

Sinn Féin Submission to Central Bank Consultation no 88

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Sinn Féin believes the Credit Union plays a unique social and economic role in Irish society that requires the ongoing support of government and the Central Bank. Despite the failure of the Irish banking system over the last number of years the Credit Union movement has, in very difficult circumstances, continued to provide an excellent and vital service to our communities,

We have some concerns that recent regulatory actions by the Central Bank and legislation from government has failed to adequately respect the unique ethos of the Credit Union movement.

We welcome this opportunity to comment on the Central Bank's proposals regarding the remaining sections of the 2012 Act.

The Credit Union sector requires and, we believe, wants clear and sensible regulation implemented in a consistent and fair manner which reflects its unique model and role.

Sinn Féin has the following specific comments to make to the Central Bank's consultation:

1. The Draft Regulations on Reserves

The use of reserves or buffers is an essential part of the modern regulatory environment. We note that the draft regulations retain the 10% minimum Regulatory Reserve Ratio.

To put this in context the Basel III capital requirements for banks are set at a lower rate while the EU is currently discussing legislation which would set a reserve of only 3% for some hedge funds. The Irish government has signalled opposition to this second target as being harmful and unnecessary.

An assessment of whether a risk weighted system would be a more suitable way of setting a reserve should be carried out before a final decision is made on this Section.

We note that although it is sensible to insert an initial reserve requirement the lack of a figure on what this initial reserve will ultimately be should be clarified.

2. Liquidity

We have no major concerns with this Section but would question whether a more detailed timeframe should be mapped out under transitional arrangements.

3. Lending

We wish to strike a note of caution as regards the 50% limit placed on commercial loans. It is sensible to place such a cap. Given that commercial loans under €25,000 are not included in this calculation it might be sensible to look at an absolute cap on commercial lending.

The confirmation of the existing Section 35 regulations regarding loan maturities should be re-examined. The 10% over 10 years rule in particular has been seen to be too limiting in practice.

4. Investments

This is a crucial area of regulation. We welcome the principle of an approach taken of ensuring a diverse investment portfolio so as to ensure that a Credit Union's investment is not too reliant on one institution or one sector.

However we feel the movement can be allowed play a more direct role in the real economy by permitting it to invest in central investment vehicles. The option of allowing the Credit Union movement invest in government backed lending scheme should also be considered.

5. Savings

The main issue here is the cap of €100,000 a saver can have at a Credit Union. This amount seems to be an arbitrary level and we see no evidence of how it was arrived and how it can be changed in future.

We urge a review of this figure and an examination of whether a more flexible system can be accommodated, for example a system which allows a long term saver to gradually increase their savings to over €100,000.

Existing savers with this amount already on deposit should be exempt.

6. Borrowings

As the consultation paper states most Credit Unions do not need to borrow. We have no issue therefore with the proposed caps.

7. Systems, Control and Reporting Arrangements

At this point we have no comment on this Section other than to request that the regulations are reviewed regularly to ensure they are in line with best practice.

8. Services Exempt from Additional Services Requirements

This is an important section. It is unclear what is covered by the “Automated teller service machine services” paragraph. Sinn Féin would like to see an explicit addition to allow a transactional/current account and debit cards.

This is an extremely important point to allow the Credit Union movement provide services to its members in a modern and efficient way.

Given the range of prudential measures we do not foresee any of the additional services allowed causing undue risk.