

Central Bank of Ireland's Consultation on
the Introduction of a Tiered Regulatory
Approach for Credit Unions
Consultation Paper CP 76

Cashel-Connemara Credit Union Ltd
Submission
28/03/2014

The Board of Directors of Cashel-Connemara Credit Union Ltd have read and studied the report on the Consultation on the Introduction of a Tiered Regulatory Approach for Credit Unions, CP76. The Board do not have an issue with the principle of tiered regulation for credit unions, but we would like to make some observations and objections to some of the proposals as outlined in your report.

Q1. Do you agree with the proposed tiered regulatory approach for credit unions? If you have other suggestions please provide them along with the supporting rationale.

Cashel-Connemara Credit Union Ltd do not have issues with a tiered regulatory approach as envisaged by the Commission Report, but we feel that the approach proposed in the CP76 has gone beyond what was envisaged by the Commission Report insofar as it borders on the micro management of Credit Unions by the setting of rules and strict restrictions on their core business activities.

Since the bulk of restrictions and regulatory requirements will affect Category 1 credit unions in the main, regardless of their asset size, we therefore feel that the proposed two tier approach is not a true tiered regulatory approach.

Q2. Do you agree with the proposals for the operation of the two category approach for credit unions set out in sections 5.1-5.11? If you have other suggestions, please provide them along with the supporting rationale. It should be noted that tiering is possible where regulation powers are available to the Central Bank. Where requirements are set out in the 1997 Act they apply to all credit unions and cannot be tiered.

Cashel-Connemara Credit Union strongly object in general to some of the limits and restrictions proposed as set out in Section 5.1-5.11 and particularly to sections **5.2.4 and 5.3.1**

5.2.4 Restricted Person Limits

Cashel-Connemara Credit Union Ltd wishes to object in the strongest possible terms to the borrowing limits proposed for the category of members labelled “restricted persons”, which is described as: **“a member of the board of directors or the management team of a credit union, a member of the family of a member of the board of directors or the management team of a credit union, or a business in which a member of the board of directors or the management team of a credit union has a significant shareholding”** This label, restricted persons, in itself borders on being undemocratic, if not unconstitutional, as per Credit Union Operating Principles, based on the fact that every member of a credit union is deemed to have equal rights and should be treated accordingly.

The proposal of restricting the aggregate amount of borrowing which members of the board of directors, board oversight committee or any officer of the credit union and members of their families is, not alone, draconian but unworkable. The definition of MEMBERS OF THE FAMILY in the Act is so broad that in most credit unions this would render the making of loans to this group of people totally unworkable, as stated, regardless of any limit imposed.

5.3.1 Investment Classes and Limits

Cashel-Connemara Credit Union Ltd wishes to object to the changes and limitations being proposed for Investments by credit unions. The proposal of linking Investments to the regulatory reserve plus the abolishment of the Collective Investment Schemes will result in credit unions having to invest in many more counterparties, which in turn will have the effect of diminishing the income generated from investments. It will also have the effect of credit unions having to invest in non-Irish banks which will have a further effect on the income generated. This at a time when loan books are falling could have detrimental effect on the viability of credit unions.

The restriction on maturity dates not exceeding 5 years for Category 1 credit unions, which in our opinion would be the majority of credit unions, is also very restrictive.

Q5. Do you agree that the tiered regulatory approach should be introduced at this time? If you consider that alternative timing is more appropriate, please provide suggestions, along with the supporting rationale.

Cashel-Connemara Credit Union Ltd does not agree that the tiered regulatory approach should be introduced at this time, as Credit Unions are currently dealing with an abundance of new regulations due to the enactment of the 1997 – 2012 Credit Union Act, therefore it is our view that any new regulations proposed at this time is not appropriate.

Board of Directors
Cashel-Connemara Credit Union Ltd.