

## Submission of Fermoy Credit Union Limited to the Central Bank of Ireland in respect of CP 88

The Board of Directors of Fermoy Credit Union Limited acknowledge the requirement for increased regulation to ensure appropriate controls and systems are in place to protect member's savings but are of the opinion that the proposed legislation is excessive in its approach and effectively hinders Credit Unions from development into the future. Indeed page 4 of the Consultation Paper states "The Central Bank is of the view that the draft regulations, combined with the commencement of the remaining sections of the 2012 Act and the prudential and governance requirements already in place, provide an appropriate regulatory framework for the credit union sector at this time." The Consultation paper does not make any reference to how the continued appropriateness of the legislation will be measured and reviewed for its continued appropriateness to the credit union model. Fermoy Credit Union Limited recommend that a formal mechanism for review of the continued appropriateness of the legislation be included in the draft legislation.

The Board will particularly like to draw attention to the following sections of the proposed legislation.

**Liquidity** – the proposed requirement to maintain 10% of unattached savings in cash and investments available in less than 8 days is of concern to the Board. This requirements will impact on investment income as banks may actually apply a negative rate for such deposits as they will be aware that credit union must maintain large quantities of cash on deposit. History has shown that Credit Union members remain loyal and have not withdrawn their savings despite offers of higher rates from Banks and the non-payment of dividend by some credit unions. The change proposed with regard to liquidity is excessive.

**Lending**- the Board are particularly concerned at the proposal regarding Related Party Lending. While the Board agree that Loans to Officers must be transparent and not open to any question of favouritism the proposal with regard to related party loans is unacceptable to the Board. Volunteer Officers of the Credit Union made a decision to become involved in their local community credit union being fully aware of the requirements regarding any loan application from them personally. Their community spirit and volunteerism should not negatively impact on other members of their families. To now introduce restrictions to related parties is unfair and will negatively impact on the ability of credit unions to recruit volunteers into the future. The proposed regulation is discriminatory and may pose Data Protection concerns for Credit Unions.

**Investments** – the Board are concerned that the restrictions proposed regarding investments may negatively impact on credit unions investment income opportunities into the future particularly the exclusion of equities and the requirement to have all investments in Euro. Fermoy Credit Union Limited recommend that a formal mechanism for review of the continued appropriateness of the investment classes available to credit unions be included in the draft legislation.

**Savings** – The Board object to the limiting of members savings to €100,000. Fermoy Credit Union Limited have currently restricted savings to €100,000 but would like to maintain the independence to revoke this self-imposed restriction in the future. No such restriction applies in other financial institutions and the proposed restriction are anti-competitive in their nature.

*Martina Cotter*

CEO (On behalf of Board of Directors)