

Introduction of a Tiered Regulatory Approach for Credit Unions

By Email to: rcuconsulation@centralbank.ie

The Board of St. Josephs Irish Airports & Aviation Credit Union having discussed CP 76 issue the following response to the Registry of Credit Unions.

Section 2. Background

We have no problems with the recommendations and proposals on the tiered regulatory approach and framework as the approach appears to be fair and balanced but requires further thought and time.

Section 3. Purpose of Consultation

The contents of Section 3 are noted.

Section 4. Overview

We agree with the proposed tiered regulatory approach but requires further thought and time

Section 5. Categories

(5.2) Lending

We have some difficulty with the proposed changes with regards lending. We would like to see more discretionary powers to Credit Unions with regards Section 35 restrictions. We cannot under the current restrictions help our members in the ways a Credit Union should, hence the increased lending by licensed money lenders. We reviewed the accounts of one such firm and their lending increased by 20% and there can be no doubt that this is mainly due to Credit Unions being unable to meet demand in this area.

The upper loan interest that can be charged by Credit Unions is 12%. This should be increased in line with the UK which is 26% which allows for a risk based lending strategy. The minister for finance recently stated that Credit unions should be lending more. They could do this if the limit of 12% was increased allowing for a more risk based strategy. The commission for Credit Unions did not deal with this issue as it would on the face of it appear to be contrary to the ethos of Credit Unions. We



do not believe this to be so; in fact we believe that such an approach is vital to the ongoing wellbeing of Credit Unions.

(5.3) Investments

We agree with the proposed changes in time.

(5.4) Savings

We disagree in principle with the €100,000 limit on savings. Whilst this is the limit of the deposit guarantee scheme, it should be a decision for the member and we believe it to be unfair to impose such a restriction on Credit Unions as it would imply a negative bias towards Credit Unions.

(5.7.2) Additional Governance Requirements

We do not support the proposal. We currently have one person carrying out the risk and compliance function which to us has proven to be the correct way to approach the matter. There is an apparent interaction between risk and compliance.

We have outsourced the internal auditing function. Again this has proven to be successful.

In both cases costs are controlled. It should be left to individual Credit Unions to decide how best to meet the requirements of the 1997-2012 Credit Union Act with regards risk, compliance and internal audit.

Section 6. Provisioning

We agree with that as set out in this Section.

Section 7. Timelines for the Introduction of the Tiered Regulatory Approach

Overall we believe that the tiered regulatory approach should be deferred pending a further review by the bank. CP76 should form the basis for what will become further governance requirements for Credit Unions. The bank must take due consideration of the fact that Credit Unions have and are putting in place that which is required by the 2012 Credit Union Act. These have and are onerous on Boards, Board Oversight Committee and staff. To impose governance changes as proposed in CP76 will only add undue stress on all concerned at a time when Credit Unions are currently trying to deal with reducing loanbooks, reduced investment income and increased regulatory levies.

We strongly recommend that for the time being, Credit Unions be allowed to achieve compliance within the 1997-2012 Credit Union Act before any further requirements be put in place.

This does not deny the content of CP 76 but time is now required to absorb and adapt to the changes introduced thus far so making the current requirements not just work but be seen to be working in the best interests of all.

Also, when the work of REBO is completed, no doubt we will see better what further governance Credit Unions require.

We accept that this is the first consultation paper produced and that a second consultation paper will be issued arising from the feedback received by the Bank.

We look forward to reviewing same in due course.

Yours sincerely

On behalf of the Board of Directors

A handwritten signature in cursive script, appearing to read 'Edel Bourke', is written over a horizontal line.

Edel Bourke

CEO