St. Mary's Parish Credit Union Ltd.
47 Athlunkard Street
Limerick

20th November 2012

Re: Credit Union Bill 2012.

Dear Deputy,

Whilst we are in total agreement with the need to review and update the legislation for Credit Unions we have serious concerns about some of the measures included in the above Bill and we would be obliged if you would support or propose amendments in these areas.

Before we deal with these, we would like to clarify our position in relation to why we are now highlighting issues when the Irish League of Credit Unions, of which we are a member, signed off on the Report of the Commission on Credit Unions, on which the legislation is substantially based. We, like many other Credit Unions, give feedback and suggestions to the ILCU on the outcomes we would have liked from the Commission.

However, due to the fact that the two ILCU representatives on the Commission had to sign the Official Secrets Act in relation to the business of the Commission they were unable to provide us with any feedback or detail of what the likely proposals of the Commission would be.

The first opportunity we, as an individual Credit Union, had to respond to the proposals was when they were incorporated into the Draft General Scheme of the Credit Union Bill 2012. We did this by making a submission to the Department of Finance and, subsequently by appearing before the Joint Committee on Finance, Public Expenditure and Reform. Unfortunately, the Department have stated that, due to time constraints, neither our submission nor our evidence to the Committee was considered prior to the Bill being published.

Whilst we have general concerns about the overall effect of the Bill, the specific sections we believe should be amended are:

Section 15(14), Section 15(15) (Page 21) and Section 76N(5) (Page 53) – Limits to terms of office.

One of the basic operating principals of Credit Unions is democratic control by the members. By restricting directors and board oversight committee members to a 9 year term in any 15 year period, members are being denied the right to choose who they want to be responsible for the general control, direction and management of the credit union. There is also a high risk that continuous turnover of directors could have a destabilising effect on a credit union and will militate against long term planning.

Our Request:
These subsections should be deleted and directors and board oversight committee members should be entitled to serve for as long as members want to elect them and they meet the fitness and probity requirements of the Central Bank of Ireland.

<u>Section 20 – Nomination Committee, New Section 56B to Principal Act.</u>

Section 56B(4)(k) (Page 31) – It is the function of the Chair, under Section 18, new Section 55A(3)(f) of the Principal Act (Page 27) to conduct a performance evaluation of each board member on an annual basis and therefore this subsection with regard to arranging additional training for directors should apply to the Chair and not to the Nomination Committee.

Our Request:
Renumber this section to Section 18, new Section 55A(3)(g) and renumber subsequent subsections. Delete the words "nomination committee" in line 21 and replace them with the word "chair".

<u>Section 20 – Nomination Committee, New Section 56B to Principal Act.</u>

Section 56B(6) (Page 31) – It is vital that the Nomination Committee be protected from any claim for defamation which may result from informing a person being considered for nomination that they do not meet the requirements of Part 3 of the Central Bank Reform Act 2010.

Our Request:
Insert a paragraph in Section 56(B)(6) giving protection from claims for defamation in these circumstances to the Nomination Committee.

<u>Section 29 - Power of Bank to make regulations relating to prudential requirements, etc. New Section 84A</u>

Section 84A(2) (Page 58). Reference is made to the category and categories of credit unions without any definition being provided in relation to these classes. We believe it is vital that these classes of Credit Unions are properly considered and established within the Bill to provide clear guidance for the Central Bank of Ireland and credit unions as to which category credit unions fall into. It is also important to recognise the considerable difference in operation between different sizes of credit unions.

Our Request:
Section 84A(2) should be amended to include five categories of credit unions as follows:
Class 1 - Assets less than €10m
Class 2 - Assets between €10m to €30m
Class 3 - Assets between €30m to €60m
Class 4 - Assets between €60m to €100m
Class 5 - Assets over €100m.

<u>Schedule, Item 42 (Page 84)</u>

This Item deletes Section 64 of the Credit Union Act 1997 (as amended), which deals with the appointment and functions of the Treasurer. In our opinion, the role of Treasurer is a vital link between

the finances of the credit union, the Board and the members, especially as the Manager is not an elected official. We do however believe that the role of Treasurer as presently defined is outdated and that the Treasurer's role should be confined to responsibility to the Board and members for the accounts of the credit union. We contend that this is in accordance with Section 17, substitute Section 55 of the Principal Act, Section 55(1) (Page 25) "the functions of the board of directors of a credit union shall include the following:"....
"(s) reporting to the members of the credit union at the annual general meeting."

Our Request:
That the role of Treasurer be retained and redefined as the elected official responsible to the members for the purpose of reviewing the monthly accounts with the Manager and reporting the annual accounts to the members of the credit union at the annual general meeting of the credit union.

Conclusion:

We believe that an opportunity exists to secure the future of the Credit Union movement for the continued benefits of the Irish people, to facilitate its ongoing support of the less well of and financially marginalised of our society and to enshrine the ethos of Credit Union in legislation. It is our firmly held view that the Credit Union Bill 2012 as published fails to do this as the democratic nature of credit unions is being eroded by some of its provisions.
The amendments we are suggesting will go some way to addressing this without undermining the overall requirements of the Bill to achieve sound, well run credit unions with appropriate regulation. We earnestly request that you propose and/or support our proposals.

Yours sincerely,

Pat Owens

Pat Owens,
Manager.

Anne Marie O'Reilly
Anne-Marie O'Reilly
Secretary.