

LANESBOROUGH/BALLYLEAGUE CREDIT UNION LIMITED

SUBMISSION IN RESPONSE TO CP76

PROPOSED TIERED REGULATORY APPROACH

We the Board of Directors of Lanesborough/Ballyleague Credit Union Limited would like to make the following response to Consultation Paper 76 titled 'Introduction of a Tiered Regulatory Approach for Credit Unions' which was published by your office on 19th December 2013. Following the attendance of a number of our directors at a recent road show on this matter, we would like to make the following points:

- We believe that having read the consultation paper and discussed its many proposed changes to how Credit Unions are to be regulated, that this whole approach by the Central Bank is fundamentally flawed and it amounts to an attempt by the Central Bank to micro manage Credit Unions. This was not part of the discussions which took place on the Commission Report and it certainly was not written into law in the new Credit Union Act 2012.
- If this proposed tiered regulation goes ahead as outlined it will lead to many smaller viable credit unions of a similar size to ourselves being regulated to such an extent that we will struggle to encourage new volunteers to renew the Board of Directors. It was anticipated that smaller Credit Unions with simpler business models would be subject to simpler regulation, but this is clearly not the case under these proposals.
- The Credit Union movement, and we as an entity of that movement, are implementing all the changes that have been introduced with the enacting of the Credit Union Act 2012, such as Fitness and Probity, Reserve requirements, updating Policies and Procedures, etc. Therefore why does the Central Bank feel the necessity to introduce a further layer of regulation?

- Credit unions are already highly provided for in terms of bad debt provisions. We do not see the relevance for a new model of bad debt provisioning designed by the Central Bank.
- The consultation paper does not take into account the long term viability of the credit union movement which was generally agreed to be one of the main objectives of the Commission Report. Instead its ultimate objective appears from this consultation paper is to shrink the Credit Union movement causing irreparable damage. Limiting savings and imposing restrictive lending limits on Credit Unions along with damaging investment requirements are just some examples of this.
- On the specific issue of lending, we would expect that any new lending limits that come into effect as part of the introduction of a tiered regulatory regime will mean an end to the ad-hoc imposition of lending restrictions on credit unions such as our own.
- We object strongly to the proposals around the creation of restricted person's limits under lending. Why should good members be penalised for no good reason, this amounts to discrimination and a two tiered or 2nd class of credit union membership. This will also lead to difficulty in attracting volunteers for the Board of Directors. The definition of family is so broad as to make the proposal completely unworkable especially for smaller Credit Unions such as ourselves. We believe the current controls regarding loans to officers are fit for purpose and should not be altered.
- The overall proposals on investments cause us great concern as they would have a significant effect on the returns that credit unions of a similar size to us will be able to generate on their investments.

This concludes our thoughts on the proposed introduction of a 'Tiered Regulatory Approach to Credit Unions'. We trust you will respect them and accept them in the spirit they have been made. We also would appreciate it if you could take these concerns we have outlined above into account and the affects these proposed changes will have, not only on our Credit Union but on the Credit Union movement as a whole.

Signed: The Board of Directors Lanesborough/Ballyleague Credit Union

Date: 26th March 2014