## “Introduction of a Tiered Regulatory Approach for Credit Unions”

In response to the Central Bank seeking initial views from credit unions on the proposals set out in Consultation Paper CP76 on the introduction of a tiered regulatory approach for credit unions please see below the views, requests for clarification and commentary of St. Paul’s Garda Credit Union Limited.

As requested the relevant section heading of the Consultation Paper appears in bold followed by our views and the basis for same.

**(i) Do you agree with the proposed tiered regulatory approach for credit unions? If you have other suggestions please provide them along with the supporting rationale.**

SPGCU agrees with the introduction of a tiered regulatory approach across the Credit Union sector. This stands to reason given the risk impact divide between the smaller and larger Credit Unions and those Credit Unions that provide solely the core services of savings and lending and those that have a more complex suite of products on offer to members. A tiered approach is in keeping with safeguarding member assets.

(**ii) Do you agree with the proposals for the operation of the two category approach for credit unions set out in sections 5.1 - 5.11? If you have other suggestions, please provide them along with the supporting rationale. It should be noted that tiering is possible where regulation making powers are available to the Central Bank. Where requirements are set out in the 1997 Act they apply to all credit unions and cannot be tiered.**

**Section 5.2 Lending**

We refer to Section 5.2.3 in so far as it refers to consideration being given as to whether category 2 credit unions should be permitted to provide a specific class of home loan to members within the lending limits, including the maturity limits and we wish to comment as follows. It is essential that category 2 credit unions should be placed in a position to opt to provide such home loan services to its members. It is further essential that the conditions attaching to the provision of such home loans are such that the Credit Union can provide its member with a product that is at least comparable to that available in the wider home loan market. For this reason we would suggest that the maturity limits etc., be set at a level to promote true competition in this market sector and provide members with the opportunity of sourcing a viable alternative to the traditional principal private residence mortgages now available.

**In relation to Section 5.2.4 we seek clarification on the following statement;**

*“The aggregate of lending to restricted persons can be up to the greater of €200,000 or 5% of the Regulatory Reserves of the credit union.”*

Does this refer to a combined €/% amount for all restricted persons or is it a per restricted person €/% amount. We believe that this limit under the restriction if imposed would be quite low.

**Section 5.7 Governance**
In relation to Section 5.7.2 and in particular the proposed requirement for a dedicated risk management officer, compliance officer and internal audit function for category 2 credit unions we would suggest that consideration should be given to the efficiencies and effectiveness of a combined risk compliance role together with an outsourced internal audit function as opposed to each function being separate and internal.

The very definition of the word "Dedicated" would be very restrictive and prevent that person from engaging in any other duties within the credit union

It is our considered opinion that once the functions of the role of risk, compliance and internal audit are embedded within credit union, irrespective of size, a full time position would not be merited and there would not be any need for a full time position in the credit union for these respective roles. Many credit unions have already these personnel in place and consequently these changes if imposed would bring further unnecessary and unreasonable costs to the credit union.

The benefit of an outsourced internal audit is that it provides further independent of the governance and operations of the credit union

**"It is proposed that the assets of a credit union to be held in liquid form will be at least 10% of unattached savings available up to seven days and up to 15% of unattached savings available up to one month"**
I would suggest that into the future 10% of unattached savings seems excessive to have maturing within seven days. We believe the better option is to increase the liquidity ratio above the 20% required by current regulation. We believe this is a better option as the proposal of managing short term limits over seven days would be cumbersome and unnecessary.

Yours sincerely,

**Chris Cronin**
**(Chairman) on behalf**
**St Paul's Garda Credit Union**
**Cork**

**31st March 2014**