
Credit Unions

Department of Finance

18 October 2012

EU-IMF Programme

- Commission on Credit Union Final Report by end-March – Done
 - Credit Union Bill published by end-September – Done
 - Commencement of fitness and probity – Done
 - Commencement of DGS requirement - Done
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Overview of presentation

- Financial position of the sector – Central Bank
 - Update on resolution – Central Bank
 - ReBo – Neil Ryan, ReBo member
 - Credit Union Bill 2012 – Dept of Finance
 - Restructuring and stabilisation — Department of Finance
 - Commission on Credit Unions Report – Implementation – Department of Finance
 - DGS and fitness and probity – Department of Finance
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Credit Unions: Financial Position as reported at 30 June 2012 - Central Bank Update

■ Total Sector Balance Sheet as at 30 June 2012

□ TOTAL ASSETS	€ 13,698m
□ Gross Loans	€ 5,177m
□ Provisions	€ (823m)
□ Cash/Investments	€ 8,740m
□ Other Assets	€ 604m
□ Members Savings	€ 11,653m
□ Other Liabilities	€ 47m
□ Total Reserves	€ 1,998m

Credit Unions: Financial Position as reported at 30 June 2012 - Central Bank Update

■ Other Key Sector Figures

- Total Sector Arrears € 1,016m
- Average Loans to Assets Ratio 38.3%
- Average Liquidity Ratio 48.7%

■ Breakdown by Asset Size

Credit Unions by Asset Size	Number	Total Assets €'m	% Total Assets
<€20m	208	2,092	15.3%
>€20m <€40m	87	2,622	19.1%
>€40m <€60m	48	2,345	17.1%
>€60m <€100m	30	2,257	16.5%
>€100m	28	4,382	32.0%
Total	401	13,698	100.0%

ReBo

- Chair and Board appointed
 - First meeting held; next meeting 1 Nov
 - Key issues:
 - Communication with sector
 - Information flow from Central Bank – draft regulations
 - Operations: interim and longer-term staff, analysis,
 - ReBo communication plan and work programme
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Credit Union Bill 2012

- “Publish legislation to strengthen the regulatory framework for credit unions, including making legislative provision for effective governance standards and prudential requirements” – End Q3
 - Published on 26 September 2012
 - Structural benchmark met
 - Provisional timetable:
 - Dail: all stages in November
 - Seanad: all stages by mid December
 - Enactment by year-end
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Credit Union Bill 2012

- Prudential requirements
 - Conditions on registration
 - Borrowing
 - Lending
 - Investments
 - Reserves
 - Liquidity
 - Risk mgmt, Compliance, Outsourcing, Business continuity
 - Regulations flexible: nature, scale and complexity (tiered regulatory approach)
 - Consultation; protocol
 - RIA
 - IFSAT appeal
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Credit Union Bill: Governance

- Role of the Board, Chair, Manager, Board Oversight Committee
 - Term limits, exclusions
 - Conflicts of interest
 - Nomination committee, succession planning
 - Training, skills, experience
 - Role of Treasurer
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Credit Union Bill: Restructuring

- Subject to EU law, incl competition law
 - Establishment of ReBo
 - Sunset clause
 - CEO, staff
 - Account and audit
 - ReBo relationship with Minister, Central Bank
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Credit Union Bill:

Restructuring process

- Functions of ReBo
 - Restructuring: amalgamations or transfers
 - ReBo engagement with credit unions; preparation of proposals
 - Proposals to be submitted to ReBo board for approval
 - Third party verification of info
 - Approve, approve with conditions, reject
 - ReBo recommendation to Minister
 - Central Bank approval required under Part IX of the Credit Union Act 1997
 - Minister may provide funding once Central Bank approval in place - conditions
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Credit Union Bill:

Funding

- Single Credit Union Fund to cover restructuring and stabilisation
 - Up front flows into the CUF:
 - Minister to pay €250m for restructuring by end-2012
 - Stabilisation is 100% sector funded; sector levy; possible SPS
 - Flows out of the CUF:
 - Restructuring: possible mix of guarantees and cash; legislation flexible on form of support
 - Stabilisation: limited during restructuring; amount spent to be limited to amount provided by sector
 - ReBo staff costs etc
 - Recoupment
 - Restructuring: from amalgamated credit unions; fall-back of sector levy where less than full recoupment
 - Stabilisation: from stabilised credit union
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Credit Union Bill: Stabilisation

- Subject to EU law, incl competition law
 - Conditions:
 - Undercap, but reserves 7.5%+
 - Viable
 - More limited during restructuring; ReBo recommendation
 - Central Bank assessment; conditions
 - Recoupable
 - Central Bank costs paid from CUF
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Commission on Credit Unions Report – Implementation

- Implementation group
 - Dept, Central Bank, stakeholders
 - Monitoring implementation
 - Reports to Minister
 - Clearing House
 - Phasing of new requirements
 - Focus for 2012 has been on: Bill, ReBo, DGS, fitness and probity
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DGS and fitness and probity

- DGS commencement order
 - Credit union deposits by 30 November
 - Central Bank overseeing roll-out; guidance
 - Fitness and probity commenced
 - Consultation protocol from Central Bank
 - Propose to commence F+P consultation Q4
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