

**Submission on Behalf of**

**Comhar Chreidmheasa Chorca Dhuibhne Teo**

**Consultation Paper CP88 - Consultation on Regulations for Credit Unions on  
Commencement of the Remaining Sections of the 2012 Act**

This submission is on behalf of Comhar Chreidmheasa Chorca Dhuibhne Teo in response to “CP88 Consultation on Regulation for Credit Unions on Commencement of the Remaining Sections of the 2012 Act” issued by the Central Bank in November 2014 which sought views from Credit Unions on the draft regulations and the timelines, including transition period proposed for the introduction of the draft regulations.

We welcome CP 88 which aims to further strengthen the regulatory framework. We do however have concerns in relation to certain aspects of CP 88 most notably the following:

### ***Section 6: Liquidity***

We were asked “Do you have any comments on the draft investment regulations”

We welcome the expansion of the definition of liquid assets.

We feel that the proposed additional liquidity required to maintain at least 10% of the unattached shares in investments with maturity up to 8 days is a “one fit” approach with no basis other than to further restrict the income generating capacity of the Credit Union’s investments. This places further downward pressure on investment returns especially in the current investment environment where returns are already extremely low. We see no basis for increased liquidity to date and we have not experienced a reason to hold further liquidity since the onset of the financial crisis.

We are of the view that weekly liquidity should be set by the Credit Union at local level. The Credit Union is best served setting its own on-demand liquidity and be permitted to vary the requirement taking into account its own cash flow requirements to also include the nature, scale and complexity of the credit union, and the composition and maturity of its assets and liabilities.

We advocate that the current liquidity requirements to maintain 20% of the unattached shares as liquid are sufficient for liquidity purposes.

## **Section 7: Lending**

We were asked “Do you have any comments on the draft lending regulations”

### ***Concentration Limits***

We are of the view that the prescriptive nature of the limits will involve the Central Bank in micro management of Credit Unions. The concentration limits imposed are a blanket application and it is best to have the limits determined and set by the board and management team of the Credit Union. The Credit Union should be allowed set the type and level of lending it wishes to undertake taking into account its risk appetite.

### ***Related Party Loans***

Loans to related parties should only concern officers’ loans. Family members should be excluded from the imposition of these regulations. The process of loan approval for officer’ loans as set out in the 1997 Act should be retained but we are opposed to the proposal that this process should now be extended to family members. This will further hinder the ability of Credit Union to attract volunteers.

### ***Home Loans***

The definition of a Home Loan needs to be further clarified and should exclude Home Improvements. It is unrealistic to obtain a first legal charge in respect of Home Improvement loans.

## **Section 8: Investments**

We were asked “Do you have any comments on the draft investments regulations”

We do not agree with the exclusion of equities as an investment option for Credit Unions. Equities are a permitted investment class under the 2006 Investments Guidance Note and should be maintained. Equities will allow credit unions to further diversify risk and allow access to growth assets. We are agreeable to the maximum exposure limits on equities as set out in the 2006 Investments Guidance Note.

## ***Section 9: Savings***

We were asked “Do you have any comments on the draft savings regulations”

We do not agree to restrict the maximum savings of €100,000 per member.

We advocate that the Credit Union should be permitted to impose a limit as it deems appropriate. We see the imposition of this limit as a negative optic for Credit Unions and an inhibition on member’s choice. It undermines the Credit Union’s ability to offer a secure holding for member’s savings in excess of the €100,000 deposit guarantee scheme. We could not support this measure if it will not apply to all other financial institutions operating in the state.

We would further question the reasoning as to why Credit Unions are to have restrictions imposed on savings and other financial institutions participating in the Deposit Guarantee Scheme have no such limits, why apply such an approach to one sector?

## ***Section 11: Systems, Controls and Reporting Arrangements***

We were asked “Do you have any comments on the draft regulations on systems, controls and reporting arrangements”?

Included as part of the proposed additional reporting requirements is a disclosure requirement where as part of the annual accounts a disclosure will be made on the performance of the loan book. We firstly seek clarification on what disclosures if implemented will be expected to be included in the accounts. Will the disclosure be figures based or a narrative?

On a general note we expected that the regulatory impact analysis that was provided would be more helpful in identifying both the hidden and apparent costs associated with the proposed measures. We feel that the analysis drawn from the data lacked depth and detail was more narrative based than figures based and as such should not have been used to extrapolate the conclusions from. We were disappointed that a more thorough impact analysis on costs/benefits was not provided.

We do not have any comment to make in relation to the other sections of the discussion paper.

**On behalf of Comhar Chreidmheasa Chorca Dhuibhne Teo.**

**Frank Greaney**  
**Chairman**