

Section		Desmond Credit Union Proposes	Supporting Rationale	Other Comments
5	Reserves	Higher of 10% of Total Assets or a Reserve based on Risk Weighted Assets	<p>A risk weighted reserve is preferable than a 'flat' one size fits all ratio and is consistent with the approach in other International Credit Union movements.</p> <p>A Risk weighted reserve is also more reflective of the nature, scale and complexity of individual credit unions.</p>	More information to be provided on the proposed Operational Risk reserve requirement.
6	Liquidity	<p>No change to the current minimum liquidity arrangement of 20% of unattached savings.</p> <p>Do not create a short term liquidity ratio.</p>	<p>A short term liquidity ratio does not take account of Rule 31 Standard Rules for Credit Unions which caters for appropriate control and management of short term share demand.</p>	<p>Government & Bank Bonds should be included in short term liquidity calculations.</p> <p>Is the short term liquidity requirement consistent with safe, strong, secure credit unions where, based on current deposit rates for these type of accounts, credit unions are generating a negative return for members?</p> <p>If the thinking is to avoid a run on cash withdrawals from the credit union, we have invested in EFT and if credit unions did not have the physical cash, they could transfer to a members bank or other credit union account by EFT.</p>

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7	Lending	<p>Agreement with maximum loan €39,000 or 10% of Regulatory Reserve.</p> <p>Extension of Section 35 Term lending limits of 40% > 5 years, 20% > 10 years.</p> <p>Maximum loan term home loan maturity to be 35 years (similar to other mortgage providers).</p> <p>Agree with Commercial Lending: Up to 50% of Regulatory Reserve.</p>	<p>Change from Total Assets to % of regulatory reserve as more appropriate risk measure for credit union.</p> <p>Mismatch on term limits on investments (see Section 8) of 10 years.</p>	<p>Should be a concentration limit on home loan category?</p>
8	Investments	<p>A maximum term on investments of 15 years</p>		<p>Has a Regulatory Impact Analysis been completed to analyse the financial impact of the proposed short term liquidity account across the credit union movement. Based on the current low investment return (& negative return) on call accounts, this will adversely impact on credit unions?</p> <p>If a short term liquidity ratio is put in place, it is worth noting that many of the financial institutions the credit unions currently place funds with are offering negative short term interest rates, i.e. credit unions will lose a portion of capital on these investments. How is this consistent with the principal of capital security and protection?</p>

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9	Savings	Higher of €200k or 5% of Regulatory Reserve for the limited on a members savings.	Do not use an absolute figure as this will lose relevance in time with the impact of inflation.	<p>If a limit if €100k is set for credit unions, DCU have a concern that the Central Bank are making a statement within the regulation that members funds are not safe > €100k, i.e. outside the DGS limit - is the Central Bank questioning the viability of credit unions?</p> <p>Central Bank should complete a full regularity analysis of the impact on credit unions of such a change to savings limits and not 31 sample credit unions as DCU do not believe this is a representative sample. For something this important, the Central Bank should look on the impact on the whole credit union movement.</p> <p>Imposing a limit of €100k, could be construed as anti-competitive as such a restriction does not apply in the banking sector.</p>
12	Additional Services	Postal Services, including the sale of postage stamps.	There is an opportunity for additional income stream.	<p>An Post and banks are withdrawing services from urban and more especially rural areas.</p> <p>There is an opportunity for the Credit Union movement to create a financial hub in these communities with a hybrid credit union/bank/postal services business and ensuring the continued provision of these services in all our communities. A number of credit unions, including DCU, have researched this proposal, but it will require legislative change to progress to allow for these additional services and a change of use of credit union premises.</p>