

Gurranabraher Credit Union Ltd
Fitness and Probity Regime for Credit Unions
Submission on Consultation Paper 62.

Do you agree with the tailored approach to the designation of CF's and PCF's?

Yes

Do you think any additional CF's or PCF's should be designated?

No

We are of the view that designating all directors as PCF's where a credit union is an authorised retail intermediary is excessive. We would suggest that this designation should apply to the Executive of the board only.

Do you agree with the phased approach for the implementation of F&P for credit unions?

Yes

Do you think the draft Standards cover all relevant matters for credit unions?

Yes

However, both sections 4 and 5 of the draft standards are worded to place the responsibility on the person to demonstrate that where they fall down on any of the applicable points that this does not adversely affect to a material degree their ability to perform the relevant function. These whole sections are significantly open to interpretation, uncertainty and ultimately challenge. In its current wording these will be extremely difficult provisions for credit unions to implement and we believe will be very varied in their interpretation and implementation.

Do you think that the Central Bank should issue guidance on the F&P regime for credit unions?

Yes

Are there any additional areas of the F&P regime for credit unions which the guidance should cover?

Yes, as follows:

- (i) The Chairman of a credit union is designated a PCF. On page 8 of the consultation paper, a reference is made to the nomination committee ensuring that the F&P standards are met in advance of the elections – this would then imply that all Directors will need to be pre-approved by the Central Bank as PCF's as any Director could be elected as Chairman? The Chairman of the

board is elected by secret ballot at a meeting following the AGM. Given that the election of chairman is completed annually, at what stage is the F&P questionnaire submitted to the Central Bank, and does that person continue to act as Chairman while awaiting approval if not already pre-approved?

- (ii) A credit union must carry out due diligence on CF's. Direction should be given as to who will carry out this due diligence.

Do you agree with the implementation timeframe for the application of the existing F&P regime to those credit unions also authorised as retail intermediaries?

No.

This time frame appear very tight should a significant number of individuals, particularly Directors, require to obtain qualifications.

Would propose this timeframe be moved to 01 July 2017.

Other Submissions

(1) Where a Director is a CF, and the credit union is not satisfied that they meet the F&P standards, there is no direction on how this situation is remedied.

(2) In relation to the Draft Standards of F&P for credit unions, we would make the following submissions:

(a) Section 3, Conduct to be Competent and Capable, states that

A person must be able to demonstrate that he or she has professional or other qualifications and capability to the relevant function.

Our interpretation of this section is that all CF's and PCF's will be required under the F&P standard to have relevant qualifications, and thus that all Directors will be required to be qualified. This, in our view, is an excessively onerous requirement and will ultimately make it extremely difficult for credit unions to get sufficient directors.

(b) Section 4, Conduct to be Honest, Ethical and to act with Integrity, states that

A person must be able to demonstrate that is or her ability to perform the relevant function is not adversely affected to a material degree where ... the person has held in the past 5 years or currently holds a loan with the credit union which has been or is in arrears for a period of greater than 9 weeks.

Whilst we are in agreement with the provision that a person in arrears for a period of 9 weeks or greater should not hold a CF, it would seem overly onerous to extend this to being in arrears over 9 weeks at any time in the last 5 years.