

Submission:

Thurles Credit Union Ltd

Introduction of a Tiered Regulatory Approach for Credit Unions:

On behalf of the Board of Directors of Thurles Credit Union Ltd we wish to submit our views on the proposals regarding Tiered Regulation for Credit Unions as contained in the Consultation Paper 76.

Our initial reaction was that these proposals for Tiered Regulation are not at all in line with our expectations following the report of the Commission on Credit Unions. The fact that they do not reflect the thrust of the Commission Report leads to our great fear that they will be foisted on the movement, irrespective of current dialogue.

Thurles Credit Union support the Commission Report's recommendation for a Three Tiered Regulatory approach. We believe that the two tier approach as outlined in CP76 grossly groups the majority of credit unions into a 'one size fits all' approach. Clearly, a credit union with assets of €80 to €100 million is a very different financial institution to a credit union which only has assets of €10 million. Hence, a Three Tiered Regulatory approach would better serve the different needs of small, medium and large credit unions.

While the movement is essentially a group of businesses working towards a common goal, relying on each other for support and sharing much in common, there is a parallel diversity in terms of business models, strategies, governance, organisational structures, business plans and community involvement, all devolving from more than a half-century of trading experience within equally diverse communities. To adopt a blanket approach to regulation in this instance is, effectively, to strangle a large section of the movement.

We agree that asset size is the most suitable measure for classification, while we also recognise the need for a degree of flexibility. Any classification system should allow a credit union who does not meet the asset size requirements of a certain category, to apply for the higher classification and the related increased regulation. The Board of Directors could make such an application, if it deemed that the business of the credit union is of a nature and complexity that warrants a higher classification. Hence, we would welcome clarification and more transparency from the Central Bank on how a credit union could apply for a higher classification.

The timing of the proposed CP 76 changes in our view is poor. Our Credit Union has made significant changes in the past twelve months in the areas of risk management, compliance, and Fitness & Probity. It is our view that credit unions should be given time to consolidate the great change made in recent times, before they are forced to implement any further significant change as outlined in CP 76.

We are also utterly dismayed at the cost implications inherent in the proposals, at a time when revenues are, at best, stagnant and, in many cases on the downslide. Costs will, inevitably, continue to rise through the implementation of requirements contained in the CP 76. There is limited potential for increases in loan or investment income in the short term. If the proposals were implemented, the narrow range of investments and lower concentration limits would greatly restrict our ability to generate any significant investment income. We also believe that the counterparty limits and concentration limits should continue to be represented as a percentage of the total investment portfolio rather than a percentage of the Regulatory Reserves. Clearly, the regulatory reserve figure is a separate unrelated aspect of the credit union business to our investment portfolio.

The potential for increased costs and reduced revenue is compounded by what has become almost a derisory situation whereby we are now obliged to contribute on the double to an insurance fund in the form of the SPS and the Regulatory levies. We accept the need for tightened control of the credit unions and we recognise the benefits which will accrue in the future from compliance oversight, risk management and many other valuable controls which arise from the 2012 Act.

The proposed savings limit of €100,000 per member is excessively restrictive and will unnecessarily affect a lot of our members. The savings in our credit union at present is an indication of the confidence of our members in their credit union. We propose that the wording of the CP76 should be

changed to ‘**credit unions can have savings in the credit union to the maximum limit of the GREATER of €100,000 or 1% of the total assets of the credit union**’.

The proposed Restricted Persons Limits will unfairly penalise family members of staff, management and the Board. It will discourage potential future board members. The definition of family is so broad as to make the proposal completely unworkable in a local community credit union.

There are many issues on the details of the proposals which have been and will be expressed by other credit unions and by the Irish League of Credit Unions. For ourselves, we would like to state that we are fully in favour of strong regulation and welcome the involvement of the Central Bank in control of the movement. However, the Board of Directors of Thurles Credit Union believe that the proposals contained in the Consultation Paper 76, if implemented as they are, are a step too far, too soon.

Signed on behalf of the Board of Directors of Thurles Credit Union Ltd

Amanda Ryan

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President