

National Supervisors Conference 2009

Regulatory Reserve Ratio
&
Role of Supervisors



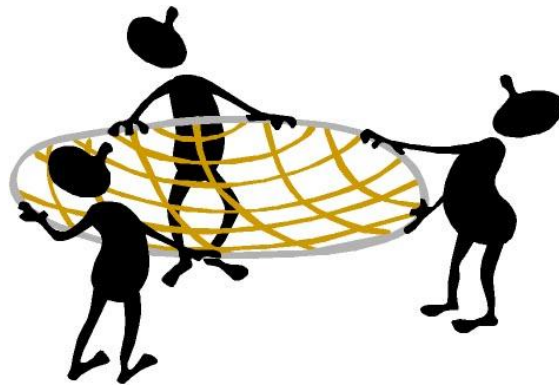
FINANCIAL REGULATOR
Rialtóir Airgeadais

James O'Brien
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Why

- Strong overall reserves provide flexibility in supporting the business – especially in adverse economic conditions;
- Lack of adequate reserves could threaten the financial stability and ultimately the future of a credit union.

Reserves act as a safety net for the credit union.



Intention

- Maintain current level of reserves within the sector;
- Where necessary – increase reserves in credit unions to prudent levels as soon as is practicable.

“Our fundamental aim is to protect members’ savings”

Consultation

- Unanimous support from the movement for the concept of maintaining strong reserves in credit unions;
- New Rules welcomed by ILCU and CUDA.

New Regulatory Requirement



With effect from 30 September 2009 all credit unions will be required to hold a Regulatory Reserve Ratio (RRR) of 10 per cent.

Phased basis of implementation to allow for those credit unions that do not meet the ratio to pay a dividend, while building up reserves.

Key year end consideration

- Pressure on credit unions to deplete reserves to pay dividends;

- But:

Reserves can only be built from surpluses;

Once depleted it will be difficult for credit unions to restore reserves;

"You can't unring the bell".





SUPERVISORY COMMITTEE

Supervisory Committee Role

- Responsibilities under the Credit Union Act 1997 include:
 - an examination of the books and documents of the credit union;
 - ascertain that all actions and decisions of the officers relating to the affairs of the credit union are in accordance with law and the registered rules;
 - **Discuss directors' performance of their functions at quarterly meetings;**
 - **Furnish a written report to the members on the result of its work.**

Supervisory Committee Role

- Supervisors need to gain quickly a general understanding of how well the credit union is being run.
- A suggestion on how to do this:

CHECK COMPLIANCE

For Example:

Compliance

Prudential Return

- Is the Prudential Return submitted on time?
- Has the treasurer signed off on the Prudential Return?
- Is the Prudential Return submitted to the board quarterly?
- Is the Prudential Return complete, accurate and in line with management accounts and supporting reports?
- **Does the credit union meet all statutory ratios – e.g. RRR; Section 35; Section 27 etc.?**

Compliance



Regulatory Correspondence

- Ask for and review all correspondence received from the Regulator – check deadlines are met and agreed actions completed. Follow up where appropriate.

Audit Management Letter

- Check if board has responded to auditor's management letter and both letter and response have been submitted to the Registrar. Confirm actions contained in the response have been completed. Follow up where appropriate.

Compliance



Credit Union Policies

- Are all policies (e.g. credit; credit control; investment etc;) regularly reviewed by the board? – at least annually.
- Are policies being complied with? – check a sample.
- Are policies still appropriate? – read and decide.

Bank Reconciliation

- Check Bank Reconciliation has been completed and balances.

Compliance – Reporting Dates



Key Annual Regulatory Reporting Dates

21 January	Prudential Return for Quarter Ending 31 December
Between 7 & 21 days before each AGM	AGM Notifications
31 March	Annual Return for Year Ending 30 September
21 April	Prudential Return for Quarter Ending 31 March
21 July	Prudential Return for Quarter Ending 30 June
21 October	Prudential Return for Quarter Ending 30 September

Reporting



Statutory obligation to report to members – AGM/SGM.

Questions



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