



Submission re CP88 – Consultation on Regulations for Credit Unions on the commencement of the remaining sections of the 2012 Act.

The Board of Directors of Dungarvan Credit Union Ltd believes that the draft regulations are overly prescriptive and do not take adequate account of the degree of variance amongst Credit Unions in respect of nature, scale and complexity.

The Board would like to submit the following in relation to specific areas of the draft regulations.

1. Reserves.

The Board believes it is no longer appropriate to set reserves as a percentage of assets. The reality is that most Credit Unions have reserves well in excess of the statutory requirement. Given that reserves are available to absorb potential losses, we believe reserves should be linked to risk. A risk weighted approach to reserves would ensure that risk is identified, continually monitored and adequately provided for.

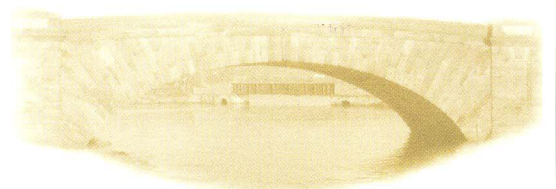
2. Liquidity.

Investment income has become a very important part of a Credit Union's ability to generate surplus. The management of liquidity, in a low interest rate environment, is critical to this process. We believe that the introduction of a short term liquidity ratio of 10% of unattached shares will exert further pressure on a Credit Union's ability to achieve investment income returns capable of assisting in the generation of surplus.

3. Lending.

The growth of the loan book over the coming years will be essential for the viability of Credit Unions. Where Credit Unions have demonstrated that proper policies and procedures coupled with the necessary underwriting skills are in place, any restrictions should be a matter for the Credit Union. We believe the Credit Union is best positioned to determine whether restrictions or limits should be introduced. Applying blanket limits across the movement will only serve to hasten the decline of loan books.

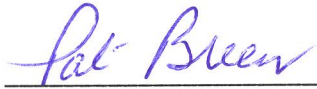
In respect of related party lending, the Board is of the opinion that such loans should be subject to the same approval process as all members. Any attempt to attach special conditions to the approval of such loans will have a detrimental effect on the Credit Union's ability to attract quality volunteers. The draft regulations make no reference to the risk element of these loans.



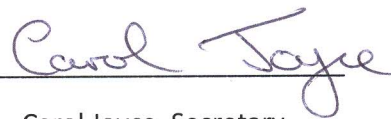
4. Savings.

It is difficult to comment on the introduction of a savings limit of €100,000 when there appears to be no rationale for same. Dungarvan Credit Union Ltd currently has 31 members with savings in excess of €100,000. The total held by these members is €4.3 million representing a potential loss of capital of 5%. We would have serious concerns about the reputational damage that could be inflicted by advising members to take their funds out of the Credit Union. In addition, given that some of these members would have no other financial provider, it appears no thought has been given to where these funds would be maintained. There is, also, serious security and personal safety issues around members being forced to withdraw funds. It is somewhat ironic that a member could only hold a total of €100,000 in a Credit Union but could have limitless funds in any of the institutions that cost the taxpayer billions in bailouts.

Signed ;



Pat Breen, Chairman.



Carol Joyce, Secretary.