibility to earn a return from investments that are safe and in compliance with the law. We believe that in seeking to narrow the term limit, the investment in deposits only and the increase in counter party from 4 to 6/7, the management of the credit union is being transferred from directors to the Bank. By relating counterparty risk to Regulatory Reserve we believe this will prevent credit unions from managing our members' money.

The effects of Basel 111 may further exacerbate this problem

Reserves

That current Regulatory Reserve requirement is acceptable to us. Provided the operational risk requirement is assessed having regard to the nature, scale and complexity of the credit union we accept that this may be necessary.

Liquidity

The proposals as set out in 5.10 are generally being observed by Inchicore Credit Union. The proposal that the assets of the credit union to be held in liquid form will be at least 10% of unattached savings

available will be available up to seven days and up to 15% available up to one month does not take account of the spread of shareholding. For example is there a concentration of large savings or is the spread wider?

The Central Bank is seeking views on the following:

(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 the supporting rationale.

Provisioning

The provisioning framework used by our credit union utilises most of the content as set out in the proposals. We are in compliance with section 108 of the Credit Union Act 1997. We wondered what the rationale of the bank for this proposal was.

(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.

(ii) 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.

Timescale for the implementation of the tiered regulatory approach

We believe that time is needed for more stakeholders meetings with representatives of the Bank is necessary. While written submissions are helpful to both parties we believe that face to face meetings are vital to get buy-in from credit unions.

We are currently beginning to get our governance structure working in accordance with the requirements of the amended Act. We believe that allowing credit unions time and space to implement all of those requirements once all parts have been enacted.

The more consultation between credit unions and the Bank the better the process will be.

Sent on behalf of the board & management by the Honorary Secretary

Anne Forde

