

Consultation on Regulations for Credit Unions – CP88

Unfortunately, due to time constraints, I am not able to make a very structured submission, however I would like to make a few general comments.

General:

I am extremely concerned at the trust of the proposed regulations, we are in danger of going from an environment where there was an acknowledged lack of enforced regulations to a new one which is akin to a straight jacket. If this is the outcome, Credit Unions will be unable to be flexible in decision making and responsive to unique needs of local circumstances and innovation will be stifled. The sector is grossly under lent and this is going to bring huge challenges in generating income in the current depressed environment for Investment Income. This is by far the biggest challenge facing not just the individual CU's the sector as a whole but also the regulatory environment.

Credit Unions are not Banks and should not be regulated as if they are mini versions of Banks – the regulations need to be sector specific.

Recommendation: Make the regulations such that Credit unions can make decisions appropriate to their sizes and environment and Balance Sheet. The regulations should be reviewed after an appropriate time frame, say 3 or 4 years at most.

Specific:

Share or Deposit Limits cannot be introduced without taking account of the fact the rules as apply today were the circumstances in which members deposited funds and any instant change could have very negative unintended effects on some members, eg older depositors who no longer trust the banking environment

Are the current reserve requirements appropriate and warranted in an environment where the majority of CU funds are in cash deposits, where is the risk??

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