

## Kilnamanagh Credit Union

### Submission to Central Bank relating to Consultation Paper CP88

#### **Do we have any comments on the draft Reserves regulations?**

The present reserves of Statutory Res of 10% of surplus plus an Additional Res of any amount that the board felt it was prudent to provide for but between the two reserves they must equate to at least 10% of total assets. These two reserves combined equalled a Regulatory reserve. It was the understanding initially that the Additional reserve could be added to or withdrawn from depending on the performance of the credit union assets. Now it is proposed that the Regulatory reserve shall be at least 10% of total assets and non-distributable. Newly registered credit union shall have Initial reserves for anticipated growth taking into account of any expected losses. The old ruling was that when credit unions were newly set-up they had three years to build up their reserves to the requirement of the Act at the time. New credit unions are the least likely to operate risky lending due to the training that they would have received. Being over restricted on reserves will strangle any eager new credit union that wishes to provide a service to its members.

#### **Do we have any problems on the draft Liquidity regulations?**

We would have great concerns re the short term liquidity with a requirement of 10% of unattached savings. There is little need for this requirement considering that many credit unions would have a realistic amount of cash on demand and also making sure that there would be some investments maturing every three months.

We agree with Davy's submission on Liquidity

#### **Do we have any concerns on the draft Lending regulations?**

We cannot understand the rationale for the change from Total assets to Regulatory reserve. This is another avenue to strangle credit unions from lending.

At present credit unions can lend the greater of €39,000.00 or 1.5% of Total assets e.g. €20 million assets a member can borrow up to €300,000.00.

The new proposed limit is the greater of €39,000.00 or 10% of Regulatory reserve (must be at least 10% of total assets = €2 million), the new limit a member can borrow would be €200,000.00. It is quite obvious that credit union lending is becoming far too restrictive for credit unions that have abided by the Act and Central Banks regulations.

#### **Related party Lending.**

This piece of proposed regulation is totally unjustified and prohibitive to ordinary members that happen to be related to a Board of Director, a member of the Board Oversight committee, Staff member or an Officer of a committee that wish to borrow. If this proposed regulation goes through it will mean that these related members will not borrow rather than have their personal details discussed by a special committee and the performance of the loan reported to the board every month. These members are being penalised because a family member wished to Volunteer his / her services or to work for the credit union movement. Related parties are not treated any differentially than other member.

If this proposed related party is adopted it will have a severe effect on members Volunteering for their local credit union. Succession planning and recruiting of new volunteers will be a thing of the past. Volunteers have served the credit union movement very proudly for almost sixty years, through very difficult times as well. These volunteers have given so much of their valuable time to such a great movement with their loyal and dedicated commitment.

**Do we have any concerns on the draft Investments regulations?**

We completely agree with Davy's submission on Investments.

**Do we have any comments on the draft Savings regulations?**

We have major concerns in relation to reduction of Total savings threshold. At present a member can have up to €200,000.00 between shares and deposits. The new maximum of Total savings will be €100,000.00. If this new figure is accepted and the final part of the New Act 2012 (Dec '15) is passed it will mean that a member has six months to withdraw the excess savings from his/her account. This new amount is totally unfair to the credit unions as you won't see any such ceiling of savings being imposed on the banks. Can you imagine the nervousness that will arise amongst our members when they receive a letter from their credit union requesting them to withdraw any savings that they have in excess of €100,000.00. A recent survey showed that the public had more faith and trust in credit unions rather than in the banks.

**Do we have any comments on draft Borrowings regulations?**

At the present time we have no problems with the draft, perhaps the regulation may be revisited in three years time.

**Do we have any comments on the draft regulations on systems, controls and reporting arrangements?**

It will depend on how much detail that the regulation will require. When it comes to Annual reports members don't want to see pages and pages of long winded reports. Brief reporting is acceptable.

**Do we have any suggestions on additions, amendments or deletions to the services and related conditions that are included in the draft regulations?**

We have no additional suggestions.

**Do we agree with the proposed timelines for the introduction of the draft regulations set out in the consultation paper, in particular the transition period proposed between the publication and the commencement of the regulations?**

We would like to see that the final parts of the New Act 2012 will commence with the start of the new financial year 1<sup>st</sup> October 2015.

27<sup>th</sup> February 2015