

## **Comhar Credimheasa Ghaoth Dobhair Teo-**

### **CP 88 Consultation on Regulation for Credit Unions on commencement of remaining sections of the 2012 Act**

#### **1. Reserves**

*CBI seeking retention of 10% of Assets as RR,*

Comhar Credimheasa Ghaoth Dobhair query the need for 10% and argues for a risk weighted approach to each credit union particularly when 75% of all investment is in guaranteed bank deposits, There is no rationale for this requirement having regard to negligible risk. Further the requirement of an initial regulatory reserve requirements limits the possibility of expansion of newly formed credit unions

#### **2. Liquidity Deadline for compliance 1 Jan 2016 ( 12 month transition)**

The definition of Liquid assets has been expanded which will have an impact on the return that Credit Union Sector may obtain. A strict short term liquidity of 10% which must be available in < 8 days limits the sums available which could otherwise be invested for better returns for our members We note that that High Level of liquidity is already in place.

#### **3. Lending- Deadline for compliance 1 Jan 2017 ( 24 month transition)**

Introduces maxim maturity limit of 25 years and max exposure limit of 10% of RR or 39,000 euro. Comhar Creidmheasa Ghaoth Dobhair notes that no rationale is outlined for changing from current percentage of total assets. It is unclear if 10% of assets or 10% of CU Reg reserve. Comhar Creidmheasa Ghaoth Dobhai has concerns in relation to Concentrations limits introduced such as; Commerical 50% of RR, Community 25% of RR, other CU's 12.5%

The requirement that all community loans above 25k must be supported by business plans and financial projections is unnecessary. Comhar Creidmheasa Ghaoth Dobhair insists on reviewing all financial projections in advance of any loan to a Community organisation such as the GAA, etc. Comhar Creidmheasa Ghaoth Dobhai position is that CU boards and management are best placed to consider limits within our own credit union and it is more appropriate for individual boards to set limits of lending having regard to the strength and size of local community groups.

Category of loans instead of class and you can only lend within the following class

Personal; Commercial; Community; House; Other Credit Unions

#### **4. Investments- Deadline for compliance 1 Jan 2017 ( 24 month transition)**

No investment Can exceed 10 years maturity, 30% (up from 20%) can be invested in products maturing after 7 years, not more than 50% in long term. This limits CU to investing 50% in products of less than 5 years maturity.

#### **5. Savings- Deadline for compliance 6 months, 30 June 2016**

Comhar Creidmheasa Ghaoth Dobhai object to the limit of 100,000 in shares and deposits. If implemented, 417m in funds held nationally will have to be redistributed. This could affect 3.9% of total savings, assessment necessary on each CU. Nationally it would represent a loss of all savings in credit unions in 2013 and 2014. Why should this be imposed on movement with 2 billion of capital and 670m in loan provisioning. Competition law impact as clear result will be migration of funds to state owned banks/Post office

As a Credit Union located in a region where the main banks have closed their office this leaves a difficulty for local people to lodge the proceeds of retirement gratuity, or inheritance funds which will otherwise be sent to the post office, the state banks, non-state banks or to foreign banks

#### **6. Borrowing;**

CU will only be able to borrow 25% of aggregate savings down from 50% . This will have impact on large/merged credit unions and may prevent competition with banks. This will also limit Credit Union growth as it will restrict access to good rates which might be obtained on financial markets. Credit Unions should be able to lend to other Credit Unions and this may actually lead to mergers or otherwise lead to improved mutual growth when a credit union has excess money and could obtain a better rate from inter credit union lending. This is a common practice with banks

#### **7. Systems Controls and Reporting arrangements**

The systems employed by the credit union can automatically outline loan book performance. It is unclear what format loan book disclosure should take having regard to the different commercial systems used in each credit union