MAYNOOTH CREDIT UNION

Response to Consultation Paper CP76

Consultation on the Introduction of a Tiered Regulatory Approach for Credit Unions

March 2014

1. 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.

In general, we agree with a tiered regulatory approach, however we do not agree with the proposed tiered regulatory approach for credit unions contained within the Consultation Paper. We feel that the Commission had envisaged that smaller credit unions would be subject to simpler regulation. We feel that the proposed tiered regulatory approach will implement further restrictions on the smaller business models and therefore make it difficult for smaller credit unions to operate. The proposed approach is not proportionate relating to the profile of credit unions in Ireland i.e. almost all credit unions would be included within Category 1.

2. 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.

In general, the proposals as set out in 5.1 – 5.11 are too restrictive. The limits and restrictions being proposed appear to be more about micro-managing credit unions that regulating them; furthermore when taken all together, the proposals will potentially undermine the viability of the credit union movement.

5.2.3 Maturity Limits

The proposed maximum maturity limit of 15 years is too low and restricts credit unions potential to grow their loan books, particularly in relation to larger home improvement, or community loans. The maturity limit could also pose problems for credit unions in their efforts to assist members who experience difficulty in meeting loan repayments where loans have to be rescheduled.

5.2.4 Restricted Persons Limits

The proposal in relation to restricting lending to a certain class of persons within the credit union is unnecessary, inequitable and completely unworkable. In terms of lending, we strongly object to the creation of a “Restricted Person” and the proposed lending restrictions that are suggested. We consider this to be creating a second class member which is totally against the ethos of credit unions and feel that it will negatively affect boards, staff and family members. The definition of family is so broad that it would have a detrimental effect on lending capabilities for smaller credit unions. It is also felt that this suggestion would make it more difficult to attract volunteers.

5.3 Investments

The existing 2006 Guidance Note on Investments is satisfactory and is, in general, working well. This should have been the starting point for any new proposals around investments rather than imposing further restrictions, particularly on category 1 credit unions.

Limits on investments with a single counterparty

This should remain at the current 25% of total investment portfolio. The proposals in the consultation paper would require credit unions to spread their investments 6 or more counterparties. This would almost involve moving funds out of Ireland which is not something that Maynooth Credit Union would wish to do. It would also lead to a reduced investment return; and would introduce more risk into the management of the investment portfolio.

5.9.2 Operational Risk Reserve

The current minimum reserve ratio of 10%, based on total assets – at a time when a large proportion of those assets are in government bonds and bank deposits – is more than adequate. The proposed operational risk reserve is therefore not required.

5. 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.

The tiered regulatory approach should not be introduced at this time. In the current environment, many changes were introduced in October 2013 and March 2014 as part of the new Credit Union Act and credit unions are therefore in a transitional phase in terms of implementation of all of the new requirements. The introduction of the tiered regulatory approach therefore should be delayed for at least two years.