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Feedback Statement on CP88 - Consultation on Regulations for Credit Unions on commencement of the remaining sections of the 2012 Act



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1. Foreword

I would like to take this opportunity, on the publication of the final regulations for credit unions and the feedback statement on CP88, to acknowledge the level of interest in these regulations and to thank all those who have provided feedback on the Central Bank's proposals. The Central Bank recognises the distinct and important role that credit unions play in Irish society and the financial sector and is committed to achieving our vision of financially strong, well governed credit unions providing services to current and new members.

Credit unions have made significant progress since the Commission on Credit Unions was set up, but the sector faces a number of critical challenges evident in the still-declining income growth and high arrears rates, which put severe pressure on viability for so many credit unions.

The publication of these regulations marks another important step in the development of a strengthened regulatory framework for credit unions. The Central Bank is of the view that these regulations, combined with the commencement of the remaining sections of the 2012 Act and the prudential and governance requirements already in place, provide an appropriate regulatory framework for the credit union sector at this time.

We recognise the need for credit unions to grow income as a requirement for sector viability. While developing new products and services is a necessary element of this, it is also important that credit unions ensure that they are in a position to grow their income from their traditional lending business. We also recognise the level of change in the sector arising from the voluntary restructuring that is currently taking place.

The Central Bank is open to working with the credit union sector to ensure that prudent and appropriate development can be facilitated within the regulatory framework. In our role of supporting the sustainable and prudent development of the sector, we want to ensure that proposed changes to the business model are prudently structured and implemented.

On the regulations, I am aware that during the consultation process the proposal for a maximum individual member's savings limit of €100,000 has drawn a large degree of comment. Having considered the feedback received the Central Bank is of the view that the limit of €100,000 is appropriate at this time given the stage of development of the sector and the Central Bank's mandate to ensure the protection of members' funds. The Central Bank is committed to commencing a review of the continued appropriateness of the savings limit within three years, after the impact of the restructuring of the sector currently underway can be assessed. The Central Bank is extending the transitional arrangement for the savings limit proposed in CP88 by six months to allow credit unions a period of 12 months, after commencement of the regulations, to return any individual member savings they hold in excess of €100,000. In addition the Central Bank is providing for credit unions to apply to the Central Bank to retain individual member savings in excess of €100,000 where they can demonstrate that it is appropriate and prudent for them to do so.

The Central Bank has also given detailed consideration to the submissions received in other areas and this feedback has influenced the approach in areas such as:

- *the short term liquidity ratio;*
- *requirements for related party lending;*
- *disclosure requirements; and*
- *development of the credit union business model.*

In relation to development of the business model, we intend to invite interested parties in the credit union sector to participate in focused dialogue in the coming months with a view to gaining a better understanding of how credit unions want to develop their business model. Having considered credit union proposals on business model development, we will identify whether any changes are required to the regulatory framework to facilitate prudent development. Given the areas identified in feedback received in this consultation and through other engagements with sector stakeholders we propose that this dialogue, which will commence later this year, will initially focus on the following areas:

- *the services credit unions wish to develop in the areas of card services and payment accounts; and*
- *credit unions' aims regarding longer term lending including further developments on the provision of mortgages to members.*

We are also open to considering other areas of business model development and look forward to engaging with the sector in this regard.

The provision of regulation making powers to the Central Bank on commencement of the remaining sections of the 2012 Act provides flexibility so that the Central Bank can, in the future, review and update the regulations as appropriate on a timely basis following consultation. The Central Bank is keen to ensure that the regulations remain appropriate for the credit union sector and in the future, where credit unions set out a clear path on how they wish to develop we will consider any amendments to the regulations that may be appropriate.

Anne Marie McKiernan

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Registrar of Credit Unions



2. Introduction

The feedback statement on CP76 – Consultation on the Introduction of a Tiered Regulatory Approach for Credit Unions, published in June 2014, indicated that having considered the feedback received from credit unions on timing, the Central Bank is not proposing to introduce a tiered regulatory approach for credit unions at this stage given the amount of change the credit union sector is currently undergoing. However, the Central Bank set out a number of steps it planned to take in relation to the development of the regulatory framework for credit unions including:

- developing regulations for all credit unions under the regulation making powers in the Credit Union and Co-operation with Overseas Regulators Act 2012 (the 2012 Act); and
- further engagement and consultation with credit unions and other sector stakeholders on the prudent development of the credit union sector and the regulatory framework for credit unions.

On 27 November 2014 the Central Bank of Ireland (the Central Bank) published Consultation Paper 88 - Consultation on Regulations for Credit Unions on commencement of the remaining sections of the 2012 Act (CP88).

CP88 set out the Central Bank's draft regulations which it proposed would be introduced following the commencement of the remaining sections of the 2012 Act. The Central Bank is introducing these regulations to continue the introduction of a strengthened regulatory framework as recommended by the Commission on Credit Unions. The regulations cover the following areas:

- Reserves;
- Liquidity;
- Lending;
- Investments;
- Savings;
- Borrowing;
- Systems, Controls and Reporting Arrangements; and
- Services Exempt from Additional Services Requirements.

CP88 posed nine specific questions for respondents to address. The closing date for submissions was 27 February 2015. 117 submissions were received in response to CP88. The Central Bank would like to thank all parties who took the time to make a submission on CP88 to inform the policy development process. The submissions received can be broken down as follows:

- 99 from individual credit unions;

- 4 from credit union bodies;
- 3 from credit union Chapters; and
- 11 from others (including professional bodies, TD's and investment firms).

All submissions received are available on the Central Bank website at the following [link](#). Following completion of the consultation on CP88 and consideration of the submissions received, in line with section 84A of the Credit Union Act, 1997 (the 1997 Act) the Central Bank has consulted with the Minister for Finance and the Credit Union Advisory Committee (CUAC). The Central Bank also further consulted with credit union bodies at that time.

This paper summarises the feedback received on CP88 and sets out the Central Bank's considered decisions. It is intended to be read in conjunction with CP88 and makes reference to proposals and terms used in the original consultation document, which can be found on the Central Bank's website at the following [link](#).

This feedback statement is published to promote understanding of the policy formation process within the Central Bank and is for information purposes only. This document does not alter legal or regulatory requirements for credit unions. This document does not constitute legal advice and should not be used as a substitute for such advice. It is the responsibility of all credit unions to ensure their compliance with legal and regulatory requirements.

Section 3 of this feedback statement provides an overview of the key messages from the submissions received, a summary of the Central Bank's responses to these messages and an outline of the proposed next steps. Section 4 of this feedback statement provides details on the proposals set out and questions posed in CP88 along with a summary of the feedback received on each question and the Central Bank's response. Section 5 of this feedback statement provides an overview of additional feedback received and the Central Bank's response to this feedback. The final section, Section 6, of this feedback statement provides details on the statutory consultation conducted in line with section 84A of the 1997 Act. A comparison of the existing requirements and guidance for credit unions and the requirements in the final regulations is provided in Appendix 1. The final regulations are set out in Appendix 2.

3. Key Messages and Summary of Central Bank Response

3.1 Purpose of Consultation

Following the commencement of the remaining sections of the 2012 Act, the Central Bank is proposing to introduce regulations to ensure that key prudential limits for credit unions remain in place and to continue the introduction of a strengthened regulatory framework, as recommended by the Commission on Credit Unions. The regulations cover the following areas:

- Reserves;
- Liquidity;
- Lending;
- Investments;
- Savings;
- Borrowing;
- Systems, Controls and Reporting Arrangements; and
- Services Exempt from Additional Services Requirements.

CP88 set out draft regulations in these areas, along with a Regulatory Impact Analysis and sought views from credit unions and other sector stakeholders on:

- the draft regulations; and
- the timelines, including transition period, for the introduction of the draft regulations.

3.2 Key Messages

As set out in CP88, the Central Bank took account of feedback received on CP76 in developing the draft regulations set out in CP88. A small number of respondents welcome the changes made to our proposals following this previous consultation, including: the expanded definition of liquid assets; the application of investment maturity limits to a credit union's full investment portfolio rather than individual investment classes; and the decision not to apply limits on lending to related parties.

The areas in CP88 that received the most feedback were the following:

- Savings;
- Liquidity; and
- Related Party Lending.

Feedback was also received in a number of other specific areas including feedback on proposed disclosure requirements, classes of investments and reserve requirements along with a number of general comments on the restrictive nature of the regulations

and potential impact of this on development of the credit union sector. The sections below set out a high level summary of the feedback received in these areas. Further detail on the feedback received on each area of the draft regulations is set out in Section 4.

Savings

The savings regulations set out in CP88 propose a maximum individual member's savings limit of €100,000. The savings regulations set out in CP88 also contain transitional arrangements for savings made prior to the commencement of the regulations which provide that on commencement of the regulations credit unions will be provided with a period of six months to bring any savings that do not comply with the regulations into compliance with the new requirement. Almost all submissions comment on the proposal for a maximum individual member's savings limit of €100,000 with the vast majority of these disagreeing with the proposed limit. A large number of these respondents express concerns that such a limit would have a negative reputational impact on the sector and have questioned if the limit is anti-competitive as similar limits do not apply to banks. A large number of submissions that comment on the proposal to limit savings of individual members to €100,000 also raise specific concerns about the impact of the proposed transitional arrangement whereby credit unions are required to return any savings held by individual members in excess of €100,000. These submissions highlight the potential for negative reputational impact on the sector and potential operational difficulties that may arise where a member cannot or will not withdraw savings in excess of €100,000.

Liquidity

The liquidity regulations set out in CP88 include a requirement for credit unions to maintain a short term liquidity ratio of short term liquid assets of at least 10% of their unattached savings (short term liquidity ratio), where short term liquid assets are defined as cash and investments with maturity of less than eight days.

While a small number of submissions agree with the proposed short term liquidity ratio, a large number of submissions disagree with the proposed 10% short term liquidity ratio. The key concern expressed in relation to the proposed requirement in almost all cases is the potential impact on income. Of those that disagree with the proposal a small number acknowledge the rationale for a short term liquidity requirement but question the quantum and/or timing of the proposed limit.

Related party lending

The draft lending regulations set out in CP88 contain a number of requirements on the approval of, management of and reporting on loans to related parties including a requirement that loans to related parties be subject to individual prior approval in writing by the board of directors or a sub-committee of the board of directors.

A significant number of submissions disagree with the proposed requirements for related party lending set out in the draft lending regulations. In particular, submissions raise concerns about the potential impact of the proposed requirement for the board of directors or a subcommittee of the board of directors to approve loans to related parties, including concerns that this may delay the approval of loans to related parties thus potentially disadvantaging related parties.

Other areas

Some feedback was also received in a number of other specific areas including on proposed disclosure requirements, classes of investments and reserve requirements. Of those that comment on disclosure requirements similar numbers agree and disagree with the requirements. Those that disagree with the requirements expressed concerns about disclosing information on the performance of loan books and related party loans. In relation to investments, a number of submissions express concern regarding the removal of equities as an asset class for credit unions, while others indicate that credit unions should be permitted to invest in state projects and social initiatives. In the case of reserve requirements, a number of submissions express the view that a risk weighted approach to reserves should be considered for credit unions while a submission from a representative body comments that the Central Bank should be specific in its proposal to prescribe an initial reserve requirement.

Development of the sector

In addition to comments on specific regulations, some submissions contain general comments on the restrictive nature of the regulations and the potential impact of the regulations on the development of the sector. While in general these comments do not provide details of specific areas of the regulations that would impact on sector development, some comments raise concerns about the impact of the regulations on the ability of credit unions to engage in mortgage lending while others raise queries on whether credit unions can offer card and related services under the regulations. Some submissions refer to tiered regulation and suggest that an element of tiering is required to provide an incentive for scale and to facilitate development.

Review of regulations

Some respondents suggest that the regulations should be reviewed in the future to ensure that they remain appropriate.

3.3 Central Bank Response

The Central Bank has given detailed consideration to the submissions received and the feedback has influenced the approach in areas such as the:

- transitional arrangements for the savings limit;
- short term liquidity ratio;
- requirements for related party lending;
- disclosure requirements; and
- development of the credit union business model.

Savings limit

The Central Bank notes the feedback received on the proposal for a maximum individual member's savings limit of €100,000 and the associated transitional arrangement.

Savings limit

Under the 1997 Act the functions of the Registrar of Credit Unions are to regulate credit unions with a view to the:

- protection by each credit union of the funds of its members; and the
- maintenance of the financial stability and wellbeing of credit unions generally.

In this context it is our duty to ensure that the actions we take represent the best overall outcome, from the perspective of ensuring the protection of members' funds by credit unions and safeguarding the stability of the sector. A maximum individual member's savings limit of €100,000 would ensure the protection of members' savings¹ and continue to ensure that credit unions' funding is sufficiently diversified and is not dependent on a small number of members. The Central Bank is mindful of the potential financial stability impact on the wider credit union sector of any credit union member losing a portion of their savings and is of the view that limiting individual member's savings to €100,000 also ensures that, where necessary, a credit union can be resolved in an orderly fashion.

In relation to concerns raised regarding competition, the Central Bank has been provided with specific regulation making powers by the Oireachtas in relation to credit unions. Where the Central Bank regulates one category of regulated entity by imposing specific regulatory requirements which may be different to those imposed on other categories of regulated entities, this simply reflects the nature of the distinct categories of entities involved. As in other areas of the regulatory framework, this limit takes account of the nature, scale and complexity of credit unions and is considered appropriate at this time given the current credit union business model.

¹ Savings held with credit unions are protected by the Deposit Guarantee Scheme (DGS) in the event of a credit union being unable to repay savings. All eligible savings up to a limit of €100,000 per person per institution are guaranteed to be repaid by the DGS.

Under the current credit union business model, the need for credit unions to take in large savings from individual members has not been demonstrated to date. The average amount of savings held by individual members across the sector is c. €3,900. We note that c. 57% of credit unions currently hold some individual member savings in excess of €100,000. However, the total amount of savings in excess of €100,000 in the credit union sector is c. 1.2% of total member savings and less than 0.12% of all credit union members currently have savings in excess of €100,000².

Having reviewed the feedback received on the proposed limit the Central Bank considers that the maximum individual member's savings limit of €100,000 is the most appropriate measure, at this time, to mitigate the risks that could arise in the credit union sector were any credit union member to lose a portion of their savings.

Transitional arrangements for savings

Having considered the feedback received, the Central Bank is extending the transitional arrangement for the savings limit from six months to 12 months.

The transitional arrangements have also been amended to provide for credit unions that have individual members' savings in excess of €100,000 at commencement of the regulations to apply to the Central Bank to retain these savings where they can demonstrate that it is appropriate and prudent for them to do so. In considering such applications the Central Bank will have regard to the level of additional reserves held by the credit union, the asset size of the credit union and other relevant matters. Details of the application process will be made available to credit unions before the commencement of the regulations at the end of 2015.

Review of savings limit

The Central Bank is committed to undertaking a review of the continued appropriateness of the savings limit after the impact of the restructuring of the sector, currently underway, can be assessed. This review will also assess if developments have emerged in the credit union business model which may warrant consideration of any amendments to the €100,000 limit for some credit unions. It is envisaged that such a review would be commenced within three years of the introduction of the regulations.

Short term liquidity ratio

Given the on-demand nature of credit union funding, the Central Bank considers it appropriate to introduce a short term liquidity ratio to ensure that credit unions hold a mix of investment maturities to support them in meeting their obligations as they arise. Having considered the feedback received on the short term liquidity ratio, the Central Bank is reducing the short term liquidity ratio from 10%, as set out in the draft

²Based on information reported by credit union on the Prudential Return for March 2015.

regulations in CP88, to 5% at this time subject to future review. It should be noted that this limit is a minimum and credit unions are required under the 1997 Act to keep a portion of total assets in liquid form to enable the credit union to meet its liabilities as they arise, taking account of the nature, scale and complexity of the credit union and the composition and maturity of its assets and liabilities. Credit unions will continue to be required to maintain a minimum liquidity ratio of at least 20%.

Requirements for related party lending

The objective of the requirements for related party lending set out in the draft lending regulations in CP88 is to ensure that related parties do not receive more favourable treatment than other credit union members and that there is appropriate oversight of such loans. Having considered the feedback received, the Central Bank acknowledges the potential operational issues that may arise as a result of a requirement for approval by the board of directors or a subcommittee of the board of directors for all loans and amendments to existing loans to related parties. To address these concerns, the Central Bank is replacing the functions previously assigned to the board of directors or a subcommittee of the board of directors in the regulations with a requirement for loans to related parties or amendments to existing loans to related parties to be approved by the credit committee or the credit control committee as appropriate. In order to ensure appropriate oversight of loans to related parties the internal audit function will be required to review related party loans, at least annually, to ensure they comply with the related party lending requirements and to provide a written report on their review to the board of directors.

Other areas

In relation to feedback received on reporting and disclosure requirements the Central Bank is making a number of amendments to these regulations including the removal of the requirement to make disclosures in relation to the performance of the loan book and the requirement to disclose certain accounting policies. With regard to feedback received on classes of investments and reserve requirements the Central Bank is not proposing to make changes to the draft regulations at this time. Further detail on the Central Bank's response to feedback in these areas is set out in Section 4.

Development of the sector

While some submissions comment on the restrictive nature of the regulations, respondents do not put forward detailed proposals on how the sector should develop. Less than a third of submissions answered the specific question posed on additional services in CP88 which asked for suggestions on additions, amendments or deletions to the services and related conditions that are included in the draft regulations. Where submissions have responded, card services are the services most commonly mentioned.

Many of the submissions that comment on card services are seeking clarification on the types of card services that can be provided under the existing framework.

While the Central Bank has not received many applications from credit unions for additional services in recent years, we have included one additional service in the services exempt from additional services requirements, which reflects an area where the Central Bank has received a number of enquiries/applications - offering insurance services on an introduction basis. When the regulations commence, credit unions will be able to offer this service without applying for and receiving approval from the Central Bank. If a credit union receives remuneration for this service, the credit union must comply with certain conditions, including the requirement to have an authorisation as a retail intermediary.

Based on the current stage of development of the credit union sector, the Central Bank is of the view that the amended regulations, combined with the commencement of the remaining sections of the 2012 Act and the prudential and governance requirements already commenced in 2013 and 2014, will provide an appropriate regulatory framework for the credit union sector at this time.

The Central Bank is open to working with the credit union sector to ensure prudent and appropriate development can be facilitated in the regulatory framework. Given the areas identified in feedback received on CP88 and through other engagements with sector stakeholders we propose this dialogue, which will commence later in the year, will initially focus on the following areas:

- the services credit unions wish to develop in the areas of card services and payment accounts; and
- credit unions' aims regarding longer term lending including further developments on the provision of mortgages to members.

We are also open to considering other areas of business model development and are interested to receive proposals from the sector in this regard. This engagement on business model development may also be helpful in determining whether an element of tiering is required to facilitate further development of credit union services.

The Central Bank is supportive of credit unions developing services where they are supported by robust business cases and is undertaking work to develop guidance for credit unions on the process of developing and submitting proposals on new services to the Central Bank and the Central Bank's expectations in this area.

Review of regulations

The provision of new regulation making powers to the Central Bank in the 1997 Act means that, in future, the Central Bank will be in a position to review and update the

regulations as appropriate on a timely basis and following consultation. The Central Bank is keen to ensure that the regulations remain appropriate for the credit union sector and where credit unions set out a clear path on how they wish to develop, we will consider any amendments to the regulations that may be appropriate. As set out in this feedback statement, the Central Bank is committed to reviewing specific areas of the regulations including the savings limit.

3.3.1 Summary of Amendments to Draft Regulations

The table below provides an overview of the amendments made to the requirements in the draft regulations set out in CP88.

Area	Requirements in draft regulations of CP88	Amendments to Requirements in draft regulations in CP88
Reserves	<ul style="list-style-type: none"> • Initial reserve requirement for newly registered credit unions 	<ul style="list-style-type: none"> • Minimum initial reserve requirement of €10,000 • Classification of an eligible reserve: <ul style="list-style-type: none"> ○ shall not be secured or subject to guarantee which enhances its seniority ○ be permanent and without an obligation for repayment of principal ○ have no preferential distribution rights ○ rank below all other claims in the event of a liquidation ○ qualify as a reserve for accounting purposes
Liquidity	<ul style="list-style-type: none"> • Short term liquidity ratio of 10% 	<ul style="list-style-type: none"> • Short term liquidity ratio of 5%
Lending (Related Party Lending)	<ul style="list-style-type: none"> • Related party lending requirements - <ul style="list-style-type: none"> ○ approval by board of directors or subcommittee of the board of directors 	<ul style="list-style-type: none"> • Related party lending requirements: <ul style="list-style-type: none"> ○ approval by credit committee/ credit control committee ○ annual review by internal audit and report to board of directors
Savings	<ul style="list-style-type: none"> • A period of six months provided to bring any savings over €100,000 into compliance with the new requirement 	<ul style="list-style-type: none"> • A period of 12 months provided to bring any savings over €100,000 into compliance with the new requirement • Credit unions that have savings in excess of €100,000 at commencement of the regulations may apply to the Central Bank to retain these savings where they can demonstrate it is prudent and appropriate to do so

Area	Requirements in draft regulations of CP88	Amendments to Requirements in draft regulations in CP88
Systems, Controls and Reporting Arrangements	<ul style="list-style-type: none"> • Disclosure requirements in relation to annual accounts: <ul style="list-style-type: none"> ○ regulatory reserve requirement ○ performance of loan book ○ loans to related parties ○ certain accounting policies 	<ul style="list-style-type: none"> • Disclosure requirements in relation to annual accounts: <ul style="list-style-type: none"> ○ regulatory reserve requirement ○ loans to related parties
Additional services	<ul style="list-style-type: none"> • Exemptions in S.I. No. 223 of 2004 and S.I. No. 107 of 2007 now provided for under Central Bank regulation making powers 	<ul style="list-style-type: none"> • Add insurance services on an introduction basis to list of exempt services

A table providing a high level comparison in each area of key prudential requirements and guidance that currently exist in the regulatory framework for credit unions and the requirements that are contained in the final regulations is set out in Appendix 1.

3.4 Proposed Next Steps

Commencement date for regulations

The regulations will commence on 31 December 2015. This will provide credit unions with a period of time to prepare before their commencement.

Transitional arrangements

The regulations also contain transitional arrangements in relation to new or amended liquidity, lending, investments, savings and borrowing requirements. These transitional arrangements, ranging from 12 months to two years, will apply from when the regulations commence on 31 December 2015.

Communications and Guidance for credit unions

In order to assist credit unions in implementing the regulations, before the regulations commence on 31 December 2015 the Central Bank will develop a FAQ document for credit unions to address questions on the implementation of the new regulations. This will be published in October 2015 and will be updated as appropriate prior to commencement of the regulations.

The Central Bank will also update the relevant chapters of the Credit Union Handbook to reflect the new sections of the 1997 Act (substituted and introduced by the commencement of the remaining sections of the 2012 Act), the new regulations and guidance where appropriate. The updated Credit Union Handbook will be published in November 2015.

The updated Credit Union Handbook will provide clarity for credit unions and other sector stakeholders on the legal and regulatory requirements and guidance across the regulatory framework for credit unions. Previously the regulatory framework was set out in legislation, regulations imposed by the Minister for Finance and the Registrar of Credit Unions, and guidance contained in guidance notes and circulars issued by the Central Bank. In the future, the strengthened regulatory framework will be reflected in legislation, regulations and guidance. In relation to guidance, on commencement of the regulations, guidance previously contained in Guidance Notes and circulars will be replaced by guidance set out in the relevant chapters of the Credit Union Handbook.

Information seminars will also be undertaken nationwide in November 2015 which will include presentations on the regulations.

Commencement of Regulations	
Date	Step
July - December 2015	Transition period before the regulations commence
October 2015	Publication of FAQ
November 2015	Publication of updated Credit Union Handbook
November 2015	Information Seminars
31 December 2015	Commencement of remaining sections of 2012 Act and the regulations

As set out previously the Central Bank will commence focused dialogue with the credit union sector in the coming months with a view to gaining a better understanding of how credit unions want to develop their business model.

Engagement on Business Model Development	
Date	Step
Q4 2015	Focused engagement with the credit union sector on: <ul style="list-style-type: none"> the services credit unions wish to develop in the areas of card services and payment accounts credit unions' aims regarding longer term lending including the further developments on provision of mortgages to members
2015/2016	On-going engagement and consultation with the credit union sector on the development of other areas the regulatory framework

3.4.1 Regulatory Returns

The regulatory returns that credit unions submit to the Central Bank (e.g. Quarterly Prudential Return, Year-end Return) will also be updated to take account of the changes in the new sections of the 1997 Act and the regulations³. Further engagement will be undertaken with credit unions, credit union bodies and IT suppliers in advance of the implementation of these changes in regulatory reporting.

³ The Guidance Notes on the completion and submission of the regulatory returns will also be updated.

4. Responses to Questions Posed in CP88

4.1 Draft Reserves Regulations

Question (i)

Do you have any comments on the draft reserves regulations? If you have suggestions please provide them along with the supporting rationale.

4.1.1 Proposals set out in CP88

Credit unions are currently required to maintain a minimum Regulatory Reserve Ratio of at least 10% continually. The [Regulatory Reserve Ratio for Credit Unions \(August 2009\)](#) refers to notification to the Central Bank in certain circumstances. These requirements are retained in the draft reserves regulations set out in CP88.

The draft reserves regulations set out in CP88 also require newly registered credit unions to maintain initial reserves sufficient to support the credit union's anticipated growth and take account of expected operating losses and contain requirements on reserve management practices that were previously contained in guidance on the reserve management policy.

4.1.2 Submissions and Central Bank Response

Initial reserve requirement

Some respondents disagree with the proposed initial reserve requirement. The key concern expressed is that imposing an initial reserve requirement will present a barrier to the formation of new credit unions. A submission from a representative body commented that the Central Bank had not been specific in its proposal to prescribe an initial reserve requirement in line with its power to do so under section 45 (3)(c) of the 1997 Act.

Central Bank response

In relation to the initial reserve requirement when a credit union is newly registered it will have close to zero or no assets, and so therefore will effectively have no minimum regulatory reserve requirement. An initial reserve requirement is necessary to ensure that a newly registered credit union has adequate reserves to meet the credit union's anticipated growth and to take account of operating losses that can be expected to occur until the credit union reaches an operationally viable performance level. To provide a greater degree of clarity on the requirement for initial reserves, the initial reserve regulation has been amended to include that a newly registered credit union shall establish and maintain an initial reserve requirement that is at least equal to the greater of €10,000 or the minimum regulatory reserve requirement. Under the initial reserve regulation as proposed in CP88 a credit union's initial reserves must also be sufficient to meet the credit union's anticipated growth over 3 years and take account of operating

losses that can be expected to occur until the credit union reaches an operationally viable performance level.

Regulatory reserve requirement

A significant number of respondents comment on the regulatory reserve requirement with a number of respondents disagreeing with the regulatory reserve requirement. Some submissions raise questions on the basis for the requirement while a number of submissions make reference to the introduction of a risk weighted approach for credit unions.

Central Bank response

The rationale for the introduction of a 10% Regulatory Reserve Ratio in 2009 took account of a number of factors including the World Council of Credit Unions (WOCCU) recommendation of 10% of assets, the level of reserves in the sector at that time and the limited ability for Irish credit unions to raise capital compared to credit unions in other jurisdictions and other financial institutions (i.e. credit union reserves are only generated from retained earnings). In relation to a risk weighted approach to reserves as previously indicated, consideration will be given to a risk weighted approach post sector restructuring.

In order to provide clarity to credit unions, the reserves regulations have been amended to set out a number of requisite characteristics of reserves (e.g. reserves shall be permanent, shall be without an obligation for repayment of principal and shall have no preferential distribution rights).

Operational risk reserve

A limited number of respondents comment on the requirement for an operational risk reserve with about two thirds of these disagreeing with a requirement for an operational risk reserve. In particular, respondents ask for clarity on how the operational risk reserve should be calculated.

Central Bank response

The requirement for credit unions to hold an operational risk reserve is set out in legislation and is not contained in the draft regulations. However, in response to feedback received the Central Bank intends providing guidance in relation to the operational risk reserve which will set out the matters to be taken into consideration by credit unions when determining appropriate operational risk reserves for their credit union.

4.2 Draft Liquidity Regulations

Question (ii)

Do you have any comments on the draft liquidity regulations? If you have suggestions please provide them along with the supporting rationale.

4.2.1 Proposals set out in CP88

Credit unions are currently required to maintain at all times a minimum liquidity ratio of at least 20% of unattached savings and this requirement is retained in the draft liquidity regulations set out in CP88.

The draft liquidity regulations set out in CP88 expand the assets that qualify for the definition of liquid assets in the minimum liquidity ratio. This expanded definition includes the amount of any investment with more than three months to maturity where the credit union has an explicit written guarantee that the funds can be accessed by the credit union in less than three months, excluding penalties on interest or income.

The draft liquidity regulations set out in CP88 also contain a short term liquidity ratio of at least 10% of unattached savings where short term liquidity is defined as cash and investments with maturity of less than eight days. The expanded definition of liquid assets in the minimum liquidity ratio also applies for the short term liquidity ratio.

In line with existing requirements, credit unions will also be required to notify the Central Bank where they are failing or are likely to fail to meet liquidity requirements under the regulations set out in CP88.

Transitional arrangements

The draft liquidity regulations set out in CP88 contain transitional arrangements that allow credit unions a period of one year following the commencement of the regulations to comply with the new short term liquidity ratio.

4.2.2 Submissions and Central Bank Response

Short term liquidity ratio

While a small number of submissions agree with the proposed short term liquidity ratio a large number of submissions disagree with the proposed 10% short term liquidity requirement. The key concern with the requirement is the impact of the requirement on income with a majority of the submissions that disagree with the requirement referring to potential impact on income. Of those that disagree with the proposal a small number acknowledge the rationale for a short term liquidity requirement but question the quantum and/or timing of the proposed limit.

Central Bank response

Concerns around the introduction of a short term liquidity ratio seem to primarily stem from concerns about the potential impact that this will have on income. Given the on-demand nature of credit union funding, the Central Bank considers it appropriate to introduce a short term liquidity ratio to ensure that credit unions hold a mix of investment maturities to support them in meeting their obligations as they arise. Having considered the feedback received on the level of the short term liquidity ratio, the Central Bank is reducing the short term liquidity ratio from 10%, as set out in the draft regulations in CP88, to 5%. The short term liquidity ratio will be kept under review by the Central Bank and could be increased as considered appropriate in the future (subject to consultation). It should be noted that this 5% short term liquidity ratio is a minimum and credit unions are required under the 1997 Act to keep a portion of total assets in liquid form to enable the credit union to meet its liabilities as they arise, taking account of the nature, scale and complexity of the credit union and the composition and maturity of its assets and liabilities. Credit unions will continue to be required to maintain a minimum liquidity ratio of at least 20%.

Definition of liquidity/minimum liquidity ratio

Some submissions comment on the revised definitions of liquid assets with a significant number of these agreeing with the revised definitions. A number of those also suggest that government bonds should be included for the purpose of calculating liquidity, or raise concerns about the availability of written guarantees of access from deposit/investment providers. A smaller number of submissions comment on the 20% minimum liquidity ratio, of these a large proportion agree with the requirement.

Central Bank response

It should be noted that assets that fall within the definition of short term liquid assets for the short term liquidity ratio will also qualify as liquid assets for the purposes of calculating the 20% minimum liquidity ratio. Having considered the feedback received the Central Bank is not proposing to further amend the definitions of liquid assets beyond the expanded definition proposed in CP88. The Central Bank considers it appropriate that credit unions only include instruments that have certainty with regard to realisable value for the purposes of calculating liquidity ratios.

4.3 Draft Lending Regulations

Question (iii)

Do you have any comments on the draft lending regulations? If you have suggestions please provide them along with the supporting rationale.

4.3.1 Proposals set out in CP88

Section 35 of the 1997 Act currently contains lending limits, including a limit on the maximum outstanding liability to an individual member (large exposure limit) and limits on the percentage of the loan book that can be outstanding for periods exceeding both five and ten years (maturity limits).

The draft lending regulations set out in CP88 define the categories of lending a credit union can undertake and include lending limits in the following areas:

- concentration limits;
- a large exposure limit; and
- maturity limits.

The draft lending regulations also contain certain requirements in relation to lending practices and specific requirements for certain types of lending (house loans, commercial loans, community loans, loans to other credit unions and related party loans).

Transitional arrangements

The draft lending regulations set out in CP88 contain transitional arrangements for loans made prior to the commencement of the regulations that were in compliance with the legal and regulatory framework that was in place before the commencement of the regulations. On commencement of the regulations, such loans will not be considered unlawful. However, following commencement of the regulations a credit union cannot make a loan if the making of the loan would cause the credit union to exacerbate non-compliance with the draft lending regulations.

4.3.2 Submissions and Central Bank Response

Categories of lending and concentration limits

Some submissions disagree with the proposed categories of loans. Comments indicate that respondents are of the view that decisions on categories of loans should be left to boards of directors of individual credit unions. Additionally, some submissions comment specifically on the proposals to exclude commercial loans of less than €25,000 for the purposes of applying concentration limits with a significant number of these respondents agreeing with this proposal. A significant number of submissions disagree with the proposed concentration limits. Submissions express views that: boards of directors of credit unions are best positioned to set concentrations limits; the limit on lending to

other credit unions may be too low in the future; and limits should not be calculated based on regulatory reserves.

A significant number of submissions raise concerns as they believe that a first legal charge will be required for home improvement loans.

Central Bank response

The Central Bank is of the view that it is appropriate to set out high level categories of lending which credit unions are permitted to undertake and concentration limits for specific categories of loans. This will provide clarity to the sector and provide for credit unions to set their own limits within the parameters set out in the lending framework.

Currently c.50% of credit unions are subject to a lending restriction. As set out in CP88, it is considered that the introduction of these additional requirements, along with the governance and risk management framework introduced in October 2013, will provide a strengthened regulatory framework for credit unions in the area of lending. Where credit unions can demonstrate improvements in their credit risk management practices in line with the strengthened regulatory framework, it is anticipated that the use of credit union specific lending restrictions as a regulatory tool will reduce over time.

In February 2015 the Central Bank commenced a lending restriction review initiative, whereby credit unions that are subject to a lending restriction, but are satisfied that they have made the necessary improvements and have embedded these improvements in robust risk sensitive lending practices, may apply for a review of their lending restriction.

Limits based on reserves

The Central Bank is of the view that it is appropriate that concentration limits are based on regulatory reserves as the level of credit union reserves is an indicator of a credit union's ability to absorb any losses. This approach is consistent with the approach for credit unions in a number of other jurisdictions. A number of concerns expressed in relation to these requirements relate to the potential impact on future lending. The setting of limits and requirements in regulations provides a degree of flexibility for the regulatory framework to develop as may be appropriate in the future, without requiring changes to primary legislation.

Home improvement loans

In relation to home improvement loans and first legal charges, under the lending regulations where a credit union is providing home improvement loans these may be provided as either personal loans or as house loans. Where such a loan is provided as a house loan the credit union must hold the first legal charge secured on the property. However, where such a loan is provided as a personal loan there is no requirement to hold the first legal charge secured on the property. It will be a matter for credit unions to

determine if a loan is to be issued as a house loan or a personal loan. This clarification will be included in the guidance in the Lending chapter of the Credit Union Handbook.

Large exposure limit

A number of submissions received comment on the proposed large exposure limit. Submissions received express mixed views on the proposed large exposure limit set out in CP88. Some submissions disagree with the proposed large exposure limit while others agree with the proposed limit.

Central Bank response

Having considered the feedback received, the Central Bank is not proposing to amend the proposed large exposure limit set out in CP88. The Central Bank considers that it is important to guard against the risks that can be generated by a small number of very large loans in a credit union context. As set out in CP88, based on information reported by credit unions only a small number of credit unions may not comply with the new large exposure limit on commencement of the regulations and transitional arrangements have been included in the regulations which allow a period of two years before a credit union will be required to hold amounts in a realised reserve for any exposure that exceeds the limit.

Maturity of lending

A number of submissions disagree with the proposed maturity limits set out in the lending regulations in CP88 with some specifically disagreeing with the proposed 25 year maximum maturity limit. Some submissions raise concerns that maturity limits would impact on the capacity of credit unions to undertake mortgages and question whether it is viable for a credit union to undertake a small number of mortgages given the systems and expertise required to undertake such business.

Central Bank response

The Central Bank is of the view that the amended draft regulations, combined with the commencement of the remaining sections of the 2012 Act and the prudential and governance requirements already commenced in 2013 and 2014, will provide an appropriate regulatory framework for the credit union sector at this time, based on the current stage of development of the credit union sector. Data provided to us by a representative sample of credit unions for the Regulatory Impact Analysis (RIA) carried out on the draft regulations indicated the maximum amount that any of these credit unions had in loans outstanding over 25 years was 0.60% of their total loan book while lending over 25 years represented less than 0.06% of total lending by these credit unions. Data from the March 2015 Prudential Return also indicates that lending over 10 years in credit unions is less than 2.5% of total loans in the credit union sector. As set out previously, the Central Bank will commence focused engagement with the sector in

Quarter 4 2015 to gain a better understanding of the sector's objectives regarding longer term lending including the provision of mortgages to members. This engagement will include a review of the conditions that currently apply for credit unions to be approved to extend their longer term lending limits.

Related party lending

A significant number of submissions disagree with the proposed requirements for related party lending set out in the draft lending regulations. Specifically submissions raise concerns about the impact of the proposed requirement for the board of directors or a sub-committee of the board of directors to approve loans to related parties, including concerns that this may delay the approval of loans to related parties thus potentially disadvantaging related parties.

Central Bank response

The objective of the requirements for related party lending set out in the draft lending regulations is to ensure that related parties do not receive more favourable treatment than other credit union members and that there is appropriate oversight of such loans. The draft regulations contain an explicit requirement that related parties do not receive more favourable treatment than non-related parties. Having considered the feedback received, the Central Bank acknowledges the potential operational issues that may arise as a result of a requirement for approval by the board of directors or a subcommittee of the board of directors for all loans or amendments to existing loans to related parties. To address these concerns, the Central Bank has amended the regulations to replace the functions assigned to the board of directors or a sub-committee of the board of directors in the draft regulations with a requirement for loans to related parties or amendments to existing loans to related parties to be approved by the credit committee or the credit control committee as appropriate. In order to ensure appropriate oversight of loans to related parties the internal audit function will be required to review related party loans, at least annually, to ensure they comply with the related party lending requirements and to provide a written report to the board of directors on their review (including recommendations on any changes required).

4.4 Draft Investments Regulations

Question (iv)

Do you have any comments on the draft investments regulations? If you have suggestions please provide them along with the supporting rationale.

4.4.1 Proposals set out in CP88

Currently section 43 of the 1997 Act contains requirements for credit unions in the area of investments. In addition the [2006 Guidance Note on Investments by Credit Unions](#) (the 2006 Guidance Note) sets out authorised investments and associated limits for credit unions.

The framework set out in the draft investments regulations in CP88 is largely based on the existing framework as set out in the 2006 Guidance Note. The main amendments proposed in CP88 are the:

- removal of equities as an investment class;
- introduction of concentration limits for investments in credit union and investments in shares in Industrial and Provident Societies; and
- application of maturity limits to the investment portfolio as a whole rather than to individual investment classes.

The draft investment regulations set out in CP88 also contain requirements that were previously set out in guidance relating to the credit union's investment policy and the transfer and distribution of investment income and investment gains.

Transitional arrangements

The draft investment regulations contain transitional arrangements for investments made prior to the commencement of the regulations that were in compliance with the legal and regulatory framework that was in place before the commencement of the regulations. On commencement of the regulations, credit unions will be permitted to hold any investments that are not in compliance with the regulations for a period of two years. Where such investments have a fixed maturity date, credit unions will be permitted to hold these investments until maturity.

4.4.2 Submissions and Central Bank Response

Classes of investments

A significant number of respondents comment on the proposed classes of investments. A number of submissions suggest additional classes of investments should be approved – e.g. equities, bonds of state bodies, social housing and state projects. A number of respondents specifically object to the removal of equities as an asset class.

Central Bank response

Concerns around classes of investments seem to stem primarily from concerns around ability to generate income. Under the 2006 Guidance Note on Investments by Credit Unions, credit unions are permitted to invest up to 5% of their investment portfolios in equities. This investment class was included in the guidance note at that time with a view to providing credit unions a period to run down existing legacy holdings in equities. Data provided by credit unions in the March 2015 Prudential Return indicates that less than 0.05% of the sector's investments are now held in equities. The Central Bank does not consider it appropriate to add additional investment classes at this time.

The power to make regulations in relation to investments in projects of a public nature is specifically referenced in the regulation making powers and therefore such investments could be facilitated by future regulations, where appropriate, when there are specific proposals available. While to date we have not received any proposals regarding investment projects of a public nature, the Central Bank is willing to consider such proposals.

Maturity limits/counterparty limits/concentration limits

One third of submissions that comment on the maturity limits agree with the proposals with a number welcoming the application of maturity limits to portfolios rather than individual investment classes. A small number of submissions disagree with the proposed maturity limits set out in the investment regulations. A number of these express concerns that the 10 year maturity limit would limit the potential to invest in social housing initiatives or state projects. A limited number of submissions disagree with investment counterparty and concentration limits.

Central Bank response

Having considered the feedback received, the Central Bank is proposing to introduce limits in regulations based on the maturity limits contained in the 2006 Guidance Note on Investments by Credit Unions, which sets a maximum maturity of 10 years for investments. As proposed in CP88, maturity limits will apply to portfolios rather than individual investment classes. This is considered appropriate given the on demand nature of credit union funding and will assist in appropriate asset and liability management. As set out above, the Central Bank is willing to consider proposals regarding investment in projects of a public nature and this would include an assessment of appropriate maturity limits for such projects. In relation to counterparty and concentration limits, the Central Bank considers counterparty diversification an important means of managing risk and are not proposing changes to these regulations.

4.5 Draft Savings Regulations

Question (v)

Do you have any comments on the draft savings regulations? If you have suggestions please provide them along with the supporting rationale.

4.5.1 Proposals set out in CP88

Deposit to shares

Section 27(2) of the 1997 Act currently requires that a credit union's total deposits from members must not exceed 100% of the total members' shares. This limit is retained in the draft savings regulations set out in CP88.

Maximum savings

Currently under section 27(4) of the 1997 Act the maximum claim a member can have on a credit union in terms of savings (shares and deposits) cannot exceed €200,000 or 1% of the total assets of the credit union, whichever is the greater. Additionally a member of a credit union cannot hold a deposit with the credit union of more than €100,000.

The draft savings regulations set out in CP88 propose that all credit unions can have individual member's savings of up to €100,000.

It is not proposed to retain a separate limit on the maximum deposit a member may hold with a credit union as there is an overall deposit to share limit (see Section 9.2.1).

Transitional arrangements

The draft savings regulations set out in CP88 contain transitional arrangements for savings made prior to the commencement of the regulations that were in compliance with the legal and regulatory framework that was in place before the commencement of the regulations. On commencement of the regulations, the draft regulations provide credit unions with a period of six months to bring any savings that do not comply with the draft regulations into compliance with the new requirements.

4.5.2 Submissions

Maximum savings

Almost all submissions comment on the proposal for a maximum individual member's savings limit of €100,000 with the vast majority of these disagreeing with the proposed limit. A large number of these respondents express concerns that such a limit would have a negative reputational impact on the sector and question if the limit is anti-competitive as similar limits do not apply to banks. A large number of submissions that comment on the proposal for a maximum individual member's savings limit of €100,000 also raise specific concerns about the impact of the proposed transitional arrangement whereby

credit unions are required to return any savings held by individual members in excess of €100,000 within a six month timeframe with submissions highlighting the potential for negative reputational impact on the sector and potential operational difficulties that may arise where a member cannot or will not withdraw savings in excess of €100,000.

Deposit to shares

A smaller number of submissions comment on the proposal to retain the requirement that a credit union's total deposits from members must not exceed 100% of the total members' shares with some expressing concerns on the potential impact of the limit on the ability of credit unions to undertake asset liability management.

4.5.3 Central Bank Response

Maximum savings

The Central Bank notes the feedback received on the proposal for a maximum individual member's savings limit of €100,000 and the associated transitional arrangement.

Under the 1997 Act the functions of the Registrar of Credit Unions are to regulate credit unions with a view to the:

- protection by each credit union of the funds of its members; and the
- maintenance of the financial stability and wellbeing of credit unions generally.

In this context it is our duty to ensure that the actions we take represent the best overall outcome, from the perspective of ensuring the protection of members' funds by credit unions and safeguarding the stability of the sector. A maximum individual member's savings limit of €100,000 would ensure the protection of members' savings⁴ and continue to ensure that credit unions' funding is sufficiently diversified and is not dependent on a small number of members. The Central Bank is mindful of the potential financial stability impact on the wider credit union sector of any credit union member losing a portion of their savings and is of the view that limiting an individual member's savings to €100,000 also ensures that, where necessary, a credit union can be resolved in an orderly fashion.

In relation to concerns raised regarding competition, the Central Bank has been provided with specific regulation making powers by the Oireachtas in relation to credit unions. Where the Central Bank regulates one category of regulated entity by imposing specific regulatory requirements which may be different to those imposed on other categories of regulated entities this simply reflects the nature of the distinct categories of entities involved. As in other areas of the regulatory framework this limit takes account of the nature, scale and complexity of credit unions and is considered appropriate at this time given the current credit union business model.

⁴ Savings held with credit unions are protected by the Deposit Guarantee Scheme (DGS) in the event of a credit union being unable to repay savings. All eligible savings up to a limit of €100,000 per person per institution are guaranteed to be repaid by the DGS.

Under the current credit union business model, the need for credit unions to take in large savings from individual members has not been demonstrated to date. The average amount of savings held by individual members is c. €3,900. We note that c.57% of credit unions currently hold individual member savings in excess of €100,000. However, the total amount of savings in excess of €100,000 in the credit union sector is c 1.2% of total member savings and less than 0.12% of all credit union members currently have savings in excess of €100,000.⁵

Having reviewed the feedback received on the proposed limit, the Central Bank considers that the maximum individual member's savings limit of €100,000 is the most appropriate measure, at this time, to mitigate the risks that could arise in the credit union sector were any credit union member to lose a portion of their savings.

Transitional arrangement for savings

Having considered the feedback received, the Central Bank is extending the transitional arrangement for the savings limit from six months to 12 months.

The transitional arrangements have also been amended to provide for credit unions that have individual member savings in excess of €100,000 at the commencement of the regulations to apply to the Central Bank to retain these savings where they can demonstrate that it is appropriate and prudent for them to do so. In considering such applications, the Central Bank will have regard to the level of additional reserves held by the credit union, the asset size of the credit union and other relevant matters. Details of the application process will be made available to credit unions before the commencement of the regulations at the end of 2015.

Review of savings limit

The Central Bank is committed to undertaking a review of the continued appropriateness of the savings limit once the impact of the restructuring of the sector, currently underway, can be assessed. This review will also assess if developments have emerged in the credit union business model which may warrant consideration of any amendments to the €100,000 limit for some credit unions. It is envisaged that such a review would be commenced within three years of the introduction of the regulations.

Deposit to shares

The Central Bank is of the view that the requirement that a credit union's total deposits from members must not exceed 100% of the total members' savings provides sufficient scope for credit unions to take in fixed term funding while setting a limit on the exposure to fixed cost funding. Having considered the feedback received the Central Bank is not proposing to amend this requirement.

⁵Based on information reported by credit unions on the Prudential Return for March 2015.

4.6 Draft Borrowing Regulations

Question (vi)

Do you have any comments on the draft borrowing regulations? If you have suggestions please provide them along with the supporting rationale.

4.6.1 Proposals set out in CP88

Currently under section 33 of the 1997 Act, a credit union can borrow up to 50% of the aggregate savings in the credit union.

The draft borrowing regulations set out in CP88 provide that credit unions can borrow up to 25% of the aggregate savings in the credit union. Credit unions will be required to notify the Central Bank where they intend to borrow under the draft regulations. The draft borrowing regulations set out in CP88 also require credit unions to have a written policy in relation to borrowing. Credit unions can include this policy as part of the asset and liability management policy that is required under the 1997 Act or the policy may be documented separately.

Transitional arrangements

The draft borrowing regulations include transitional arrangements which provide two years for credit unions to bring any existing borrowing in line with the new limit.

4.6.2 Submissions and Central Bank Response

Borrowing limit

Some of the submissions received comment on the borrowing limit set out in the borrowing regulations in CP88 with a significant number of these agreeing with the proposed reduction in the limit. Of those that disagree with the proposed limit, concerns largely relate to the potential for borrowing needs to increase in the future.

Central Bank response

Based on the feedback received the Central Bank is not proposing to make any changes to this limit proposed in CP88 at this stage. Data provided in the March 2015 Prudential Return indicates that less than 2.5% of credit unions currently have borrowings and of these the largest amount borrowed represents c. 5% of the aggregate savings in the credit union. As set out above, the setting of limits and requirements in regulations provides a degree of flexibility for the regulatory framework to develop as may be appropriate in the future without requiring changes to primary legislation.

4.7 Draft Systems, Controls and Reporting Arrangements Regulations

Question (vii)

Do you have any comments on the draft regulations on systems, controls and reporting arrangements? If you have suggestions please provide them along with the supporting rationale.

4.7.1 Proposals set out in CP88

The draft regulations set out in CP88 provide clarity on the documentation a credit union is required to maintain, including the requirement to maintain a risk register. The draft regulations also identify certain documentation that is required to be circulated to all officers in the credit union.

The draft regulations set out in CP88 also contain a number of reporting and disclosure requirements in relation to reserves, lending and investments to provide increased transparency to credit union members in credit union annual accounts.

4.7.2 Submissions and Central Bank Response

A significant number of submissions comment on the systems, controls and reporting arrangement requirements set out in CP88. The majority of those that comment on the risk register and policies and procedure requirements agree with these requirements. A number of submissions comment on the reporting and disclosure requirements with similar numbers agreeing and disagreeing with the requirement. Those that disagree have concerns about the level of detail that would be disclosed and the fact that this information would effectively be in the public domain. Specific concerns are expressed on disclosures in relation to the performance of loan books and loans to related parties. Other submissions seek a greater degree of clarity on what should be included in the disclosures required under the regulations. A submission from an accounting body seeks clarity on whether disclosures would be made in the financial statements as this would have implications for the work of auditors.

Central Bank response

Having considered the feedback received, the Central Bank is proposing to make a number of changes to the draft regulations. The regulations have been amended to make it clear that certain disclosures should be included in supplementary information to be contained in the annual accounts which is not required to be audited by a credit union's external auditor. In light of feedback received and forthcoming requirements under FRS102, the requirement to make disclosures in relation to the performance of the loan book has been removed from the regulations. In relation to the requirement to disclose

certain accounting policies, this has also been removed from the regulations to avoid overlap with similar requirements set out in accounting standards that apply to credit unions.

The requirement for disclosures on loans to related parties is to disclose the total amount of loans outstanding to related parties and the loans to such persons as a percentage of the total loans outstanding. Under the regulations credit unions will not be required to disclose information on loans to individual related parties.

4.8 Draft Services Exempt from Additional Services Requirements Regulations

Question (viii)

Do you have any suggestions on additions, amendments or deletions to the services and related conditions that are included in the draft regulations? If you have suggestions please provide them along with the supporting rationale. It should be noted that any further services proposed to be included in the regulations must not involve undue risk to members' savings, the financial stability of the credit union or the operational capability of the credit union.

4.8.1 Proposals set out in CP88

The draft regulations set out in CP88 ensure that credit unions can continue to provide the services that the Minister for Finance previously exempted from the additional services requirements and the provision of these services will remain subject to any conditions set by the Minister for Finance. CP88 asked for any suggestions on additions, amendments or deletions to the services and related conditions that are included in the draft regulations.

4.8.2 Submissions

Submissions received contain relatively limited comments on and suggestions for services to be added to the list of services exempt from additional services requirements, with less than a third of the submissions received commenting on this section of the regulations. Where submissions respond on additional services, the most commonly referenced services are card and related services. Other services referenced include:

- transactional/current accounts;
- overdrafts;
- HP/Leasing;
- mobile payments;
- insurance products – payment protection insurance, disability insurance and critical illness insurance;

- postal services; and
- safety deposit boxes.

Many of the submissions that comment on card services are seeking clarification on the types of card services that can be provided under the existing regulatory framework.

4.8.3 Central Bank Response

Services exempt from additional services

Certain card services can be provided by credit unions once they are within the scope of the exempted services provided for in regulations. These existing exempt services are being retained in the regulations. In addition, as set out above, the Central Bank is proposing to engage with credit unions and other sector stakeholders to undertake further work to assess whether there are any other card and related services (e.g. payment accounts) that credit unions wish to offer to members and to identify any changes required to the regulatory framework to facilitate the provision of these services in the future.

Additional exempt service

Submissions do not contain many other proposed new services with a number of the services suggested already provided for in the existing regulations. These services will be retained in the new regulations. In addition, while the Central Bank has not received many applications for additional services in recent years, we have included one additional service in the exemptions which reflects an area where the Central Bank has received a number of enquiries/applications - offering insurance services on an introduction basis. When the regulations commence, credit unions will be able to offer this service without applying for and receiving approval from the Central Bank. If a credit union receives remuneration for this service, the credit union must comply with certain conditions, including the requirement to have an authorisation as a retail intermediary.

Additional services

The Central Bank is supportive of credit unions developing additional services where they are supported by robust business cases and is undertaking work to develop guidance for credit unions on the process of developing and submitting proposals on new services to the Central Bank and the Central Bank's expectations in this area.

The Central Bank will consider proposals from credit unions on new services they wish to provide to members where the credit union can demonstrate that:

- the proposed service is supported by a robust business case;
- the proposed service is not contrary to financial services legislation;

- the board of directors has a sound appreciation of the nature of the service proposed and is fully informed of the strategic, governance, risk management, operational, financial and legal implications involved; and
- systems and controls are in place to ensure any risks involved in the provision of the service are managed and mitigated.

Credit unions can continue to apply to the Central Bank for approval to provide such additional services in line with sections 48-52 of the 1997 Act.

Focused engagement on business model development

The Central Bank acknowledges that a public consultation process may not be the most effective means of engaging with the sector in relation to credit union proposals on specific areas of business model development. As set out above, the Central Bank is open to working with the credit union sector to ensure prudent and appropriate development can be facilitated in the regulatory framework. Given the areas identified in feedback received on CP88 and through other engagements with sector stakeholders we propose this dialogue, which will commence later this year, will initially focus on the following areas:

- the services credit unions wish to develop in the areas of card services and payment accounts; and
- credit unions' aims regarding longer term lending including further developments on the provision of mortgages to members.

We are also open to considering other areas of business model development and are interested to receive proposals from the sector in this regard.

4.9 Proposed Timelines and Transition Period

Question (ix)

Do you agree with the proposed timelines for the introduction of the draft regulations set out in this consultation paper, in particular the transition period proposed between the publication and commencement of the regulations? If you have other suggestions please provide them, along with the supporting rationale.

4.9.1 Proposals set out in CP88

The table below sets out proposed next steps and timelines for the introduction of the draft regulations set out in CP88.

Date	Step
June 2015	Publish feedback statement and final regulations
July - December 2015	Transition period before final regulations are commenced
31 December 2015	Commencement of remaining sections of 2012 Act and final regulations
On-going	On-going engagement and consultation with the credit union sector on the development of the regulatory framework

4.9.2 Submissions and Central Bank Response

Some submissions comment on the proposed timelines and transition period set out in CP88 with a small number of submissions disagreeing with the proposals, suggesting that more time is required.

Central Bank response

Having considered the submissions received the Central Bank still considers a commencement date of 31 December 2015 appropriate. However, we have increased the savings transitional arrangement, following commencement of the regulation, from six months to 12 months.

Commencement date for regulations

The regulations will commence on 31 December 2015 and this will provide credit unions with a period of time to prepare before their commencement.

Transitional arrangements

The regulations also contain transitional arrangements in relation to new or amended liquidity, lending, investments, savings and borrowing requirements. These transitional arrangements, ranging from twelve months to two years, will apply from when the regulations commence on 31 December 2015.

Communications and Guidance for credit unions

In order to assist credit unions in implementing the regulations, before the regulations commence on 31 December 2015, the Central Bank will develop a FAQ document for credit unions to address questions on the implementation of the new regulations. This will be published in October 2015 and will be updated as appropriate prior to commencement of the regulations.

The Central Bank will also update the relevant chapters of the Credit Union Handbook to reflect the new sections of the 1997 Act (substituted and introduced by the commencement of the remaining sections of the 2012 Act), the new regulations and

guidance where appropriate. The updated Credit Union Handbook will be published in November 2015.

The updated Credit Union Handbook will provide clarity for credit unions and other sector stakeholders on the legal and regulatory requirements and guidance across the regulatory framework for credit unions. Previously the regulatory framework was set out in legislation, regulations imposed by the Minister for Finance and the Registrar of Credit Unions and guidance contained in guidance notes and circulars issued by the Central Bank. In the future, the strengthened regulatory framework will be reflected in legislation, regulations and guidance. In relation to guidance, on commencement of the regulations guidance previously contained in Guidance Notes and circulars will be replaced by guidance set out in the relevant chapters of the Credit Union Handbook.

Information seminars will also be undertaken nationwide in November 2015 which will include presentations on the new regulations.

Commencement of Regulations	
Date	Step
July - December 2015	Transition period before the regulations commence
October 2015	Publication of FAQ
November 2015	Publication of updated Credit Union Handbook
November 2015	Information Seminars
31 December 2015	Commencement of remaining sections of 2012 Act and the regulations

As set out previously the Central Bank will undertake focused dialogue with the credit unions sector in the coming months with a view to gaining a better understanding of how credit unions want to develop their business model.

Engagement on Business Model Development	
Date	Step
Q4 2015	Focused engagement with the credit union sector on: <ul style="list-style-type: none"> • the services credit unions wish to develop in the areas of card services and payment accounts • credit unions' aims regarding longer term lending including the further developments on provision of mortgages to members
2015/2016	On-going engagement and consultation with the credit union sector on the development of other areas of the regulatory framework

5. Other Feedback

5.1 Feedback on RIA

In accordance with the Consultation Protocol for Credit Unions, issued on 27 November 2012, the Central Bank conducted a RIA on the draft regulations set out in CP88. The purpose of the RIA was to examine the impact of different policy options on commencement of the remaining sections of the 2012 Act and to identify the most appropriate option. The RIA also examined the costs, benefits and impacts associated with each option.

The three policy options examined were:

- Option 1: Do not introduce regulations under the regulation making powers contained in the 2012 Act;
- Option 2: Introduce regulations on a tiered basis under the regulation making powers contained in the 2012 Act; or
- Option 3: Introduce regulations for all credit unions under the regulation making powers contained in the 2012 Act.

Credit unions and other sector stakeholders were invited to provide additional information or analysis they had on the potential impact of the draft regulations.

5.2 Submissions and Central Bank Response

Some submissions comment on the RIA with a number of respondents questioning why the RIA focuses on the 'as is' situation in the credit union sector while others question if the sample of credit unions requested to provide information for the RIA is representative.

A small number of credit unions provided additional information or analysis on the potential impact of the draft regulations.

Central Bank response

As set out in the Consultation Protocol for Credit Unions, a RIA is a tool to be used by policy and law makers designed to identify and quantify, where possible, the impact of new regulations so long as it does not place an undue burden on the assessment process. In undertaking the RIA on the draft regulations set out in CP88 the Central Bank was informed by the quarterly Prudential Return and the final financial statements of the Year End Return.

Where relevant data was not available in a limited number of areas, the Central Bank sought to address these gaps by requesting a representative sample of 31 credit unions to provide, on a voluntary basis, certain information required to conduct the RIA (30 of

these credit unions responded to this request). The sample of credit unions was selected to reflect the profile of the sector as a whole based on the following characteristics:

- PRISM impact category;
- credit union location – rural or urban;
- type of common bond e.g. community or industrial; and
- whether or not there is a lending restriction in place.

As set out above the Central Bank is of the view that the amended draft regulations, combined with the commencement of the remaining sections of the 2012 Act and the prudential and governance requirements already commenced in 2013 and 2014, will provide an appropriate regulatory framework for the credit union sector at this time, based on the current stage of development of the credit union sector.

The provision of new regulation making powers to the Central Bank in the 1997 Act means that, in future, the Central Bank will be in a position to review and update the regulations as appropriate on a timely basis and following consultation. Where credit unions set out a clear path on how they wish to develop, in the future the Central Bank will be in a position to consider any amendments to the regulations that may be appropriate. Given the process of restructuring that the sector is currently undergoing, the Central Bank is not proposing significant changes to the regulatory framework at this point. However, the Central Bank is open to working with the credit union sector to ensure prudent and appropriate development can be facilitated in the regulatory framework and, as referred to previously, plans on-going engagement with the credit union sector on the development of the regulatory framework for credit unions.

Some credit unions provide additional information in their submissions on CP88. The majority of this information relates to the impact of the short-term liquidity requirement. Information is also provided on the impact of the lending and savings regulations.

The Central Bank has reviewed the information and analysis provided by credit unions on the potential impact of the draft regulations and this has been taken into consideration as part of the consultation process.

6. Consultation under Section 84A of the 1997 Act

Following consideration of the submissions received on CP88 the Central Bank provided updated regulations, along with an overview of the feedback received on CP88, to the Minister for Finance and CUAC in line with the statutory consultation required under section 84A of the 1997 Act. While a number of the credit union bodies made detailed submissions on CP88, these bodies were also provided with the updated regulations and related documentation and invited to provide any additional comments ahead of finalisation of the regulations. ReBo were also included as part of this consultation.

Feedback received

The Minister for Finance acknowledged that he had been consulted as required under the 1997 Act and commented specifically on the savings limit contained in the regulations and the Central Bank's proposals on the development of the credit union business model. On the savings limit, the Minister for Finance indicated that he was satisfied that the Central Bank had listened to the concerns of credit unions and had amended the transitional arrangement to 12 months. He also welcomed the introduction of an application process for credit unions to apply to the Central Bank for approval to retain existing savings over €100,000 where they can demonstrate it is prudent and appropriate to do so. The Minister also proposed that in the interests of clarity and fairness, credit unions are provided with details of the process of applying for a retention of savings above the limit amount. On the development of the credit union business model, the Minister for Finance referred to the credit union sector's views that the regulations are restrictive and welcomed the Central Bank's acknowledgement that it will work with credit unions in developing services that credit unions wish to offer. The Minister for Finance indicated that while there is a lack of obvious tiering within the regulations, he does not consider that this will preclude those credit unions wishing to develop a more sophisticated business model from doing so, which will "de facto" amount to tiered regulations. The Minister also requested that he and his officials are informed of, and kept up to date on, certain matters in relation to the savings limit and the Central Bank's engagement with credit unions on business model development.

CUAC also provided comments on the regulations. On the savings limit, CUAC made reference to the potential reputational damage that could arise for credit unions and CUAC's concern that the savings limit is associated with the Deposit Guarantee Scheme (DGS) limit. However, CUAC noted the provision in the transitional arrangements for credit unions to apply to the Central Bank for approval to retain existing savings held in excess of €100,000 and suggested that further clarity may be required on the application process. CUAC also commented on the regulatory reserve requirement and suggested that the Central Bank should review the approach used to calculate the regulatory

reserve requirement to take account of the riskiness of credit unions' assets. On the lending limits, CUAC suggested that the concentration limits are such that it may not prove good business sense for many credit unions to engage in lending in certain categories as the cost of developing lending expertise may outweigh the returns to be achieved in these markets. CUAC indicated that it is clear that a strengthened regulatory framework, as recommended by the Commission on Credit Unions, is now in place with the requirements placed on credit unions as complete and extensive as in the most sophisticated of credit union movements. CUAC noted that the Commission on Credit Unions also envisaged credit unions availing of more permissive business models within this strengthened regulatory framework. CUAC stated that this will not be achieved by the implementation of the regulations and that CUAC feel that the opportunity has been missed to implement the full spirit of the Commission on Credit Unions' Report (2012). CUAC suggested that this may relate to the decision not to introduce tiered regulation, as recommended by the Commission on Credit Unions, and that irrespective of the reason, the regulations will not help credit unions address the fundamental problem of being massively under-lent. In conclusion, CUAC indicated that while they had set out their concerns, they welcomed the commitment of the Central Bank to undertake focused engagement with the credit union sector to gain a better understanding of their business models.

Feedback received from credit unions bodies on the updated regulations referred to the submissions previously made on CP88 and issues raised in their submissions including that: the regulations restrict credit unions; fail to cater for the future development of the credit union sector; and the commercial realities of the regulations have been ignored. Reference was also made to concerns that no change was made to the proposed savings limit. A number of submissions referred to the short time frame for the subsequent consultation.

ReBo, in their response on the statutory consultation, stated that "ReBo did not make a submission in relation to the recent consultation on regulations, believing it better to focus on our statutory functions and independence as they relate to restructuring".

Central Bank Response

As set out previously in the feedback statement, the Central Bank is of the view that these regulations, combined with the commencement of the remaining sections of the 2012 Act and the prudential and governance requirements already in place, provide an appropriate regulatory framework for the credit union sector at this time.

The Central Bank recognises the need for credit unions to grow income as a requirement for sector viability. While developing new products and services is a necessary element of

this, it is also important that credit unions ensure that they are in a position to grow their income from their traditional lending business. We also recognise the level of change in the sector arising from the voluntary restructuring that is currently taking place.

The Central Bank is open to working with the credit union sector to ensure that prudent and appropriate development can be facilitated within the regulatory framework. In relation to development of the business model, we intend to invite interested parties in the credit union sector to participate in focused dialogue in the coming months with a view to gaining a better understanding of how credit unions want to develop their business model. Having considered credit union proposals on business model development, we will identify whether any changes are required to the regulatory framework to facilitate prudent development.

The provision of regulation making powers to the Central Bank on commencement of the remaining sections of the 2012 Act provides flexibility so that the Central Bank can, in the future, review and update the regulations as appropriate on a timely basis, following consultation. The Central Bank has referred in this feedback statement to certain areas of the regulations that will be subject to future review. As set out in section 3.3 above, the Central Bank is committed to undertaking a review of the continued appropriateness of the savings limit after the impact of the restructuring of the sector, currently underway, can be assessed and it is envisaged that such a review would be commenced within three years of the introduction of the regulations. The Central Bank has also indicated in section 3.3 that consideration will be given to a risk weighted approach to reserves post sector restructuring.

The Central Bank is keen to ensure that the regulations remain appropriate for the credit union sector and in the future where credit unions set out a clear path on how they wish to develop, we will consider any amendments to the regulations that may be appropriate.

Appendix 1 - Comparison of Existing and New Framework

Area	Existing requirements and guidance	Requirements in final regulations
Reserves	<ul style="list-style-type: none"> • Minimum Regulatory Reserve - 10% of total assets • Notifications to Central Bank in certain circumstances 	<ul style="list-style-type: none"> • Minimum Regulatory Reserve - 10% of total assets • Notifications to Central Bank in certain circumstances • Minimum initial reserve requirement of €10,000 and initial reserves sufficient • Classification of an eligible reserve: <ul style="list-style-type: none"> ○ shall not be secured or subject to guarantee which enhances its seniority ○ be permanent and without an obligation for repayment of principal ○ have no preferential distribution rights ○ rank below all other claims in the event of a liquidation ○ qualify as a reserve for accounting purposes
Liquidity	<ul style="list-style-type: none"> • Minimum liquidity ratio of 20% • Notification to Central Bank where fail to meet liquidity requirements 	<ul style="list-style-type: none"> • Minimum liquidity ratio of 20% • Short term liquidity ratio of 5% • Definition of liquid assets expanded • Notification to Central Bank where fail to meet liquidity requirements
Lending	<ul style="list-style-type: none"> • Large exposure limit– greater of €39,000 or 1.5% of total assets • Limit on lending over 5 years – 30% of loan book • Limit on lending over 10 years – 10% of loan book • Central Bank approval for additional longer term lending 	<ul style="list-style-type: none"> • Large exposure limit– greater of €39,000 or 10% of Regulatory Reserve • Limit on lending over 5 years – 30% of loan book • Limit on lending over 10 years – 10% of loan book • Maximum maturity limit - 25 years • Central Bank approval for additional longer term lending • Categories of loans <ul style="list-style-type: none"> ○ Personal loans ○ Commercial loans ○ Community loans ○ House loans ○ Loans to other credit unions • Concentration limits <ul style="list-style-type: none"> ○ Commercial lending – 50% of Regulatory Reserve ○ Community lending – 25% of Regulatory Reserve ○ Lending to other credit unions - 12.5% of Regulatory Reserve • Related party lending requirements <ul style="list-style-type: none"> ○ Approval by credit /credit control committee ○ Annual review by internal audit and report to board of directors

Area	Existing requirements and guidance	Requirements in final regulations
Investments	<ul style="list-style-type: none"> • Classes of investments <ul style="list-style-type: none"> ◦ Irish and EMU State ◦ Accounts in Authorised Credit Institutions (AACIs) ◦ Bank bonds ◦ Equities ◦ Collective investment schemes ◦ Other credit unions ◦ Industrial and Provident Societies • Counterparty limit – investments in single institution - 25% of investment portfolio • Concentration limits <ul style="list-style-type: none"> ◦ Investments in Irish and EMU State Securities - 70% of investment portfolio ◦ Investments in bank bonds - 70% of investment portfolio • Maturity limits <ul style="list-style-type: none"> ◦ Maximum maturity 10 years ◦ AACIs maturing after 5 years – 50% of this class of investment ◦ AACIs maturing after 7 years – 20% of this class of investment ◦ Irish and EMU State Securities maturing after 7 years – 30% of this class of investment ◦ Bank bonds maturing after 7 years – 30% of this class of investment • Currency limits- all investments denominated in Euro 	<ul style="list-style-type: none"> • Classes of investments <ul style="list-style-type: none"> ◦ Irish and EEA State Securities ◦ Accounts in Authorised Credit Institutions (AACIs) ◦ Bank bonds ◦ Collective investment schemes ◦ Other credit unions ◦ Industrial and Provident Societies • Counterparty limit – investments in single institution - 25% of investment portfolio • Concentration limits <ul style="list-style-type: none"> ◦ Investments in Irish and EEA State Securities - 70% of investment portfolio ◦ Investments in bank bonds - 70% of investment portfolio ◦ Investments in other credit unions - 12.5% of Regulatory Reserve ◦ Investments in societies – 12.5% of Regulatory Reserve • Maturity limits <ul style="list-style-type: none"> ◦ Maximum maturity 10 years ◦ Investments maturing after 5 years – 50% of investment portfolio ◦ Investments maturing after 7 years – 30% of investment portfolio • Currency limits - all investments denominated in Euro
Savings	<ul style="list-style-type: none"> • Maximum individual member savings – greater of €200,000 or 1% of total assets • Limit on total deposits as percentage of total shares – 100% • Maximum individual member deposit - €100,000 	<ul style="list-style-type: none"> • Maximum individual member savings – €100,000 • Limit on total deposits as percentage of total shares – 100% • A period of 12 months provided to bring any savings over €100,000 into compliance with the new requirements • Credit unions that have savings in excess of €100,000 when the regulations commence may apply to the Central Bank to retain these savings where they can demonstrate it is prudent and appropriate to do so

Area	Existing requirements and guidance	Requirements in final regulations
Borrowing	<ul style="list-style-type: none"> • Maximum borrowing – 50% of aggregate savings • Notification to Central Bank 	<ul style="list-style-type: none"> • Maximum borrowing – 25% of aggregate savings • Notification to Central Bank
Systems, Controls and Reporting Arrangements	<ul style="list-style-type: none"> • Requirement to maintain, approve and review a risk register and other documentation referred to in the 1997 Act • Communication of certain policies to all officers of the credit union 	<ul style="list-style-type: none"> • Requirement to maintain, approve and review a risk register and other documentation referred to in the 1997 Act • Communication of certain policies to all officers of the credit union • Certain disclosure requirements in relation to the annual accounts
Additional services	<ul style="list-style-type: none"> • Exemption from Additional Services Requirements Regulations (S.I. No. 223 of 2004 and S.I. No. 107 of 2007) 	<ul style="list-style-type: none"> • Exemptions in S.I. No. 223 of 2004 and S.I. No. 107 of 2007 now provided for under Central Bank regulation making powers • Insurance services on an introduction basis included on list of exempt services

Appendix 2 – Final Regulations

S.I. No. of 2015

**CREDIT UNION ACT 1997 (REGULATORY REQUIREMENTS) REGULATIONS
2015**

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S.I. No. of 2015

**CREDIT UNION ACT 1997 (REGULATORY REQUIREMENTS) REGULATIONS
2015**

In exercise of the powers conferred on the Central Bank of Ireland (the “Bank”) by section 182A of the Credit Union Act, 1997 (“the Act”), the Bank, having consulted with the Minister for Finance, the Credit Union Advisory Committee and other bodies that appear to the Bank to have expertise or knowledge of credit unions generally and that the Bank considers appropriate to consult in the circumstances, hereby makes the following Regulations.

PART 1

PRELIMINARY AND GENERAL

Citation and Commencement

1. (1) These Regulations may be cited as the Credit Union Act 1997 (Regulatory Requirements) Regulations 2015.
- (2) These Regulations commence on 31 December 2015.

Interpretation

2. (1) In these Regulations, unless the context otherwise requires:-

“accounts in credit institutions” means interest bearing deposit accounts (or instruments with similar characteristics) in a credit institution;

“assets” means the total assets referred to in section 85A of the Act;

“bank bonds” means senior bonds issued by a credit institution and traded on a regulated market where the capital amount invested is guaranteed by the issuer;

“the Bank” means the Central Bank of Ireland;

“business day” means a day upon which a credit union is open to conduct all or part of its activities;

“collective investment schemes” means units, interests or shares in open-ended retail collective investment schemes, other than property schemes, authorised by the Bank or by a competent authority of another EEA State;

“commercial loan” means a loan, the primary objective of which is to fund an activity whose purpose is to make a profit;

“community loan” means a loan to a community or voluntary organisation which is established for the express purpose of furthering the social, economic or environmental well-being of individuals within the common bond of the credit union in any of the following areas -

- (a) sport and recreation;
- (b) culture and heritage;
- (c) the arts (within the meaning of the Arts Act 2003);
- (d) health of the community;
- (e) youth, welfare and amenities; and
- (f) natural environment;

“counterparty” means any person that a credit union has made investments with. Where a counterparty is a company, the definition also includes a related company;

“credit institution” means a person authorised as same pursuant to Directive 2013/36/EU;

“deposit protection account” means the amount a credit union must maintain under the Deposit Guarantee Scheme;

“EEA” means the European Economic Area;

“final repayment date” means the date on which the loan is due to expire, as indicated on the relevant credit agreement in accordance with section 37C(1)(j) of the Act or any subsequent date agreed between the credit union and the member to whom the loan has been made;

“house” means any building or part of a building used or suitable for use as a dwelling and any outhouse, yard, garden or other land appurtenant thereto or usually enjoyed therewith;

“house loan” means a loan made to a member secured by property for the purpose of enabling the member to:

- a) have a house constructed on the property as their principal residence;
- b) improve or renovate a house on the property that is already used as their principal residence,
- c) buy a house that is already constructed on the property for use as their principal residence, or
- d) refinance a loan previously provided for one of the purposes specified in (a), (b) or (c) for the same purpose;

“investment gain” means an increase in the value of an investment, made as provided for under section 43 of the Act on the balance sheet of a credit union, other than income receivable;

“investment income” means income received or receivable from an investment made as provided for under section 43 of the Act;

“Irish and EEA State Securities” means transferable securities issued by the Irish State and other EEA States and traded on a regulated market;

“member of the family” means in relation to any person, that person’s father, mother, spouse or civil partner, cohabitant, son, daughter, brother, or sister;

“minimum reserve deposit account” means the account that the credit union must hold with the Bank in accordance with Regulation (EC) No. 1745/2003 of the

European Central Bank of 12 September 2003 on the application of minimum reserves, as that framework may be applied and amended from time to time;

“personal loan” means a loan to a natural person, once the loan is for purposes unrelated to the person’s trade, business, profession or the purchase of property;

“Personal Retirement Savings Account”, "PRSA" and "PRSA Provider" each have the same meaning as in Part X of the Pensions Act 1990;

“regulated market” means a multilateral system as defined in Article 4 of Directive 2004/39/EC;

“related company” means companies related within the meaning of section 2(1) of the Companies Act 2014;

“related party” means -

- (a) a member of the board of directors or the management team of a credit union;
- (b) a member of the family of a member of the board of directors or the management team of a credit union; or
- (c) a business in which a member of the board of directors or the management team of a credit union has a significant shareholding;

“significant shareholding” means 10 per cent or more of the shares or voting rights in the business;

“the Act” means the Credit Union Act, 1997;

“total savings” means, in respect of a member, those savings referred to in section 27(1) of the Act and any other amounts held by a credit union;

“unattached savings” means those total savings which are not attached to loans or otherwise pledged as security and are withdrawable by members.

- (2) A word or expression used in these Regulations and also used in the Act has, unless the contrary intention appears, the same meaning in these Regulations that it has in the Act.

PART 2

RESERVES

Reserves Perpetual in Nature and Available to Absorb Losses

3. (1) A credit union shall ensure that all reserves held in accordance with, and for the purpose of, this Part and section 45 of the Act are:
 - (a) perpetual in nature;
 - (b) freely available to absorb losses;
 - (c) realised financial reserves that are:
 - (i) unrestricted; and
 - (ii) non-distributable.
- (2) For the purpose of paragraph (1), any instrument classified or contributing to a reserve shall, in order to be eligible:
 - (a) not be secured or subject to a guarantee which enhances its seniority;
 - (b) be permanent and without an obligation for repayment of principal;
 - (c) have no preferential distribution rights;
 - (d) rank below all other claims in the event of a liquidation;
 - (e) qualify as a reserve for accounting purposes.

Regulatory Reserve Requirement

4. (1) Subject to paragraph (2), a credit union shall establish and maintain a minimum regulatory reserve requirement of at least 10 per cent of the assets of the credit union.
- (2) A newly registered credit union shall establish and maintain an initial reserve requirement that:

- (a) is sufficient to meet the credit union’s anticipated growth over 3 years;
- (b) takes account of operating losses that can be expected to occur until the credit union reaches an operationally viable performance level; and
- (c) is at least equal to the greater of:
 - (i) €10,000; or
 - (ii) minimum regulatory reserve requirement specified in paragraph (1).

Reporting Requirements

- 5. (1) A credit union shall monitor its reserves on a continuous basis to ensure compliance with this Part and section 45 of the Act.
- (2) Where a credit union fails, or is likely to fail, to comply with its reserve requirement in this Part or section 45 of the Act, the credit union shall notify the Bank in writing no later than close of business of the next business day.

Dividends

- 6. Where a credit union has complied with the requirements in this Part and section 45 of the Act, but has recorded a deficit in its annual accounts and is proposing to pay a dividend and/or a loan interest rebate, the credit union shall inform the Bank in writing at least 3 weeks before it gives notice of its Annual General Meeting, as required under section 80(3) of the Act.

PART 3

LIQUIDITY

Interpretation – Part 3

- 7. (1) In this Part “relevant liquid assets” means the following unencumbered assets only:-
 - (a) cash;

- (b) investments with a maturity of less than 3 months, excluding the minimum reserve deposit account and the deposit protection account;
 - (c) investments with a maturity of 3 months or more, excluding the minimum reserve deposit and the deposit protection account, where a written guarantee exists to the effect that funds are available to the credit union in less than 3 months. For the purpose of paragraph (1), where a guarantee exists, the investments may be considered liquid assets to the value of the investments guaranteed, excluding penalties.
- (2) In this Part “short term liquid assets” means the following unencumbered assets only:-
- (a) cash;
 - (b) investments with a maturity of less than 8 days, excluding the minimum reserve deposit account and the deposit protection account;
 - (c) investments with a maturity of 8 days or more, excluding the minimum reserve deposit and the deposit protection account, where a written guarantee exists to the effect that funds are available to the credit union in less than 8 days. For the purpose of paragraph (2), where a guarantee exists, the investments may be considered short term liquid assets to the value of the investments guaranteed, excluding penalties.

Liquidity Requirements

8. (1) A credit union shall establish and maintain a minimum liquidity ratio of relevant liquid assets of at least 20 per cent of its unattached savings.
- (2) A credit union shall establish and maintain a minimum short term liquidity ratio of short term liquid assets of at least 5 per cent of its unattached savings.

Reporting Requirements

9. (1) A credit union shall monitor its liquidity ratios on a continuous basis to ensure compliance with the liquidity requirements in this Part and in the Act.

- (2) Where a credit union is failing, or likely to fail to comply, with the liquidity requirements in this Part or in the Act, it shall notify the Bank in writing no later than close of business of the next business day.

Transitional Arrangements

10. Where, at the commencement of these Regulations, a credit union is failing to comply with the requirement in Regulation 8(2), the credit union shall increase its holdings in short term liquid assets in order to bring the credit union's short term liquidity ratio to at least 5 per cent not later than the first anniversary of the commencement of these Regulations or such later date as the Bank may permit.

PART 4

LENDING

Categories of Lending

11. (1) A credit union shall only make loans that fall within the following categories:
 - (a) Personal loans;
 - (b) Commercial loans;
 - (c) Community loans;
 - (d) House Loans;
 - (e) Loans to other credit unions.
- (2) A commercial loan granted by a credit union, where the total amount of commercial loans granted to a borrower, or group of borrowers who are connected, is less than €25,000, is not subject to Regulations 12(a) or 16. For the purposes of paragraph (2), a commercial loan is included in the calculation of commercial loans until the commercial loan has been repaid in full.

Concentration Limits

12. A credit union shall not make:

- (a) a commercial loan, where such a loan would cause the total amount of outstanding commercial loans of the credit union to exceed 50 per cent of the credit union's regulatory reserve,
- (b) a community loan, where such a loan would cause the total amount of outstanding community loans to exceed 25 per cent of the credit union's regulatory reserve, or
- (c) a loan to another credit union, where such a loan would cause the total amount of outstanding loans to other credit unions to exceed 12.5 per cent of the credit union's regulatory reserve.

Large Exposure Limit

13. (1) A credit union shall not make a loan to a borrower or a group of borrowers who are connected which would cause the credit union to have a total exposure to the borrower or group of borrowers who are connected of greater than €39,000 or 10 per cent of the regulatory reserve of the credit union.
- (2) Where an exposure to a borrower or group of borrowers who are connected exceeds the limit set out in paragraph (1), 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.
- (3) The requirement specified in paragraph (2) shall not apply to exposures existing at the time of the commencement of these Regulations, for a period of 2 years from the commencement of these Regulations.

Maturity Limits

14. (1) A credit union shall not make a loan to a member:–
- (a) for a period exceeding 5 years if, were the loan to be made, the total gross amount outstanding in relation to all loans with more than 5 years to the final repayment date would exceed –
 - (i) 30 per cent of the total gross loan book balance outstanding at that time in relation to all loans made by the credit union, or

- (ii) if the Bank so approves in writing, 40 per cent of the total gross loan book balance outstanding at that time in relation to all loans made by the credit union, or
- (b) for a period exceeding 10 years if, were the loan to be made, the total gross amount outstanding in relation to all loans with more than 10 years to the final repayment date would exceed –
 - (i) 10 per cent of the total gross loan book balance outstanding at that time in relation to all loans made by the credit union, or
 - (ii) if the Bank so approves in writing, 15 per cent of the total gross loan book balance outstanding at that time in relation to all loans made by the credit union.
- (2) The Bank may impose on approval, for the purposes of subparagraph (a)(ii) or (b)(ii) of this Regulation, any condition that the Bank considers appropriate.
- (3) A credit union shall not make a loan to a member for a period exceeding 25 years.

Requirement for House Loans

- 15. A credit union shall only grant a house loan where it holds the first legal charge on the property in respect of which the loan is to be provided.

Lending Practices for Specific categories of Lending

- 16. (1) A credit union shall only grant a commercial loan, community loan or loan to another credit union where a comprehensive business plan and detailed financial projections (supported by evidence based assumptions), appropriate for the scale and complexity of the loan, are provided and in place before granting the relevant loan.
- (2) A credit union shall report on the performance of loans, in writing, to the board of directors of the credit union on a monthly basis. For the purposes of paragraph (2), such a report shall include details on the performance of commercial loans, community loans and loans to other credit unions.

General Lending Practices

17. (1) A credit union shall permit a member to repay a loan on any day that the credit union is open for business (including opening hours of branch or otherwise available for business).
- (2) A credit union shall establish and maintain the matters specified below in writing:
 - (a) limits in respect of credit concentration and loan portfolio diversification including the maximum amount of commercial lending, community lending and lending to other credit unions; and
 - (b) processes which the credit union will follow in relation to arrears management and rescheduling.
- (3) A credit union shall ensure that its credit assessment process is based on coherent and clearly defined criteria and that the process of approving loans and amending loans is clearly established and documented in its credit policy.

Related Parties - General

18. (1) A credit union shall not make a loan to a related party which would provide that party with more favourable terms than a loan by the credit union to non-related parties (including, without limitation, terms as to credit assessment, duration, interest rates, amortisation schedules, collateral requirements).
- (2) A credit union shall not manage a loan to a related party on more favourable terms than a loan by the credit union to non-related parties (including but not limited to varying the terms of a loan, permitting rescheduling, interest roll-up, granting a grace period for payment, loan write-off in whole or in part, provisioning against a loan, decisions to take or not to take enforcement action).

Related Parties - Specific

19. (1) Subject to Regulation 18, a credit union shall ensure that the making of a loan to a related party is subject to individual prior approval in writing by the credit committee and that actions in relation to the management of a loan are subject to individual prior approval in writing by the credit committee or the credit control committee of the credit union as appropriate.

- (2) A credit union shall exclude individuals on the credit committee or the credit control committee with conflicts of interest in relation to matters specified in paragraph (1).

Related Parties – Exempt Exposures

20. (1) Regulations 19 and 21 do not apply where the total credit union exposure to the related party is not greater than €2,000.
- (2) In relation to exempt exposures referred to in paragraph (1), a credit union shall ensure that:-
 - (a) the credit union monitors these loans to ensure that the limit imposed is not exceeded;
 - (b) a register of these loans recording how it has complied with this requirement is maintained by the credit union; and
 - (c) a report on these loans is reviewed and approved by the board of directors of the credit union on a quarterly basis.

Related Parties – Recording and Monitoring Requirements

21. (1) A credit union shall record and monitor loans made to related parties and report, in writing, to the board of directors on related party loans on a monthly basis. Such a report shall include details of loans advanced to related parties during the month, total loans outstanding to related parties, the performance of loans to related parties and actions in respect of the management of loans to related parties.
- (2) A credit union shall ensure that the internal audit function assesses, at least annually, the compliance or otherwise by a credit union with Regulation 19 and paragraph (1) of this Regulation and, after each assessment, submit a written report to the board of directors indicating their findings and conclusions and, where appropriate, making recommendations on any changes required.

Related Parties – Credit Policy

22. A credit union shall include the process in relation to lending to a related party in its Credit Policy.

Lending Policies

23. A credit union shall, at a minimum, establish and maintain the following written lending policies:-
- (a) Credit Policy;
 - (b) Credit Control Policy; and
 - (c) Provisioning Policy.

Transitional Arrangements

24. (1) Nothing in these Regulations shall render unlawful any loan made in accordance with or under the Act to a member before the commencement of these Regulations.
- (2) Where, at the commencement of these Regulations, a credit union is failing to comply with the requirements in this Part, that credit union shall only make a loan where the making of such a loan would not cause the credit union to either fail to comply or exacerbate a failure to comply with any of the requirements in this Part.

PART 5

INVESTMENTS

Classes of Investments

25. A credit union may only invest in euro denominated investments in the following:
- (a) Irish and EEA State Securities;
 - (b) accounts in credit institutions;
 - (c) bank bonds;
 - (d) collective investment schemes;
 - (e) shares of and deposits with other credit unions;

- (f) shares of a society registered under the Industrial and Provident Societies Act 1893 to 1978.

Counterparty Limits

- 26. A credit union shall not make an investment with a counterparty which, were that investment to be made, would cause the investments with that counterparty to exceed 25 per cent of the credit union's total value of investments.

Concentration Limits

- 27. (1) A credit union shall not make an investment in Irish and EEA State securities which would cause the investments in Irish and EEA State securities to exceed 70 per cent of the total value of the credit union's investments.
- (2) A credit union shall not make an investment in bank bonds which would cause the investments in bank bonds to exceed 70 per cent of the total value of the credit union's investments.
- (3) A credit union shall not make an investment in another credit union which would cause the investments in other credit unions to exceed 12.5 per cent of its regulatory reserve.
- (4) A credit union shall not make an investment in the shares of a society registered under the Industrial and Provident Societies Acts 1893 to 1978 which would cause the investments in shares in societies registered under the Industrial and Provident Societies Acts 1893 to 1978 to exceed 12.5 per cent of the credit union's regulatory reserve.

Maturity Limits

- 28. (1) A credit union shall not make an investment which has a maturity date which exceeds 10 years from the date of the investment.
- (2) A credit union shall not make an investment which would cause the credit union to have more than 30 per cent of its investments maturing after 7 years.
- (3) A credit union shall not make an investment which would cause the credit union to have more than 50 per cent of its investments maturing after 5 years.

Collective Investment Schemes

29. A credit union may invest in collective investment schemes only where the underlying investments of the scheme are: –
- (a) composed entirely of instruments specified in Regulation 25(a), (b) and (c); and
 - (b) the making of such an investment would not cause a credit union to fail to comply with this Part.

Holding of Investments

30. A credit union shall ensure that any investments made remain in compliance with the investment requirements in this Part.

Investment Practices – Distribution of Investment Income/ Investment Gain

31. A credit union shall not distribute from its annual operating surplus investment income or an investment gain to members or transfer investment income or an investment gain to a reserve set aside to provide for dividends, unless the investment income or investment gain falls within the following:
- (a) investment income or an investment gain received by the credit union at the balance sheet date;
 - (b) investment income that will be received by the credit union within 12 months of the balance sheet date.

Investment Practices – Concentration Risk

32. A credit union shall establish and maintain a written strategy having regard to section 43 of the Act to manage concentration risk which can result from dealing with a single counterparty or holding investments with similar characteristics like maturities and to ensure investments remain within the limits contained in these Regulations.

Transitional Arrangements

33. (1) Where, at the commencement of these Regulations, a credit union has investments made in accordance with or under the Act which exceed the requirements in this Part, the credit union shall (subject to paragraph (2)):

- (a) reduce those investments in order to ensure compliance with this Part;
 - (i) as soon as possible without incurring a loss; and
 - (ii) in any event not later than the second anniversary of the commencement of these Regulations or such later date as the Bank may permit, and
 - (b) shall only make an investment where the making of such an investment would not cause the credit union to either fail to comply or exacerbate a failure to comply with any of the requirements in this Part.
- (2) A credit union may hold to maturity all fixed term investments held by that credit union on the commencement of these Regulations.

PART 6

SAVINGS

Savings Requirement – Aggregate Liabilities

34. The aggregate liabilities of a credit union in respect of deposits shall not at any time exceed 100 per cent of aggregate liabilities in respect of shares issued to members.

Savings Limit

35. A credit union shall ensure that no member shall have total savings which exceed €100,000.

Transitional Arrangements

36. (1) (a) Subject to paragraph (2), where, on the commencement of these Regulations, a member has total savings with a credit union in excess of €100,000 the credit union shall repay to such members those savings in excess of €100,000.
- (b) For the purpose of subparagraph (a), the repayment shall occur as soon as possible and in any event within 12 months of the commencement of these Regulations or such other date that the Bank may permit.

- (2)
 - (a) Where, on the commencement of these Regulations, a member has total savings with a credit union in excess of €100,000 the credit union may apply to the Bank for approval to continue to hold (but not increase) such savings.
 - (b) For the purpose of subparagraph (a), an application shall be submitted in writing to the Bank and contain such information as the Bank may specify from time to time.
 - (c) The Bank may grant approval for an application received under subparagraph (a) where the credit union has demonstrated and the Bank is satisfied that the granting of such approval is:
 - (i) consistent with the adequate protection of the savings of members; and
 - (ii) effective and proportionate, having regard to the nature, scale and complexity of the credit union.
 - (d) For the purpose of subparagraph (c) the Bank shall consider the following:
 - (i) the regulatory reserve position of the credit union;
 - (ii) the asset size of the credit union, by reference to its total assets; and
 - (iii) such other matters that the Bank may specify from time to time.
- (3)
 - (a) Where the Bank grants an approval under paragraph (2), it may, at that time or at any other time, subject such approval to conditions with which the credit union shall comply.
 - (b) Where a credit union fails to comply with a condition imposed pursuant to subparagraph (a), the credit union shall notify the Bank as soon as possible and thereafter repay to such members those savings in excess of €100,000.
 - (c) For the purpose of subparagraph (b), the repayment shall occur as soon as possible and in any event within 12 months after the credit union has

notified the Bank, or the Bank otherwise becomes aware, of the matters specified in subparagraph (b) or such date as the Bank may permit or require.

PART 7

BORROWING

Interpretation – Part 7

37. In this Part the word “borrow” or any word which is a variant, derivative or translation of, or is analogous to that word shall not include the issue of shares, or the acceptance of deposits from members of the credit union in accordance with the Act.

Borrowing Limit

38. A credit union may borrow money, on security or otherwise, so long as the total amount outstanding in respect of monies so borrowed does not at any time exceed 25 per cent of the total savings of the credit union.

Borrowing Requirement – Notice to Bank

39. Where a credit union proposes to borrow in accordance with Regulation 38, the credit union shall provide at least 28 days’ notice in writing to the Bank of its intention to undertake the proposed borrowing.

Borrowing Requirement - Calculation

40. For the purposes of Regulation 38, when calculating the total amount outstanding in respect of moneys borrowed by a credit union at any time, an overdraft received from its banker shall be disregarded.

Borrowing Policy

41. A credit union shall establish and maintain a written policy in relation to borrowing. The board of directors of the credit union shall, at least annually, review, update and approve this policy.

Transitional Arrangements

42. Where, at the commencement of these Regulations, a credit union has borrowings made in accordance with or under the Act which exceed the requirements in this Part, the credit union shall:
- (a) reduce those borrowings in order to ensure compliance with this Part;
 - (i) as soon as possible without incurring a loss; and
 - (ii) in any event not later than the second anniversary of the commencement of these Regulations or such later date as the Bank may permit, and
 - (b) only borrow where such borrowing would not cause the credit union to either fail to comply or exacerbate a failure to comply with any of the requirements in this Part.

PART 8

SYSTEMS, CONTROLS AND REPORTING ARRANGEMENTS

Risk Register

43. (1) A credit union shall establish and maintain a written risk register, maintained by a risk management officer, that documents the risks that the credit union is, or may be, exposed to and the systems and controls that the credit union has established to manage and mitigate those risks.
- (2) A credit union shall ensure that the board of directors of the credit union review and approve the risk register, at least annually, to ensure that the risks that the credit union is, or may be, exposed to are contained on the risk register and that the systems and controls are appropriate to manage and mitigate these risks.

Plans, Policies and Procedures

44. (1) A credit union shall establish and maintain, in writing, all policies specified in section 55(1)(o) of the Act.
- (2) A credit union shall ensure that the matters specified below shall be communicated to all officers in the credit union following any updates made,

including the review, approval and update by the board of directors required at least annually of:

- (a) the risk management policy;
 - (b) the business continuity plan;
 - (c) the conflicts of interest policy; and
 - (d) the standards of conduct and ethical behaviour of officers.
- (3) A credit union shall document, approve and update, at least annually, the matters specified in Schedule 1 to these Regulations.
- (4) A credit union shall, at a minimum, establish and maintain information systems and management information policies which include:
- (a) a management information policy;
 - (b) an information security policy;
 - (c) an information systems change management policy; and
 - (d) an information systems asset management policy.

Reporting and Disclosure in the Annual Accounts

45. (1) In addition to the information required under section 111 of the Act, a credit union shall ensure that the directors of a credit union shall prepare or cause to be prepared the following supplementary information to be contained in its annual accounts:
- (a) the regulatory reserve requirement, the credit union's regulatory reserve expressed as a percentage of total assets, the additional reserves that the credit union holds in respect of operational risk expressed as a percentage of total assets, together with the credit union's dividend and loan interest rebate policy; and
 - (b) the total amount of loans outstanding to related parties and the loans to such persons as a percentage of the total loans outstanding.

- (2) A credit union shall separately analyse investment income and investment gains in the income and expenditure account (or notes) of the annual accounts of the credit union, as follows:-
- (a) investment income and investment gains received by the credit union at the balance sheet date;
 - (b) investment income that will be received within 12 months of the balance sheet; and
 - (c) other investment income.

PART 9

SERVICES EXEMPT FROM ADDITIONAL SERVICES REQUIREMENTS

Performing Services

46. (1) The services set out in Schedule 2 to these Regulations are services prescribed by the Bank for the purposes of section 48(2)(b) of the Act.
- (2) A credit union shall not perform the services specified in Schedule 2 to these Regulations unless the appropriate conditions specified in that Schedule are fulfilled.

PART 10

MISCELLANEOUS

Revocations

47. The following are revoked:
- (a) The Credit Union Act 1997 (Section 85) Rules 2009 (S.I. No. 344 of 2009) and
 - (b) The Credit Union Act 1997 (Section 85) Rules 2010 (S.I. No. 515 of 2010).

Signed for and on behalf of the

CENTRAL BANK OF IRELAND

on this the [] day of [] []

[]

SCHEDULE 1

1. The systems of control of its business and records required under section 108(1)(b) of the Act,
2. A succession plan for the board of directors and the management team which shall detail the key skills and competencies required for members of the board of directors and management team,
3. The annual review of overall performance carried out by the board of directors as required under section 55(4) of the Act,
4. The annual compliance statement, together with supporting documentation used in the preparation of the compliance statement.

SCHEDULE 2

Telephone, internet and fax access to the credit union by the member.

1. (1) **Access by telephone,**

- (a) that is to say any service by which the credit union member may by telephone using a unique number or password allocated by the credit union to the member,
 - (i) obtain information on the member's credit union accounts, including the balance of the member's share, deposit and loan accounts with that credit union,
 - (ii) transfer funds between accounts,
 - (iii) request a withdrawal from share and deposit accounts,
 - (iv) apply for a loan and calculate loan repayments,
- (b) conditions to be fulfilled -
 - (i) the relevant registration form in relation to such access must be completed by the parties concerned prior to the commencement of such a service,
 - (ii) loan approval is subject to the relevant loan application forms and other necessary documentation in relation to such transactions being completed by the parties concerned.

(2) **Access by internet,**

- (a) that is to say any service by which a credit union member may by internet using a unique number or password allocated by the credit union to the member,
 - (i) obtain information on the member's credit union accounts, including the balance of the member's share, deposit and loan accounts with that credit union,
 - (ii) transfer funds between accounts,

- (iii) request a withdrawal from share and deposit accounts,
- (iv) apply for loans and calculate loan repayments,
- (b) conditions to be fulfilled -
 - (i) the relevant registration form in relation to such access must be completed by the parties concerned prior to the commencement of such a service,
 - (ii) loan approval is subject to the relevant loan application forms and other necessary documentation in relation to such transactions being completed by the parties concerned.

(3) **Loan applications by fax,**

- (a) that is to say any service by which credit union members may submit details necessary for loan applications in the form of a fax,
- (b) condition to be fulfilled -

loan approval is subject to the relevant loan application forms and other necessary documentation in relation to such transactions being completed by the parties concerned.

2. **Third Party Payments,**

that is to say any service whereby a credit union member may arrange to have transferred to or from the member's account third party payments by way of electronic funds transfer or otherwise.

3. **Automated teller machine services (ATMs),**

- (a) that is to say a service which enables a credit union member to withdraw funds from the member's credit union account by means of a credit union branded ATM card,
- (b) conditions to be fulfilled -
 - (i) terms and conditions of use of such a card must be agreed by the credit union and the member,

- (ii) the member must complete the relevant registration form prior to the issue of the card.

4. **Insurance services,**

- (a) that is to say any service the credit union may provide to its members in respect of each of the following categories:

- (i) loan protection and life savings insurance (including related riders);
- (ii) travel insurance;
- (iii) home insurance;
- (iv) motor insurance;
- (v) repayment protection insurance.

- (b) condition to be fulfilled -

these services must be provided on an agency basis and the insurer must be authorised by the Bank.

5. **Group health insurance schemes,**

that is to say a service by which a credit union may provide to its members a discount scheme with an undertaking which is registered in the Register of Health Benefits Undertakings within the meaning of the Health Insurance Acts 1994-2013. The subscription to such a scheme may, at the credit union member's request, be discharged from the member's account.

6. **Discount for goods and services,**

- (a) that is to say a service by which the credit union may negotiate, on behalf of its members, discounts for the supply of goods and services to be purchased by those members,

- (b) condition to be fulfilled -

any such contract must be between the supplier of the goods and services and the credit union member and the credit union must not be a party to such contracts.

7. **Budget account scheme,**

(a) that is to say a service by which the credit union may agree to provide members with a budget account, on which a credit facility may be offered, and charges (including a participation fee) may be made, into which members pay agreed regular sums and from which the credit union will discharge, on the members' behalf, a list of bills agreed with each member as and when they fall due.

(b) condition to be fulfilled –

the credit union must account separately in its books for all such transactions.

8. **Bill payment services,**

that is to say a service by which a credit union member may have a utility or other household bill paid by the credit union, either by debiting the member's account or by using cash supplied by the credit union member.

9. **Euro drafts and bureau de change**

(a) that is to say a service the credit union may provide to its members whereby a credit union member may-

(i) purchase euro drafts,

(ii) purchase foreign currency drafts, travellers cheques and travel money cards,

(iii) purchase or sell foreign currency,

(b) conditions to be fulfilled -

(i) these services must be provided on an agency basis and the principal must be licensed to provide such services,

(ii) the credit union must be indemnified for the provision of these services under an insurance policy in accordance with section 47 of the Act ,

(iii) the credit union must charge the members any expenses incurred for the provision of these services and may in addition retain its own commission,

(iv) the credit union must account in its books for all such transactions.

10. **Money transfers,**

- (a) that is to say a money transmission service the credit union may provide to its members,
- (b) conditions to be fulfilled -
 - (i) this service must be provided on an agency basis,
 - (ii) the credit union must be indemnified for the provision of these services under an insurance policy in accordance with section 47 of the Act,
 - (iii) the credit union must charge the members any expenses incurred for the provision of these services and may in addition retain its own commission,
 - (iv) the credit union must account in its books for all such transactions.

11. **Money Advice and Budgeting Service,**

that is to say any service provided by a credit union to its members under the Money Advice and Budgeting Service which is funded and supported by the Citizens Information Board.

12. **Service centres,**

- (a) that is to say a service a credit union may provide its members for photocopying, fax and computer facilities to be made available on the credit union premises,
- (b) condition to be fulfilled –
the credit union may charge a fee for this service.

13. **Draws,**

- (a) the credit union may carry out regular draws for which members are eligible to enter on payment of a regular subscription,
- (b) condition to be fulfilled –
such draws must be conducted on a break-even basis.

14. **Standing orders,**

that is to say a service which may be provided by a credit union whereby a member may instruct the member's credit union to debit the member's accounts, and pay a fixed sum at regular intervals to a specified payee. Credit unions may charge members for the provision of this service.

15. **Direct debits,**

that is to say a service whereby the credit union may make payments to a payee designated by the credit union member on specified dates. Such payments may vary and the account of the member shall be debited accordingly on each occasion. Credit unions may charge members for the provision of this service.

16. **Financial Counselling,**

(a) that is to say a service by which a credit union member may receive, free of charge, advice on the use and management of the member's funds in the credit union,

(b) condition to be fulfilled -

the credit union must be indemnified for the provision of this service under an insurance policy in accordance with section 47 of the Act.

17. **Will making,**

(a) that is to say a service arranged by the credit union by which a solicitor is available in the credit union from time to time, to take instructions and draw up wills and other testamentary documents for credit union members,

(b) conditions to be fulfilled -

(i) the solicitor concerned must be a practising solicitor within the meaning of the Solicitors Acts 1954 to 2008,

(ii) the solicitor concerned must be one in respect of whom a policy of professional indemnity insurance under the Solicitors Acts 1954 to 2008 is in force in relation to that solicitor as respects the service referred to in paragraph (a).

18. **Gift cheques,**

that is to say a service by which a credit union member may purchase a cheque made payable to a third party in return for payment of that amount. Credit unions may charge members for the provision of this service.

19. **Electricity budget meter cards or tokens,**

that is to say a service by which a credit union member may purchase electricity budget meter cards or tokens from the member's credit union to facilitate payment of the member's electricity expenses.

20. **Savings Stamps,**

(a) that is to say a service by which a credit union member may purchase savings stamps issued by the credit union,

(b) condition to be fulfilled -

the credit union must account in its books for all such transactions with individual members.

21. **PRSA**

(1) Any service ("service") whereby -

(a) a credit union member may be introduced to a PRSA Provider by the member's credit union for advice on the provision of a PRSA, or

(b) when such an introduction takes place, a credit union may make facilities available to a PRSA Provider to enable it provide such advice.

(2) Conditions to be fulfilled where a credit union wishes the service to be offered or provided to its members:

(a) the service shall be on an introduction basis only, where the credit union introduces the member to a PRSA Provider, and the credit union may not provide any advice to a member in relation to a PRSA;

- (b) a credit union which intends to enter into an arrangement with a PRSA Provider is required to notify the Registrar of Credit Unions in writing of such intention not less than 7 days before entering into such an arrangement;
- (c) the credit union may only have such an arrangement with one PRSA Provider at any one time in relation to the service;
- (d) the credit union holds any authorisation required under the Investment Intermediaries Act 1995 and/or the European Communities (Insurance Mediation) Regulations 2005 in respect of the service;
- (e) the credit union is required to enter into a written agreement with the PRSA Provider referred to in subparagraph (c) ("contracting PRSA Provider") under which the contracting PRSA Provider is responsible for any act or omission of the credit union concerned in respect of any matter pertaining to a PRSA offered or provided by the contracting PRSA Provider;
- (f) any contract arising from the service is required to be between the contracting PRSA Provider and a credit union member and the credit union concerned may not be a party to any such contract;
- (g) the credit union may not permit any premises which the credit union uses to be used for the purposes of arranging or offering to arrange the provision of a PRSA to a member of the credit union by a PRSA Provider other than the contracting PRSA Provider;
- (h) a clear distinction shall be drawn between the business of the credit union and that of the contracting PRSA Provider and this shall extend to all signage, stationary or other branding of whatever kind;
- (i) the credit union is required to state on letter headings and business forms which are used for the purposes of the service referred to in paragraph 1(a) that the credit union acts as an introducer solely for the contracting PRSA Provider;
- (j) an officer or staff member of the credit union may not receive remuneration directly or indirectly from the PRSA Provider in respect of the service;

- (k) the credit union shall account separately in its books for any fees or commissions received in relation to the provision of the service.

22. Insurance Services on an introduction basis

- (1) Any service whereby a credit union member may be introduced to an insurance intermediary, with the appropriate authorisation under the European Communities (Insurance Mediation) Regulations 2005 or Investment Intermediaries Act 1995, or an insurance undertaking, authorised pursuant to Directive 2009/138/EC (hereinafter either intermediary or undertaking shall be referred to as “regulated entity”), by the member’s credit union for the purpose of obtaining “insurance services”.
- (2) Conditions to be fulfilled where a credit union offers the service referred to in paragraph (1) to its members and the credit union receives remuneration:
 - (a) The credit union shall have the appropriate authorisations to act as a retail intermediary – “Retail Intermediary” means an insurance intermediary as described in the European Communities (Insurance Mediation) Regulations 2005 and/or an investment business firm as described in the Investment Intermediaries Act 1995;
 - (b) The credit union shall ensure that the regulated entity has the necessary authorisations to provide the insurance services;
 - (c) Prior to introducing a credit union member to a regulated entity for the purpose of obtaining insurance services, the credit union shall have undertaken an assessment of the financial and other implications for the credit union of the provision of the insurance services and shall have, on the basis of that assessment, determined that there is no undue risk to members’ savings;
 - (d) The credit union shall ensure that adequate compensation is available to those members in respect of negligence, fraud or other dishonesty on the part of officers of the credit union in connection with the provision of the insurance services;

- (e) The credit union shall account separately in its books for any fees or commissions received in relation to the provision of the insurance services;
- (f) The credit union shall ensure that an officer or staff member of the credit union does not receive remuneration directly or indirectly in respect of the insurance service;
- (g) The credit union shall ensure that the insurance service is on an introduction basis only, where the credit union introduces the member to the regulated entity and the credit union does not provide any advice to a member in relation to the insurance service;
- (h) The credit union shall ensure that a clear distinction exists, between the business of the credit union and that of the regulated entity. The credit union shall ensure that any marketing material relating to the insurance service should clearly identify the regulated entity providing the insurance service to the member and this shall extend to all signage, stationary or other branding of whatever kind relating to the insurance service;
- (i) The credit union shall enter into a written agreement with the regulated entity under which that undertaking is responsible for any act or omission of the credit union concerned in respect of any matter pertaining to the insurance service offered or provided by the regulated entity;
- (j) The credit union shall ensure that any contract arising from the insurance service is between the regulated entity and a credit union member and that the credit union is not party to any such contract.

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