



Sandymount Credit Union Limited

13 Bath Avenue, Sandymount, Dublin 4.

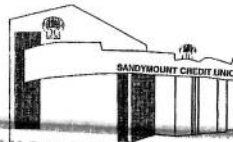
Tel: 668 5079 / 5073 Fax: 668 1807

Email: info@sandymountcu.ie

www.sandymountcu.ie

Registry of Credit Unions
Central Bank of Ireland
PO Box 559
Dame Street
Dublin 2

28 March 2014



CREDIT UNION REGULATION

28 MAR 2014

RECEIVED

Submission on Introduction of a Tiered Regulatory Approach (Consultation Paper CP76)

Section 4: Overview of the Proposed Tiered Regulatory Approach for Credit Unions

The Commission on Credit Unions recommended a Three Tiered Regulatory approach which we feel is more appropriate. Some smaller credit unions may wish to continue with a less complicated business model than larger credit unions and we feel they should be allowed to do so by way of "Tier 1 Regulation" within the 3 Tier approach as originally perceived. Regulation could be framed to suit their lower asset size (at present 95 Credit Unions Below €10 million assets), lower service level, and lower risk profile. We would be concerned that smaller credit unions within the proposed 2 Tiered approach may not receive a regulatory level proportionate to their business profile.

Section 5.3: Investments

We cannot understand why Collective Investment Schemes are no longer proposed as an option and would ask that a collective scheme option remain in place. This type of properly managed deposit based scheme allows credit unions working together to maximise interest return on what are essentially surplus funds put aside to meet operational and liquidity requirements.

For Category 1 credit unions (assets up to €100 million) it is proposed that bank bonds and longer term government bonds (more than 5 years) be no longer an option. This could have the effect of severely reducing investment income during a time where income rates are at historic lows and here again we cannot understand the rationale for this. Senior bank bonds have the same status as deposits and government bonds are guaranteed by the state so we are puzzled as to why they cannot be part of a carefully managed investment portfolio. These comments also apply to the proposed limits for Category 2 credit unions.

Our view is that the proposed changes including counterparty risk will make it more complex for credit unions to manage their investment portfolio. They would have to find more deposit options at a lower rate of return and look to overseas options rather than the preferred home option for surplus fund placement. These proposals as set out would in our opinion have a serious effect on the ongoing viability of credit unions.

Section 5: Savings

We feel that the cap of €100,000 will restrict growth in particular for the proposed Category 2 credit unions (assets over €100 million). With possible forthcoming mergers it is likely that the number of credit unions within this category will increase. Our view is that at least for Category 2 credit unions the limit should be €100,000 or 1% of total assets whichever is the higher.

Section 5.2: Lending

We would ask that for proposed Category 2 credit unions the Central Bank would allow the "Home Loan" option as indicated in the consultation paper.

Section 5.2.4 Restricted Person Limits

We feel this is unfair as it penalises a person (or a member of their family) because they are a director or part of the management team of a credit union. This could give rise to the situation where a valuable director would resign from the board to avoid this restriction or indeed not go forward in the first place. Our view is that all members are equal and that approval of credit should be based on the merits of the loan as set out by the credit union's credit policy (including regulatory guidelines) for all lending.

Section 5.9.1 Reserve Requirements

We feel that a risk weighted reserve approach should be considered for all credit unions. For instance, liquidity assets in our view should not have a reserve requirement or either for that matter, financial assets lodged to government guaranteed bonds. Section 5.10.1 outlines the requirement for liquidity as money immediately available to the credit union to meet its obligations as they arise including an explicit written guarantee that the funds can be accessed in less than three months. Section 5.10.2 outlines additional liquidity requirements. Liquid and operational funds in our opinion do not need a 10% reserve requirement.

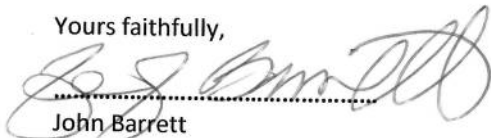
If a credit unions financial assets increase by say € 1 million how can it afford to put €100,000 into a reserve to match that when it will at most get an interest return of perhaps 2% and also be expected to pay some kind of interest/dividend to the members who saved this money. As the € 1 million increase will most likely go into the investment portfolio then allowing a risk based approach is a sensible way forward. By doing so credit unions can manage their investments in line with a reserve requirement based on risk weight rather an unsustainable of 10% requirement on everything.

We are concerned that a risk weighted reserve approach mooted by the central bank in previous presentations never subsequently materialised. We would hope that following restructuring of the credit union sector a risk weighted approach will be not only be considered but implemented. It is the only viable way forward.

7.1 Proposed Stages and Timelines

We look forward to the feedback statement in May but expect that the accompanying Regulatory Impact Analysis will show a severe financial impact on credit unions and their ongoing viability. A rationalisation process is currently happening which will change the profile of the credit union movement. We feel that the tiered consultation process should continue but that nothing should be finalised or come into force until the REBO programme is completed. This is at present scheduled until the end 2015 but the deadline may be extended if proven to be necessary perhaps until end 2016.

Yours faithfully,



John Barrett

Hon. Secretary

On behalf of the members of Sandymount Credit Union