Teachers' Union of Ireland Credit Union

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Registry of Credit Unions

Central Bank of Ireland

PO Box 559

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26th February 2015

Submission in relation to CP 88:- Consultation on Regulations for Credit Unions on commencement of the remaining sections of the 2012 Act

On behalf of Teachers' Union of Ireland Credit Union

Dear Sir or Madam

Teachers' Union of Ireland Credit Union (TUICU) aims to meet the savings and personal borrowing needs of TUI affiliated teachers/lecturers nationwide. Established in 1968, it has 4,500 members and assets of € 29.3M.

TUICU welcomes the opportunity to comment on consultation paper CP88. In response to the specific questions posed in CP88, our views are as follows:

(i) Do you have any comments on the draft reserves regulations?
TUICU feels that the requirement to maintain a minimum Regulatory Reserve Ratio of at least 10% is sufficient.

(ii) Do you have any comments on the draft liquidity regulations?

With interest rates at an all-time low and some financial institutions quoting negative rates for on call deposits, TUICU believe that the restriction of having to hold 10% of our investment portfolio in deposits maturing no greater than 7 days will have long term influence in respect of investments the credit union can avail of which in turn will negatively impact on the credit union's future income stream.

(iii) Do you have any comments on the draft lending regulations?

TUICU are of the view that the proposed lending limits are an attempt to micromanage the affairs of credit unions and will lead to credit unions becoming uncompetitive alternatives to the failed banking structures currently available in the market. The limits should not be linked to the Regulatory Reserve. Decisions centred on lending should be based on the credit unions risk tolerance, underwriting procedures, asset base and member mix.

Maturity limits
Maturity limits should be managed on a risk based approach. Where credit unions are financially stable and propose to offer their members mortgage products these products should be offered under the same terms as the competing financial institutions. Minimum 30 years.

Maximum loan amount
TUICU would like to see the maximum loan amount raised to 5% of total assets.

Concentration limits
The complexity that is being proposed here will make it more difficult in managing Loan Books. TUICU wish for the concentration limits to be adjusted.

Categories of loans
TUICU are concerned by the definition attached to "House Loans" as it viewed to be restrictive. Under the proposed definition a member seeking to renovate their principal residence would be refused a loan on the sole basis that the credit union doesn't possess a first legal charge on the property. This is preposterous and severally restricts the credit union's business model. This definition could also be viewed as being anti-competitive to the credit union as other financial instructions are not the focus of such tight restrictions.

Loan class interest rates
TUICU wish to express their dissatisfaction with the requirements set out in section 38(1) of the 1997 Act whereby the rate of interest charged on any class of loans granted at a particular time must be the same for all loans of the class. This requirement restricts credit unions ability to offer special promotion rates, which a key is marketing initiative undertaken by credit unions. These promotions highlight to members the competitiveness of credit unions over other financial institutions.
Other financial institutions have scope to introduce special offers that aren't available across the board to all members. Take Bank of Ireland's offer to pay their customers stamp duty up to a certain value. This offer only relates to first time borrowers yet they are offering a similar product to customers who are trading up.

Related party loans
TUICU would like to see the maximum loan amount raised to 10% of regulatory reserves.

(iv) Do you have any comments on the draft investments regulations?

TUICU wish to express its opinion that "Equities" should not be remove as a viable class of investment. Equities as an investment class for credit unions are included and sanctioned in the 2006 Guidance Note from the then Regulator. In the Guidance Note 2006 any credit union could invest in equities up to 5% of their total investment portfolio. If CP 88 had diagnosed huge irresponsibility in the investment of equities by credit unions there may well be a case to remove the equities class from the sector. But there is no evidential basis for the removal of equities from investment portfolios in credit unions on the basis of risk, any more than arises in other investment class. Rather than remove the equities class altogether from credit unions perhaps there is a compromise that would allow financially astute boards, operating a balanced investment portfolio, to take the long view and commensurate risk in the equities class.

Maturity limits
TUICU would recommend that the maturity of any investment shall not exceed 15 years and not 10 as specified.

(v) Do you have any comments with the draft savings regulations?
TUICU are of the view that savings restrictions should not be applied as this is anticompetitive when compared with other financial institutions offering similar services in the market place.
At a minimum TUICU would propose that the current limits remain unchanged.

(vi) Do you have any comments on the draft borrowing regulations?
TUICU do not wish to make any comment on this.

(vii) Do you have any comments on the draft regulations on systems, controls and reporting arrangements?
TUICU do not wish to make any comment on this.

(viii) Do you have any suggestions on additions, amendments or deletions to the services and related conditions that are included in the draft regulations?
TUICU is seeking clarification on the requirements sought regarding the introduction of an ATM based service to its members.

Chairperson

CEO