

Introduction to a Tiered Regulatory Approach for Credit Unions

Section 4.8: Do you agree with the proposed tiered regulatory approach for credit unions?

We are in agreement with the proposed tiered regulatory approach for credit unions as regulation will be proportionate to the size and activities of credit unions and there is also the option for credit unions to move categories

Section 5.12 (i): Do you agree with the proposals for the operation of the two category approach for credit unions set out in sections 5.1 to 5.11?

We are in agreement with the proposals for the operation of the two category approach for credit unions as set out in sections 5.1 to 5.11 as it allows credit unions to operate efficiently within the key areas where the Central Bank propose to regulate and regulation is proportionate to the activities of credit unions within those key areas. The exceptions to this are Section 5.3 (Investments) and Section 5.9.2 (Operation Risk Reserve)

Section 5.3.2 – The limits contained in this section are too restrictive in the following areas;-

- (a) Investments can have a maximum maturity of 5 years. This restricts Category 1 credit unions to short term products that will have a minimum yield and this is particularly so in the case of Government Bonds. At the very least the existing limits for Government Bonds should be maintained.
- (b) Investments in a single counterparty can be up to 100% of Regulatory Reserve. This again is too restrictive due to the lack of competition in the financial markets today. There are only 4 Irish Banks in operation and if Government Bonds are restricted to maturities less than 5 years (which is not a viable option) how can a credit union be expected to, operate within the limits proposed. This will force credit unions to invest in foreign institutions.

Section 5.9.2 – Operational Risk Reserve

While we don't object in principle it is not clear from the document as to how this will be calculated.

Section 5.12 (ii): Are there any areas where credit unions could provide new additional services to their members?

No

Section 6.3: Do you agree that a provisioning framework should be developed for credit unions as proposed in section 6.2?

The development of a provisioning framework as proposed in section 6.2 can be agreed in principle. However in the absence of the guidance by the Central Bank for credit unions on the assessing of the appropriate loan loss provisions for each of the steps set out in section 6.2, full agreement cannot be given at this stage. The guidance from the Central Bank is awaited before agreement can be given.

Section 7.2 (i): Do you agree that the tiered regulatory approach should be introduced at this time?

We do not agree that the tiered regulatory approach should be introduced at this time. We think that credit unions should be allowed a period of one year from the introduction of the provisions of the Credit Union and Co-Operation with Overseas Regulators Act 2012 i.e. 1/10/2014 before the process on the introduction of a tiered regulatory approach should begin. This would give credit unions time to evaluate the impact the introduction of the Credit Union and Co-Operation with Overseas Regulators Act 2012 has on their operational needs.

Section 7.2 (ii): If it is considered that the tiered regulatory approach should be introduced at this time, do you agree with the proposed timelines for the introduction of the tiered regulatory approach set out in section 7.1, in particular the transitional period proposed between the publication and commencement of the regulations?

We agree with the proposed timelines but with a start date of 1st October 2015.