Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Credit Union News

Issue 12

March 2020

Welcome to Issue 12 of Credit Union News. It has been a busy period since our September 2019 issue including engagement with representative bodies and other sector stakeholders and credit unions on a broad range of topics.

Overview from the Registrar

Lending Framework

Our changes to the lending framework for credit unions, resulting in revised amended regulations, came into operation from 1 January. The changes followed an extensive review and were informed by detailed evidence we gathered directly from credit unions via our 2018 questionnaire, our data analysis of lending by category, public and statutory consultation processes and robust internal review and challenge. For all credit unions, the Central Bank recognises that sustainable business models should include growth potential in short and longer term lending based upon member needs. In terms of capacity expansion, a stepped phased approach will allow time for credit unions engaging in a newer activity, to build the required competence and capability. The structural changes to the lending framework lay the groundwork for potential future changes and facilitate a framework that is responsive to enhanced competence and capability. Further details about this on page 2.

Peer Review

In evolving our regulatory and supervisory approach, we seek to ensure we have in place frameworks that are proportionate and fit for purpose to effectively supervise and develop sectoral development. In this regard, we welcome the recent endorsement of our approach in terms of the regulation and supervision of Irish credit unions, following an external peer review by a team of international experts. Further details about this on page 5.

Sector business model developments

2019 saw an increasing level of collaboration emerging amongst credit unions. In October the Registry issued a letter to the sector on Credit Union Owned Service Providers (CUSPs) to clarify and facilitate structured credit union collaboration through dedicated legal entities. The launch by 30 PAYAC credit unions of a current account service in October 2019 is one interesting and practical example. Such activities represent important steps forward in the right direction. However, business model transition is still at an early stage, and will undoubtedly bring challenges over the course of the journey.

Focus for 2020

As we move through 2020, strengthening credit union core foundations across governance, risk management and operational capabilities, continues to be a key focus of our supervisory strategy. We will also continue to evolve the regulatory framework where prudentially justified, facilitate ongoing voluntary sectoral restructuring and engage on sectoral business model issues.

Challenges to credit union commercial fundamentals remain, reflected in key financial health metrics. The level of change and competition in financial services continues to increase at pace. Credit unions must determine their role in this rapidly evolving financial services market.

Credit unions play a very significant role in the Irish financial sector, and they are deservedly recognised for a brand built upon member trust. This recognised trust and regard of members is a strong basis from which to grow new products and service offerings.

Patrick Casey

Registrar of Credit Unions

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Lending Framework for Credit Unions - Updated

The Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2019 (the Amending Regulations) were published in December 2019, together with a Feedback Statement on CP125 – Consultation on Potential Changes to the Lending Framework for Credit Unions. The Amending Regulations amended the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 (the 2016 Regulations), came into effect on 1 January 2020 and make a number of important changes to the lending framework. The changes include:

- Removing the lending maturity limits which capped the percentage of credit union lending which could be outstanding for periods of greater than 5 and 10 years;
- Replacing the lending maturity limits with new combined concentration limits, on a tiered basis, for house and business loans, expressed as a percentage of total assets;
- Introducing a loan maturity limit of 10 years for unsecured loans and extending the overall loan maturity limit from 25 years to 35 years - applicable to secured loans;
- Re-naming the 'commercial loan' category of lending to 'business loan' and re-defining this category of lending; and
- Clarifying that buy to let residential and buy to let commercial lending is prohibited under the revised lending framework (other than a loan provided to a member that is an approved housing body).

Three tiers of concentration limits for house and business lending, have been introduced:

- A combined concentration limit for house and business loans of 7.5 per cent of total assets **for all credit unions**;
- A 10 per cent limit, **conditional** on a credit union satisfying asset size and regulatory reserves qualifying criteria and **notifying** the Central Bank in **advance**; and
- A 15 per cent limit for credit unions satisfying asset size criterion and subject to **application** to the Central Bank and **approval.**

The table on page 3 contains more detail on these new limits.

The Central Bank has calibrated the lending capacity provided to take account of the current position of credit unions in terms of their own strategic and business planning goals, the existing risk profile of credit unions, the need to align house and commercial lending capacity with competence and capability, the limited availability of established supports to credit unions through shared service type structures and the macro environment. It is our view that the changes to the regulatory framework will enable credit unions to undertake balance sheet transformation in line with their aspirations in terms of serving member needs, while developing well balanced loan portfolios.

As set out in the Feedback Statement on CP125, the Central Bank will perform and publish an analysis on credit union sector lending three years post-commencement of these amendments to the lending framework, in order to assess and analyse the actual impact which the changes to the lending regulations have had and to inform any decisions on the need for future change.

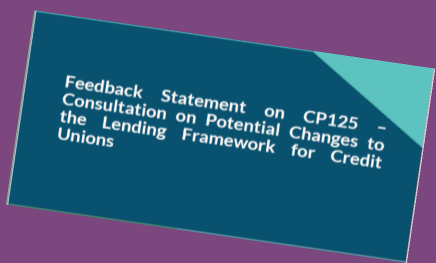
Lending Framework for Credit Unions - Related Publications

In November 2019, we published the feedback statement on CP125, which outlines the Central Bank's response to the key matters raised during the consultation process and the final policy position. Please see here for the feedback statement and all submissions received. Also, in December 2019, we published a Frequently Asked Questions document (FAQ) on our website to support credit unions with their implementation of the Amending Regulations. These will be updated from time to time, as necessary.

We will shortly be publishing the "15% Combined Concentration Limit for House and Business Loans Application Form" and a "Guidance Note on Application Process and Application Form for the 15% Combined Concentration Limit for House and Business Loans". Credit unions will find the application form and associated guidance on our website. The Central Bank will also shortly be publishing an unofficial consolidated version of the 2016 Regulations and updates to the Lending Chapter of the Credit Union Handbook – both will be available on our website.

On reporting, as advised in Issue 11 of Credit Union News, the Central Bank intends to request a periodic supplemental return from credit unions who engage in house and commercial lending. We will finalise the supplemental return during 2020. We will engage with credit union representative bodies on the return prior to finalising it and issuing it to credit unions.

Please see here for the FAQ on the Implementation of the Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2019 for Credit Unions.



Please see here for the Feedback Statement on CP125 – Consultation on Potential Changes to the Lending Framework for Credit Unions.

We would like to record our appreciation for the level of sector stakeholder interest in our review of the lending framework. We would like to thank all those who provided input through direct engagement with the Central Bank, responses to the longer term lending questionnaire issued by the Central Bank in April 2018 and/or feedback on the proposals set out in CP125 as part of our public consultation and statutory consultation processes.

New Tiered Combined Concentration Limits for House and Commercial Lending

Limit as % of assets	*Available to:*	*Features*
7.5% base limit	All credit unions.	A combined concentration limit for house and commercial lending available to all credit unions and calculated as a percentage of total assets. Entire limit may be utilised by the credit union for house lending. Up to a maximum of 5% of total assets may be in commercial loans.
10% conditional limit	Credit unions meeting objective asset size criteria (minimum total asset size of €50 million) and holding regulatory reserves of 12.5% or greater.	A conditional combined concentration limit for house and commercial lending and calculated as a percentage of total assets. Credit unions must notify the Central Bank at least one month in advance. Entire limit may be utilised by the credit union for house lending. Up to a maximum of 5% of total assets may be in commercial loans.
Increased 15% limit	Credit unions with assets of at least €100 million.	An increased combined concentration limit for house and commercial lending and calculated as a percentage of total assets. Subject to an application and approval process. The entire limit may be utilised by the credit union for either house or commercial lending, subject to any conditions attaching to a Central Bank approval.

Financial Conditions

The Central Bank of Ireland published the sixth issue of the report on the Financial Conditions of the credit union sector in December 2019. In this edition, the main focus of the analysis was based on data over the period 30 September 2011 to 30 September 2019, which provided extended trend analysis of the sector. Supplementary analysis by region and county, and new analysis on credit union sector savings, was also included.

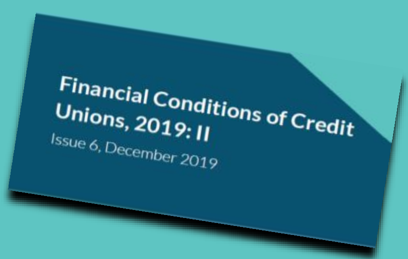
The report highlights the financial challenges credit unions continue to face in terms of income generation and return on assets given the low interest rate environment and high cost metrics. On a positive note, the overall reserves position of the sector continues to be strong.

While the number of credit unions overall has reduced, from 406 in 2011 to 241 in 2019, credit unions maintain an extensive footprint across the country. According to credit union sourced data, combined membership totals c.3.4 million. Sector total by assets continue to expand – increasing 31 per cent from €14.0 billion to €18.3 billion over the period 2011 to 2019.

Total investments increased by 58 per cent over the 2011 to 2019 period to €12.5bn, largely reflecting a continuing inflow of member savings. Average returns on investments have been in steady decline, decreasing from 3.1 per cent at 30 September 2012 to 0.9 per cent at 30 September 2019.

There are signs of a shift in loan portfolio profiles, with increased levels of longer-term lending and a net increase in the total value of new loans advanced since late 2015. The 2019 sector loan to asset (LTA) ratio averages 28 per cent, ranging from 12 per cent to 73 per cent across the sector. The sector's cost-income ratio, excluding provisioning and non-recurring items, has risen from 46 per cent to 86 per cent between 2011 and 2019, an area for particular credit union focus.

Previous editions of the Financial Conditions report are available on the Central Bank's website at the link here and the Registry welcomes comments or feedback you may have on the publication.



Funding the Cost of Financial Regulation

Credit unions will be aware that in May 2019 the Minister for Finance approved increases in the proportion of regulation costs to be funded by credit unions. As a result levies payable by credit unions will increase as follows:

Proportion of costs of financial regulation of credit union sector to be borne by sector	Levy Year	To be billed in
20%	2019	2020
35%	2020	2021
50%	2021	2022

Any increases in recovery rates beyond 2021 will be subject to a public consultation process and further Ministerial approval.

Given the changes approved for the 2019 levy process, the Central Bank met with representative bodies at the end of January to provide an overview of levy strategy and approach, particularly for the 2020 billing cycle.

The 2019 levy notices which will issue in Quarter 3 2020, will be calculated based on the total assets of each credit union as reported in the quarterly return for December 2019.

Upcoming questionnaire on qualifications in the sector

During the review of the Minimum Competency Code 2011 (the MCC) in 2016/2017, the Central Bank proposed to extend the MCC to apply to core credit union activities, such as lending and term deposits, in order to ensure the same level of protection for consumers regardless of the type of entity they are dealing with.

Following consideration of the submissions received, this proposal was deferred pending further work (i.e., seeking information from the credit union sector about the level of qualifications already held in the sector) to gain a better understanding of the impact of the proposal on the sector.

The Central Bank has now decided to move forward with assessing whether to extend the scope of the 2017 MCC to the core business of credit unions. The Central Bank has developed a questionnaire to assess the level of qualification in the credit union sector.

This questionnaire will be issued by the Consumer Protection Directorate to all credit unions in the coming weeks.

The Central Bank strongly urges all credit unions to participate in this questionnaire which we view as an important input to the policy development process on the MCC.

ICURN Peer Review Report

Under legislation, the Central Bank is required to arrange for a peer review of the performance of its regulatory functions at least every four years. In 2019, the International Credit Union Regulators' Network ('ICURN') carried out the 2019 Peer Review of the Central Bank's performance of its regulatory functions for credit unions.

In January 2020, the Central Bank published the ICURN Peer Review Report (the Report), which contains the findings and recommendations on the Central Bank's performance of its functions in relation to the regulation of credit unions. The Report provides an examination of Ireland's legislative, regulatory and supervisory framework in relation to credit unions.

The overall finding of the Peer Review is that the Central Bank is effective in performing its functions in the regulation and supervision of the credit union sector. The Report highlighted a number of improvements since the 2015 Peer Review including improved sector engagement and communication. The review also provides the Central Bank with recommendations to further improve its effectiveness of compliance.

The Central Bank's participation in the credit union Peer Review represented an opportunity to invite external scrutiny on the performance of its functions in relation to credit unions.

The Central Bank will consider the findings and recommendations set out in the report to determine how we can further enhance current practices in the areas referred to in the ICURN report.

The Report has been sent to the Minister for Finance and a link to the Report was issued to all credit unions and credit union representative bodies in January 2020 and is available here.

Credit Union Owned Outsourced Service Providers

On 7 October 2019, we issued a letter in relation to investment in and/or outsourcing to, Credit Union Owned Outsourced Service Providers (CUSPs).

Sectoral collaboration in the form of CUSPs is an emerging trend and has been a feature of credit union business model development internationally. We recognise the importance of effective collaboration via CUSPs in contributing to individual credit union and overall sectoral sustainability. When successfully developed and delivered on, CUSPs can support credit unions to deliver on their business model strategies, realise scale and scope economies, deploy technologies, improve operational effectiveness and enhance risk management capabilities.

The letter addresses three areas:

- It considers important commercial and legal CUSP characteristics;
- It considers and sets out our regulatory expectations of credit unions when, they themselves or in partnership with a third party, invest in establishing a CUSP. We also clarified the legal position for investing credit unions; and
- It considers our regulatory expectations of credit unions when outsourcing material business activities to a CUSP.

Furthermore, our letter emphasises the importance of credit union due diligence and oversight. CUSPs are typically established as independent, commercially operated service providers and governed and managed accordingly. As a CUSP has the same outsource risk characteristics as any other third party service provider when outsourcing to a CUSP, credit unions must comply with their outsourcing, governance, risk management and business continuity obligations as set out in the 1997 Act, in particular Section 76J (Outsourcing).

CUSPs also present a specific risk profile insofar as they are captive firms – they are owned by credit unions and cannot diversify their services as they exclusively service credit unions and members of credit unions.

Credit unions should establish a clear line of risk oversight and management of CUSP outsourced activities and provide for detailed management and board reporting.

The letter also referenced a range of other Central Bank publications relevant to this topic. Please see here for aforementioned letter.

Fitness & Probity

Regulated Financial Service Providers (RFSPs) have ongoing obligations under Section 21 of the Central Bank and Reform Act 2010 to ensure that they do not allow a person to perform a controlled function ("CF") role unless they are "satisfied on reasonable grounds" that the person complies with the Standards.

A "Dear CEO" letter was issued to all RFSPs in April 2019 highlighting the Section 21 obligations under the Central Bank and Reform Act 2010. It must also be noted that RFSPs must not permit a person to perform a CF role unless that person has agreed to abide by the Standards. RFSPs are required to conduct due diligence on an ongoing basis to ensure that employees performing CFs comply with the Standards.

The Central Bank's view is that, at a minimum, RFSPs should require those persons performing CF roles to notify them of any changes in circumstance, which might be material to their fitness or probity. Where appropriate, the Central Bank expects a RFSP to properly assess if that individual still satisfies his or her obligations under the Standards. RFSPs should also ask persons performing CF roles to certify, at least on an annual basis, that they are aware of the Standards and that they agree to continue to abide by them.

Pre-Approved Control Function Data Obligations

Credit unions are reminded to keep details of persons holding Pre-approval Controlled Functions (PCFs) up to date, by submitting the following updates through the Central Bank's Online Reporting (ONR) system:

- An effective start date (in the case of a manager, risk management officer, head of internal audit and head of finance);
- Confirmation of election date i.e. the AGM (in the case of a chair);
- Change to residential address;
- Change to contact details;
- Confirmation of an applicant not taking up a role (e.g. where a person approved for the role of chair by the Central Bank is subsequently not elected at the AGM); and
- Resignation details.

Practical operational guides for credit unions on how to submit the above updates are available on the Central Bank website here.

The Annual Return, which requires a submission of data relating to the current chair and manager, contains a restriction which only allows selection of the chair/manager whose PCF data indicates that they are currently active in the respective role.

As the Annual PCF Confirmation Return for credit unions is incorporated into the Annual Return, credit unions should be mindful that declarations signed on this confirmation return relate to current PCF data held on Central Bank systems.

If start and end dates for PCFs have not been updated as appropriate, a credit union runs the risk of not being able to successfully submit the Annual Return with accurate information by the due date for the return.

PCF IQs Received for Credit Unions

In 2019, of the 188 Individual Questionnaire (IQ) applications submitted, 40 (21%) were rejected due to insufficient data. Credit unions are reminded that processing delays can arise where insufficient information has been provided. As the submission and processing of the IQ for a proposed chair should take place within a two-month period prior to the AGM, we want such delays to be avoided.

When submitting an IQ to the Central Bank to apply for pre-approval to take up a PCF role, credit unions are reminded to ensure that **all relevant information** has been provided in the application.

Sections of the IQ which have frequently been found lacking in sufficient detail are:

- Section 3 – relevant previous experience (often missing credit union experience);
- Section 7 – savings and loans with the credit union (often missing); and
- Section 12.6 – proposer endorsement (often too short and lacking in sufficient rationale).

The "Dear CEO" letter that issued in April 2019 – highlighting RFSPs obligations under Section 21 of the Central Bank Reform Act 2010.

Minimum Reserves Requirement

Minimum reserves are an important part of the Central Bank's monetary policy operational framework. The "minimum reserve deposit account" is the account that a credit union must hold with the Central Bank in accordance with Regulation (EC) No. 1745/2003 of the European Central Bank of 12 September 2003.

In September 2019, the European Central Bank announced the introduction of a two-tier system for remunerating excess liquidity holdings. This two- tier system for reserve remuneration, which exempts part of credit institutions' excess liquidity holdings from negative remuneration at the rate applicable on the deposit facility. All credit institutions subject to minimum reserve requirements under Regulation ECB/2003/9 are eligible for the two-tier system. The two-tier system applies to excess liquidity held in current accounts with the Eurosystem. The exempt tier of excess liquidity holdings is remunerated at an annual rate of 0%. The non-exempt tier of excess liquidity holdings will continue to be remunerated at 0% or the deposit facility rate, whichever is lower.

The 2016 Regulations currently exclude the minimum reserve deposit account from the definition of '*relevant liquid assets*'. This drafting was based on an assumption that balances in minimum reserve deposit accounts would effectively be non-withdrawable as minimum reserve amounts must be maintained in the minimum reserve deposit account under Regulation ECB/2003/9. However, where a credit union holds a balance in the reserve deposit account in excess of their minimum reserve requirement, these excess funds are withdrawable. Given the introduction of a two-tier system for remunerating excess liquidity holdings, the Central Bank is considering the current definition of *'relevant liquid assets'* and whether any changes should be made.

Reporting – Prudential Return

Credit unions should continue to report balances in the minimum reserve deposit account in the relevant field on the Balance Sheet tab of the quarterly Prudential Return. They should report the **total** balance held in the minimum reserve deposit account as on the relevant reporting date **i.e. the minimum reserve requirement plus any amounts held in excess of the minimum reserve requirement.** This will not impact on the 'Minimum Reserve' tab of the Prudential Return.

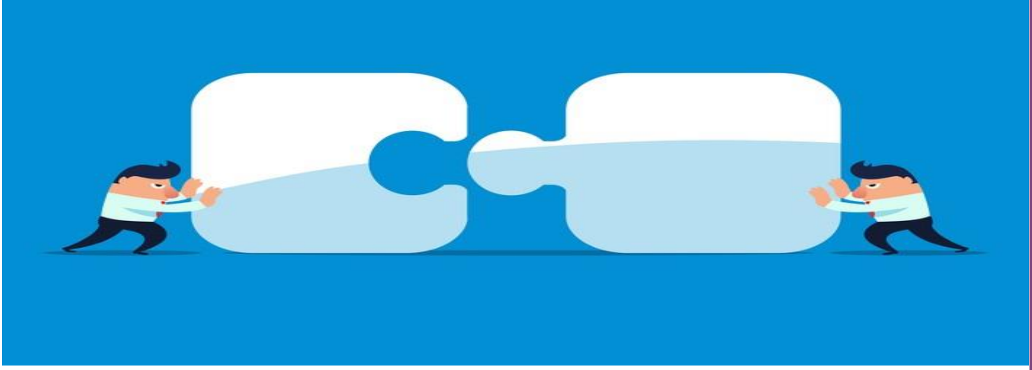
Balances in the minimum reserve deposit account should **not** be included in the investment tables on the Prudential Return. This includes the 'Investments by Duration' table the 'Liquidity' table and the 'Investments by Counterparty' table on the 'Investment' tab of the Prudential Return.

Transitional Arrangement in Investment Regulations

The changes to the investment framework introduced in 1 March 2018 were accompanied by transitional arrangements. These included a 2-year transitional period for credit unions to address any issues or non-compliance arising from the introduction of the changes to the framework (the transitional arrangements allow for fixed term investment to be held till maturity). We would like to remind credit unions that this **transitional period ends on 1 March 2020.**

Study Visit by the Financial Sector Conduct Authority (South Africa) to the Central Bank of Ireland

On 12 December 2019, the Central Bank hosted delegates from the Financial Sector Conduct Authority (FSCA) of South Africa as part of a study visit. In 2017, South Africa adopted the Financial Sector Regulation Act enabling it to implement a "Twin Peaks" model of financial sector regulation by establishing two new authorities: the Prudential Authority (PA) and the FSCA with two separate, but complementary mandates. The market conduct "peak", under the mandate of the FSCA, is responsible for the conduct regulation and supervision and the consideration of fair customer outcomes of financial institutions including financial co-operatives. The purpose of the visit was to meet with the Central Bank in order to learn more about our regulatory and supervisory practices and our experiences to the extent they relate to the supervision of the conduct of credit unions in Ireland. Members of staff from the Central Bank, both from the Registry of Credit Unions and the Consumer Protection Directorate, met with the delegates over the course of the day to discuss topics including the Irish credit union landscape, the authorisation, supervisory and regulatory framework for credit unions in Ireland and the Central Bank's co-operation with other authorities and engagement with the sector.



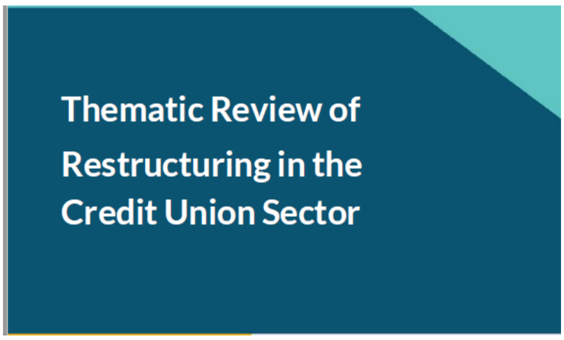
Restructuring Activity in the Credit Union Sector

Restructuring continued to have a transformative effect on the sector, throughout 2019, with 12 transfer of engagement ('ToE') projects successfully completing, and a further five ToE projects completed since that date. As of 14 February 2020 the number of active credit unions stands at 236 credit unions.

The Central Bank published a Thematic Review of Restructuring in the Credit Union Sector in February 2019 which highlighted some of the benefits ToE activity delivered over the period October 2013 - September 2018. The Thematic Review found that transferee credit unions had grown their lending at a faster rate than the rest of the sector and had seen lower levels of cost growth. The Thematic Review also found that ToEs had ensured the continued provision of credit union services to over 420,000 members and, while the number of registered credit unions has reduced by over a third (35%) since 2013, there had been a less significant (8%) reduction in business locations operated by credit unions. In the significant majority of transfers (77%) no business locations had closed as a result of the completion of a ToE.

The Central Bank expects that boards of credit unions will continue to consider the opportunities that transformation into larger credit unions, with expanded business locations can offer, and whether there are opportunities to increase membership and engagement. The Registry continues to work closely with credit unions to support consolidation, with the objective of placing the sector on a sounder footing and contributing to the financial stability and well-being of credit unions.

Previously the Registry issued a circular and explanatory note to all credit unions advising interested credit unions to engage directly with the Registry to facilitate further voluntary restructuring. In addition, the Credit Union Handbook has been updated to include information on the restructuring process.



Links to Publications/Guidance for 2019/2020

- January 2019, Registrar of Credit Unions speech delivered at CUDA Annual Conference;
- February 2019, Business Model Strategy: Guidance For Credit Unions;
- February 2019, Credit Union News – Issue 10;
- February 2019, Thematic Review of Restructuring in the Credit Union Sector;
- March 2019, Registrar of Credit Unions speech delivered at CUMA Spring Conference;
- April 2019 , PRISM Supervisory Commentary;
- April 2019, Registrar of Credit Unions speech delivered at ILCU AGM;
- August 2019, Financial Conditions of Credit Unions Issue 5;
- September 2019, Director of Credit Institutions speech delivered at CUMA Autumn Conference;
- September 2019, Credit Union News – Issue 11;
- October 2019, Investment and Participation in Credit Union Owned Outsourced Service Providers;
- November 2019, Registrar of Credit Unions speech delivered at the National Supervisors Forum; and
- November 2019, ICURN Credit Union Peer Review Report;
- December 2019, Financial Conditions of Credit Unions Issue 6;
- December 2019, Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2019 FAQ;
- December 2019, Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2019; and
- January 2020, Registrar of Credit Unions speech delivered at CUDA Annual Conference.

Developments in Anti-Money Laundering (AML)/Countering the Financing of Terrorism (CFT)

There have been a number of developments in the area of AML/CFT both at a domestic and international level. Information in relation to some of these key developments is set out below. More information is available on the Central Bank website.

Anti-Money Laundering and Countering the Financing of Terrorism Guidelines for the Financial Sector ('the Guidelines')

The Central Bank published the Guidelines on 6 September 2019. The Guidelines set out the expectations of the Central Bank of Ireland in respect of credit and financial institutions compliance with their AML/CFT obligations as set out in the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 (the CJA 2010), following the transposition of the EU's Fourth Anti-Money Laundering Directive (4AMLD) into Irish Law. The Guidelines also incorporate expectations set out in previous Central Bank AML/CFT Sectoral Reports, AML/CFT Bulletins, and relevant European Supervisory Authority Guidelines.

The Guidelines can be found at:

- Risk and Guidance I Central Bank of Ireland

Key messages to the Credit Union Sector

The Central Bank through its various engagements with the sector, continues to note the following areas where ongoing weaknesses exist:

- Boards being unable to demonstrate adequate discussion and challenge of AML/CFT matters;
- Limited qualitative and quantitative management information being presented to the Board;
- On-going monitoring (particularly in respect of transactions) needs to move to a more risk based approach and the development of tailored reports in line with the risks/thresholds set out in risk assessments;
- Lack of Board oversight/challenge in relation to outsourced AML/CFT and internal audit functions;
- Failure to adequately define and document roles and responsibilities of the Board and Senior Management with regard to AML/CFT; and
- Boards being unable to demonstrate adequate awareness of legislation and responsibilities.

Central Bank Engagement 2020

The Central Bank will continue to participate in credit union sectoral events and will conduct a number of AML/CFT inspections of credit unions throughout 2020, with a particular focus on Governance and Risk Assessment.

Central Bank AML/CFT Publications

In addition to the Guidelines published on 6 September 2019, the Central Bank has in the past issued a number of publications in relation to AML/CFT which should be considered by credit unions.

These publications can be found at:

- Circular re Credit Union's Internal Audit Function
- Anti-Money Laundering Bulletin - Customer Due Diligence
- Anti-Money Laundering Bulletin - Suspicious Transaction Reports

International Publications in the area of AML/CFT include the following:

- Joint Committee of the European Supervisory Authorities Risk Factor Guidelines
- Supranational Risk Assessment
- National Risk Assessment
- FATF MER of Ireland

Fifth Anti-Money Laundering Directive (5AMLD)

5AMLD was adopted by the European Council in May 2018 and was subsequently published in the Official Journal of the European Union (OJEU) on 19 June 2018. It is anticipated that 5AMLD will be transposed into Irish law in 2020. The purpose behind 5AMLD was to amend and strengthen certain parts of 4AMLD in light of the terrorist attacks carried out across Europe in 2016/2017 and the revelations contained within the Panama papers. Unlike previous EU Anti-Money Laundering Directives, 5AMLD made amendments to 4AMLD as opposed to repealing and replacing it outright.

Central Credit Register

Credit reports containing consumer loan and business loan information are available for lenders and borrowers from the Central Credit Register. With a view to improving your experience where the enquiry process is concerned, set out below are some hints and tips that may be useful to you.

What happens when you make an enquiry?

As you are aware, Credit Information Providers (CIPs) are obliged to enquire on the Central Credit Register when considering a loan of €2,000 or more and may enquire on the Central Credit Register when considering a loan of less than €2,000.

When making an enquiry, a credit union provides information including borrower's personal information, and credit information such as the type of financial product and loan amount sought. This information is included on an individual's credit report. In other words, the enquiry process it is not simply a search, but results in information being written to the Central Credit Register database and ultimately published in credit reports. A credit unions should note also that a footprint, which is a record of an enquiry, is recorded on a credit report each time a credit report is returned.

A new individual will be created on the Central Credit Register if the database cannot match the personal information submitted as part of the enquiry process with an existing record on the Central Credit Register.

How to improve your experience?

If an enquiry error is identified by the Central Credit Register, a message is returned to the CIP outlining the cause of the error. The Central Credit Register helpdesk is available to assist, and it operates a ticket system, so queries are dealt with in the order they are received. In some cases, it is within the power of the CIP to remedy the situation, without reference to the helpdesk, by reviewing the information submitted, correcting/populating the relevant data fields and resubmitting the enquiry. For example the error message: "*AT LEAST ONE TELEPHONE NUMBER MUST BE PROVIDED AS CONTACT*".

It is important therefore, that the information submitted to the Central Credit Register is accurate for both submission and enquiry. Validating information prior to submission and enquiry will help improve the overall data quality of the Central Credit Register and reduce the instances of errors.

Operational and Security Risks Reporting under the Payment Services Regulations

Regulation 118(3) of the European Union (Payment Services) Regulations 2018 (the Regulations) states that a payment service provider shall provide to the Bank on an annual basis, or at shorter intervals as determined by the Bank, an updated and comprehensive assessment of:

- the operational and security risks relating to the payment services provided by the payment service provider; and
- the adequacy of the mitigation measures and control mechanisms implemented in response to those risks.

Credit unions are reminded that they are required to complete an Operational and Security Risks Reporting Template and submit it to the Central Bank via the ONR. The reporting date for the annual assessment for credit unions is 30 September 2019 and the assessment must be submitted to the Central Bank by **31 March 2020.**

Contact Us

Central Bank Query	Central Bank Division	Central Bank Contact
Registry of Credit Unions		
General day to day supervisory queries	Registry of Credit Unions (RCU)	Credit union supervisor / rcu@centralbank.ie
Queries for other Central Bank Divisions		Website
Anti-Money Laundering/Countering Terrorist Financing Financial Sanctions	Anti-Money Laundering	AMLpolicy@centralbank.ie sanctions@centralbank.ie
Consumer Protection: Retail Intermediaries – Authorisation queries Retail Intermediaries – Supervision queries Retail Intermediaries – Revocation queries Retail Intermediaries – Post Authorisation queries	Consumer Protection	CPCOperations@centralbank.ie riauthorisations@centralbank.ie brokers@centralbank.ie revocations@centralbank.ie postauth@centralbank.ie
Deposit Guarantee Scheme	Deposit Guarantee Scheme	info@depositguarantee.ie
Fitness and Probity: Individual Questionnaire queries	Regulatory Transactions	fitnessandprobity@centralbank.ie
Funding Levy	Financial Control	funding@centralbank.ie
Minimum Reserve Requirements: Calculation of reserve requirements Transfer of amounts to/from your account in the Central Bank Confirming balances and meeting your reserve requirement	Statistics Euro-settlements team Financial Markets	creditunion@centralbank.ie eurosettlements@centralbank.ie modesk@centralbank.ie
Online Reporting queries	Regulatory Transactions	onlinereturns@centralbank.ie
Recirculation of euro banknotes	Currency Issue	CID.monitoring@Centralbank.ie