



Monaghan Credit Union

Comhar Creidmheasa Ohuineacháin

Registry of Credit Unions
Central Bank of Ireland
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Consultation on Regulations for Credit Unions on commencement of the remaining sections of the 2012 Act

26th February 2015

Dear Sir/Madam

Further to consideration of the above consultation paper, I wish to make the following submission on behalf of the Board of Directors of Monaghan Credit Union Limited.

Firstly the Board is comfortable with the intentions of the Bank to introduce regulations at the same time as the remaining sections of the 2012 Act are commenced, to ensure key prudential requirements for credit unions remain in place and to continue the introduction of the strengthened regulatory framework for Credit Unions.

Reserves (Section 5)

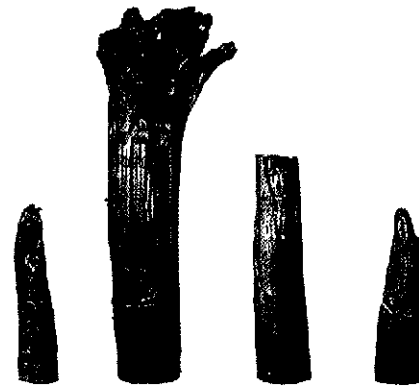
In consideration of the requirement to maintain both a minimum regulatory reserve and an operational risk reserve (Section 45 of the 1997 Act) the Board would like clarity on the rationale for a minimum reserve requirement of 10%.

Lending (Section 7)

House Loans

The Board is gravely concerned at the proposed definition of a House loan and the requirement to hold a first legal charge secured on the property for any house loans made following commencement of the regulations. The requirement to obtain a first legal charge should not necessarily be specific to the purpose of the loan. Loan amount and term in the Board's view, are each at least equally as important a consideration in their own right.

Loans for the purpose of home improvement are frequently availed of by our members. Amounts borrowed can range from amounts in the hundreds of euro to our maximum net loan amount of €50,000. A blanket requirement to obtain a first legal charge on all house loans would result in our potential business being lost to competing financial institutions. The Board suggests Credit Unions



applying the principles of prudent lending should retain discretion as to when a first legal charge is required. The Board further requests that loans to improve or renovate a house on the property that is already used as the principal residence, be treated as Personal loans.

Requirements for Specific Categories of Lending

As a general point, the Board wish to obtain clarification on any distinction the Central Bank may make between commercial lending and small business lending.

Related Parties

It is the view of the Board that the proposed reporting to the Board, on related party loans is excessive and would serve to discourage volunteering, and in the case of related parties, discourage borrowing from the Credit Union.

Savings (Section 9)

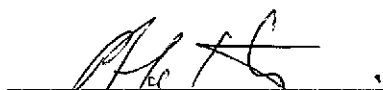
While the Board notes the proposal that individual members can have savings up to €100,000 in the Credit Union, it firmly disagrees with the proposed transitional arrangement whereby Credit Unions will be provided with a period of six months to bring any savings that do not comply with the draft regulations into compliance with the new requirements. In our own situation while the proportion of members affected is not material, we are conscious that these members have entrusted the safeguarding of their funds to the Credit Union. Typically there is little movement in the funds in these accounts and we do not wish to be put in a position where we must return these funds to members, which will then most likely be placed in another financial institution subject to the same statutory Deposit Guarantee Scheme as ourselves. The Board is concerned that the resulting impact would be to erode the confidence of the member as a saver in their Credit Union and requests that members with balances in excess of €100,000 in the Credit Union at the commencement of the regulations be afforded the opportunity to retain their savings in the Credit Union.

Services Exempt from Additional Services Requirements (Section 12)

The Board suggests that under Schedule 2, the Automated teller machine service (ATM) be extended/updated to include Debit Cards for use at ATMs and Points of Sale.

In conclusion the Board wishes to emphasise its commitment to contributing to the continued well-being and prudent development of the Credit Union sector. As a Credit Union we understand the need for appropriate regulation and supervision. However we request it does not become excessive nor put us in a significantly disadvantaged position vis a vis other financial institutions who are increasingly and visibly in competition with us.

Yours sincerely



Peter Mathews
Secretary