Central Bank of Ireland's Consultation on the Introduction of a Tiered Regulatory Approach for Credit Unions: Consultation Paper CP76

Tullow Credit Union Limited – Submission
31/03/2014

Q1. Do you agree with the proposed tiered regulatory approach for credit unions?

No we do not agree with the proposed tiered regulatory approach for credit unions as it is very restrictive in its current format, we believe that 2 tiers are not enough as it does not serve the small or medium size credit unions well. The timeline for implementation of the proposed tiered regulatory approach is too short given all of the other changes that credit unions have to deal with as a result of the implementation of the Credit Union and Co-operation with Overseas Regulators Act. We are undergoing momentous changes due to increased governance requirements and a new fitness and probity regime. We are putting in new risk management systems and compliance programmes in place. We feel that we should be given time to develop these new systems which will strengthen the credit union movement and so it is not necessary to implement a new regulatory framework.

Q2. Do you agree with the proposals for the operation of the two category approach for credit union set out in sections 5.2 – 5.11?

5.2 *Lending*

We would ask for the removal of ‘Connected borrowers €39,000 or 10% of regulatory Reserves’ and ‘large exposure limits’ we feel that the existing rule max loan €39,000 or 1.5% of total assets should be left in place.

Max loan term 15 years – we reject this and propose that max term should be 20 years.

Restricted Persons Limits as proposed we reject and request that it be removed. Officers are restricted at present in their borrowing and we feel that the current restrictions are ample.

Our members are entitled to a level playing field as regards borrowing this change will restrict their options in the credit union as opposed to other financial institutions.

5.3 *Investments*

We feel that the proposed amendments by the Central Bank will have a serious impact on investments and investment income in credit unions. We feel we will have more very unfair and uncompetitive restrictions put against us, that we are sure no other financial institutions in this country have imposed upon them.

Investments Maturity Limits

- We reject 5 year limit on Cash Deposits. There should be flexibility to place deposits up to 7 and 10 years.

Collective Investment Schemes which are 100% cash deposit based should continue to be an authorised class for credit unions. They are an effective means of managing liquidity, diversifying counterparty risk and ensuring a meaningful return is achieved on liquid funds. These funds are professionally managed and are subject to separate and rigorous independent regulation.

Counterparty Limit

- The counterparty limit should continue to be 25% of investments.
- This is a prudent and sensible limit within the investment universe.
- Where are we going to find 6/7 Irish Banks which have an A rating to deposit our money.

Based on the proposal by the Central Bank we will have to find other alternative counterparties which are not available in Ireland. Credit Unions will have to withdraw a vast amount of money from the Irish banking system to invest with other counterparties which will have an adverse impact on the Irish Banks possibly up to €2 billion.

Asset class concentration limits should be expressed as a percentage of the investment portfolio and not changed to a percentage of Regulatory Reserves.

Are our members not entitled to value for their money?

5.4 *Savings*

'Members can have savings up to €100,000 or 1% of total assets whichever is the lower' we disagree. This should be left as is in Section 27 of the 1997 Act. – No Change.
We feel that this is a restrictive measure against our members and discriminating to credit unions.

Q4. Do you agree that a provisioning framework should be developed for credit unions as proposed in Section 6.2?

No : Credit unions are overprovided for in their loan provisioning as credit unions are constantly assessing their loan book, having regular loan audits, internal audits and write offs.