



Brendan Logue
Registrar of Credit Unions

Welcome from Registrar

Welcome to the latest issue of RCU News. Since our last publication we have made considerable progress in the ongoing modernisation of the regulatory process for credit unions. Working closely with the Department of Finance and the representative associations,

a number of important new developments have been agreed and are highlighted in this issue. Among the most important of these are the introduction of increased longer term lending limits and a simplified approval process for credit unions wishing to provide additional services to their members. We intend to continue with the modernisation of regulation in consultation with all the movement stakeholders to facilitate credit unions in serving their members.

While it is encouraging to see that progress has been made in the drive by all stakeholders to enhance the level of service to credit union members, significant challenges face the movement if it is to evolve to a new stage of development in our rapidly changing society. Credit unions now do their business in an open financial

services environment which places them in competition with other providers and they need to develop the flexibility to cater for the new products and services being demanded of them. While the loyalty of members to their credit union remains very strong it cannot be taken for granted that this will protect credit unions from the pressures of competition. The development of more flexible products and services is important coupled with the imperative to avoid unnecessary risks in lending and investment.

Modernisation of the governance structures of the movement is also becoming more urgent and we have taken steps to start a process of consultation with stakeholders to encourage a consensus for legislative reform. We urge all credit unions and their members to look forward to our rapidly developing commercial and social environment and to support whatever changes may be necessary to enable credit unions to enhance the level of service to their members.

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Congratulations to the New ILCU President

Our congratulations to Mr. Uel Adair on his appointment as President of the Irish League of Credit Unions for the coming two year period.

We look forward to working with Uel and his new board in the service of credit unions and their members.

We also wish the outgoing President, Anne O'Byrne, well in her future endeavours.

CONTENTS

Welcome Message	1
Regulatory Developments Update	2
Building Compliance	3
News & Events	4

Additional Services

Mortgage Services

During 2007 we have continued to facilitate credit unions to develop the range of additional services which they may offer to their members in accordance with the provisions of Sections 48-52 of the Credit Union Act, 1997 (as amended) (the Act).

In particular we have developed a simplified model for credit unions that wish to provide mortgage services to their members on a tied agency basis. A standard application form and rule change are now available in order to make it easier for credit unions to make such an application. Under this tied agency basis model, credit unions need only apply to the Registry of Credit Unions for approval to provide mortgage services and are not required to apply to any other departments within the Financial Regulator for additional authorisations.

Personal Retirement Savings Accounts (PRSAs)

On 9 March 2007, following consultation with the Registrar and other interested parties, the Minister for Finance signed into law a Statutory Instrument (SI 107 of 2007) which provides credit unions with an exemption from applying to the Registrar under the additional services provisions of the Act if they wish to introduce their members to a PRSA provider. Credit unions can avail of this exemption once the conditions set out in SI 107 are satisfied. A credit union which intends to enter into such an arrangement is required to notify the Registrar in writing of their intent not less than seven days before entering into the arrangement.

Longer Term Lending Limits & Application Process

In 2006 the Minister for Finance, on the recommendation of Credit Union Advisory Committee (CUAC), appointed a Review Group comprising representatives from the office of the Registrar, the Irish League of Credit Unions (ILCU) and the Credit Union Development Association (CUDA) to review the longer term lending limits as provided by Section 35 of the Act. The Minister published the Report of this Group on 4 February 2007.

On 26 April 2007 the Minister issued a Statutory Instrument (SI 193 of 2007) which implements the new lending limits for those credit unions who have received written approval from the Registrar. The new increased limits are as follows:

- loans over five years increase from 20% to 40% of total loans outstanding;
- loans over ten years increase from 10% to 15% of total loans outstanding.

In consultation with the representative bodies and auditors, we have developed an application form and explanatory note to assist credit unions that wish to apply to us for approval to lend in accordance with the new limits. The application form is available on the Financial Regulator website at www.financialregulator.ie, under the Credit Unions/Publications and Relevant Legislation section.

The timescale for considering applications will depend on the quality of information provided. Where the application form has been fully completed and all of the information requested is supplied by the credit union, we aim to issue a response within a month of receipt of the application.

Guidance Note on Investments

Investment Framework

In October 2006, we issued a Guidance Note on Investments for credit unions following extensive consultation with the movement stakeholders. We intend to review this Guidance Note towards the end of this year with a view to revising it to take account of the experience and impact on credit unions operating in accordance with the Guidance Note.

Life Assurance Products

An application has been received from the Irish Insurance Federation that investment instruments provided by life assurance companies, which have the same characteristics and limits already specified in the Guidance Note, be listed as authorised investment instruments for credit unions. Consultations on this request are in progress with the movement stakeholders and we hope to brief credit unions on the outcome shortly.

Exemption Process

The Guidance Note includes a provision that the limits contained in the Guidance Note shall not apply to those credit unions that can demonstrate to the Registrar of Credit Unions that they possess the skills and systems necessary to manage a more complex investment portfolio. Credit unions that wish to avail of this provision are required to make a written application to the Registrar for approval and such applications should set out the reasons in support of such a request.

Following consultation with the representative bodies it has been decided to develop a standardised application form for those credit unions seeking such an exemption. The application form will be available on the Financial Regulator website at www.financialregulator.ie, under the Credit Unions/Publications and Relevant Legislation section.

Building Compliance

We continue to monitor compliance in credit unions closely and we would encourage boards to ensure that their credit unions are meeting all compliance standards. Credit unions with a poor record of compliance can expect increased regulatory oversight. We have a number of tools which we use to monitor ongoing compliance including the following:

Prudential Return

All 421 credit unions are now statutorily obliged to submit a prudential return. 322 of the larger credit unions must report on a quarterly basis and the remaining 99 credit unions on a bi-annual basis. The prudential return must be completed and submitted to the Registry of Credit Unions no later than 21 calendar days after the end of the relevant financial period. Follow-up action will be taken by the Registry of Credit Unions in cases where these requirements are not met.

We acknowledge the work by credit unions that have continued to submit the prudential return on time and encourage all credit unions to ensure that they comply with due dates for the submission of future returns.

When completing the return, help is available on lo-call number 1890 252080 (Monday to Friday 9.30am - 5.00pm) or at rcuprudentialadmin@financialregulator.ie.

Annual Return

The Credit Union Annual Return (CUAR) was due to be submitted to the Registry of Credit Unions by 31 March 2007. CUARs that are not completed correctly or not accompanied by the required documents in the correct format are liable to be rejected and returned to the credit union.

The returns are currently being processed and where queries exist, direct contact will be made by our staff with the manager of the credit union.

Themed Visits

During the period March to May 2007, staff from the Registrar's office conducted a programme of themed visits to 30 credit unions which focussed on the adequacy of provision for bad and doubtful debts. The board of each credit union was provided with an initial overview of the main findings which were based on a loan sample review. The content of the proposed Credit Guidance Note (see News Section) will be informed by these visits.

Important Dates

DATE	ITEM
21 July	Prudential Return for Quarter Ending 30 June 2007
30 September	Credit Union Year End
Between 7 & 21 days before each credit union's AGM	AGM Notifications
21 October	Prudential Return for Quarter Ending 30 September 2007

Credit Guidance Note

In March the Registrar wrote to all credit unions outlining the key requirements for credit unions in respect of the lending function. He stated also that, as part of the 2007-2009 strategy, he proposed to issue a Guidance Note on Credit to ensure compliance by credit unions with their legal and regulatory obligations in this area. Work has commenced on the development of the Guidance Note and a draft document has been circulated to the credit union representative organisations for comments. Further consultation with stakeholders will follow. The Guidance Note will focus on the framework required for credit unions to have an effective and efficient credit function in the interests of protection by each credit union of the funds of its members.

It is planned to finalise and issue the Credit Guidance Note during 2007.

Industry Funding Levy

The draft regulations for the 2007 industry funding levy were submitted to the Minister for Finance for approval during May. The basis for the levy for credit unions remains unchanged from previous years and is calculated by reference to the total assets for the sector. Each credit union will be liable to pay a levy of 0.01% of total assets as at 30 September 2006, as reported in their annual return.

The Financial Regulator plans to issue the 2007 levy notices to credit unions during the latter part of June. The levy will be payable 35 days from the date of the levy notice.

In addition, any credit union that holds an authorisation under the Investment Intermediaries Act, 1995 (IIA), is required to pay a separate levy amount in respect of this business based on submission of a self-declaration of income form to the Financial Regulator for this purpose (Category C). The levy rates for 2007 are set out in the Guide to Industry Funding Levy 2007. Where the required self-declaration income form information has not been submitted, a credit union may be assessed under Category L and required to pay a default levy of €3,600 in respect of its investment business.

For further information on 2007 Funding please email funding@financialregulator.ie or visit www.financialregulator.ie.

Financial Regulator Website - Credit Union Section

The credit union section of the Financial Regulator's website has recently been updated. The Credit Unions/Publications and Relevant Legislation section includes copies of Guidance Notes, Newsletters and Credit Union Legislation.

The list of all Regulated Firms has been published on the website and is available for download in the Regulated Firms section. As this register is publicly available, the Registry of Credit Unions will no longer issue copies of a credit union's Certificate of Registration.

Anti-Money Laundering

Implementation of the Third Directive on the Prevention of the use of the Financial System for the Purpose of Money Laundering and Terrorist Financing

Member States are required to bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 15 December 2007. The Department of Justice, Equality and Law Reform is currently completing work on preparation of the draft Heads of a Bill for submission to Government. Following publication of the Draft Heads there will be consultation with stakeholders through the Money Laundering Steering Committee (MLSC) chaired by Department of Finance and on which the Financial Regulator is represented. In addition, Revised Industry Guidance Notes are being drafted which will replace the existing sets of Sectoral Guidance Notes. An Industry Working Group has been established which comprises members of a number of industry sectors including representatives from the financial sector including the Irish League of Credit Unions. The Financial Regulator is also represented on this Working Group and will commence consultation with those stakeholders that are not represented directly on the Group as soon as a first working draft of the Guidance Notes is available.

Financial Action Task Force (FATF)

On 16 May the FATF published its inaugural edition of a newsletter, FATF e-news, which is available on the FATF website, www.fatf-gafi.org and includes articles on key events (May - September 2007), enhanced dialogue with the private sector and interesting websites. It is intended that FATF e-news will be published on the FATF website three times each year.

Events

So far in 2007 the Registrar and his deputies have attended the following:

DATE	EVENTS
January	CUDA AGM
February	Consumer Panel
April	ILCU BDM, Belfast
June	UCC Summer School

The following events will take place over the coming months:

DATE	EVENTS
24 July	Publication of Financial Regulator Annual Report
27 / 28 July	Regulators' Round Table - Calgary, Canada
29 July / 1 August	World Credit Union Conference - Calgary, Canada