



Strategic Plan 2007 - 2009

The Strategic Plan for the Financial Regulator, covering the three-year period 2007-2009, was published in November. This plan describes the high level goals of the Financial Regulator and the actions we plan to take over the next three years.

This is a single integrated strategic plan, which incorporates the strategy of the Registrar of Credit Unions.

The primary function of the Registrar is to regulate credit unions with a view to the:

- Protection by each credit union of the funds of its members; and
- Maintenance of the financial stability and well-being of credit unions generally.

The main strategy of the Registrar of Credit Union outlined in the Strategic Plan is to "promote a financially stable credit union sector that operates in a transparent and fair manner and safeguards its members' funds". The actions that have been identified to achieve this include the following:

- continue to enhance our supervisory oversight by more focused off-site analysis and on-site inspections,
- issue further guidance notes to ensure compliance with legal and regulatory requirements,
- participate in discussions on appropriate savings protection,
- facilitate, where appropriate, the expansion of the range of services provided by credit unions,
- participate in the modernisation of the sectoral structures and technology of credit unions,
- assist Government with the development of new or amended legislation in relation to credit unions,
- undertake a best practice review of our credit union supervision processes in 2008,
- undertake public consultations on significant new regulatory requirements to be introduced such as an appropriate consumer protection framework for members of credit unions for their core business,
- publication of RCU news twice yearly.

There is a widely held view within the sector that a review of the credit union legislation is required and we will support and assist the Government with any development of new or amended legislation.

We welcome the recent initiatives of the representative bodies including the publication of the ILCU 'Rationalisation Committee Report 2006' and the CUDA publication entitled 'A Call to Action - Reinventing Credit Unions for the 21st Century'. We believe that a collaborative approach is essential to the ongoing evolution of a regulatory regime for credit unions that is modern and robust.

We are committed to maximising our operational efficiency and cost effectiveness. We will continue to develop our expertise and range of skills in order to drive the organisation forward to meet the demands that lie ahead. We will continue, as necessary, to recruit and retain highly trained professionals with knowledge of the sector and will use technology based solutions to improve our operations and processes.

It is our intention to maintain the maximum possible direct contact with credit unions, their representative bodies and the Credit Union Advisory Committee in order to maintain and enhance constructive relationships.

Copies of the Strategic Plan are available on www.financialregulator.ie or by phoning (01) 410 4719 / 4335. Progress towards achieving the goals contained in the strategic plan will be communicated through RCU News and in the Financial Regulator's Annual Report.



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EDITORIAL

Building Compliance

We have put the monitoring of compliance with the Credit Union Act at the forefront of our strategy for supervision of credit unions. It is critical that we follow-up non-compliance in a rigorous manner, as non-compliance with regulatory requirements can be a key indicator of poor governance and other regulatory issues.

The purpose of the legislation governing credit unions and the regulatory process more broadly is primarily to protect the interest of members. A key component of the regulatory process is the submission by credit unions of prompt and accurate information to the office of the Registrar. Of critical importance in this regard is the submission of the Prudential Return and Annual Return.



Brendan Logue
Registrar of Credit Unions

In carrying out the regulatory process we take particular account of the unique ethos and philosophy of the credit union movement which has enabled credit unions to thrive and grow over many years. Our policy is to work in co-operation with credit unions to facilitate them in complying with their regulatory obligations and progressively simplify the processes that are involved. We are willing and ready to help any credit union which has difficulties complying with regulation provided the willingness to comply is also present on their side.


BRENDAN LOGUE

Prudential Return

We have now successfully completed the rollout phase of the web-based Credit Union Prudential Return, having visited all credit unions during the implementation process. The Prudential Return facilitates the submission of key information to us in a timely manner and is a very important tool in directing our risk-based approach to supervision of credit unions including the efficient allocation of resources. The Prudential Return is also of benefit to credit unions in that regular and relevant financial information is available to assist boards and management in running the business. It allows each credit union to monitor its own compliance with regulatory requirements. We are pleased with the level of compliance by credit unions to date in the submission of Prudential Returns and believe that this high compliance is due to the relative simplicity of the reporting requirements, the understanding by credit unions of the benefits of this return and the back-up support provided through the lo-call help-line (1890 252080).

Annual General Meeting

All credit unions are required by law to hold an annual general meeting (AGM) within four months of their financial year-end on 30 September. A copy of the annual audited accounts for the financial year together with the notice of the meeting must be delivered by a credit union to every member, the external auditor and to the Registrar of Credit Unions.

Annual Return

It is essential that all credit unions comply with their statutory reporting obligations by filing annual returns promptly. Non-submission or late submission of returns is one of the key indicators for us in our assessment of the risk profile of individual credit unions and in deciding which credit unions need to be inspected.

The statutory annual reporting requirement for credit unions was revised for the year ended September 2005 with the launch of the Credit Union Annual Return (CUAR). This enhancement to the reporting requirement was widely welcomed by the sector. We were able to measure the tangible benefits of the enhancements by the significant reduction in the number of returns we had to send back to credit unions for corrections.

The choice of appropriate accounting policies to be applied by individual credit unions is the responsibility of the Board of Directors. The Credit Union Act 1997, (as amended) clearly states that it is the Board that is responsible for the preparation of the annual accounts which must then be examined by the external auditor to ensure that the accounts give a true and fair view.

Staff Changes at the Registry of Credit Unions



Elaine Byrne,
Deputy Registrar
of Credit Unions

Elaine Byrne joined the Registry of Credit Unions as Deputy Registrar in September 2006. Elaine previously worked in Banking Supervision and more recently in the Finance section of the Financial Regulator where she had responsibility for the areas of Budgets and Funding. Prior to joining the Financial Regulator she worked in various roles in the Central Bank since 1987. Elaine replaces Martin Sisk who has moved to the Consumer Directorate for an initial period of one year to facilitate the development of policy and consultation with credit unions on an appropriate consumer protection framework for credit union members in respect of their core business as set out the 2007-2009 Strategic Plan. We would like to take this opportunity to thank Martin for his commitment to the work of the Registry of Credit Unions over the last number of years and wish him well in his new task.

News & Events

Guidance Note on Investments by Credit Unions

Following extensive consultations with the credit union representative associations, the Department of Finance and other sector representatives, the Registrar of Credit Unions issued a Guidance Note on Investments by Credit Unions. The purpose of the Guidance Note is to set out the framework within which credit unions should maintain their liquid assets and manage their surplus funds so that their obligations to members are met. Credit unions will be subject to inspection from time to time to check their compliance with the guidance note.

This Guidance Note became effective from 1 November 2006. All existing fixed-term investments held by credit unions on 31 October 2006 may be permitted to run until their maturity date. It should be noted that the Guidance Note will be subject to regular review in consultation with the stakeholders in the sector and service providers.

Copies of the Guidance Note are available on www.financialregulator.ie in the Credit Union area under the "Publications and Relevant Legislation" section.

Changes in Legislation

The Minister for Finance, by Ministerial Order on 14 August 2006, increased the value of deposits which a credit union may hold from 75% of its shares to 100% of its shares. This Statutory Instrument also increased the amount any member may hold on deposit in a credit union from €26,000 to €100,000. The combined value of shares and deposits has also been increased from €64,000 to €200,000 or 1% of the total assets of the credit union, whichever is the greater. These limits are the maximum permissible; however it is each credit union's responsibility to set its own limits, taking cognisance of the scale and nature of its own business and to ensure that it has the appropriate systems of control in place to manage any risk arising.

In Statutory Instrument Number 546 of 2006 made by the Minister for Finance on 17 October 2006, the prescribed limits, for nominations under Section 21 and for small payments on death under Section 23 of the Credit Union Act 1997, (as amended) were increased. The regulations in the Statutory Instrument implement the recommendation of the Credit Union Advisory Committee, to increase the limits for nominations under Section 21 from €13,000 to €23,000 and for small payments on death under Section 23 from €6,400 to €15,000.

WOCCU Conference

Patrick Neary, Chief Executive of the Financial Regulator addressed the annual WOCCU Conference held in Dublin from 27 to 30 July 2006. In his address, he discussed the environment in which credit unions currently operate and highlighted some of the challenges that lie ahead for both the Financial Regulator and credit unions. He also described the current supervisory process - a process that is dependent on open dialogue between the Financial Regulator and individual credit unions, enabling them to work together with the respective boards and management in securing the best interests of members. The Registrar, Brendan Logue also attended the conference and facilitated a round table discussion for international Credit Union Regulators.



World
Council
of Credit
Unions, Inc.

Consultative Panels

The Financial Services Consultative Consumer and Industry Panels were formally established by the Minister for Finance in 2004 as a co-ordinating mechanism to ensure that the consultative process with our stakeholders is efficient and effective. Legislation sets out the functions of both panels. These independent panels provide the Financial Regulator with comments on its performance, proposed policy and regulation, trends in the industry and the impact of decisions.

The Industry Panel commissioned a survey of all regulated entities in the first quarter of 2006, including all registered credit unions. The purpose of the survey was to obtain information in order to ensure the optimum regulatory environment. The high response rate from credit unions is indicative of the enthusiasm and dedication that volunteers have for the movement. The Industry Panel, including the two representatives of the credit union movement, John O'Halloran (ILCU) and Billy Doyle (CUDA), evaluated the results of this survey and their findings were published in July.

Copies of the annual reports of both Panels and the results of the survey are available on www.financialregulator.ie in the consultative panels area.

Joint Oireachtas Committee

In September 2006, the Registrar, Brendan Logue, made a statement to the Joint Oireachtas Committee on Finance and the Public Sector. The statement provided the Committee with the background of the Regulator and its functions, as well as outlining the considerable growth in the sector and the complexity of today's credit union business models. The Registrar stated that increased oversight is now required in the modern business environment so as to protect members' interests. He highlighted some of the challenges that lie ahead for credit unions and how the Financial Regulator is responding to them, noting that caution should be exercised by credit unions in the current competitive environment where credit is widely and easily available. Copies of the statement are available on www.financialregulator.ie.



Brendan Logue, Registrar pictured at his appearance before the Joint Oireachtas Committee on Finance and Public Service in September.

National Supervisors Forum

The Registrar, Brendan Logue, together with the two deputies James O'Brien and Elaine Byrne, addressed the AGM of the National Supervisors Forum which was held in Waterford from 3 to 5 November 2006. The subject of the opening address by the Registrar was "The Future for the Credit Union Sector" and the key areas for consideration by credit unions in this context. At the session entitled "Compliance and Governance", James O'Brien spoke about the regulatory philosophy and supervisory approach to building compliance in the credit union sector and the main requirements needed to develop and foster a culture of compliance within credit unions. Elaine Byrne made a presentation on Anti-Money Laundering Compliance in which she addressed the main implementation issues for credit unions and the role and challenges for credit union supervisors in this area.

Credit Union Summer School - UCC

In June 2006 the Registrar, Brendan Logue and members of his staff attended the UCC Summer School for students pursuing the Diploma in Credit Union Studies. The Registrar addressed the delegates on the future direction of the credit union movement.

RCU News is available to download from the Financial Regulator's website www.financialregulator.ie