

Central Bank of Ireland

Consultation paper on the introduction of the
remaining sections of the Credit Union Act 2012

CP 88 Submission Paper

February 2015

Blessington & District Credit Union Ltd.

Credit Union House, Blessington, Co. Wicklow.

Central Bank of Ireland Consultation CP88

Blessington & District Credit Union Limited welcomes the opportunity to participate in the Consultation on Regulations for Credit Unions on commencement of the remaining sections of the 2012 Act as amended.

The purpose of this submission is to comment on the sections that we feel would not be in the interest of Credit Unions as we see beneficial to our members and our communities.

Section 5. Reserves

Blessington & District Credit Union favours a risk weighted approach to reserves. This would avoid the need to set absolute limits for Credit Unions in various areas. For example – the savings limit of €100,000 or lending limits. The best way to deal with this is to require more or less reserves depending on the risk factors.

Section 6. Liquidity

We do not see the need for a short term liquidity ratio of 10% because of the on-demand nature of savings. Under the current legislation credit unions can require up to 60 days notice of intention to withdraw funds. Therefore, if liquidity became a problem this can be invoked. We do not think it wise for CB to implement an additional liquidity requirement at this point in time because of the current investment environment and your RIA shows that this is not a problem at this time. Going forward it would be beneficial if CB would put some mechanism in place whereby CB would formally recognise the need to revisit the impact analysis annually for the forthcoming years mainly because of the current investment environment and the Bank's implementation of Basel 111 Liquidity Ratios.

We welcome the clarification that liquidity levels will be set at 20% of unattached shares.

Again, in view of the extraordinary investment environment, the one year transitional period for liquidity requirements should be reviewed and extended.

Section 7. Lending

Community Lending – Blessington Credit Union provides Social Finance lending (community lending). Going on our RR we would only be in a position to grant €900K out of our loan book for this purpose based on what Central Bank is proposing. In our experience none of these loans have had to be transferred to bad debt. Why so restrictive as the Credit Union movement grew on the back of lending to the community. Surely the way forward is to

increase the RR requirements if a category of loan exceeds a certain percentage of the total loan book.

House Loans and Commercial Lending - We feel that the restrictions being considered demonstrate that while the Central Bank proposes to allow both House Loans and Commercial lending to the movement it is arguable how serious the Bank is regarding this type of lending by Credit Unions. We feel that the issue of credit union providing this type of lending to members is deserving of a focused and thorough consideration with a view to making a HOUSE LOAN specific Regulation at the end of that process. In order to achieve this goal we call for the creation of a **House Loans Working Group** to include movement stakeholders.

Central Bank need to clarify that Credit Unions will be able to make loans for home renovations and improvements without having to take a first charge on the property.

Related Party should be confined to Officers of the Credit Unions. What other institution has to be connected to their sister, brother, mother, father, etc., that are financially independent - we would regard this as a total nonsense. Credit Unions own Lending Policy takes care of all this type of underwriting and reporting issues.

Blessington & District Credit Union Limited is not subject to lending restrictions at this time. Why now will we be restricted by this regulation purely on the basis of 56% of credit unions who are currently restricted.

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| Section 8. Investment |
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In the current low interest rate environment for investments - Credit Unions are finding it extremely difficult to generate any meaningful returns on their investment portfolio. The concept as outlined in the Report of the Commission on Credit Unions "nature, scale, and complexity" of individual credit unions should be taken into account. This would mean CB extending the authorised classes of investments for Credit Unions.

Clearly the Bank has singled out Irish Banks and has ensured the regulation allows their deposits to be supported by the Credit Union movement. Surely this is a systematic risk being presided over by the Regulator. If the Bank insists on these limits for other institutions and investment types then they should be consistent and consider the outcome if the movement were to reduce their exposure to deposits of 12.5% of regulatory reserves in Irish Banks.

We would like to ask the question as to why all the percentages are aligned to Regulatory Reserve and not to Total Reserves?

We believe there is a requirement for on-going impact analysis as the Credit Union's business model evolves and as the investment environment changes.

It has been 9 years since the last Guidance Note was issued and the only amendment made since then was as a direct reaction to the financial crisis.

Section 9. Savings

We disagree with the draft recommendation to change the maximum member's savings from 1% of total assets or £200K to €100K between Deposits and Shares. In our case we have ten members with Savings in excess of €100K. Taking the amounts in excess of €100K in all these accounts together gives us a sum of approximately €200K over the limit of €100K. In reality there will be too few members availing of this limit to have any effect on our Credit Union.

Credit Unions need to be treated fairly with other financial institutions and need the scope to cater for all our members at all stages of their lives. This imposition would appear to be in breach of competition law and undermines the credit union movement and could damage our reputation. What other financial institutions/participants in the DGS are subject to a similar limit?

Surely the way to increase the Regulatory Reserve is if a percentage of savings is from members with greater than €100K.

Section 11. Systems, Controls and Reporting arrangements

What form would these disclosures take? In particular what would disclosure of the performance of the loan book look like and why does Central Bank want this information in circulation.

Signed 

John Glennon (Chairman).

Date: 26th February 2015.