



Looking Ahead for 2008



Credit Unions have enjoyed a period of unprecedented growth over the past 10 years. The assets of credit unions have expanded almost five-fold and now amount to €14 billion. Investments held by credit unions

have risen over seven times since 1996. This is a tribute to the way the movement has adapted to a rapidly expanded financial services market.

It is now timely however to set our minds to reviewing future strategy to be ready for any challenges that might emerge. In particular, close focus on credit management and investment of assets is warranted.

We would urge all credit union directors and supervisors to examine their plans for the future of their credit unions and to put in place appropriate changes in governance to enable them to operate safely in the future.

Credit unions should make the recruitment of new volunteers who possess the skills required to manage the movement through the coming years, a priority.

Brendan F. Logue
Registrar of Credit Unions

Our congratulations to Billy Doyle on his appointment as Chief Executive of Credit Union Development Association (CUDA) in September.

We also wish Liam O'Dwyer, the outgoing Chief Executive of the Irish League of Credit Unions well in his future endeavours.

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STRATEGIC PLAN 2008-2010

The Strategic Plan for the Financial Regulator covering the three-year period 2008-2010 was published in November. The plan sets out the high level goals of the Financial Regulator for the medium term and it includes the strategic plan of the Registrar of Credit Unions (RCU). The Financial Regulator is satisfied that the strategic approach as outlined in 2007-2009, which reflected the changing nature of the financial services environment and the challenging additional regulatory responsibilities given to us since our establishment, continues to be appropriate for 2008 and beyond.

The primary function of the RCU is to regulate credit unions with a view to;

- 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 RCU 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 and outlined in the Strategic Plan 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 by credit unions with their legal and regulatory obligations - specifically for 2008 it is planned to issue Guidance on Accounting in Credit Unions
- Participate in discussions on appropriate savings protection for credit unions
- Facilitate where appropriate the expansion of the range of services provided by credit unions
- Participate in the modernisation of the organisational structures and technology of credit unions
- Assist Government with the development of new or amended legislation in relation to credit unions
- Maintain a good working relationship with the Credit Union Advisory Committee.

As always, our approach to the supervision of the sector will be guided by the need to ensure the safety of members' funds while facilitating the further growth of credit unions in a planned and prudent manner. It is our intention to maintain the maximum possible direct contact with credit unions and other sector stakeholders in order to progress matters of regulatory importance. We believe that this collaborative approach is essential to the ongoing evolution of a regulatory regime for credit unions that is modern and robust.

REGULATORY DEVELOPMENTS UPDATE

Additional Services

Personal Retirement Savings Accounts (PRSAs)

Statutory Instrument (SI) 107, which was issued in March 2007, provides credit unions with an exemption from applying to the Registrar under the additional services provisions of the Credit Union Act, 1997 if they wish to introduce their members to a PRSA Provider. Since its introduction 39 credit unions have written to the Registrar, as required under the SI, to notify him of their intention to enter into such an arrangement with a PRSA Provider.

Mortgage Services

17 credit unions have now been approved to provide mortgage services in association with one contracting mortgage lender. A number of other credit unions are currently in the process of applying for approval to provide mortgage services and these applications will be progressed once all required information is received. We have also provided a positive preliminary view in relation to the provision of mortgage services to 4 credit unions so that they can propose a resolution to their members at their 2007 AGM.

Guidance Note on Investments

We have previously outlined our intention to review the Guidance Note on Investments by Credit Unions issued in October 2006. This process has commenced and the focus of this work will include a review of the impact of the Guidance Note on the sector to date and the experience of credit unions in complying with the investment framework set out in the document.

It is appropriate this review is being undertaken at this time particularly as much has changed in the financial markets since the Guidance Note was issued. Notwithstanding this review, it is vitally important that all credit union directors ensure adherence by their credit union to the underlying principle set out in the Guidance Note that all investments by credit unions must not involve undue risk to members' savings.

Guidance Note on Credit and Credit Control

The Registrar of Credit Unions, Brendan Logue, announced the issuance of a Guidance Note on Credit and Credit Control for Credit Unions at the AGM of the National Supervisors Forum on 3 November 2007.

The Guidance Note, which has now been sent to all credit unions, was issued in response to the changing nature of the credit function and the more competitive environment in which credit unions now operate. It was developed after extensive consultation with all the stakeholders in the movement including all representative bodies for credit unions.

The Guidance Note sets out the framework required for credit unions to have an effective and efficient lending function in the interests of the protection by each credit union of the funds of its members. It sets out guidance on a number of key areas including the responsibilities of the board of directors, credit and credit control policies, bad debt provisions, lump sum repayment loans, loan rescheduling, loan security, the role of the supervisory committee and loan records/IT support and also the recommended minimum contents of a credit policy and credit control policy.

The Guidance Note should be of value to all officers involved in the credit and credit control functions and it is recommended that all such officers should familiarise themselves with the contents of the document. The Guidance Note can be downloaded from the credit union section of the Financial Regulator website at www.financialregulator.ie under the Credit Union/Publications and Relevant Legislation section.

COMPLIANCE

Prudential Return

The Prudential Return is now firmly established as part of each credit union's ongoing reporting requirements to the Registry of Credit Unions. This regular submission of key financial information is one of the primary methods we use in order to ensure that those charged with the governance of members' funds are discharging their statutory obligations.

The high level of compliance in completing and submitting the Prudential Return is acknowledged and we encourage all credit unions to ensure that they comply with due dates for submission of future returns. We will contact directly credit unions that do not submit the return on time or submit incomplete or inaccurate data. Further follow-up action by the Registry of Credit Unions will be taken in cases where the reporting requirements are not met.

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 2007] has recently been published and circulated to credit unions. The deadline for submission of the return is no later than 31 March 2008.

The process is the same as previous years in that if the annual audited accounts disclose all of the information required in Part 2 of the return, then it is not necessary to complete Part 2. Where necessary credit unions should discuss completion of this return with their auditors.

An Excel version of the return is available on the Financial Regulator's website in the Credit Unions - Publications and Relevant Legislation section. Any queries can be addressed by email to rcuannualreturn@financialregulator.ie.

Important Dates

DATE	ITEM
21 January 2008	Prudential Return for Quarter Ending 31 December 2007
31 March 2008	Annual Return for Year Ending 30 September 2007
Between 7 and 21 days before each credit union's AGM	AGM Notifications
21 April 2008	Prudential Return for Quarter Ending 31 March 2008

Stakeholder Protocol

Background

The Stakeholder Protocol was introduced on 2 July 2007, following consultation with the Consultative Consumer and Industry Panels and various representative bodies. It is a statement describing the targets, which we aim to deliver to our stakeholders, and which will help us achieve our purpose and high-level goals. It will introduce certain targets across all areas of our organisation and will complement targets that are already in place.

What you can expect from us

Written Information Queries

We will acknowledge your written information queries within two working days of receipt. We will include in our acknowledgement a named individual/section who will deal with your query. We will revert with either a full response or, where appropriate, an interim reply within a further 20 working days.

Approval of Credit Union Additional Services

We aim to confirm receipt of the formal application for approval within three working days and we will identify a named individual who will be the point of contact for the application. We also aim to issue a first response within 20 working days from receipt of the formal application.

Inspections

We will give a notification period of at least 10 working days prior to inspection. We reserve the right to carry out an inspection on any credit union at any time. We aim to conclude post inspection research and issue a post-inspection letter, in which the findings of the inspection will be set out, within 30 working days after the close-out meeting has taken place (this does not cover themed inspections). Where this target cannot be achieved on routine inspections the credit union will be advised of the potential delay.

To see further information on the Stakeholder Protocol you can visit our web site on www.financialregulator.ie

Update on Implementation on Third Directive on Prevention of the use of Financial System for 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. In Ireland it is now expected that transposition will take place during 2008. The type of revised provisions that will impact on the obligations of the financial sector arise from a move away from the narrow focus of customer identification to a broader focus on customer due diligence which includes obtaining information on the purpose and nature of the intended relationship and ongoing monitoring of the business relationship. There are also requirements to adopt a risk-based approach which will give rise to simplified customer due diligence measures in certain cases and enhanced due diligence in other cases.

In Ireland work on the implementation process is continuing in each of the three key elements of the process as follows:

■ Transposition of the Directive into Irish Law

The Department of Justice, Equality and Law Reform is finalising work on the Draft Heads of a Bill for submission to Government.

■ Industry Guidance Notes

The Industry Working Group, comprising of members of a number of industry sectors including representatives from the Irish League of Credit Unions, has been working on drafting Revised Industry Guidance Notes to replace the existing sets of Sectoral Guidance Notes. As part of our review of the draft Guidance Notes we will consult with stakeholders that have not been represented directly on the Working Group - for the credit union sector this will include consultation with the Credit Union Advisory Committee (CUAC), Credit Union Development Association, Credit Union Managers Association and National Supervisors Forum.

■ Other work being undertaken within the Financial Regulator

The Financial Regulator's internal working group has continued with its work on reviewing internal processes, training requirements and approaches being adopted by other EU countries in implementation of the Third Directive.

International Aspects

Financial Action Task Force (FATF)

In July the FATF published Guidance on the Risk-Based Approach to Combating Money Laundering and Terrorist Financing. This outlines the high-level principles involved in applying the risk-based approach and indicates good public and private sector practice in the design and implementation of an effective risk-based approach. The guidance is available on the FATF website. In August the FATF published the second edition of its online newsletter, e-news, on the FATF website. In October the FATF held its plenary meeting in Paris. A copy of the Chairman's summary of this meeting is available on the FATF website www.fatf-gafi.org

EU Committee on the Prevention of Money Laundering and Terrorist Financing

The EU Commission has completed two editions of its newsletter - EU AML News. The aim of this newsletter is to provide a regular overview on the actions and initiatives undertaken at European level to fight money laundering and financial crime in general.

http://ec.europa.eu/internal_market/company/financial-crime/index_en.htm#news

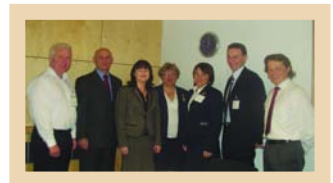
Events

During the period July 2007 to date management from the Registry of Credit Unions attended the following:

DATE	EVENTS
July	Regulators' Round Table and World Credit Union Conference, Calgary, Canada
September	Credit Union Managers Association Conference, Kilkenny
November	National Supervisors Forum, Cavan (copy of Registrar's speech is available on www.financialregulator.ie) Registrar also addressed the ICAI Conference Meet the Regulators - Sharing Perspectives held in Druid's Glen in November.

Meeting with the Romanian Credit Union Federation

On the 13 November two representatives from the Registry of Credit Unions, Donal Coghlan and Aoife Langford, met with a delegation from the Federation of Romanian Credit Unions and the ILCU Foundation. The purpose of the meeting was to provide an insight into the supervision and regulation of credit unions in Ireland. The topics discussed included the background to the Financial Regulator, an overview of credit union legislation, the regulatory approach for credit unions and current developments in credit unions in both Romania and Ireland.



Pictured at the meeting with the Federation of Romanian Credit Unions are Left to Right :Gerry Thompson (ILCU Foundation), Florin Simion (Federation of Romanian Credit Unions), Aoife Langford (Registry of Credit Unions), Nicoleta Capdefier, (FAUR Credit Union, Romania),Eva Kadar (Federation of Romanian Credit Unions), Alan Moore (ILCU Foundation) and Donal Coghlan (Registry of Credit Unions)