St Dominic Credit Union Ltd
Summerhill, Waterford
Tel. 051 873867
Email. info@stdominicscu.ie
Fax 051 870091
Web. www.stdominicscu.ie

St Dominic Credit Union Ltd submission on Consultation Paper CP88 "Consultation on Regulations for Credit Unions on commencement of the remaining sections of the 2012 Act"

Introduction:
St Dominic Credit Union Ltd welcomes the publication of this consultation paper and the opportunity to contribute to the implementation of the remaining sections of the Act.

This submission sets out the concerns and proposals of St Dominic Credit Union Ltd. We have restricted ourselves in this submission to focusing on number of issues and areas where we are seeking changes and or greater clarification.

We have attended both Central Bank and ILCU briefing sessions on CP88 and having consulted with the ILCU we support their position on the issues that they are including in their submission.

We look forward to the Central Bank's response to the contents of this submission along with any others received from credit unions and we look forward to ongoing engagement with Central Bank prior to the commencement of these sections over the next few years.

Key Issues:
Savings
We see the proposal to have a maximum savings limit of €100,000 as a very serious matter with the potential to undermine credit unions. Should this limit be enforced it will result in negative publicity and reputational damage. The assumption will be that credit unions must have done something wrong or that they are going bust.

We also see the imposition of a limit of €100,000 as being anti-competitive. The same limit is not being imposed on other organisations within the financial sector and again we see this as having the potential to damage our reputation. We would face an issue if a member was trying to lodge funds in excess of €100,000 from the proceeds of the sale of an asset, a retirement lump sum or the proceeds from an estate for example. How would it look if we had to refuse the lodgement and send the member to a competing bank or we breached the limit in error even if by a small amount.

We believe that the limits as currently outlined (Greater of €200,000 or 1% of total assets) in the legislation are sufficient and many credit unions including ourselves have limits below these levels but these limits give us the opportunity to make adjustments if in the interest of the credit union and its members.

Lending
The addition of a limit on loans over 25 years could potentially be a problem for a number of credit unions who have the necessary experience to offer house loans. These loans need to be considered as a separate category.

A clear definition of Home Loans is required and needs to be considered carefully. If the home loan category includes lending for home improvements, it would have a serious impact on credit unions. It is unrealistic to have any credit union seeking a first charge on a property for a relatively small home improvement loan. This will limit lending opportunities even more. Our policies already cover lending decisions and set out our risk appetite for lending.

The issue relating to related party loans is another area of concern. We feel that families should not be penalised for a member of that family performing the role of an officer in the credit union. The requirements should only apply to officer's loans as we have sufficient internal controls already in place to mitigate any risks for these loans.

Investments & Liquidity
The introduction of a new 8 day liquidity ratio is unnecessary and may affect income as in the current environment it is hard enough to make a return of any level. The existing liquidity levels are sufficient and once carefully monitored are adequate.

The proposal that the maturity of any investment cannot exceed 10 years may affect a number of credit unions both now and in the future. It limits the ability of credit unions to get together and participate in centralised lending in for example house loans, where loans can be spread over 25 years. This time differential could be seen as illogical.

Reporting Arrangements
We believe that the extra reporting and disclosures required in the annual accounts need to be explained in further detail before implementation. This explanation should set out the proposed format of these reports and we believe that the detail that may be required could be excessive and unnecessary.

Review
We believe that there needs to be a guaranteed commitment to a review of these sections as the economy may change and we may be stuck with changes that are unworkable in future.