

# Presentation by Credit Union Development Association [CUDA]

## Committee on Finance, Public Expenditure and Reform, and Taoiseach

*Overview of the Credit Union Sector incorporating the Credit Union Advisory Committee's (CUAC) report on its review of the Implementation of the Recommendations of the Commission on Credit Unions*

**21<sup>st</sup> March 2017**

# Vision 2020

- ✓ Our vision is for a credit union system in Ireland
  - that builds on being the trusted source of financial services for their members;
  - that can provide loans for their members every day and unique needs;
  - that is not just a place to save, but a place to save for a purpose and with confidence;
  - that helps shape the society we want to live in, and want for future generations;
  - that offers real choice to people and is a meaningful alternative to banks.
- ✓ We have commenced work on a 3 year plan focused on supporting credit unions doing more for their members that, with your support, will see their business and balance sheets transformed.
- ✓ Focus of our projects is on:
  - Increase short, medium and long term lending
  - Additional services that will create sustainable non-interest income streams
  - Further improve Member experience
  - Link credit unions through IT allowing a cohesive structure for collaboration

# The Givens....Section 6(2) Credit Union Act 1997

## The objects of a credit union are...

- (a) the promotion of thrift among its members by the **accumulation of their savings**
- (b) the **creation of sources of credit** for the mutual benefit of its members **at a fair and reasonable rate of interest**
- (c) the **use and control** of members' savings for their mutual benefit
- (d) the **training and education** of its members in the wise use of money
- (e) the **education** of its members in their economic, social and cultural well-being **as members of the community**;
- (f) the improvement of the well-being and spirit of the members' **community**; and
- (g) subject to [section 48](#) , the provision to its members of such **additional services** as are for their mutual benefit

This is what the law states credit unions exist to do

## Some current headline numbers - success

Members	3.1 million
Volunteers	9,200
Staff	3,500
Assets	€16bn
Return on Assets	1.2%
Liquidity	36%
Reserves	16.5%

*“an indication of member **loyalty and trust** in their credit unions, brings further business challenges in terms of the ability to provide a return to members on these funds”*

*Registrar of Credit Union, Feb '17*

Savings	€13.3bn
Investments	€11.4bn
Loans	€4.1bn
Loan : Assets	27%

Return on investments vulnerable due to restricted classes available to credit unions

# What do people think of their Credit Union?

Rank 2016	Brand	2016 Score	Change from last year
1		8.20	↔
2		7.95	NEW
3		7.88	^5
4		7.87	^9
5		7.85	^27
6		7.82	^47
7		7.80	v2
8		7.76	v4
9		7.70	NEW
10		7.69	v1
10		7.69	^2

*“Run by their members, for their members, they forge the most powerful bond with their customers, built completely on trust. They work hard to understand what individual customers want. Products are designed to meet real customer needs, rather than being based on the ideas of backroom executives.”*

Ireland Customer Experience Report 2016

# Challenges & Obstacles in this journey...

## What we're getting on with

- Support compliant system
- Voluntary Restructuring [ReBo]
- Capabilities – qualified 'Advisors'
- Solution development
- IT Governance & development
- Asset & Liability Management Risks associated with the evolving balance sheet [interest rate, liquidity and credit risks]
- Successes in market
  - Mortgage Support Framework [SAM]
  - Digital marketing

## Where we need your help

- Legislative
  - Expand common bond to allow CUs lend to AHBs and LAs
  - Transposition of PSD2
- Regulatory
  - Classes of Investments
    - Including social purposes
  - Lending limits
  - Risk weighted capital
- Keep Credit Unions on your agenda
  - CUAC report only exists because of failure to implement in first place
  - Your attention drives action

**AN ACT TO AMEND CERTAIN PROVISIONS OF THE CREDIT UNION AND CO-OPERATION WITH OVERSEAS REGULATORS ACT 2012 TO FACILITATE PARTICIPATION BY CREDIT UNIONS IN THE PROVISION OF SOCIAL AND AFFORDABLE HOUSING FINANCE BE IT ENACTED BY THE OIREACHTAS AS FOLLOWS:**

1.(a) This Act may be cited as the Credit Union (Amendment) Act, 2017.

(b) This Act shall come into operation on such day as may be fixed by order made by the Minister.

2. In this Act, unless the context otherwise requires –

“Act of 2012” means the *Credit Union and Co-operation with Overseas Regulators Act, 2012*;

“Approved Housing Body” means a body approved for the purposes of section 6 of the *Housing (Miscellaneous Provisions) Act, 1992*.

“Local Authority” means .....

3. Section 6 of the Act of 2012 is hereby amended by the insertion of the following section after section 6A:-

“6B Notwithstanding any provision to the contrary in this Act, [subject to approval by the Bank] a credit union may extend its common bond to provide membership to, make a loan to or invest in any Approved Housing Body and\or Local Authority.

6C Notwithstanding any provision of section 14(1) the credit union shall by board resolution make such amendment to the rules of the credit union as are consequential on the provisions of this Act.”

# CREDIT UNION ACT 1997 (REGULATORY REQUIREMENTS) (AMENDMENT) REGULATIONS 2016

In exercise of the powers conferred by the Central Bank of Ireland (the “Bank”) by section 182A of the Credit Union Act, 1997 (the “Act”), the Bank [having consulted with the Minister for Finance, the Credit Union Advisory Committee and other bodies that appear to the Bank to have expertise or knowledge of credit unions generally and that the Bank considers appropriate to consult in the circumstances], hereby makes the following Regulations.

These Regulations may be cited as the Credit Union Act, 1997 (Regulatory Requirements) (Amendment) Regulations, 2016. The Regulations come into effect on [ ] 2016.

The Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 are amended by the substituting the following for Paragraph 25.(2):

*“The Bank hereby prescribes, in accordance with section 43 of the Act, the following further classes of investment of a public nature in which a credit union may invest its funds, in any case for a term not exceeding 20 years:*

*any fund regulated by the Bank under the Unit Funds Act 1990 or the Irish Collective Asset-management Vehicles Act 2015 for the purpose of alleviating and expediting the provision of social, affordable or rental housing in the Irish market, whether by way of [loan to or] loan note purchase from local authorities or approved housing bodies or direct investment whether on its own behalf or by way of joint venture, public private partnership or other means in any project with such objectives; and/or*

*any fund regulated by the Bank under the Unit Funds Act 1990 or the Irish Collective Asset-management Vehicles Act 2015 for the purpose of alleviating and expediting the provision of student accommodation in the Irish market, whether by way of [loan to or] loan note purchase from educational bodies or direct investment whether on its own behalf or by way of joint venture, public private partnership or other means in any project with such objectives; and/or*

## CREDIT UNION ACT 1997 (REGULATORY REQUIREMENTS) (AMENDMENT) REGULATIONS 2016

*any fund regulated by the Bank under the Unit Funds Act 1990 or the Irish Collective Asset-management Vehicle Act 2015 for the purpose of alleviating and expediting the provision of housing for the elderly in the Irish market, whether by way of [loan to or] loan note purchase from local authorities or approved housing bodies or direct investment whether on its own behalf or by way of joint venture, public private partnership or other means in any project with such objectives; and/or*

*any fund regulated by the Bank under the Unit Funds Act 1990 or the Irish Collective Asset-management Vehicles Act 2015 for the purpose of financing State and/or semi-State investment in infrastructural projects, whether by way of [loan to or] loan note purchase from such bodies or direct investment whether on its own behalf or by way of joint venture, public private partnership or other means in any project with such objectives.”*

The Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 are further amended by inserting the following paragraph immediately after Paragraph 25.(2):

*“(3) A credit union shall not make an investment pursuant to Paragraph 25.(2) of these Regulations: unless the credit union has first established a written strategy and policy with regard to investments of such nature; if such investment would cause the investments with that counterparty to exceed 25 per cent of the credit union’s total value of investments; if that would cause the investments in such funds to exceed the equivalent value of its regulatory reserve; or if that would cause the credit union to have more than 25 per cent of its investments maturing after 20 years.”*

Signed for and on behalf of the CENTRAL BANK OF IRELAND

[ ] 2016.

ANNE MARIE MCKIERNAN  
Registrar of Credit Unions.

EXPLANATORY NOTE - (This note is not a legal part of the Instrument and does not purport to be a legal interpretation) . These Regulations amend the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 to include the range of investments of a social nature that a credit nature may invest in and the restrictions on 9 same in terms of maturity, counterparty and concentration limits.

# CUAC Review June 2016

CUDA actively engaged in the CUAC review and welcomed their series of recommendations:

1. Tiered regulation
2. 'Section 35' - a review of lending limits and concentration limits
3. Consultation and Engagement - Clarity, certainty and transparency essential
4. Governance - that proportionality be exercised in the implementation of governance requirements.
5. Restructuring - an enabler as opposed to a solution, may need additional support, review to assess merger benefits should be undertaken at a suitable point of time in the future.
6. Business model development - should prioritise and consider investing significantly in the development of their business models either individually or collectively
7. Additional Matters - common bond, the interest rate ceiling and alternative means of voting

Proud to be credit union,  
proud to be different

Thank you

