



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem



Regulatory Framework – updates and developments

Anna Marie Finnegan



Contents

- Regulatory Framework – Key Milestones
- Supporting Material for Credit Unions
- Regulatory Framework – Updates/Latest Developments
- CUAC Review of the implementation of the Recommendations of the Commission on Credit Unions



Regulatory Framework – Key Milestones

March 2012	<ul style="list-style-type: none">• Report of the Commission on Credit Unions (CCU). Recommendations for strengthening regulatory framework, taking account of credit union ethos & need to protect members' savings. Issues covered included strengthened governance, risk management and fitness & probity.
December 2012	<ul style="list-style-type: none">• Credit Union and Co-operation with Overseas Regulators Act 2012 enacted (reflects many of the recommendations of the Commission on Credit Unions – especially on governance & regulatory requirements).
1 August 2013	<ul style="list-style-type: none">• Introduction of Tailored Fitness & Probity regime for credit unions –<i>(initially for credit unions with assets > €10m)</i>• Administrative Sanctions Procedure - applied to credit unions• Appeals to IFSAT - applied to credit unions - appealable decisions can be appealed to IFSAT
1 October 2013	<ul style="list-style-type: none">• New Governance and Prudential requirements - majority of the new and governance & prudential requirements inserted into the 1997 Act by the 2012 Act commenced
1 August 2015	<ul style="list-style-type: none">• Introduction of Tailored Fitness & Probity regime for credit unions –<i>(credit unions with assets ≤ €10m)</i>• Credit unions also authorised as retail intermediaries subject to additional fitness and probity requirements
1 January 2016	<ul style="list-style-type: none">• Remaining sections of 2012 Act commenced and 2016 Regulations signed by Registrar and introduced for credit unions



Regulatory Framework

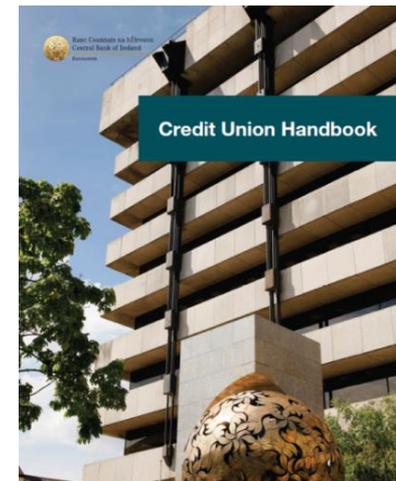
- Remaining sections of 2012 Act and Regulations commenced on 1 January 2016.
 - 2012 Act updated sections of the 1997 Act relating to:
 - Reserves, Liquidity, Lending, Investments, Savings, Borrowing.
 - Law Reform Commission have published a consolidated Credit Union Act, 1997 - <http://www.lawreform.ie/revised-acts/alphabetical-list-of-html-and-pdf-post-2006-revised-acts.557.html#C>

Regulations	
• Reserves	• Savings
• Liquidity	• Borrowings
• Lending	• Systems, Controls and Reporting Arrangements
• Investments	• Services exempt from Additional Services Requirements



Supporting Material for Credit Unions

- Credit Union Handbook developed in 2013 to support credit unions in implementing the strengthened regulatory framework.
 - Brings together in one place a number legal and regulatory requirements and guidance that apply to credit unions.
- **Chapters of the Credit Union Handbook updated in 2016 to reflect:**
 - New sections of the 1997 Act;
 - 2016 Regulations; and
 - Guidance.
- **FAQ Document** - addresses questions on the implementation of the new Regulations – kept updated as common questions on topics arise.





Regulatory Framework – update on savings applications

- Regulations include a €100,000 savings limit – regulations provide that:
 - Credit unions **can apply to the Central Bank to retain** individual members' savings in excess of €100,000, which were held at commencement of the Regulations
 - Credit unions with **total assets in excess of €100m can apply to the Central Bank for approval to increase** individual member savings in excess of 100,000.
- The Central Bank developed **application processes** to facilitate credit unions in seeking approvals
 - The submission deadline for applications to retain savings in excess of €100,000 was **27 June 2016**.
 - The application form to increase savings in excess of €100,000 does not have a submission deadline and will be accepted on an **ongoing basis**.



Regulatory Framework – savings applications

Applications to Retain

- Applications were assessed primarily by reference to objective financial criteria related to the level of excess **reserves** and **liquid assets** held by the credit union. In addition, applicant credit unions were required to outline a rationale for seeking to retain such savings.
- c.195 credit unions held individual members' savings in excess of €100,000 of c.€165m on 1 January 2016. c.One third of these credit unions applied to retain individual member savings in excess of €100,000.
- The majority of these applicants met the specified financial criteria (reserves, liquidity) and have been approved.

Applications to Increase (for credit unions with assets > €100m)

- Applications will be assessed primarily by reference to the **business case** and related **financial projections**
- Small number of credit unions have applied to increase individual member savings in excess of €100,000.
 - Largely focused on 'servicing member needs' rather than on demonstrating a specific funding requirement based on a business need.



Regulatory Framework – Latest Developments

- Now that the strengthened regulatory framework is in place the focus is on **embedding** the framework.
- Communications & Guidance for credit unions:
 - Guidance (updated Handbook/FAQs)
 - Newsletter – published twice a year
 - Ongoing engagement including presentations at range of credit union events/conferences
- Themed Inspections
 - Inform development of practical guidance for credit unions on best practice in areas covered (e.g. 2016: F&P and outsourcing)
- 2015 Peer Review on credit union regulation included recommendations in relation to Communications and Guidance
 - Enhanced stakeholder engagement



CUAC review of the implementation of Recommendations of the Commission on Credit Unions

Background:

- Minister for Finance invited the Credit Union Advisory Committee (CUAC) to carry out a review in 2016 of the implementation of the Recommendations of the Commission on Credit Unions 2012 Report.
- Purpose of review to examine implementation of recommendations, having regard to their impact on credit unions, and environmental changes that have occurred following publication of the Commission on Credit Unions Report.



CUAC review of the implementation of Recommendations of the Commission on Credit Unions

CUAC Report:

- Report published on 6 July:
 - Identified that the vast majority of the Commission's recommendations had been implemented;
 - Sets out recommendations in relation to further work required in relation to the following areas:
 - Tiered regulation
 - Longer term lending limits
 - Consultation & engagement
 - Governance
 - Restructuring
 - Business Model development
- RCU's submission to CUAC was published on our website in July:
 - Sets out our position on the areas considered by CUAC. Approach was to align our position with our strategic objectives of **supporting change while managing risks**;



CUAC review of the implementation of Recommendations of the Commission on Credit Unions

Next Steps:

- Report recommended an implementation group, consisting of members from the credit union representative bodies, the Central Bank, the Department of Finance & a CUAC representative, be established to oversee & monitor implementation of CUAC's recommendations.