

Submission from Mayo Doonane Credit Union Limited relating to the Introduction of a Tiered Regulatory Approach for Credit Unions.

In general, we agree with a tiered regulatory approach. However, 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.

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.

In terms of Investments, we feel that the proposals will greatly impact on the returns that the credit unions will be able to generate on their investments. We feel that the proposals will force credit unions to invest funds outside Ireland as we will now have to hold investments with six or more counterparties as opposed to the current number of four. This also will negatively impact on the potential returns on investments.

In terms of reserves, we feel that it is unnecessary for credit unions to maintain an additional reserve relating to operational risk. Credit Unions are extremely well reserved and therefore the requirement to maintain additional reserves is unnecessary.

It is also suggested to develop a provisioning framework for credit unions. We feel that the current method of provisioning is adequate and do not agree that a conservative and comparable approach to making the measurement and making of provisions is required as the current method of provisioning is sufficient.

Finally, we feel that the timeline for implementation of the proposed tiered regulatory approach is not suitable due to other regulations that credit unions have to deal with as a result of the Credit Unions and Co Operation with Overseas Regulators Act. The timeline for implementation should be extended to allow credit unions to deal with other regulatory changes which are already imposed.