

## **CONSULTATION PAPER 76**

### **SUBMISSION ATHEA & DISTRICT CREDIT UNION**

**The timing is not right to introduce the scale of the changes proposed in the Consultation paper (CP76). If implemented as outlined the commercial viability of the Credit Union may be compromised.**

**Therefore we recommend that the status quo be maintained or alternatively that consideration is given to an extended consultation period to allow further stress testing of the model. Our reasoning is as follows**

- **Our Credit Union has gone through significant transformation over the past 12 months, our Credit Union is undergoing a momentous change as we adapt to increased governance requirements and a robust fitness and probity regime. This has placed substantial additional responsibilities on our Credit Union Manager and Board of Directors to ensure that appropriate risk management and compliance programmes are in place, including appointing officers specifically tasked with these functions. Therefore our Credit Union risk management and governance structures are being considerably tightened.**
- **Our Credit Union should be given the opportunity to develop and incorporate the new risk management and compliance functions**
- **Until such time as the new changes are fully embedded in my view, it is not necessary to implement a new regulatory framework.**

**The following are our views on-**

#### **1 Investments**

**Athea Credit Union would need to diversify into lower yielding short term investments ( e.g. from 10 year government bond which are currently yielding 3.26% to 5 year government bond yielding 1.93%)**

**If Collective Investment Schemes are no longer an authorised Investment class Athea Credit Union would need to increase exposure to call deposits which the return is considerably lower than the CTT(approx 1% variable) Call deposits are yielding .04% with Irish banks.**

Therefore our Credit Union will need to substantially increase funds in lower yielding call deposits to meet the short term liquidity constraints. It should be noted that the negative affect on investment income will be compounded by declining call deposit rates which reflect implementation of Basel 111 liquidity ratios.

## 2 Lending

Based on-

|                       |             |
|-----------------------|-------------|
| Assets of             | €11,328,236 |
| Regulatory Reserve of | €1,145,580  |
| Loan Book             | €2,568,646  |

### Commercial Loans

With the above figures taken into account our commercial could not exceed €286,395.00

As our Credit is located in a small rural area in West Limerick the farming community are part of the Credit Union and we are providing a vital service to them as we do not have a bank.

We need to continue to lend to farmers and small business the 25% proposed limit is not acceptable.

### Restricted Persons Limit

We object strongly to restricted persons limit. Why should good members be penalised because they are related to the board or management team? This proposal would make it more difficult to attract volunteers for the board of directors. The €200,000 limit is not acceptable.

### Bad Debt Provision

Bad debt provision is been adequately provided by our Credit Union and why should this be changed.