

Introduction of a Tiered Regulatory Approach for Credit Unions
Submission by Ranelagh & District Credit Union Limited

1 Do you agree with the proposed tiered regulatory approach for Credit Unions?

No we do not agree with the proposed tiered regulatory approach for Credit Unions. In the commission report 3 tiers were recommended, which outlined that smaller credit unions which have a simpler business model would be subject to a simpler regulation but this is not included in this proposal. The Commission Report came to their decision following consultation with Stakeholders and the Department of Finance and they envisaged that the majority of credit unions would be in the lower tier and that they would expect the status quo level of regulation to continue but the Central bank seem to want to micro manage credit unions.

2 Do you agree with the proposals for the operation of the two category approach for credit unions set out in 5.1 - 5.11

Lending (5.2)

We do not accept that there is a need for the proposal of restricted persons. We believe that this would be most unfair at it would have huge repercussions for small credit unions. The definition of family is so broad that it would make it more difficult to attract volunteers for the Board of Directors and even if we did manage to recruit them - this would penalise them. Why should good members be penalised for no good reason?

Investments 5.3

We have major concerns regarding the proposals on Investments; we feel that they would have a significant effect on the returns that we would be able to generate on investments.

The proposal to link the amount held in any counter party to Regulatory Reserves would mean that we would have to invest in six or more counterparties compared to the current number of four and it would go against our ethos to invest funds outside of Ireland and it would also have a potentially negative impact on our return on Investments.

We believe that Credit Unions should be allowed to invest in Collective schemes and this would complement our ethos as we could facilitate investment in State Projects

We feel that the proposal to reduce the maximum investment term for 10 years down to 5 years and also the proposal to have half of our investments under 3 years, and to increase Liquidity would have a detrimental effect on our income from investments.

Savings

We feel that the proposed limit on savings of €100,000 per member would affect a lot of members and we feel that this would restrict the growth of credit unions. Surely the aim of any credit union is to grow and we wonder if this type of restriction is placed on other financial institutions.

Reserves: 5.9.2

We are very concerned at the proposal that credit unions will have to maintain an additional operational reserve having regard to the nature, scale and complexity of the credit union. We feel we are already well reserved and this extra reserve is unnecessary, if we have to maintain all these extra reserves then our entire surplus will go to these reserves and we will be unable to pay a dividend, this will have the effect of our members leaving the credit union to go to other financial institutions.

4 Do you agree that a provisioning framework should be developed for credit unions as proposed in section 6.2?

We thoroughly agree that credit unions should provide adequately for bad and doubtful debts but we agree that a new framework should be done by our representative bodies.

5 Do you agree that the tiered regulatory approach should be introduced at this time?

No we do not believe that the Tiered Regulation should be introduced at this time!

Fitness and Probity has just been introduced last year. We have also had the introduction of a Risk Manager, Compliance Officer and the introduction of an internal audit function. Plus all the other changes that credit unions are dealing with as a result of the implementation of CUCORA. Time should be allowed to pass to see the effect of all these changes before Credit Unions have to take on board yet more changes relating to Tiered Regulation. **Ranelagh Credit Union board of Directors**