

## **Introduction of a Tiered Regulatory Approach for Credit Unions.**

Responses to questions:

Q1. We agree with a regulatory system but have great reservations with regard to the proposals as outlined in consultation document. From the outset we would strongly recommend that a commitment be put in place to review the workings of any new regulations after a three year period has elapsed. The regulations as currently constructed appear to be an attempt to micro manage Credit Unions and this is particularly evident when viewed in the context of lending limits for “Restricted Persons” (the definition of “family” needs clarification). Smaller Credit Unions (up to €20m) should have a more simplified working framework which better reflects their resources both in the terms of finance and personnel and takes appropriate cognisance of the services being provided.

Q2. In terms of the need to protect the interests and welfare of the Credit Union membership we concur with sentiment of the proposed regulations but as currently outlined do not regard them as practical or workable.

Q2. In recognition of the current and upcoming changes in the conduct of personal financial transactions (the reduced usage of cash and cheques) the Credit Union movement has put in place an appropriately licenced independent facility, (CUSOP) which provides members with additional services such as ATM withdrawals and direct debit payments. The provision of these new services should be actively encouraged and fully facilitated by any new regulatory system leading to their eventual availability to all credit unions.

Q4. Any proposal in relation to provisioning should be properly weighted to reflect the sundry constraints surrounding the granting of loans by Credit Unions which are theoretically designed to reduce the scale and volume of default. Inordinate provisioning requirements coupled with excessive lending constraints could lead to circumstances of uneconomic or unviable operational procedures for Credit Unions which would result in members being obliged to seek alternative sources of credit. The imposition of excessive and consequently expensive provisioning requirements could impact severely on the future viability of smaller Credit Unions. Our opinion on this aspect of the proposed regulations is purely observational as the consultation document does not appear to contain any solid or tangible proposals on the topic.

Q5. Introduction of a new tiered regulatory system should be deferred to:

- a) Give Credit Union more time to incorporate into their management systems and procedures the existing new regulations.

- b) Allow further consideration of an alternative regulatory system that more accurately reflects the true nature and ethos of smaller local Credit Unions.

Q6. In general times the timelines set out in Section 7.1 do not appear to take any account of the part-time and voluntary nature of the membership of Credit Union Boards and in this regard the vacationing months of June through to the end of September should be discounted from any timelines.

We are strongly opposed to the regulations as outlined in the consultation paper as they fail completely to take account of the voluntary ethos and ideology of the local Credit Union movement. There is a need for a much greater diversity in the strands of regulation required for the various types of Credit Unions within the overall movement.

Board of Directors of Manorhamilton & District Credit Union, Co Leitrim