Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Credit Union News

Issue 11

September 2019

Welcome to Issue 11 of Credit Union News. It has been a busy period since our February 2019 issue with engagement between representative bodies and other sector stakeholders and credit unions on a range of issues.

Key Messages & Developments in 2019

The year to date has seen a number of important developments for the credit union sector in the regulatory framework and support of a structured approach to business model strategy.

As part of the Central Bank's review of the lending framework for credit unions, we published a public consultation paper (CP125) in October 2018 on potential changes to the framework. The consultation period closed in January. The proposals set out in CP125 would support greater diversification in credit union loan portfolios by allowing those credit unions with sufficient financial strength, competence and capability to undertake additional home mortgage and commercial lending. We are currently finalising draft regulations and expect to publish the regulations, as well as our feedback statement to CP125 shortly. I would like to take the opportunity to thank all those credit unions who participated in the consultation process, whether it was directly, as part of a group submission or through their representative bodies.

Credit unions need to continue to strengthen their core prudential foundations across governance, risk management and operational capability. As credit unions engage in more complex activities, operational risk naturally increases and requires careful management and mitigation, an issue highlighted in our PRISM Supervisory Commentary published in April. Where a credit union chooses to seek outsourced service support, retaining necessary oversight and control over such third party arrangements is also critical. Other areas of critical importance for credit unions at this time are planning for Brexit and being aware of cyber risks.

In planning for the future credit unions need to take a structured approach to strategic planning and business model strategy, for which we issued guidance in February of this year. Credit union collaboration is required to support sector sustainability. In this regard, credit unions should be mindful prior to entering into collaborative ventures with other credit unions, that they are strategically aligned and have undertaken robust due diligence and legal and risk assessments prior to collaboration.

Irish credit unions deservedly have a highly respected brand and enjoy the loyal trust of members. This trust coupled with the sector co-operative member-centric ethos, is a competitive difference upon which to build future business model.

Patrick Casey
Registrar of Credit Unions

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CP125 – Consultation on Potential Changes to the Lending Framework for Credit Unions

Following the consultation period for CP125 which closed on 9 January 2019, we provided an update on the Central Bank's review of the lending framework in Issue 10 of Credit Union News published in February this year. The proposed changes to the lending framework set out in CP125 are intended to support diversification in credit union loan portfolios, while effectively managing duration and concentration risk. Among the proposals, the Central Bank proposed the removal of the existing lending maturity limits and the introduction of concentration limits, on a tiered basis, for house loans and commercial loans expressed as a percentage of total assets. For stronger credit unions who demonstrate financial resilience and core prudential foundations, increased house and commercial lending capacity was proposed.

The Central Bank has now completed its consideration of the feedback received as part of the public consultation process and has recently engaged further with credit union representative organisations in relation to proposed refinements to the CP125 proposals. We are currently undertaking the statutory consultation required when making regulations under the Credit Union Act 1997 with the Minister for Finance and Public Expenditure & Reform, CUAC and with credit union representative organisations. We plan to publish a feedback statement shortly, providing an overview of the feedback received, the Central Bank's position and the final changes to the lending framework. The feedback statement will be accompanied by final regulations, amending the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 and an FAQ document on the implementation of the regulations. The regulations will commence following an appropriate transitional period and, in conjunction with the regulations commencing, the Credit Union Handbook will be updated to reflect the legislative changes and to provide updated and additional guidance where appropriate.

Activity	Date
Conclusion of statutory consultation on draft amending regulations	Q3/Q4 2019
Publication of amending regulations and feedback statement to CP125	Q4 2019
Commencement date of amending regulations	Q1 2020

Upcoming Publication

- Feedback Statement on CP125 – Consultation on Potential Changes to the lending Framework for Credit Unions; and
- Frequently Asked Questions document on the implementation of amending regulations.

Reporting on House Loans

The proposed changes to the lending framework set out in CP125 would provide the vast majority of credit unions with increased capacity for house lending. In this regard, credit unions are reminded that they fall within scope of the Central Bank's macro-prudential Mortgage Measures. Credit unions must therefore ensure compliance with these measures where they are engaging in the provision of house loans.

As part of the existing quarterly prudential returns made to the Central Bank, credit unions already provide data on the number of house loans outstanding and the monetary amount outstanding in this loan category. In the context of our upcoming publication of the final changes to the lending framework for credit unions, the Central Bank intends to request a supplemental return from credit unions who engage in house and commercial lending on a periodic basis. This will enable the Central Bank to monitor credit unions' compliance with the revised lending framework. Following the publication of the regulations, the Central Bank will finalise the supplemental return, in consultation with credit union representative organisations, and will provide details to credit unions in quarter 4 when the supplemental return is finalised.

In the context of increased capacity for house lending, credit unions should note that firms in scope of the macro-prudential Mortgage Measures with total mortgages advanced in excess of €50m in a (six month) reporting period are required to make a detailed return to the Central Bank. Given the asset size of individual credit unions and the Central Bank's expectation that credit unions will use the additional capacity to issue house loans in a gradual way, it is not expected that credit unions will be impacted by this detailed reporting requirement in the short-term.

Brexit

Brexit presents a number of potential risks for credit unions with recent developments suggesting that the risk of a disorderly Brexit has increased. With the ongoing uncertainty, credit unions should ensure that they keep themselves briefed on ongoing developments and publications regarding Brexit including those issued by the Central Bank.

As previously communicated to credit unions, the Registry's supervisory expectations with regard to Brexit planning is that credit unions regularly monitor and report any potential Brexit associated risks they identify relative to their own business model and that these will be recorded in the credit union's risk register. In the February 2019 edition of this newsletter we discussed the potential impact on credit union investment portfolios of Brexit, in this edition we will look at credit risk.

Credit Risk

Certain cohorts of credit unions may be more affected by Brexit than others and this is largely related to the geographic location of the credit union and the composition of the loan book. Credit unions in the border region will likely be more impacted than others due to exchange rate risk and direct UK lending exposure. Credit unions should identify potential lending concentrations within their loan books to those sectors (and loans to employees' of those sectors) that could be most affected by a disorderly Brexit, such as agriculture, manufacturing, retail trade and tourism. If lending concentrations in these sectors are identified, credit unions should undertake stress testing and assess the adequacy of their bad debt provisions accordingly. In the broader context all credit unions need to prepare for the negative macroeconomic impacts of Brexit and how the potential economic consequences of a 'hard' or 'soft' Brexit may affect lending performance.

Please see here for the Brexit FAQ for Consumers published by the Central Bank. This FAQ provides information to consumers on the potential implications of Brexit on the provision of financial services. It will be updated regularly as the Brexit negotiations progress.

We would like to remind credit unions to please return their Brexit Questionnaire by 13 September 2019 via the secure file upload facility on ONR. This questionnaire was issued to credit unions on 30 August by email.

Financial Conditions

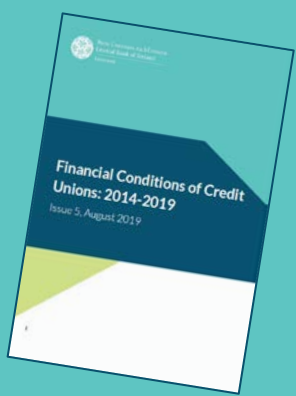
The Central Bank of Ireland published in August the fifth issue of the report on financial conditions of the credit union sector. Total sector assets continue to rise, now standing at a record high of €18bn. 55 credit unions, with balance sheets of at least €100m, now account for 58 per cent of total sector assets.

The report highlights improvements in the financial position of credit unions at a sectoral level, with a reversal in the decline in loan to asset ratios; a critical driver of income generation. Credit union boards continue to hold reserves in excess of minimum requirements, with the average reserve ratio of 16.5 per cent across the sector.

Incremental changes in the overall lending profile continue to be reported by some credit unions, with early indications of an increase in credit risk appetite and an increase in the proportion of larger loans and loans of a longer duration. The previously observed loan to asset ratio decline across the sector is beginning to reverse, however it remains close to an historic low level averaging 28 per cent across the sector. Whilst it ranges from 11 per cent to 72 per cent in individual credit unions, given the reliance on loans to generate income, a low loan to asset ratio in some credit unions presents sustainability challenges. The average cost-income ratio across the sector remains high at 78 per cent, highlighting the need for improved efficiencies.

Total member savings have increased from €11.8bn in 2014 to €15.0 bn in 2019, with average savings per member in the region of €4,400. While credit unions are permitted to hold savings up to €100,000 per member, individual credit unions may set individual savings limits which are below €100,000 to take account of their particular business requirements and strategy.

Previous reports are available on the Central Bank's website at the link here and the Registry welcomes comments and feedback you may have.



Cyber Security

Cyber-attacks are a growing threat to all financial service providers due to firms' increasing reliance on information technology (IT). Additionally, the frequency and sophistication of such attacks are continuing to increase and develop. As a consequence of the potential adverse financial, legal, customer and reputational impacts arising, cybersecurity and IT risk remains a key focus area for the Central Bank and should be a priority for all regulated entities.

The Central Bank expects that the Boards of Directors and senior management of credit unions fully recognise their responsibilities in relation to the development and maintenance of business continuity and disaster recovery plans, which should be aligned to the credit union's risk management framework. The purpose of these plans is to ensure that, when an IT incident occurs, the credit union can maintain essential activities and services, including preserving essential data and functions for the credit union.

The credit union should be capable of:

- Managing the initial interruption;
- Recovering lost data and functions and ensuring the timely resumption of interrupted services and activities; and
- Continuing to meet all legal and regulatory requirements and guidance during the interruption.

IT risk assessments should be conducted at regular intervals and the effectiveness of IT controls should be subject to periodic independent review; identified weaknesses should be mitigated within an appropriate timeframe.

Cyber security awareness should be continuously encouraged through regular staff training, reinforcement of users' security responsibilities and the promotion of a strong security culture throughout the credit union. Credit unions are reminded that they are required to notify the Central Bank when they become aware of an IT incident that could have a material and adverse effect on the credit union's ability to provide adequate services to its members, its reputation or its financial condition.

In addition to the above, the Central Bank previously conducted a Thematic Review on IT Risks in Credit Unions in January 2018 and published its key observations and expectations in relation to the management of IT Outsourcing, Business Continuity Management and IT Security.

The Central Bank also published "Cross Industry Guidance in respect of Information Technology and Cybersecurity Risks" in 2016. Credit unions should familiarise themselves with the guidance and, where relevant, implement it.

Secure Email Information

The Central Bank has established secure email transmission with a number of organisations using a widely recognised standard called TLS (Transport Layer Security). TLS is a security protocol designed to secure the transmission of electronic mail from one server to another using encryption technology. When TLS is enabled on the mail gateways of both the sender and receiver of the e-mail, information exchanged within that e-mail is encrypted in a format that puts plain text into a non-readable form.

Every email sent and received is encrypted between participating institutions. There is no cost involved in establishing TLS and no special software is required to be installed on the recipient's hardware.

RCU would strongly encourage all credit unions to enable TLS on the email gateways between our organisation in order that every email sent and received is encrypted thereby ensuring secure transmission. To this end, please contact rcu@centralbank.ie and we will issue the relevant form which you will need to complete and return.

Second Payment Services Directive (PSD2)

Directive 2015/2366/EU on payment services (PSD2) aims to open the payment markets to new entrants, which should lead to greater competition, choice and better prices for consumers.

PSD2 was transposed into Irish law, with effect from 13 January 2018, by the European Union (Payment Services) Regulations 2018 (the 2018 Regulations). PSD2 applies to credit unions when providing payment services. The Regulations place a number of reporting requirements on payment service providers.

In line with PSD1, credit unions can provide certain payment services and are exempt from the requirement to be authorised under the 2018 Regulations. Credit unions are also exempt from the requirements to provide confirmation of the availability of funds and access to members' accounts to third party providers, such as payment initiation service providers who initiate payments on behalf of the user with regard to accounts held with other payment service providers and account information service providers who consolidate information in applicable user accounts.

The provision of payment services by credit unions is also subject to provisions of the Credit Union Act, 1997. Credit unions should take the necessary steps to ensure that any obligations, including new reporting obligations (see side bar), which apply under PSD2 are adhered to. A Central Bank FAQ page can be found here.

Regulatory Technical Standards on Strong Customer Authentication (SCA)

The deadline for compliance with the Regulatory Technical Standards on Strong Customer Authentication (SCA) under the PSD2 Directive is 14 September 2019. However, the Central Bank of Ireland recognises the difficulties with meeting this deadline. We have been engaging with industry to develop a migration plan to implement SCA for ecommerce transactions, as soon as possible after this date.

In line with the EBA opinion published in June, a limited migration period will be put in place for firms regulated by the Central Bank of Ireland in relation to the application of SCA requirements under the PSD2 Directive. This migration period relates to ecommerce transactions only. As such, there will be no disruption to payments systems from 14 September, when the Directive is due to come into force.

The Central Bank of Ireland will continue to engage with the EBA and other National Competent Authorities in the European Union in relation to this issue, aiming to agree a harmonised approach to the migration time periods across the European Union. The Central Bank of Ireland will continue to communicate on this issue as it develops.

PSD2 Reporting Requirements

The Payment Services Regulations 2018 place a number of reporting requirements on payment service providers (PSPs). Credit unions will have received specific communications on each reporting requirement. Summary details of each reporting requirement are provided below and further information can be found on the Central Bank website here.

Major Incident Reporting

Regulation 119 of the Payment Services Regulations 2018 sets out that, where a major operational or security incident occurs, a payment service provider is required to notify the Central Bank without undue delay.

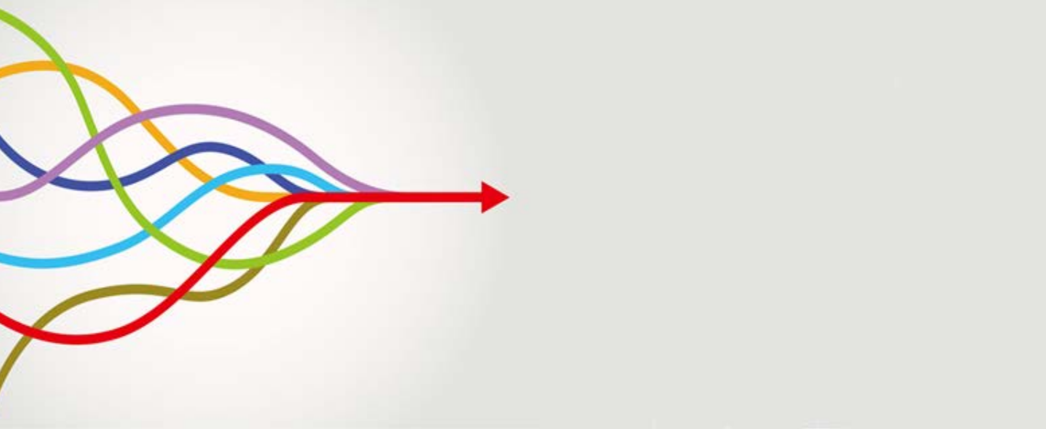
Operational and Security Risk Reporting

Regulation 118 of the Payment Services Regulations 2018 requires PSPs to provide to the Central Bank, on an annual basis, an updated and comprehensive assessment of:

- The operational and security risks relating to the payment services provided by the PSP; and
- The adequacy of the mitigation measures and control mechanisms implemented in response to those risks.

Payment Fraud Statistics Reporting

Article 96(6) of PSD2 provides that EU member states 'shall ensure that payment service providers (PSPs) provide, at least on an annual basis, statistical data on fraud' relating to different means of payment to their competent authorities' and that the 'competent authorities shall provide the European Banking Authority (EBA) and the European Central Bank (ECB) with such data in an aggregated form.



Intermediation

The Central Bank has noticed an increased interest in credit union provision of intermediation services to credit union members. It is a matter for credit unions to ensure the risks associated with this service are fully accommodated within their risk management and governance frameworks, and that financial implications, both from an income and expenditure perspective, are fully understood.

Credit unions should refer to Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 (as amended) in particular Part 10 Schedule 2. The Regulations caters for credit unions providing services on a tied agency (Part 10, Schedule 2 (4)) or introduction basis[1] (Part 10, Schedule 2 (22)). These is also separate provision under that schedule in respect of PRSAs and Group Health schemes. Where a credit union seeks to exercise these options, it is incumbent on the credit union to meet the conditions attached to those exempted services as set out in the Regulations. Where seeking to operate on a tied agency basis, credit unions must ensure they hold the proper authorisations.

Where a credit union seeks to provide insurance advice as an independent multi-agency intermediary,it is exposed to a range of additional risks, not least legal, reputational, insurance, and operational and governance. It must hold the proper authorisations and apply for necessary approval as an additional service in accordance with sections 48 to 52 of the Credit Union Act 1997.

The credit union must ensure that relevant expertise and adequate systems and controls are in place to conduct the additional service and ensure conflicts of interest are avoided.

In respect of tied agency and Multi agency intermediaries, authorisations are required to provide this service under the Insurance Distribution Directive and/or Investment Intermediary legislation. The credit union must comply with all regulations, codes and conditions attaching to these authorisations on an ongoing basis. Credit unions should ensure that the authorisations they hold cover the nature of policies they propose to provide.

Credit unions that are authorised as retail intermediaries are subject to additional fitness and probity requirements in relation to the retail intermediary part of the credit union business as additional Controlled Function (CF) roles apply. Credit unions are reminded that the provisions of the Minimum Competency Code applies to credit unions when acting as retail intermediaries[2]. Credit unions must ensure that all staff engaged in the activity hold a recognised qualification and comply with CPD requirements under the MCC, including maintaining records of CPD training.

Credit unions are further reminded that the Consumer Protection Code applies to credit unions in respect of their activities at as retail intermediary. In addition, credit unions acting as retail intermediaries need to ensure that their anti-money laundering framework includes their intermediation activities as part of its scope.

Credit unions wishing to apply for additional service approval to operate as a multi-agency intermediary should contact this Office at rcu@centralbank.ie.

Applications for Pre-Approval to any PCF Role

When submitting an Individual Questionnaire (IQ) to the Central Bank to apply for pre-approval to take up a PCF role, credit unions are reminded to ensure that all relevant information has been provided in the application.

Sections of the IQ which have frequently been found to be lacking in sufficient detail are:

- Section 3 – relevant previous experience (often missing credit union experience);
- Section 7 – savings and loans with the credit union (often missing); and
- Section 12.6 – proposer endorsement (often too short and lacking in sufficient rationale).

Credit unions should also endeavour to update the Online Reporting Tool when a person has been approved by the CBI but has not taken up the role.

[1] With the applications of the Insurance Distribution Directive, an authorisation is no longer required where services are provided on an introduction/referral basis only as no advice is being provided.

[2] See page 18 of Minimum Competency Regulations

Reporting of the Top 5 Large Exposures in the Prudential Return – Connected Borrowers

As part of the quarterly prudential return submissions to the Central Bank, credit unions are required to submit data in relation to their Top 5 largest exposures. If a member has more than one loan account with the credit union, including joint accounts and/or company accounts, then these loan balances must be combined and reported as one exposure in the prudential return.

Loans to connected borrowers must also be reported as a single exposure. 'Connected borrowers' are referred to as a group of borrowers who are connected to other credit union borrowers. The purpose of identifying connected borrowers is to assess risks where financial interdependence between borrowers arises and if it is likely that the financial stresses of one borrower would potentially cause difficulties for other connected or dependant borrower(s) to repay their loan in line with their credit agreement.

Regulation 13 of the 2016 Regulations sets a maximum large exposure limit as the greater of €39,000 or 10% of regulatory reserves. The Central Bank expects that credit unions identify, assess and report on their exposures correctly in the prudential return. Where an exposure to a borrower or group of borrowers who are connected, exceeds the limit set out above the credit union must hold the amount of the exposure that is in excess of the limit in a realised reserve, separate from the regulatory reserve of the credit union. Examples of connected borrowers may include, but are not limited to the following:

- A group of borrowers who are borrowing for a common purpose and who are dependent on a single income source to repay their individual loans;
- A borrower and guarantor; and
- A borrower and his/her spouse/partner if by contractual arrangements both are liable and the loan is significant for both (it should be noted all spouses/partners would not automatically be presumed to be connected borrowers).

Online Reporting System/Returns

The Online Reporting System (ONR) is a web-based tool which enables credit unions to submit data to the Central Bank at specified intervals. The information is used to monitor operations and compliance with legislation and regulations and to produce statistical data.

Access to ONR is restricted to Business Administrators. To gain access, credit unions are required to complete a Business Administrator Request Form and return it to the Central Bank. Forms can be obtained by emailing rcuinternalnotifications@centralbank.ie.

It should be noted that Business Administrators do not automatically have access to all returns which the credit union submits to the Central Bank.
If a credit union requires access to a particular return on ONR, it should email onlinereturns@centralbank.ie in order that the required access to the return can be granted and the return can be submitted in the correct manner via ONR.
Returns successfully submitted to the Central Bank must have a status of 'signed off 'on the ONR system. Returns with a status of 'Finalised' are not considered as validly submitted to the Central Bank. As certain returns require a second user to 'sign off' on the return, credit unions are reminded to check return statuses to ensure that all returns have been successfully signed off and submitted.

Credit Unions Returns Guidance can be accessed here.

ONR related queries should be emailed to onlinereturns@centralbank.ie.
The ONR User Manual and How-To Guides can be accessed here.

Funding the Cost of Financial Regulation

Following on from a joint public consultation between the Central Bank and the Department of Finance in 2015, CP95 'Funding the Cost of Financial Regulation', the funding strategy of the Central Bank is to increase the proportion of regulatory costs funded by industry.

Key elements of the Central Bank's 3 year funding strategy include increasing the overall recovery rate from industry, targeting a more predictable, transparent and proportionate pricing approach.

The Central Bank, with approval from the Minister for Finance and Public Expenditure and Reform, Paschal Donohoe TD, published, on 14 June 2019, the expected path towards 100% funding over the next five years. Over the 2019 to 2021 levy periods, the proportion of the cost of regulating the credit union sector funded by credit unions will increase from an estimated 9% in 2018 to 20% for the 2019 levy cycle (payable in 2020), 35% for the 2020 levy cycle (payable in 2021) and 50% in 2021 (payable in 2022). Any further increase will be subject to consultation and ministerial approval.

Over the same period, the Central Bank will continue to enhance the transparency and predictability of the levy. The move to levying on an incurred cost basis is an important step towards continuous improvement, and will result in invoices for 2019 issuing on an arrears basis in Quarter 3 2020. While businesses should accrue for 2019 costs in their financial statements, many will welcome the cash-flow effect arising from this change.

Over the next few months, the Central Bank will look at options to provide high level guidance to industry to assist firms in accruing for their 2019 levy – any such guidance cannot, by its nature, be binding and firms will ultimately have to exercise judgement. For illustrative purposes only, the Central Bank has estimated that for credit unions if the 20% recovery rate had applied in 2018 it would have resulted in credit unions being subject to a levy of c0.022% of their total assets, rather than the 0.01% which actually applied.

Further information on funding is available in the 'Funding Strategy and Guide to the 2018 Industry Funding Regulations', which is available here.

Links to 2019 Publications/Guidance

- February 2019, Business Model Strategy: Guidance For Credit Unions;
- February 2019, Credit Union News – Issue 10;
- March 2019, Registrar of Credit Unions speech delivered at CUMA Spring Conference;
- April 2019 , PRISM Supervisory Commentary;
- April 2019, Registrar of Credit Unions speech delivered at ILCU AGM;
- August 2019, Financial Conditions of Credit Unions: 2014-2019; and
- September 2019, Director of Credit Institutions speech delivered at CUMA Autumn Conference.

2019 Year End Considerations

In anticipation of credit union's 2019 Financial Year-End and the preparation of annual accounts, it is timely to remind boards of directors of the expectation to comply with the requirements of the Credit Union Act, 1997 as well as ensuring that financial statements are in compliance with Financial Reporting Standard 102 (FRS102).

Summarised below are some of the key areas for consideration by the board of directors regarding the 2019 Financial Year-End.

Brexit

Credit unions should remain cognisant of the significant risks posed by a disorderly, no-deal UK exit from the European Union on 31 October 2019. Risks not only relate to credit union's own business models but to the wider economy. Building and maintaining adequate levels of reserves are key to financial stability and resilience of each credit union and in particular the protection against the potential macroeconomic impacts of a disorderly Brexit.

Credit Risk

Remaining cognisant of the evolving lending profile of the sector, it is vital that growth in new lending is undertaken in a sustainable and prudent manner. Throughout 2019, there has been indications of an increase in credit risk appetites within the sector and this is demonstrated by an increase in the proportion of larger loans and the issuance of loans of a longer duration. Alongside these indicators, credit underwriting is regularly identified as an area of fundamental weakness during supervisory engagements. Failure to accurately assess the repayment capacity of members and inaccuracy in calculating debt-to-income ratios may result in deficiencies in the credit underwriting process, potentially leading to an increased level of loan default. Credit unions should be cognisant of the above when reviewing members loan applications in order to ensure that their repayment capacity is sustainable.

Provisioning

In the context of 2019 year-end considerations, and with the associated credit risk mentioned above, credit unions should assess all loans for objective evidence of impairment based on all available information including current information and events at the date of assessment. Where it is deemed that there is objective evidence of impairment, the credit union must recognise a provision immediately. As part of the year-end process, RCU supervisors may challenge credit unions regarding the adequacy of loan provisions where concerns arise.

The Bank expects the board of directors and management of credit unions to take cognisance of the issues highlighted above in preparing their 2019 Financial Statements. The issues above, as well as other matters, have been included in a circular which issued to credit unions in early September.

Where queries or issues arise, credit unions are encouraged to contact their Supervisor in the Registry of Credit Unions directly.

Investment and Savings Return

Further to changes in the investment framework for credit unions which came into effect on 1 March 2018, a questionnaire was issued to all credit unions in February to gather information on the impact of the changes to the investment framework for credit unions and to inform a review of the €100,000 individual savings limit contained in Regulation 35 of the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016, which will be undertaken later in 2019.

We will publish a report providing an overview of the results of this questionnaire in the coming weeks but are setting out some high level findings below:

- Credit unions have continued to focus on traditional investment classes with the majority of investments continuing to be held in accounts in authorised credit institutions.
- The maturity profile of credit union investments have moved longer.
- Credit unions have begun investing in a number of new counterparties.
- 150 credit unions who responded to the questionaire have imposed an individual member savings cap.

Investments continue to represent a significant portion of assets in the credit union sector. Credit unions are required to ensure that any investments they make do not involve undue risk to members' savings and should ensure that detailed analysis and careful consideration is undertaken before making any investment decisions. Investments should be in line with the investment policy and risk appetite of the credit union and the rationale for investment decisions should be understood and documented.

Peer Review

Under section 32M of the Central Bank Act, 1942, the Central Bank is required to arrange for a peer review of the Central Bank's performance of its regulatory functions. Such peer reviews are required to be undertaken, at least every four years, by another national central bank or another person or body certified by the Governor, after consultation with the Minister, as appropriate.

The International Credit Union Regulators' Network ("ICURN") agreed to carry out the 2019 Peer Review of the Central Bank's performance of its regulatory functions for credit unions. ICURN is an independent international network of credit union regulators, formed in 2007, with members drawn from over 30 countries and jurisdictions.

The 2019 Peer Review assessment was informed by ICURN's Guiding Principles for:

- Effective Supervision of Cooperative Financial Institutions; and
- Enhancing Governance of Cooperative Financial Institutions.

As part of the Peer Review, the ICURN Peer Review team undertook an onsite engagement during May in which they met with a number of external stakeholders including the Department of Finance, the Credit Union Advisory Committee and credit union representative bodies as well as a sample of individual credit unions.

The report is being prepared by the Peer Review team and once finalised it will be submitted to the Minister for Finance and Public Expenditure & Reform and published on the Central Banks website expected to be during Q4 2019.

Thematic review of restructuring in the credit union sector

In February of this year, the Central Bank published a thematic review of restructuring in the credit union sector.

The report analyses the transformational impact of restructuring on the sector generally, as well as on membership, business locations and financial position and performance. The pace of restructuring increased from 2013 supported by the Credit Union Restructuring Board (ReBo), and continues today with oversight from the Central Bank, as regulator, following the conclusion of ReBo's mandate.

Since 2013, transfers of engagements between credit unions have taken place in almost every county, with over 420,000 members moving to larger credit unions, the majority of whom operate from multiple business locations today. The report notes that restructuring has had a positive impact on the financial position and performance of credit unions as transferees, with higher lending growth and lower growth in operating costs. This provides a strong base for the future development of the sector.

The report concludes that restructuring can help credit unions to realise cost savings by eliminating duplicated costs and achieving scale economies. When setting their business strategy, the boards of credit unions should be mindful of the potential opportunities that restructuring can offer to their credit union and its members.

Contact Us

Central Bank Query	Central Bank Division	Central Bank Contact
Registry of Credit Unions		
General day to day supervisory queries	Registry of Credit Unions (RCU)	Credit union supervisor / rcu@centralbank.ie
Queries for other Central Bank Divisions		Website
Anti-Money Laundering/Countering Terrorist Financing Financial Sanctions	Anti-Money Laundering	AMLpolicy@centralbank.ie sanctions@centralbank.ie
Consumer Protection: Retail Intermediaries – Authorisation queries Retail Intermediaries – Supervision queries Retail Intermediaries – Revocation queries Retail Intermediaries – Post Authorisation queries	Consumer Protection	CPCOperations@centralbank.ie RIAuthorisations@centralbank.ie brokers@centralbank.ie revocations@centralbank.ie postauth@centralbank.ie
Deposit Guarantee Scheme	Deposit Guarantee Scheme	dgscreditunions@centralbank.ie
Fitness and Probity: Individual Questionnaire queries	Regulatory Transactions	fitnessandprobity@centralbank.ie
Funding Levy	Financial Control	funding@centralbank.ie
Minimum Reserve Requirements: Calculation of reserve requirements Transfer of amounts to/from your account in the Central Bank Confirming balances and meeting your reserve requirement	Statistics Euro-settlements team Financial Markets	creditunion@centralbank.ie eurosettlements@centralbank.ie modesk@centralbank.ie
Online Reporting queries	Regulatory Transactions	onlinereturns@centralbank.ie
Recirculation of euro banknotes	Currency Issue	CID.monitoring@Centralbank.ie
Reporting Payment Statistics	Payments and Securities Settlements	paystats@centralbank.ie