

**Address by Kevin Johnson, CEO, Credit Union Development
Association [CUDA] to the
Joint Committee on Finance Public Expenditure and Reform
on Wednesday 25th November 2015**

SLIDE 1 - Introduction

Mr. Chairman and members of the Committee, CUDA is grateful to you for inviting us to this meeting to discuss topical issues pertaining to credit unions.

CUDA was formed in 2003, and represents many of the largest credit unions in the Country, and also provides a wide range of support services to them and a growing number of credit unions throughout the Country.

My name is Kevin Johnson, I am CEO at CUDA, and I am joined by my colleague Elaine Larke, who is Head of Legal and Compliance at CUDA.

SLIDE 2 – ESTABLISHING THE FUTURE

The blueprint for the future of Credit Unions in Ireland is set out in the report of the Commission on Credit Unions, published back in April 2012, which resulted in the Credit Union Act '12.

The Commission report provided a factual insight into the financial position of credit unions; it looked at international best practice, and presented its views on where the credit union movement in Ireland should be headed. It went on to make proposals for stabilising and restructuring the sector and for strengthening the legislative and regulatory frameworks, including an improved governance regime.

We are now on the final stage of implementation, which should see the introduction of a tiered regulatory framework, however this deviation has the potential to place the credit union movement in jeopardy.

SLIDE 3 – BUSINESS MODELS

CUDA works with Credit Unions to help them develop their business models in line with their requirement to remain viable and relevant. These business models reflect the needs of the credit union members. Like the Commission, we realise that not all business models are, or will be, the same.

The Commission envisaged an environment that offered a flexible approach to the regulation of credit unions and assists credit unions in determining the business model they wish to adopt

going forward. It was to allow some credit unions to continue to offer basic savings and loans but also allow other credit unions to develop and offer a greater range of services so long as they have the necessary scale and they comply with specific additional requirements. This is what is meant by 'tiered regulatory framework'.

SLIDE 4 – THE VISION

While sharing the same ethos, values and principles, the business models vary as they are driven by the needs of their respective members. Slide 4 demonstrates the breadth of needs that exist.

CUDA is supporting credit unions achieve their clear vision of *Helping members become financially independent through access to financial services, financial products and financial education.*

SLIDE 5 - SPECTRUM

We have identified a spectrum of cooperation which ranges from knowledge sharing, right through to the good work of the ReBo team who support credit unions who wish to merge.

In 2011 CUDA developed the Credit Union Support Platform, building on that success CUDA introduced a shared Compliance and Risk Management officer service. And now a series of exciting and innovative projects are ongoing under the auspices of the Solution Centre.

But there is little point in working on expanding these services if we do not have an enabling regulatory and legislative framework that supports the development of enhanced business models.

SLIDE 6 - CONCLUSION

Credit unions have taken on significant change and the quid pro quo was there would be tiered regulation. Unfortunately, the Central Bank is now choosing to deviate from the Commissions' recommendations. New Regulations for Credit Unions (in CP88), primarily focus on minimising or eliminating risk - to the detriment of the appropriate development and evolution of the sector.

In conclusion, the vast majority of Credit Unions are financially sound, compliant, competent and ready to provide more services to more people. It is time to recognise that fact, and to allow them to do what they do best – which is to offer the services that their members rightly expect from a modern credit union. Strangling Credit Unions with over-zealous regulation will see their demise and force credit union members to switch to more expensive banks.

There is a simple answer to this dilemma. Before Minister Noonan allows further rules come into effect, by commencing the remaining sections of CUCORA '12, he should conduct a review on how the Commission's recommendations are being implemented and whether the legislation and regulations reflect the current needs of credit union members. This will afford the opportunity to ensure there are no unintended consequences, and that all the good work of all the stakeholders, is not unravelled.