

**Opening Speech by Mr. Sean Hosford, Chairman, Credit Union Managers'
Association to the Joint Committee on Finance Public Expenditure and Reform
Wednesday 25th November 2015.**

Mr. Chairman and members of the Committee, thank you for your invitation to The Credit Union Managers' Association (CUMA) to discuss recent regulatory matters and their impact on the Credit Union Sector.

CUMA is the professional representative association for managers of credit unions in Ireland. CUMA provides professional development training and assistance to its members and engages with a wide range of stakeholders and industry bodies in its pursuit of excellence in professional standards in credit union management. Our main priority is to ensure that members' savings are protected through prudent, transparent and effective professional management.

CUMA fully supports the introduction of a strong regulatory framework for credit unions as recommended by the Credit Union Commission. Credit union boards and management teams have over the last three years successfully introduced major regulatory changes. The introduction of these new requirements in the areas of risk, compliance, internal audit, fitness and probity and minimum competencies, policies and procedures were we understood designed to prepare credit unions for the future growth and development of our sector. This we believe would enable credit unions to further provide excellent high quality services on a local basis to local communities.

Despite the prophecies of many, we have come through the financial crisis relatively unscathed, and are well-placed and prepared collectively and locally and in the interests of our members to move to the next exciting stage of our development.

However CUMA is extremely disappointed at the outcome of the consultation process with regard to CP88. Following consultation with the movement the central bank received 117 submissions almost all of which rejected the proposed regulations for sound business reasons. Having reviewed and then ignored these submissions the bank are proposing further restrictions on our business the most controversial, and ultimately damaging to credit unions being a cap on shares, a new short term liquidity requirement, a cap on lending terms, and most controversially the intention of the Central Bank to regulate credit unions on an undifferentiated "one size fits all" basis.

CUMA believes that some of these proposals run contrary to the objects of a credit union as enshrined in Credit Union legislation and are disproportionate, unnecessary and potentially damaging to our future growth.

CUMA has contended in previous consultation papers that the sector should not be regulated on a one size fits all basis. Rather we contend that a tiered regulatory approach that supports growth and development and that can be adapted to reflect proportionality and complexity as recommended by the Credit Union Commission is more appropriate. This type of model is in fact recognised as a strategy requirement in the Central Banks Strategic Plan 2013-2015.

All stakeholders including Government, and the Central Bank signed up to the recommendations of the commission.

Credit unions have complied with the new extensive governance requirements, participated in restructuring, and awaited the tiered framework to allow them to evolve under regulations based on the nature, scale and complexity of their chosen business model.

The Central Bank has diverged significantly, and on a selective basis, from the agreed set of recommendations, by omission and by planning the introduction of this most recent manifestation of their “one-size fits all regulations” that will undermine the sustainability of credit unions, small and large alike.

CUMA is concerned that the planned commencement at the end of December 2015, without amendment, of the remaining sections of the Credit Union and Co-operation with Overseas Regulators Act 2012, and the regulations set out in the Central Bank Consultation Paper 88 (CP88) pose a significant threat to the competitive viability of the credit union sector. CP 88 regulations are we believe an unnecessary involvement by our regulator in the day to day operations of credit unions.

CUMA calls for the Minister for Finance not to commence the remaining sections of the Credit Union and Co-operation with Overseas Regulators Act 2012 pending a focused review of the proposed regulations in line with the recommendations of the commission.