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Central Bank of Ireland

Eurosystem

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Registered Number: «CU_No»

The Chairman

«Credit_Union_Name»

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19 December 2013

Re: Investments in State Securities (other than Irish State Securities)

Dear Chairman,

Section 43 of the Credit Union Act, 1997 (“the 1997 Act”) sets out legislative requirements relating to investments by credit unions. The First Schedule of the Trustee Act 1893 (as amended by the Trustee (Authorised Investments) Order 1998) (“the Order”) sets out securities that trustees and, by virtue of section 43(1) of the 1997 Act that credit unions, are authorised to invest in. Additionally, the Central Bank has issued guidance notes and circulars to credit unions on matters relating to investments by credit unions. Guidance should not be read in isolation but considered in conjunction with all relevant legal requirements.

Securities issued by the Irish State and Authorised Credit Institutions

In relation to securities issued by the Irish State (as referred to in section *1(1) of the First Schedule of the Order*) and securities (other than shares) of an authorised credit institution (as referred to in section *1(4) of the First Schedule of the Order*) the Order does not specify any minimum ratings for the issuers of such securities.

Securities issued by other States

In relation to investments in other securities, which includes state securities issued by States other than Ireland, credit unions should be aware that section *1(5) of the First Schedule of the Order* specifies that for such securities the issuer must have a rating in the case of (1) **long-term securities**, that is **not lower than AA or its equivalent** or (2) in the case of **short-term securities**, that is **not lower than A1 or its equivalent**. While it should be noted that the limits set out in guidance for Irish and EMU state securities¹ do not specifically refer to credit ratings, the ratings for issuers of securities set out in the Order must be complied with by credit unions on an on-going basis.

Further information on investments is available in the Chapter on Investments of the Credit Union Handbook which sets out the legal requirements and guidance relating to investments by credit unions.

If you have any queries in relation to this circular please contact your supervisor in the office of the Registry of Credit Unions.

Yours sincerely,

Sharon Donnery

Registrar of Credit Unions

¹ Guidance Note on Investments by Credit Unions – October 2006