

Consultation on Regulations for Credit Unions on the commencement of the remaining sections of the 2012 Act

FEBRUARY 2015

Contents

Introduction.....	3
Draft Reserve Regulations.....	3
Draft Liquidity Regulations.....	3
Draft Lending Regulations.....	3
Draft Investments Regulations	4
Draft Savings Regulations	4
Draft Borrowing Regulations.....	5
Draft Regulations on Systems, Controls & Reporting arrangements	5
Timelines	5
Conclusion	5

Introduction

Westport Credit Union is a community based credit union serving approximately 11,800 members with assets in excess of €80m. The following is our submission to the Central Bank of Ireland in response to the publication of the Consultation on Regulations for Credit Unions on the commencement of the remaining sections of the 2012 Act (CP88).

We are in general agreement with some areas of the draft regulations and we set out below our views on the particular sections as contained in the consultation document.

Draft Reserve Regulations

Westport Credit Union are in agreement with the Draft Reserve Regulations.

Draft Liquidity Regulations

Westport Credit Union feels that they need more flexibility with regard to the draft liquidity Regulations.

The deposit options currently available do not reflect a normal environment given that the Irish banking system is in the process of exiting the biggest financial crisis in the history of the state. CP 88 is employing point in time data to analyse the impact of measures that may not be appropriate through the credit cycle.

We believe that meeting this regulation could mean foregoing over €40k in income annually based on a conservative yield of 1% to Westport Credit Union.

We also feel that given the current trust and share retention profile of the sector there is no valid argument to impose further short term liquidity requirements. We would request that the Registrar reconsider this blanket imposition and allow for innovations that would satisfy any liquidity concerns by the Regulator, which would also allow for the prudent use of members funds.

Draft Lending Regulations

Westport Credit Union is in general agreement with most sections of the draft lending regulations however we have significant concerns regarding the "House Loans" section.

We believe the definition of "improve or renovate" needs to be clarified since if it is to be a condition of house loans to secure a "first legal charge" in all cases this could preclude Credit Unions from

We believe that the requirement to register a legal charge should be based on the net exposure in the context of “improve or renovate” house loans.

We would suggest that this approach in relation to first legal charges should be reconsidered and sufficient thought put into the approach.

Draft Investments Regulations

We believe that the proposals outlined under CP88 undermine the October 2006 Guidance Note on Investments in that there is no provision to allow *“those Credit Unions that can demonstrate to the Registrar of Credit Unions that they possess the skills and systems necessary to manage a more complex investment portfolio”* to do so.

We feel that the right to invest in equities must be retained and that credit unions that can demonstrate the correct control and risk process should not be precluded from investing in equities. We are in a position to access appropriate expertise to enable us to manage these type of investments prudently.

We feel that in the future that this could have a negative impact on our ability to extract maximum value from our investment portfolio. We feel that this could be appropriately addressed within a tiered regulatory framework as proposed by the Commission on Credit Unions 2012.

We would now suggest that an expert group be established to address as a separate issue, investment regulations for the sector.

Draft Savings Regulations

Westport Credit Union has significant concerns regarding the proposed limitation of savings to €100,000 per member. We believe that this proposal is short sighted and while a cap on savings may make sense at local level at a particular point in time as the Credit Union business model evolves and loan demand changes, it may have negative consequences in the future in terms of an adequate funding source.

The bank already has the power to restrict individual credit union savings where they believe undue risk exists and as such this proposal appears on the face of it to suggest that there is inherent risk sector wide when compared with the main stream banking sector. Such restriction do not apply in the banking sector. We believe that credit unions themselves should decide on their own savings limits whilst reminding members that only the first €100,000 of their investments would be covered under the deposit guarantee scheme.

We do not understand why the Register has concerns that a proportion of our members would prefer to keep their funds with us as opposed to the local banks. We have a low loan to deposit ratio and therefore lower liquidity risk.

We also feel that asking our members to withdraw funds over €100,000 could be misconstrued as reflecting regulators' concerns over our credit union.

We fail to see the rationale for implementing this measure and would suggest this regulation be reconsidered and any limit applied on a case by case basis.

Draft Borrowing Regulations

Westport Credit Union is in general agreement with the draft borrowing regulations.

Draft Regulations on Systems, Controls & Reporting arrangements

Westport Credit Union is in general agreement with the draft regulations on systems, controls and reporting arrangements.

We would suggest that the draft regulations in relation to accounting disclosures be aligned to existing GAAP / FRS102 disclosure requirements.

Any additional information required by CBI can be sought through the existing prudential framework.

Timelines

We believe that the timelines suggested are appropriate save for the 6 month transition period suggested under the draft savings regulations.

Conclusion

In summary we would welcome the tiered regulatory approach as recommended by the Commission on Credit Union (2012) which we believe is a more appropriate regulatory model and could significantly reduce the problems associated with the one size fits all model of regulation proposed under CP88.

End of Submission

