We set out below the submission of Buncrana Credit Union Ltd, noting that the stated purpose of this consultation paper is to seek views on the move from "partial funding" to "full funding" of financial regulation.

1. As indicated on the Central Bank of Ireland ("CBI") feedback statement on CP88, the CBI has publicly acknowledged the necessity to review "the continued appropriateness" (of specific regulations) ..."once the impact of the restructuring of the sector, currently underway, can be assessed". It is puzzling, therefore, why the Department of Finance ("DOF") and the CBI have adopted a totally different - and inconsistent - stance on the issue of funding of credit union financial regulation.

2. Indeed, that CBI feedback statement went much further, viz: "This (CBI) review would also assess if developments have emerged in the credit union business model which may warrant consideration of any amendments"....(to the 100k savings limit for some credit unions). "It is envisaged that such a review would be commenced within three years of the introduction of the regulations." Since both DOF and CBI are well aware of the significant and unprecedented changes in the credit union sector, we would respectfully suggest that - for credit unions at least - the proposal to introduce such an increase in regulatory funding in 2016 conveys a sense of undue, unjustified and unwarranted haste.

3. In particular, at a period in time where the credit union sector has been hit by a "perfect storm" - the combined effect of historically low interest rates on investments, lending restrictions and the heavy burden of compliance and regulatory costs - which has impacted adversely on our margins, any extra regulatory costs could be the straw that breaks the camel's back....pushing some credit unions towards the tipping point of non-viability.

4. Therefore, we submit that the current proposal to move to 50% funding of credit union regulation in 2016 is flawed, inappropriate and a potential moral hazard.

    a. It is flawed, in that the CBI regulatory costs are supposed to "reflect the move away from a principles based regulatory approach to the current risk-based framework." Yet the CU sector is deemed "low-risk".
    b. It is inappropriate, since a fivefold increase is totally unjustified in CP95. No other sector of the Irish financial services industry suffers such an increase in costs. There has been no CBI assessment of the impact of such cost increases --on top of other Government fees and levies currently imposed on credit unions. Further, the consumers of CU services are our members--Irish taxpayers, located in the community (not "here and abroad", as applicable to other sectors of the Irish financial services industry, who trade internationally. (By law, by regulation and by rule, we can only serve our members--on a cooperative, not-for-profit basis--not trade with others either internationally or otherwise.)
    c. It is a potential moral hazard, since by definition there would be no incentive for future Credit Union Registrars to operate efficiently and effectively. If extra staff, or consultants are desired - in an industry pays all approach - the taxpayer, the credit union and/or the legislature would have limited, if any, line of sight (or "see-through") of the legitimacy of regulatory costs.

5. In summary, therefore, we submit that there are sufficient, serious, specific issues in relation to the credit union sector (as outlined above) to warrant a review of the decision to increase the funding of credit union regulation in the timeframe and in the manner proposed. We suggest that the "status quo" should remain; and the increased financial regulation funding approach should be deferred for a period of 3 years--to permit the CBI to assess the impact of the restructuring of the credit union sector.