

February 27<sup>th</sup> 2015.

Registry of Credit Unions,  
Central Bank,  
PO Box 559,  
Dame Street,  
Dublin 2.

**Re: Consultation Paper on regulations for Credit Unions on commencement of the remaining sections of the 2012 Act (CP88).**

Dear Sirs,

The purpose of CP88 is to consult on draft regulations which the Central Bank is proposing to introduce for Credit Unions and Tallaght & District Credit Union Limited have discussed the consultation paper and wish to make the following points:-

**Reserves (Section 5.4 of CP88)**

*“A credit union shall establish and maintain a minimum regulatory reserve requirement of at 10% of the assets of the credit union”.*

Tallaght & District Credit Union considers the rate of 10% satisfactory.

**Liquidity (section 6.2 of CP88)**

*“Short term liquidity ratio of 10%”*

Credit Unions in Ireland have struggled for years to make a good return on investments and a further restriction (such as this) is going to make it even harder.

## **Lending (section 7 of CP88)**

### **1. Creation of categories of credit union loans.**

*“As set out in the Feedback Statement on CP76 and in line with its new regulation making powers, the Central Bank is defining categories of lending for credit unions. Currently the majority of lending is personal lending, under the draft lending regulations a credit union make loans to the following categories.”*

Tallaght & District Credit Union feels that the category of house loans needs to be re-addressed or withdrawn as this is not fit for purpose.

### **2. Retention of existing Section 35 limits.**

Section 35 of the Acts should be revised to allow longer term lending.

### **5. Lending concentration limits.**

Credit Union boards and management teams are best placed to consider and agree on concentration limits within their credit unions.

### **6. Related parties**

*20(1) “Subject to regulation 19, a credit union shall ensure that the following are subject to individual prior approval in writing by the board of directors of the credit or a subcommittee of the board of directors established to deal with related party lending where the subcommittee reports directly to the board of directors of the credit union”*

This would imply that the Board are engaging in operational matters and that a subcommittee is needed for related party lending. The transfer of obligation to the board undermines the authority of the management team and the need for a further committee will put pressure on the volunteer base of the credit union.

The issue of related party loans needs to be revisited as the proposed changes are not workable.

## **Investments (section 8 of CP88)**

Tallaght & District credit union retains Davys as our investment providers as we endorse their submission to the Central Bank concerning investments.

**Savings (section 9 of CP88)**

Tallaght & District Credit Union restricts the level of savings and/or deposits held by members and the statutory imposition of €100,000 would be detrimental to the reputation and confidence of our credit union. The present limits should be maintained and all credit unions be allowed to self-regulate within the current limits.

**Borrowing (section 10 of CP88)**

*“Reduction of the maximum a credit union can borrow from 50% to 25% of aggregate savings”*

This reduction should be reviewed within a designated time frame after commencement.

**Systems, Controls and Reporting Arrangements (section 11 of CP88)**

No comments.

**Services Exempt from Additional Services Requirement (section 12 of CP88)**

No comments.

**Timelines (section 13 of CP88)**

The times line should be extended in each area to allow credit unions to comply with the proposed changes.

**General view**

**Tallaght & District Credit Union feels that the Central Bank continues to add restrictions on the Credit Union movement which can only lead to credit unions as a whole being unable to service the growing needs of our members.**

Yours sincerely,

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Vincent McNally

Chairman



