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NATIONAL SUPERVISORS FORUM

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11th November 2013.

Ms. Anne Marie McKiernan,
Registrar,
Credit Unions,
Central Bank,
Dame Street,
Dublin 2

26th February 2014

Dear Registrar,

Re: Consultation on Regulations for Credit Unions on commencement of the remaining sections of the 2012 Act. Consultation Paper CP 88.

The National Supervisors Forum has reservations on this regulations paper for Credit Unions. Indeed we feel it is overly prescriptive. The vast majority of Credit Unions now have professional managers and they should be allowed to manage.

The Credit Union Movement is entering a very difficult period. Investments returns are at a historic low. Lending is starting to recover. The levels of borrowing are substantially less than during the boom years. Credit Unions within their own common bonds must have leeway to adapt to local environment situations to increase business.

Reference **Section 5** and **Section 6** of the document, we note that at present the Credit Union must maintain a 10% regulatory reserve. This means the credit union must make a profit of 10% on every 1 euro saved to cover the cost of putting 10% into a regulatory reserve to break even. Under the new regulation the Central Bank can set the regulatory reserve higher.

In the new regulations we note a 10% short term liquidity requirement as part of the 20% liquidity requirement. Giving that interest rates on new investments is circa 0%. We believe that this will seriously affect Credit Unions ability to make a surplus. Again we feel that each credit union should be allowed up to the 20% level to manage their own liquidity levels.

In conversation with Central Bank charging for services was mentioned more than once. I would like to point out a substantial minority of members using the credit unions cannot afford charges. Indeed they have difficulty maintaining their membership. If credit unions cannot make a viable return then the introduction of charges for ordinary members will occur. This would mean for some a cessation of membership and they would have to go to money lenders for loans.

We feel that there is a social and cultural disconnect between the Central Bank and the members who actively use credit unions daily.

We note that these sections look at preparing for implementing Basel Banking recommendations on credit unions. We would be totally opposed to the Basel Banking recommendations being imposed on credit unions.

We do support the regulations on lending in relation to members of the Board and volunteers and staff in **Section 7**. We note requirement to return to the Central Bank performance of its loan book by credit unions. We feel a higher provision for bad and doubtful debts may have to be retained by the Credit Union to deal with the new regulations than otherwise would be the case. This in turn may impact negatively on the surplus that can be generated.

In relation to **Section 8** on investment we note and agree with most regulations. However, at present investment companies are offering equity based bonds with capital protected at moderate returns. It is not clear if this class of investment will now be allowed. If not allowed then returns to credit unions would be seriously affected. We note equities will be no longer allowed. If interest rates remain as is, then this barrier will prevent credit unions accessing a source of moderate returns. We note that up to 70% of credit union assets are in investments. Anything preventing a moderate return on investments is detrimental to credit unions.

The NSF has no objection in principle to €100,000 limits. We note all credit unions have cover for 100,000 in saving. Therefore, there will be no risk to savings. The numbers involved with an excess in 100,000 in saving is quite low. However, for the most part they are elderly and a blanket insisting on this limit for existing members may cause these members severe anxiety. If savings are limited to €100,000 and credit unions have cover for this figure why is a 10% regulatory reserve needed? The perceptions of a saving cap may undermine confidence in the Credit Unions movement as a secure place for placing of funds.

We note under service no provision for a Debit Card. As CUSOP is rolled out to credit unions, members will want access to a debit card. The inability for credit unions to provide this service will impact credit unions ability to attract younger members.

In relation to the other section the NSF have no objections and are in agreement that all changes for good governance is welcomed. The NSF main complaint each year is the lack of respect and dignity shown to BOC members. We would like to see as part of the PRISM visit, issues of dignity and respect and ethics reviewed especially in relation to the BOC.

Yours sincerely,

Liam Kelly
Secretary