

## **Granard Credit Submission on Tiered Regulatory Proposals (CP 76)**

### **Overview**

*Below is the agreed response of Granard Credit Union to the Consultation Paper issued by the Registry of Credit Unions on the introduction of a Tiered Regulatory Approach for Credit Unions which was issued on 19 / 12 / 2013.*

*We as a board have discussed the contents of the Consultation Paper and as requested have formed the following responses.*

### **Responses/Opinions**

On review of the tiring approach we envisaged that “tiered regulation” would lead to a positive and supportive regulatory approach, and that for example smaller simpler credit unions would have simpler less intrusive regulation. With regard to the CU’s especially smaller identities, it did seem that there was going to be some hope of appropriate regulation under the proposals contained in the Commission on Credit Unions, however this document cuts off this hope. Credit unions are already very tightly regulated and the Commission agreed that most credit unions would be in the lower tier and as such they could expect the current “status quo” level of regulation, - not additional and inappropriate levels of regulation. CP 76 amounts to a contradiction of what was agreed at the Commission and CU’s are utterly disappointed by its contents and are very concerned regarding the same.

We believe that the types of credit union tiered as suggested in this paper is unfair and will be place unnecessary pressure on CU’s going forward. There is little difference in character between the categories as outlined and therefore credit unions are asking themselves why would they ever want to move to category 2 for example as this would force them to have dedicated Internal Audit, Risk and Compliance functions and board reviews without the advantage of being allowed offer much in the line of additional services.

Under lending practices and polices Granard CU makes the following comments

- a. No category of lending should be related to regulatory reserves (5.2.2)
- b. The “Credible Business Plans” requirement for small traders is unworkable.
- c. The real problem is the definition of commercial loans should not encompass these types of small traders. This is a traditional CU lending area in which Credit Unions are far better placed to judge the needs and capabilities of their members without too much outside interference. (5.2.6)

On investments, the limits in the existing guidelines are adequate. Any proposed limits should be related to the investment portfolio and not to the regulatory reserve.

We disagree with any reduction in the allowed investment durations, - As it is already quite restrictive.

The €100K maximum is totally unfair and unjust. It does not cater for member needs and is hugely restrictive for Credit Unions and their loyal members. We feel strongly that the scale of change involved from current legislation is unprecedented.

With regard limits on deposits as a credit union, we fail to see any rationale for this proposal. It seems counter-intuitive in that CU deposits could be used as a tool in terms of asset liability management and therefore limiting CU deposits seems irrational and perhaps short-sighted.

We feel that CU additional services should enhance our business with the focus centring on the members. CU's should be allowed provide Current Account with overdraft facilities and Debit Card and such associated facilities. In general CU's should expect that as new financial products become available they should not in any way be restricted by any proposals put in place under Section 6.

The requirement to have dedicated in-house resources is excessive and costly. We disagree in principle that an "external evaluation" is necessary considering the multiple and overlapping oversight functions which already operate such as Board Oversight, Nominating Committee, Chair of the Board etc.

There is no doubt that current guidelines are more than sufficient and requiring CU's to hold higher percentages of their assets in short-term liquid form will further limit every CU's ability to return operating surpluses and therefore threaten their viability.

We need a realistic timeframe to become familiar with the changed that have been imposed on us in the last year. We strongly request that no further regulatory changes be considered until the current changes have had a chance to bed-in.

### **Summary.**

*Granard Credit Union has examined the proposals in CP 76 in great detail. Our considered opinion is that many of the proposals contained in this consultation paper are not needed and they will result in having a negative impact on Credit Unions right throughout the country.*

*We therefore ask the Central Bank as our statutorily appointed Regulator to review these proposals and examine the necessity of introducing these proposals. Credit Unions deserve regulation that will support them in delivering the very necessary financial services to citizens while of course ensuring the safety and soundness of their institutions. These proposals should encompass an ethos of fairness and just.*