IRELAND

Ballyfermot Credit Union Ltd.

280 Ballyfermot Road,

Dublin 10.

Phone: 626 5458 Fax: 623 3765

Submission on behalf of Ballyfermot Credit Union Ltd.

Introduction of a tiered regulatory approach for Credit Unions

Below are the views on the Consultation Document CP76 of Ballyfermot Credit Union Ltd.

I. Two Tiered Approach to regulation.

- We do not agree with the two tier approach.

Reason:

- We favour the three tier approach as recommended by the Commission on Credit Unions.
- Small credit unions i.e. Assets less than €20milion who have no desire or intention to offer advanced services such as some of those referred in Category 1 will be over-regulated.
- "One size does not fit all" i.e Credit Union with Assets of €20Million is not the same as the credit union with €100Million.

Recommendation:

- Ballyfermot Credit Union recommends that as a minimum, there should be three tiers within the Regulation as put forward by the Commission to allow small credit unions to continue to offer basic services without the costs associated with over-regulation.

II. Do you agree with the approach as set out in 5.2 – 5.11?

Ballyfermot Credit Union does not agree with the restrictive nature of Section 5.

Reasons:

Lending:-

- The Central Bank is introducing a "Micro Management" approach as it proposes too many restrictions on credit unions regarding Investments and Lending.
- The restrictions on lending to family members and related parties is too restrictive and will deter many credit union members from volunteering as a director.
- The maximum of €200,000 will become unworkable and overly restrictive because "family" includes pretty much everyone.
- Community Lending will be restricted. As credit unions amalgamate, this will become more important.
- Commercial lending will be restricted.

Investments:-

- Credit Unions will not be permitted to invest in Bank Bonds.
- Credit Unions will not be permitted to invest in "collective schemes" with other credit unions.
- Credit Unions will not be permitted invest in State/Local Community Projects.
- Maximum investment term is reduced from 10 years to seven years. As credit unions amalgamate, this will become more important.
- Percentage of Investments held (50%) must be for three years or less. As credit unions amalgamate, this will become more important.
- Credit Unions will be forced to look outside the State to invest funds and the UK rates are less favourable.

Savings:-

- The restriction of €100,000 may encourage credit union members or potential members to view credit unions as less favourable for investment when compared to commercial banks which have no such restrictions.

Conclusion:

The Restrictions contained in Section 5 are far too harsh for small to medium credit unions and developing credit unions will be further curtailed. Indeed, the general view is that the Regulations are overly restrictive. As Credit Union amalgamate the restrictions contained in Section 5 will have a detrimental effect on the viability of many credit unions.

In addition to this submission from our Board of Directors, we have submitted and exchanged these views to the Irish League of Credit Unions which is our representative body.

END