Committee

Chairperson:	Joe Mulvey (St Joseph's Aviation Dublin)
Secretary:	Liam Kelly (St Columba's. Galway)
Treasurer:	Margaret McColgan (Derry)
	Dee Archer (Greystones Wicklow)
	Eileen Murphy (Enniscorthy Wexford)
	Martin O'Sullivan (Ballinlough Cork)
	Maria Byrne (Drimnagh Dublin

NATIONAL SUPERVISORS FORUM

www.nsf.ie

email: Liam.OCeallaigh5@gmail.com

Address for correspondence: Liam Kelly, Secretary, NSF, 85 Lurgan Park, Galway, Ireland

Telephone 0864107673

11th November 2013.

Ms. Elaine Byrne,
Deputy Registrar,
Credit Unions,
Central Bank,
Dame Street,
Dublin 2

Dear Deputy Registrar,

The National Supervisors Forum Committee has reviewed The Central Bank of Ireland's Consultation on the Introduction of a Tiered Regulatory Approach for Credit Unions (CP 76)

After consultations with our members we wish to bring to your attention:-

(i) An Alternative to tiered regulatory approach would be the application of risk-weights to on-balance sheet assets. Basel Committee on Banking Supervision links capital requirements to a percentage of an institution's risk-weighted assets. With the imposition of a tiered system on Credit Unions, the Credit Unions movement will have more restrictions placed on them then new banks entering the market place.

(ii) Proposed changes may impact on the commercial viability of the sector. The NSF belief is that they are too restrictive and that the scale of the proposed transformation is very extensive or substantial. Indeed smaller Credit Unions will not be able to provide loans in regional towns or compete with local banks branches on lending.

(iii) There will be significant Investment Portfolio restructuring by Credit Unions and the returns achievable will be minimal based on existing interest rates. This is based on Credit Unions under the new structure not being able to hold government bonds greater then 5year or 10-15% of portfolio can only be with one bank as the percentage is linked to Capital Reserves. Currently 25% of funds can be held with one institution. Under new approach this will mean excess investment funds will be kept on short term deposits yielding no return.

(iv) The Additional liquidity requirements proposed are very prescriptive and will adversely impact sector. Liquidity Requirement going forward is too onerous with 10% of funds less than 7days and 5% less than 30 giving at present interest rates no possible return to Credit Unions. Credit Unions such have a degree of flexibility in the management of their liquidity requirements.

(v) There will be a severe impact on core services such as savings and loans. It will be impossible for regional town Credit Unions to give a car loan. Further capping of savings at EUR100, 000 while in relation to savings security is reasonable, by making it compulsory it will make banks appear more safe than Credit Unions and will undermine the main reason why Credit Unions have not seen a run on their reserves.

(vi) The proposals will have extra implications for Board Oversight Committees (BOCs) in ensuring compliance by the Boards. BOCs will need support and training to meet the extra workload to determine whether the Credit Union can meet compliance and regulatory requirements. Indeed the extra workload will mean difficulties in recruiting volunteers for BOCs going forward. BOCs must be supported by the Central Bank in any new regulatory environment. BOCs should receive separately all correspondence between the Credit Union, the Central Bank and the PRISM team.

We are of the opinion that the regulatory framework should not be unduly restrictive as to prevent Credit Union from generating sufficient revenue to meet overheads and regulatory reserves.

Yours sincerely,

Liam Kelly

Liam Kelly
Secretary