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The Parish of Darver Credit Union

CREDIT UNION REGULATION

26 MAR 2014

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To whom it may concern.

The Board of directors of Parish of Darver Credit Union would like to make a submission on The Consultation Paper CP76 " Consultation on the Introduction of a Tiered Regulatory Approach for Credit Unions".

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.

Credit unions are always open to changes but one size fits all approach does not suit. We believe that the approach proposed by the Central bank is not what the Commission envisaged it would be. We believe that credit unions are closely regulated already and that this paper will eliminate many small credit unions who provide an invaluable service to their members in their local community. This reduction of credit unions will no doubt adversely impact on society as a whole.
The central bank are looking for suggestions and supporting rationale but as a board we feel that the consultation paper provides no rationale for the proposals that are included in it. The Credit Union and Co-operation with Overseas Regulators Act introduced a raft of changes re internal audit, risk and compliance functions etc and we wonder why does the Consultation paper propose further regulation re greater reserves, additional operation risk reserve etc.

Do you agree with the approach set out in 5.2-5.11?

No. This area is far too big to simply say do you agree with the approach set out in 5.2-5.11?

Lending

- Restricted persons
  We believe this restriction is discriminatory, undemocratic and maybe unconstitutional and should be removed completely from this paper.
  Credit unions were set up to help promote equity to all members and this restricted clearly conflicts with this idea. This restricted will create a 2nd class of membership and why should good members be penalised due to a member of their family being involved in the credit union. This restriction will also impact on the ability to attract volunteers, credit unions are already facing this challenge and this would just lead to further difficulties.
  The definition of family is so expansive that small community credit unions will not be able to operate with this constraint.
  Credit unions already have controls in place for office's loans and are fit for purpose.
- Lending should be based on Assets not reserves.

Investments

- Prohibiting investment in equities and collective schemes should not be permitted as credit unions should be able to invest in products particularly collective schemes, if they have the skill set to make such informed decisions. Collective investments should be part of investments allowed as this would help facilitate investing in state projects as envisaged by the Commission.

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- The reduction of the max term to 5 years and the proposed requirement to half of total investments under 3years will impact on the credit unions ability to get a better rate of return on investments as most Government bonds etc are greater than 5 years. This will directly affect the service to members as will impact on dividends and interest rebates.
- Central Bank appear to be encouraging credit unions to find non Irish banks to place investments with as it has restrictions in the maximum allowed in a single counterparty based on the amount of the RR.

Savings

- The restriction on savings and deposits seems unnecessary.

Reserves

- The introduction of an operational reserve is excessive as the regulatory reserve is sufficient. This will result in capital being tied up unnecessarily and can result in a reduction of income in the credit union due to the fact that this is tied up in reserves.
- Credit unions have great reserves already and by having this additional reserve may affect credit unions to pay a dividend if all their surplus has to go to reserves and therefore result in a reduction in savings in the movement or closure of accounts as members try to secure a better return.
- Why is the risk weighted approach only be consider for Category 2 this should be consider for Category 1 too

Liquidity

- We have no issue with the current 20% requirement
- Why are the central bank reducing the normal standard for liquidity of 3mths to short time frames?
- We don't agree with having to have 10% of unattached shares up to 7 days and 15% up to 1mth. This requirement to hold funds in these timeframes is unwarranted and will result in lost income for the credit union and therefore the member

Do you agree that a provisioning framework should be developed for credit unions as proposed in section 6.2? If you have additional proposals please provide them along with the supporting rationale.

There is not enough detail in this section and therefore we can't assess the benefits or drawbacks of what you propose.

We believe this section flagging a change to the way the credit union currently provides for loans that fall in arrears

Do you agree that the tiered regulatory approach should be introduced at this time? If considering another timeframe please provide suggestions

The Board believe that the proposed timeframe is too brief given all the other challenges and changes that credit union are currently have to deal with as a result of the implementation of the Credit Union and Co-operation with Overseas Regulators Act. Credit unions should be given time and space to get to grips with these changes before more radical changes are introduced.

Yours sincerely

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