

MULLINGAR CREDIT UNION

Response to Consultation Paper CP106

Consultation on the review of the Minimum Competency Code
2011

February 2017

This document contains the views of the Board and Management of Mullingar Credit Union on the proposals contained within Consultation Paper CP106

This submission is limited in scope to the specific questions contained within CP106 which are relevant to Mullingar Credit Union at this time.

Question 1:

Do you agree that persons carrying out a relevant function in respect of any retail financial product that falls within the scope of the MCC should obtain a minimum level of experience prior to working without supervision? Please outline the reasons for your view.

Question 2:

If you agree with 1) above, do you consider a minimum six-month period to be sufficient? Or should the length of experience depend on the role(s) being carried out, the complexity of the product or a qualification already held by a person? Please outline the reasons for your view.

Question 3:

Do you agree with the proposal on how the experience requirement should be evidenced, i.e., that a regulated firm should sign a ‘certificate of experience’ and retain supporting documentation to support the certificate? Please outline your views.

Question 1: Response

We have a query in relation to this issue. What is the scenario in MCU where no-one would have any specific relevant experience, as such, of working on mortgage loans? Does previous experience of working in credit union lending (including housing loans) count towards such experience?

The response of MCU to this question depends upon the interpretation of “experience”.

If such broader lending experience does not count towards the experience requirement for a product new to the credit union such as a mortgage, then the requirement is somewhat onerous and will be difficult to achieve. It may prove to be a barrier to entry to the mortgage market for a credit union, which would appear to be a heavy handed consequence of these new regulations.

However, if a person’s previous broader lending or other experience in the credit union would count towards the experience requirement, MCU broadly agrees that a person should obtain a minimum level of experience before carrying out a relevant function in respect of any retail financial product that falls within the scope of the MCC.

Question 2: Response

A six month minimum period of experience should be more than sufficient. This response is particularly relevant in the context of any current products offered by this credit union, or future products that are likely to be offered, which should not be overly complex.

Question 3: Response

The certificate of experience may be a good idea. However, the reliability/transferability of such a certificate outside of the entity in which it was awarded may be questionable, due to the differing standards across multiple entities. We would therefore hope that a prescribed standard for such a certificate would be set out in the Regulations in order to ensure uniformity of standards.

Question 4

Do you agree with the proposal set out above? Please set out the reasons for your view.

(Proposal: the Central Bank proposes to amend the scope of the MCC by including a new specified function for those directly involved in the design of retail financial products. Regulated firms should at a minimum ensure that one person with material influence on the final decision regarding product design obtains the relevant MCC qualification.)

Question 4: Response

MCU agrees with the proposal of having one person with relevant MCC qualification in relation to product design and development. This agreement is on the basis that, in a credit union such as MCU, this qualified person would be a member of the operational management team. It would not be practical or necessary for such a qualification to be mandatory by a member of the voluntary Board of Directors.

Question 5:

What alternative ways could persons demonstrate meeting the competencies and standards set out in the Mortgage Credit Regulations and the requirements of the ESA Guidelines and MiFID II Delegated Directive?

As mentioned in the answer to question 4 above: a member of the executive management team would meet the requirements on behalf of the voluntary Board of Directors of the credit union.

An alternative way to demonstrate meeting the competencies and standards could be the completion of relevant training programmes, or membership of a recognised CPD scheme. To confer further reassurance, an additional compulsory training module in the subject of the Mortgage Credit Regulations could be added to the annual CPD requirement (similar to the Anti-Money Laundering / Ethics / Data Protection requirements that are currently in place).

Question 6: Response

Do you agree that the MCC should apply to credit unions in respect of any retail financial product offered by credit unions that falls within the scope of MCC? Please set out the reasons for your views.

MCU broadly agrees with the proposal that MCC should apply to credit unions in respect of any retail financial product offered by credit unions that falls within the scope of the MCC.

However, this is a very significant step for credit unions, where core products are being affected for the first time. It is therefore hoped that the application of the MCC will be proportionate and reasonable. There should be recognition of the experience already obtained, in relation to consumer credit lending. MCU would also welcome recognition of relevant qualifications already obtained, such as the Pathways Diploma or the ACCUP.

In relation to these qualifications: the entire operational staff of MCU are either qualified with the ACCUP (Advanced Certificate in Credit Union Practice) or the Pathways Diploma in Credit Union Operations. MCU spent considerable resources and time in ensuring that the staff obtained these qualifications. There should be recognition of these qualifications in relation to the existing core business of credit union loans that fall within the scope of the MCC under the proposed new regulations. In the development of the Pathways Diploma and the ACCUP qualification which preceded it, the content of the compulsory Lending and Loan Recovery module was designed to specifically meet the consumer lending competencies as outlined in the Minimum Competency Rules 2006 and as updated in the Minimum Competency Code 2011.

MCU does recognise that additional qualifications will be required in order to introduce new products outside of the core lending product of the credit union (such as mortgages).

If the existing qualifications are not deemed to be sufficient for the core lending product, MCU will need sufficient time in order to enable all relevant staff to obtain a new qualification. Given the numbers of staff involved and the resources necessary, a transition period of at least four years would be necessary to fulfil this requirement.

Finally, the scope of the MCC as it would apply to credit unions for “investment products”, and in particular deposit accounts, will need to be clarified prior to the implementation of the proposed regulations. MCU does not believe that the ordinary savings and deposit products offered by MCU should be subject to the MCC.

Question 7: Response

If you agree, what do you consider to be an appropriate timeline for its application? Please set out the reasons for your views.

There is no mention of “grandfathering” in relation to credit union activities in the proposed regulations set out in CP106. Therefore, if prior relevant experience is not being recognised in the application of MCC to credit unions, sufficient time should instead be given in order for credit union personnel to gain the relevant qualifications. However, MCU strongly feels that the existing university qualifications, as described in Q6 response above, should be recognised in relation to the credit union core lending product.

As mentioned above, if the existing qualifications are not deemed to be sufficient for the core lending product, MCU will need sufficient time in order to enable all relevant staff to obtain a new qualification. Given the numbers of staff involved and the resources necessary, a transition period of at least four years would be necessary to fulfil this requirement.

Question 8: Response

What other means do you consider to be appropriate for members of the board of a mortgage credit intermediary to meet the competencies specified in Schedule 1 of the Mortgage Credit Regulations and evidence that those competencies are met?

MCU does not consider that it is appropriate for members of the voluntary, unremunerated Board of Directors of a credit union, to have to meet the requirements of the MCC regime. Instead, the specific qualifications and requirements of the MCC regime / Mortgage Credit Regulations will be fulfilled by the management team and staff who manage the operations of the credit union. The Board of Directors would continue their membership of the recognised ILCU CPD scheme which gives assurance that the board members are engaged and maintaining their knowledge of the regulatory obligations. To confer further reassurance, an additional compulsory training module in the subject of the Mortgage Credit Regulations could be added to the annual CPD requirement (similar to the Anti-Money Laundering / Ethics / Data Protection requirements that are currently in place).

Question 9

Not relevant to Mullingar Credit Union

Summary

1. MCU formally requests that a Regulatory Impact Analysis on the application of CP106 to credit unions be undertaken. A Regulatory Impact Analysis helps to identify any possible side effects or hidden costs associated with regulation and to quantify the likely cost of compliance on the individual citizens or the business.
2. The scope of the MCC as it would apply to credit unions for “investment products”, and in particular deposit accounts, will need to be clarified prior to the implementation of the proposed regulations. MCU does not believe that the ordinary savings and deposit products offered by MCU should be subject to the MCC.
3. MCU strongly recommends that the existing university qualifications undertaken by the MCU officers (Pathways Diploma and ACCUP) are recognised as meeting the MCC requirements in relation to the core lending products of the credit union.
4. MCU does not agree with the imposition of a minimum experience requirement, if such a requirement would act as a barrier to the credit union’s introduction of a new product (such as a mortgage).
5. MCU does not consider that it is appropriate for members of the voluntary, unremunerated Board of Directors of a credit union, to have to meet the requirements of the MCC regime.