

## **RESPONSE FROM VIRGINIA CREDIT UNION TO CONSULTATION PAPER ISSUED BY THE CENTRAL BANK TO CREDIT UNIONS**

**4.8 The Central Bank is seeking views on the following:**

**(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.**

### **Submission**

The proposed two tier system as envisaged in this document varies greatly from the recommendations of the Commission on CUs because it subjects all CUs to the heavy hand of regulation without recourse to the size or complexity of its operations. However the 2 category system should be acceptable to most CUs but the €100M threshold for entry into Category 2 should be based on the Unions ability to provide the services and its willingness to accept extra regulatory impositions.

**5.12 The Central Bank is seeking views on the following:**

**(i) 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.**

### **Submission:**

Section 5 will reduce the CUs ability to generate income from investment. The restrictions on terms of investment will of themselves reduce investments and returns.

The Restricted Persons section is discriminatory making second class members of a large number of people. We believe that the definition of a restricted person is far too broad and would make its integration practically impossible.

- a) Investment opportunities; At the moment interest rates are low may impose a regime where our money is not view as institutional investment further reducing the rates our money attracts. The C.B. now want to

restrict the terms relating to time limits again lowering our income - many Credit Unions will go to the wall. C.U.s will be forced to deposit money in other E.U. countries taking much needed liquidity out of the Irish monetary system. Investment limits are contained Section 35(2) of the Credit Union Act 1997 so are the proposals are unnecessary?

- b) Lending to borrower should be gauged by the ability to repay and the passing of a CBI check.
- c) Reserves should be the same as those relevant to the banks requirements.
- d) Savings- The €100K limit is in line with the Government guarantee and if it is also imposed on the banks and other financial institutions would be fair. However it seems that this is to be imposed on CUs only. This is anti-competitive. The option should be up to the saver, informed of course of the Government Guarantee and our SPS.
- e) Liquidity Extra Liquidity requirements should be transparently outlined.

### 5.2.3

**(ii) Are there any areas where credit unions could provide new additional services to their members? Should these be available to category 1 and category 2 credit unions or only category 2 credit unions? If you have suggestions please provide them along with the supporting rationale and the associated additional requirements.**

#### **Submission:**

- Credit and debit card services and mobile banking.

**6.3 The Central Bank is seeking views on the following: (i) 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.**

#### **Submission:**

It looks like the C.B. want to impose a roll rate mechanism on Credit Unions and set a limit much less than the current 52 weeks in arrears for write off. This

will cause reserve problems, in the short term, for many credit unions - the present system works and should be kept

**7.2 The Central Bank is seeking views on the following:**

**(i) Do you agree that the tiered regulatory approach should be introduced at this time? If you consider that alternative timing is more appropriate, please provide suggestions, along with the supporting rationale.**

**Submission:**

The changes presently in vogue together with future regulatory impositions will keep staff and Board members busy for a long time yet. So I believe the time frame should not be completed before 2018.

**(ii) If it is considered that the tiered regulatory approach should be introduced at this time, do you agree with the proposed timelines for the introduction of the tiered regulatory approach set out in section 7.1, in particular the transitional period proposed between the publication and commencement of the regulations? If you have other suggestions please provide them, along with the supporting rationale.**

See above