# CP95 Joint Consultation on Funding the Cost of Financial Regulation

## Submission from the Irish League of Credit Unions

**Irish League of Credit Unions, September 2015**

## 1. Introduction & Background

**1.1** The Irish League of Credit Unions ("the League") welcomes the opportunity to make a submission on CP95 Joint Consultation Paper on Funding the cost of Financial Regulation.

**1.2** The League is the principal trade and representative association for credit unions in Ireland. There are 354 credit unions in the Republic of Ireland affiliated to the League, with approximately 2.9 million members.

## 2. Submission

Having reviewed the Consultation Paper it is clear that much of the content is not directly applicable to the credit union movement. Therefore rather than answering the specific questions contained within the Consultation Paper we have chosen to address the general issues as they relate to credit unions.

The Consultation Paper makes it is clear that the Central Bank intends to progress the policy contained within the CP 61 in 2013 and the subsequent Feedback Statement i.e. to phase in 50% of the cost of regulating credit unions over a period of 5 years commencing in 2016. Currently the amount payable by credit unions is capped at 0.01% of their total assets and we believe this principle should be retained to recognize the societal benefit of credit unions. Furthermore as credit unions are not-for-profit financial co-operatives which redistribute any surplus available to their members an increase in the cost of regulation negatively impacts upon these members (many of whom are of course taxpayers).

We also have concerns over the timing of the introduction of the proposed changes and the time period of the phasing in of the revised costs. Credit unions in the Republic of Ireland are already paying 5 levies as follows:

- ReBo Levy
- Stabilisation Scheme/Credit Union Fund Levy
- DGS Levy
- National Consumer Agency Levy
- Credit Institutions Levy

Some of these levies are timebound and we believe it would be fairer and more practical to wait until these levies cease before significantly increasing the levy due for the regulation of credit unions. Also in light of all the various levies being imposed upon credit unions a phasing in period of 10 years rather than 5 years would be more appropriate.

The Central Bank's staffing levels and resources have increased dramatically in recent years and it is a cause for concern that there does not appear to be any check or incentive for the Bank to contain costs. From the Consultation Paper it appears that the process will be that the Central Bank will draw up the budget that it feels is required and then simply levy the industry accordingly. There appears to be no intention to consult with or seek input from the regulated industries. Our concerns in this regard are exacerbated by the extraordinary levels of profit generated by the Bank in recent years i.e. over €2 billion for the year ended 2014 and over €1.5 billion for the year ended 2013 and it is against this backdrop that the Bank intends to increase the levies due from credit unions fivefold to €7 million per annum.

## 3. Further Information

The League will be happy to provide additional information if required. Contact details for the purposes of this submission are:

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