**Submission to CP88**

**<u>I have read and support the submission of the ILCU with regard to the CP88</u>**

I will not resubmit the concerns and views so well presented in that submission. There are a number of areas where I would like to add to that well thought out and comprehensive submission.

One key area is the matter of the **<u>Savings limit proposed in Section 9 of CP88</u>**

The most common view expressed at all Central Bank roadshows (and other discussion meetings) is one of complete surprise that CBI is proposing to introduce this restriction given its statutory mandate which requires that the Registrar "*administer the system of regulation and supervision of credit union with a view to […] the maintenance of the financial stability and well-being of credit unions generally*" (section 84 of the Act).

1. It appears that other financial institutions/participants in the Deposit Guarantee Scheme are to be subject to a similar limit.

2. This will place Credit Unions at a serious disadvantage and limit their ability to compete with other financial institutions.

3. Credit Unions did not face exposure to financial markets volatile interest rates during the recent financial crisis as it is the members' savings that provide the funds being lent by the Credit Unions. This limit, if implemented, could force larger Credit Unions into financial markets to finance its activities. I suggest that this an unnecessary complication for which no logical reason has been put forward.

4. There are now many towns in Ireland with no bank branch. This means that the Credit Union is the sole financial service provider in these towns. Where a members of such a Credit Union has thriftily accumulated life savings of €100.000, which is not unreasonable, they will be forced to travel to another town to perform basic transactions. They will also be forced to transact business with other institutions as they will not have the common bond of the Credit Union of this distant town. This becomes more obvious in the case of an amalgamation of Credit Unions as the limit is fixed and takes no account of the size of the Credit Union (see next point). The example given orally at the Central Bank consultative meeting in Cork, of a Credit Union being unable to process redundancy payments through the only financial service provider in their community is a very important case in point.

5. In such a small town, as outlined above, how can a Credit Union force members to withdraw their savings in excess of €100,000. The Central Bank is attempting to seek something in Regulation which may be beyond the control of the Credit Union thereby placing it in breach of the new restriction through no fault of its own.

6. This limit will apply equally to the smallest Credit Union which has less than €10 million and also to the biggest which has more than €300 million. No logical

argument have been put forward for this blanket limit on all Credit Unions other than to discourage Credit Unions from amalgamating.

7. This proposal has the potential for a highly negative impact across the movement if the Credit Unions' own Regulator brought about a situation whereby they were prevented from competing in the financial services market. This goes against the proposals and principles underlying the *Report of the Commission on Credit Unions 2012.*
8. This proposal must be firmly rejected as an extremely negative, limiting and regressive proposal.

A second area of concern is the **Retention of requirement that a credit union's total deposits cannot exceed total shares <u>Section 9 of CP88</u>.**

1. What is the rationale for retaining this provision? No reasonable explanation has been put forward to justify this limit.
2. In the past Credit Unions were able to manage their cash, liquidity and indeed their total assets by managing their deposits through is deposit rate interest rate. When a Credit Union had excess cash it cut its interest rate and deposits were withdrawn and vice versa. The Shares were never affected as the members understood that these attracted a yearend dividend. The 1997 Act upset this system, I believe that CBI should revisit this issue having regard to the necessity for cohesive cash/liquidity/asset/liability management by credit unions.

The third area is the **<u>Borrowing</u> (Section 10 of CP88) and <u>Systems, Controls and Reporting Arrangements</u> (Section 11 of CP88)**

**Performance of the loan book and other disclosures.**

Given that the pdf version of the Central Bank's **Credit Union Handbook** has **540 pages**, these extra regulations seem unnecessarily complex and will have a combined effect of making compliance a major challenge for every Credit Union.

The fourth area is **<u>Regulatory Impact Analysis</u>**

The Report of the Commission on Credit Unions states that an analysis be set out with regard to any proposal for new or extra regulation. This has not occurred in the case of the proposed changes and new restrictions as no clear argument has been made for many of the suggested restrictions.

> *"When setting out new Regulations, the Commission recommends that the Central Bank undertakes a Regulatory Impact Analysis (RIA) in line with existing requirements and having regard to international best practice".*

I would request that Central Bank ensure to provide full, relevant detailed explanation of the desired outcomes to Credit Unions when exercising its regulation making power in future.

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