



Registrar of Credit Unions,  
Central Bank of Ireland,  
PO Box No 559,  
Dame Street,  
Dublin 2

27<sup>th</sup> February 2015

**Re: CP88 – Consultation on Regulations for Credit Unions on commencement of the remaining sections of the 2012 Act.**

Dear Sirs,

Nenagh Credit Union on 31<sup>st</sup> March 2014 made a submission on the consultation on the introduction of a Tiered Regulatory Approach for Credit Unions. The Board now wishes to make the following submission in relation to the Consultation on Regulations for Credit Unions on commencement of the remaining sections of the 2012 Act based on the questions posed in Consultation Paper CP88.

**5.4 (i) Do you have any comments on the draft reserves regulations? If you have suggestions please provide them along with the supporting rationale.**

Nenagh Credit Union considers that the approach to reserves as outlined in the Draft Regulations is a prudent approach and would have no difficulty with the proposals.

**6.4 (i) Do you have any comments on the draft liquidity regulations? If you have suggestions please provide them along with the supporting rationale.**

Nenagh Credit Union welcomes the proposal to expand the definition of assets that qualify as liquid to include any investments with more than three months to maturity where the credit union has an explicit written guarantee that the funds can be accessed by the credit union in less than three months, excluding penalties on interest or income.

Nenagh Credit Union has no issue with the retention of the 20% minimum liquidity requirement – our policy currently provides a minimum of 25%.

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We would have some concerns in relation to the introduction of the short term liquidity ratio, particularly at this point in time when the current interest rate environment makes it difficult to obtain meaningful returns on investments because of low interest rates. Nenagh Credit Union would support the submission from Davy in this regard in relation to (a) the concerns with regard to implementing an additional liquidity requirement at this point in time; (b) the proposal that a mechanism is put in place that formally recognises the need for the Central Bank to revisit the impact analysis every 12 months for the forthcoming years; (c) the review and the extension of the one year transitional period proposed in light of the extraordinary investment environment in addition to the multiple challenges being faced by the movement as whole.

**7.4 (i) Do you have any comments on the draft lending regulations? If you have suggestions please provide them along with the supporting rationale.**

While Nenagh Credit Union would not currently have any difficulties with the Section 35 lending limits or the proposed maturity limit of 25 years, it is recognised that this is currently an issue for some Credit Unions and may be an issue for us in future years as lending increases. It is suggested that the limits should be increased.

The primary concern in relation to the categorisation of loans relates to the definition of house loans and the inclusion of house improvements or renovations in this definition. A significant portion of the lending by Nenagh Credit Union is for home improvements. If this is classified as house loans rather than personal lending this would mean that a first legal charge secured on the property would be required. This would be a deterrent for borrowers, would lead to additional administration and would result in additional legal costs. If the member has a mortgage on the property the mortgage provider will have the first charge and the credit union would be unable to lend thus sending the member elsewhere. There needs to be clarity as to whether home improvement loans can be classified as personal lending and, if so, in what circumstances they should be dealt with as house loans.

We would not have any issue in relation to the proposed concentration levels.

The requirements in relation to related parties may have negative impact on ability to attract directors or may result in related parties borrowing elsewhere because of the time delays in assessment due to decision by board or because of the perception of lack of privacy due to consideration by board. Any provision which may deter borrowers from borrowing from credit unions would be of serious concern.

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Generally we would have a concern that the restrictions on lending arise from particular problems which may have arisen in specific credit unions and cases where lending restrictions have been imposed by the Central Bank. We would query if it is appropriate to regulate the entire sector on the basis of individual problems. Nenagh Credit Union does not have and never had any lending restriction in place – lending restrictions should be tailored to the nature, complexity and size of a credit union.

**8.4 (i) Do you have any comments on the draft investment regulations? If you have suggestions please provide them along with the supporting rationale.**

Nenagh Credit Union particularly welcomes the retention of the collective investment schemes and bank bonds as authorised investments, the retention of existing provisions in relation to counterparty exposure and also the change from limits based on individual investment classes to the credit union's full investment portfolio.

We would like to support the submission made by Davy, our investment advisors, in relation to Investments including the recommendation re the classes of investment (corporate bonds, equities, bank bonds and minimum ratings) in order to achieve diversification, the establishment of an Investment Advisory Council and the extension of the two year transition period.

**9.4(i) Do you have any comments on the draft savings regulations? If you have suggestions please provide them along with the supporting rationale.**

Nenagh Credit Union has serious concerns in relation to the proposal to impose a limit of €100,000 in respect of the amount of savings that an individual member holds. The Consultation Document says that less than 0.11% of members and 1.18% of members' savings would exceed the new maximum savings limit. If this is the scale of accounts of this nature, and bearing in mind that c.55% of credit unions would be impacted, it is suggested that there are a limited number of accounts per credit union and therefore a limited impact on each credit union. The implications of introducing this requirement, particularly in relation to existing accounts, could be significant including potential loss of confidence in specific credit unions and in the movement generally if the message goes out that members are being asked to withdraw their savings – the question will be asked as to whether the credit union is in financial difficulties. It will also be noted that this is the amount that is covered under the Deposit Protection Scheme thus suggesting that amounts above that are at risk.

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As many of these account holders are elderly, there are potential added difficulties – these are likely to be long-term members of credit unions, the loss of their membership may also mean that other family members withdraw their savings as they may resent any request that savings (even part of savings balance) be withdrawn. There is also a question in relation to security implications for elderly who may not wish to deposit their savings in other financial institutions.

The question must also be asked as to how the Credit Union can enforce this requirement if the member is unwilling to withdraw. It is also queried if this restriction is appropriate since it does not apply to other financial institutions.

There are also practical considerations – for example, in the case of a joint account where both members attend to lodge money but this has to be refused because one of the members has a separate single account and the cumulative of the accounts would take them over the limit. Given that both members are in attendance how can the reason for refusing to take the funds be imparted and explained without compromising Data Protection requirements? i.e. it would not be correct to make reference to the existence of the single account as the other party may not be aware that it exists.

The main concern relates to the existing accounts and it is suggested, at a minimum, that existing accounts should be exempted. We would re-iterate our previous submission that the cap be increased as we have aspirations to grow our business and would consider this limit to be overly restrictive.

**10.4 (i) Do you have any comments on the draft borrowing regulations? If you have suggestions please provide them along with the supporting rationale.**

Nenagh Credit Union has no objection to the proposals in relation to borrowing regulations.

**11.4 (i) Do you have any comments on the draft regulations on systems, controls and reporting arrangements? If you have suggestions please provide them along with the supporting rationale.**

Nenagh Credit Union has no difficulty with the proposed regulations on systems, controls and reporting arrangements.

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- 12.3 Do you have any suggestions on additions, amendments or deletions to the services and related conditions that are included in the draft regulations? If you have suggestions please provide them along with the supporting rationale.**

Nenagh Credit Union does not propose any amendment to the provisions of the draft regulations in this area.

- 13.1 Do you agree with the proposed timelines for the introduction of the draft regulations set out in this consultation paper, in particular the transition period proposed between the publication and commencement of the regulations? If you have other suggestions please provide them, along with the supporting rationale.**

The transition period between publication and commencement of the regulations is a busy time with the Credit Union year end, compliance statements, Christmas, etc. It is therefore suggested that the commencement should be deferred until March 2016.

We welcome the opportunity to make this submission and trust that our views will be taken into consideration.

Yours sincerely,

*Mossie Finn*

**Mossie Finn**  
**Chairman**

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