Response of

St Anthony's & Claddagh Credit Union

To

Consultation paper CP95

"Funding the Cost of Financial Regulation"

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General Comments

St Anthony's & Claddagh Credit Union (SACU) welcome the opportunity to contribute to the debate on "Funding the Cost of Financial Regulation". We acknowledge the requirement for industry funding and recognise the anomalies of the current system and the benefits of examining international and domestic comparisons.

We believe that in a profit driven industry it only right that the cost of regulation be funded from that industry. However given the unique ethos of the Credit Union Sector we believe that state funding of regulation is warranted and it is in this context that we have prepared this paper.

The proposal that Credit Unions fund 50% of the cost of regulation is some recognition of this position. However the funding proposal as it is currently structured is not appropriate.

The proposed funding structure as it relates the levy cap to total assets may have unintended consequences. It may act as a limiting factor on growth by discouraging Credit Unions to accept additional savings which are the main driver of Total Assets. This is anti-competitive.

The Credit Union Movement developed in response to the need of ordinary people to access credit at a reasonable interest rate. It provides a valuable public service and has created an infrastructure which could be used to further support social policy in areas such as Financial Inclusion and Affordable Housing.

In this context it would appropriate for Credit Unions to work with state and non-state stakeholders such as the Department of Social Protection, the Department of the Environment, Community Development Agencies and Local Authorities. In the context of such collaboration the cost of regulation could be borne by the state. Indeed it would be more cost effective to fund the regulation then to set up the infrastructure that Credit Unions as a movement can provide to deal with the issues associated with Financial Inclusion and Affordable Housing.

1. Any change from the current funding arrangement would have to have due regard for the competitiveness of the industry. Do you consider that there are any particular competitiveness issues to be taken into consideration in revising the funding approach? Please state clearly your reasons for any such issues, their quantification and suggestions on how they may be addressed.

We believe that the proposed funding structure for Credit Unions is inappropriate as it relates the levy cap to total assets. This structure may have the unintended consequences. It may act as a limiting factor on growth by discouraging Credit Unions to accept additional savings which are the main driver of Total Assets. This is anti-competitive. As an alternative the cap could be related to income, membership numbers or a formula which would include all of the aforementioned elements.

2. Any change from the current funding arrangement would have to have due regard to consumers and tax payers. Do you consider that there are any particular consumer or tax payer issues to be taken into consideration in revising the funding approach? Please state clearly your reasons for any such issues and suggestions on how they may be addressed.

The Credit Union movement developed in response to the need of ordinary people to access credit at a reasonable interest rate. It provides a valuable public service and has created an infrastructure which could be used to further support social policy in areas such as Financial Inclusion and Affordable Housing. Support for the sector could form part of Social Policy under the Department of Social Protection.

3. Do you consider it appropriate for taxpayers to continue to fund a significant proportion of the cost of financial regulation activity? If you disagree, what would you propose instead?

As stated in point 2 above the Credit Union provides a valuable social service and should be supported in doing so.

4. Do you consider it appropriate that industry be required to fully fund the cost of financial regulation activity? If you disagree, what would you propose instead?

It is appropriate for the profit driven part of the industry but not for the Credit Unions whose ethos means that the focus is on service to members and the community. The infrastructure of the Credit Union built up from its own resources over 50 years is available for the development of Social Policy in areas such as Financial Inclusion and Social Housing. This could be done through the Department of Social Protection and/or Environment.

5. Do you consider it appropriate that a move to full funding should commence in 2016? If you disagree, what would you propose instead?

It is our view that the proposed funding levels and structure for Credit Unions are incorrect. In this context it is unlikely that the review necessary would be complete and the alternative proposals available by 2016. Therefore commencement in 2016 is not practical.

6. Do you consider it appropriate that a move to full funding should take place in a single step in 2016? If you disagree, what would you propose instead?

No refer to point 5 above

7. Do you consider it appropriate that any revision in the proportion of funding provided by industry should continue to apply uniformly across all industry funding categories? If you disagree, what would you propose instead?

No as stated in point 2 above the underlying ethos of the Credit Union is not profit driven rather it is for service to members and the community. As such it should form part of Social Policy and not be simply viewed as a Financial Services Provider.

8. Do you consider that there are any particular industry funding categories which warrant a derogation or alternative funding approach? Please state clearly your reasons for such a view.

No as stated in point 2 and 7 above

9. Are there any other considerations that you think should be taken into account in seeking to come to a decision on a move to full industry funding? If so, what are they?