Prison Service Credit Union
397E Nth. Circular Road.
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14/02/2015

PSCU Submission on CP88

Individually the reforms proposed in CP88 might appear manageable however the impact of the accumulated proposed reforms has inherent implications for:-

1) Customer confidence
2) Future Growth
3) Rationalisation => caps and restrictions are not conducive to *Mergers & Transfers of Engagements*.
4) Discourages collaboration.

Loans:

- Exposure limit to individual or connected borrowers reduced from 1.5% of assets to 10% of RR.
- Maturity capped at 25 years.
- Introduction of 5 designated categories?
- Concentration limits for some categories.

Such micro-management of Lending through Concentration limits (*exasperated by categorisation of loans*); and the proposed increase in Liquidity requirements all contribute to undermine confidence in the Credit Union movement as a credible and viable sector of the financial market. If stability, growth and development are best nurtured and encouraged in an atmosphere of restriction and containment why has this approach not been deployed in other financial sectors?

Savings:

Capped at €100,000 per member.

Credit Union share/deposit holding is cautiously capped to match the maximum covered by the Government Guarantee Scheme, This proposed regulation is exclusive to Credit Unions consequently it has to be viewed as an expression of "lack of confidence" in the sector in addition to compelling individual savers to place such funds with a bank or other alternative financial institution.

Additional Liquidity and Reserve requirements further compound the transfer of funds out of Credit Unions and into the Banking Sector. The liquidity requirement of 10% together with additional reserves for operational risk forces credit union funds into the banks; combined with the limitations of inter-Credit Union lending and the proposed Cap On Deposits the proposed regime will compel the transfer of Credit Union funds on to the bank's balance sheets and in the process deliver irreparable reputational damage to the credit union sector as a whole.
It is difficult to envisage how expansion and scale can be achieved in circumstances where the afore listed restrictions further reduces the flow of monies through credit unions and further squeezes the margins available on the remaining funds on a cyclic basis.

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Credit Unions, in a free, open and competitive market deserve the opportunity to thrive, expand collaborate and exploit opportunities on behalf of their share-holders, (*the members*) within a fair, robust and prudent regulatory framework. Given the movement's track record for dependability, prudence and customer due diligence It is hardly appropriate that a stifling constrictive regulatory regime be imposed at a time when support, encouragement and innovation are needed more than at any time in the movement's history.

Notwithstanding all of the above, previously expressed concerns around existing restrictions contained in S35 (*inter alia*) are not addressed, indeed some of the CP88 lending restrictions are overlaid on borrowing restrictions contained in S35 not to mention the constrictions on investment innovation[equities removed].

Perhaps it would best serve all stakeholders if the Tiered Regulatory approach as envisaged in the Commission's report [but not CP76]could be re-visited with a view to providing robust regulatory structures that enable and supports growth, scale and collaboration to further facilitate rationalisation as envisage by The regulator, REBO and The Commission On Credit Unions.