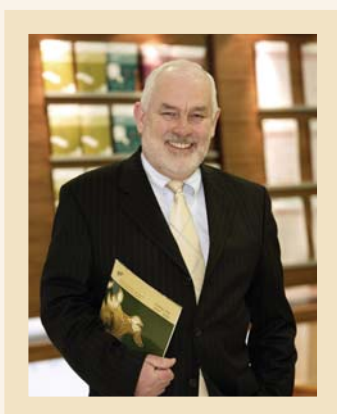




RCU NEWS

The Newsletter of the Registry
of Credit Unions

May 2005 | Issue 1



Welcome

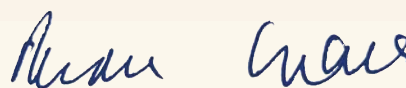
Welcome to the first edition of RCU News, a new publication by the Registry of Credit Unions (RCU) to update you on news and regulatory issues for the credit union movement.

It is now two years since the Financial Regulator commenced the regulation of the credit union movement. Since that time, we have been working with a view to the protection of members' savings by credit unions and the general development of the movement.

A large part of our work to date has been managing the transition to the new regulatory structure within our legislative framework. A structural reform process has been initiated to enhance regulatory and inspection activity and we are committed to dialogue with both individual credit unions and their representative groups on the future of the movement.

The Registry of Credit Unions has made great efforts to establish an open and positive working relationship with the various bodies that represent credit unions. Over the last two years much work has been done by RCU staff in resolving certain serious problems which have arisen in credit unions. This has happened in close co-operation with the executive staff of the Irish League of Credit Unions (ILCU) and the other bodies.

Informed and open dialogue is critical to the implementation of a suitable regulatory regime and the promotion of a healthy credit union sector with the interest of members to the fore. I look forward to maintaining that dialogue through the various channels, including this new newsletter that we will use to directly communicate with the movement.



BRENDAN LOGUE
Registrar for Credit Unions

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FINANCIAL REGULATOR
Rialtóir Airgeadais

Consultation Roadshows a Big Success

The Registrar of Credit Unions, Brendan Logue and his deputies Martin Sisk and James O'Brien, toured the country to meet with credit unions in February and March to discuss their concerns and to hear their views about how the movement should move forward.

The meetings attracted great interest and were attended by over 550 delegates from credit unions.

Delegates had earlier been asked to express their views via a questionnaire and the results indicated that the movement is facing some serious issues; these include:

- The Future of Volunteers
- Regulatory Burden
- Restrictions on Lending
- Role of Boards/Supervisors/Managers/Staff
- Limits on Share and Deposit Accounts
- The SPS Issue
- Technology

There was positive debate on these and other issues highlighting the genuine concerns many members have for the future of the movement. For example, many views were expressed about how younger people could be attracted to join the movement as volunteers, however no conclusive consensus emerged.

The Registrar, Brendan Logue questioned whether the process of election of directors and supervisors was functioning properly. He drew attention to the fact that, generally, no advance information was provided to members about those standing for election for director or supervisor positions. He raised the question as to whether postal votes should be introduced for credit union elections, especially the large industrial ones with members scattered across the country. The feedback from some delegates gives the impression that some credit unions were being run by close-knit groups making it difficult for newcomers to become directors.

The increasingly complex nature of the business of credit unions together with the associated regulation that this entails was seen by many delegates as a burden. The RCU team asked whether there was scope for credit unions to group together for mutual support in some of the specialist services now needed in areas such as marketing, legal services, auditing, and IT. The RCU has had initial discussions with the ILCU on this matter and there seemed to be much common ground about how this issue could be addressed. The RCU team indicated that they were also seeking ways to reduce the administrative burden on credit unions by the use of more technology. (See article on the new Credit Union Prudential Return)

Registrar Calls a Meeting of Software Suppliers

The Registrar recently met with the main software suppliers to the movement to discuss strategic issues facing credit unions. Credit unions are losing ground against other financial service providers in their ability to provide technology driven services to their members, particularly where web-based services are concerned.

The RCU is seeking to find consensus among the suppliers about a way forward for technology in the movement.

The agenda for the meeting was:

- The future development of technology in the credit union movement.
- The scope for co-operation on technology matters between software providers.
- Project management for new IT projects.
- New prudential return.
- Current operational issues.

The RCU will issue a report on the progress made in due course.



New Credit Union Prudential Return will be Launched Shortly

Following an agreement with the ILCU and the Credit Union Development Association (CUDA) for the simplification of reporting requirements by credit unions, the office of the RCU will commence the roll-out of a new web-enabled quarterly return to replace the ILCU call reports. In the case of ILCU affiliated credit unions the information collected will be made available to the ILCU.

The general policy of the RCU is to automate as much of the communications with the Financial Regulator as possible so that volunteers and staff can be relieved of administrative work and can focus on the provision of core services to members.



Credit Union Regulation – a Differentiated Approach

Some questions were raised publicly at the recent Biennial Delegate Meeting of the ILCU about whether the regulatory approach to credit unions is sufficiently differentiated from that taken in respect of the rest of the financial services industry.

The reality is that credit unions are regulated in law completely differently from other financial institutions in accordance with The Credit Union Act, 1997, specifically recognising the unique nature of the movement and its place in Irish society. The Financial Regulator has uniquely been given this legal responsibility.

There are considerable differences in the approach taken by the Financial Regulator to the movement than to other financial services providers. Examples are as follows:

- The interests of the movement are recognised uniquely by the existence of a statutory appointee, The Registrar of Credit Unions, for the regulation of credit unions. The Registrar attends all of the Financial Regulator's authority meetings to ensure a differentiated view of regulating credit unions.
- The regulatory levy on credit unions has been capped in recognition of the not-for-profit and volunteer ethos of the movement.

- The Fitness & Probity regime which is intended to apply to other financial providers will not apply to credit unions until a suitable model is developed which recognises the voluntary nature of the movement.
- A unique process of consultation and communication is in existence both with individual credit unions and with their representative associations. The Registrar's office stands ready to provide advice on how to implement any recommendations made by it for regulatory improvements.
- Short Guidance notes specifically tailored to credit unions are issued periodically to assist boards and supervisors in the conduct of their business. See for example recent guidance note on investments and money laundering. A guidance note on governance will issue shortly.
- The staff of the Registry of Credit Unions are actively engaged in assisting individual credit unions to address and overcome problems which can sometimes arise.

It remains the policy of the Registrar and his staff to supervise and regulate the movement in a positive and constructive fashion taking account of the volunteer-driven credit union movement and its differences from the rest of the financial services industry. Our bilateral dealings with individual credit unions has been extremely positive. Any suggestions are welcome as to how we can improve this further.

NEWS

Credit Unions need to plan now for possible SSIA Drawdown from May 2006 onwards

The RCU recently sent a letter to credit unions advising of the need to put plans in place **now** for the possible withdrawals by members of their SSIA's starting in May 2006. Attempts should be made to determine the level of liquidity that will be needed to service members withdrawals, as they arise.

New Staff in the Office of the Registrar

Three new staff recently joined the office of the RCU. They are Donal Coghlan, former director of Dundrum Credit Union, David Kielty, former field officer of the ILCU and Miriam Whittle, formerly of Naas Credit Union. Their hands-on experience in credit unions will add further expertise to the Registrar's regulatory team.

Bishopstown First with new Life Products Service

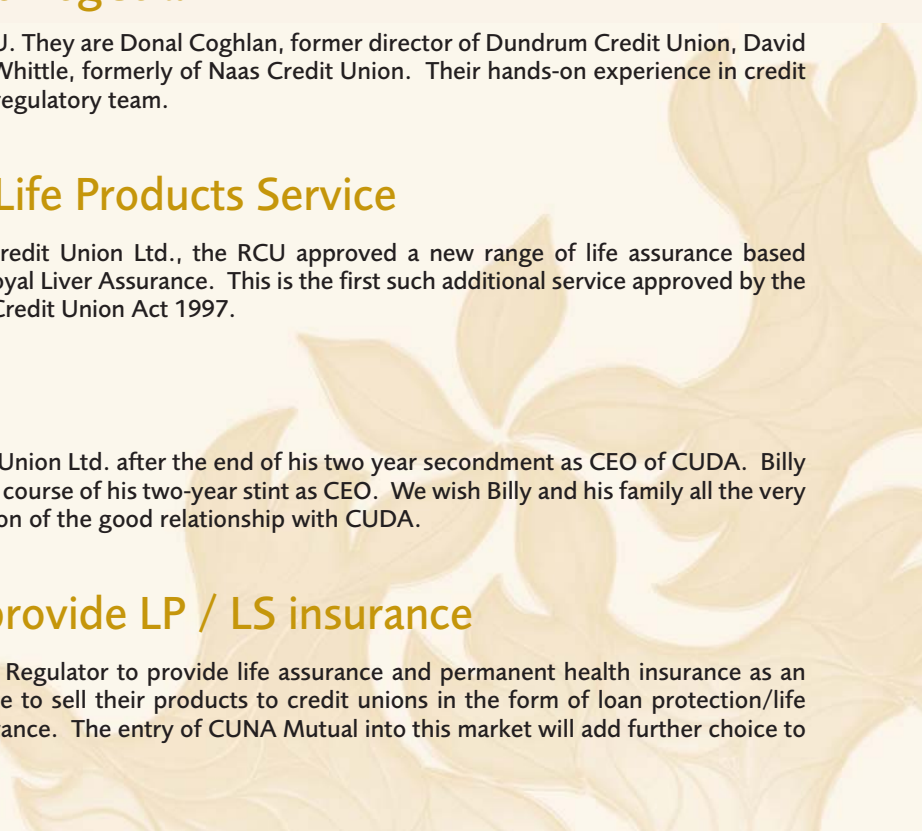
Following lengthy discussions with Bishopstown Credit Union Ltd., the RCU approved a new range of life assurance based services to be offered by them in association with Royal Liver Assurance. This is the first such additional service approved by the RCU under the provisions of Sections 48-52 of the Credit Union Act 1997.

Billy Doyle to Leave CUDA

Billy Doyle has decided to return to DUBCO Credit Union Ltd. after the end of his two year secondment as CEO of CUDA. Billy brought much energy and expertise to CUDA in the course of his two-year stint as CEO. We wish Billy and his family all the very best for the future and look forward to a continuation of the good relationship with CUDA.

CUNA Mutual approved to provide LP / LS insurance

CUNA Mutual has been approved by the Financial Regulator to provide life assurance and permanent health insurance as an authorised life assurance undertaking. CUNA hope to sell their products to credit unions in the form of loan protection/life savings (LP/LS) insurance and group disability insurance. The entry of CUNA Mutual into this market will add further choice to credit unions in sourcing their cover in these areas.





Credit Union Advisory Committee (CUAC)

In September 2004 the then Minister for Finance, Charlie McCreevy, appointed new members to CUAC. CUAC is a statutory committee whose obligation is to advise the Minister for Finance on matters to do with the credit union movement. The new committee is composed of the following members:

| | |
|-----------------------------|-------------------------------------------------------------------------------------------|
| Pádraig Ó'Cearbhaill | Accountant - Chairman |
| Ken Lillis | Director of Ballybofey & Stranorlar Credit Union Ltd. |
| Olive McCarthy | Lecturer & Researcher in UCC – Secretary of St. Gabriel's Credit Union Ltd., Cork. |
| Donal Murphy | Chairman - National Supervisors Forum - Supervisor of Bishopstown Credit Union Ltd., Cork |
| Michael O'Conaill | Manager - Clondalkin Credit Union Ltd. |
| Iris White | Barrister– Chairman of Dundrum Credit Union Ltd. |
| Donal Yourell | Money Advisor – MABS. |

The RCU has had two meetings with the committee since it took office and we understand they are active in the development of proposals for the Minister.

CUAC receives secretarial and logistical support from Declan Cahill of the Department of Finance. CUAC may be contacted at:

Department of Finance, Government Buildings, Merrion Street, Dublin 2.

Declan's Direct Line (01) 6318139 General number: (01) 6767571

A New Look for the Financial Regulator

You may have noticed a subtle change in our name to Financial Regulator in recent communications. Since we were established in 2003, our market research has shown increased confusion and various usage of our name from IFSRA to FSR, The I.F.S.R.A, the Financial Regulatory Authority and so on. Although the full legal title of our name has not changed we are now using Financial Regulator in our communications. Over the coming months you will see our new logo appear on publications and stationery and the use of the term Financial Regulator in all of our external communications. We hope that this change will be welcomed and embraced by the credit union movement. This project will take time for both the Financial Regulator and the credit union movement to adapt to and we look forward to the gradual introduction of this new name by the credit union movement when you refer to us in your communications over the coming months.

New President of ILCU

Many congratulations to Anne O'Byrne on her election to the position of President of the ILCU. We look forward to working with Anne and the ILCU team over the term of her presidency.



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