



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

2014 Regulatory Framework Developments

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Registry of Credit Unions - December 2014



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New Regulatory Framework in 2013/14

Date	New/Amended Requirements
1 August 2013	Tailored Fitness and Probity regime for Credit Unions (with total assets > €10m) Administrative Sanctions Procedure Appeals to IFSAT
11 October 2013	New governance and prudential requirements – majority of the new governance and prudential requirements inserted into the 1997 Act by the 2012 Act commenced Revised “Section 35 Regulatory Requirements for Credit Unions” (1 October 2013)
3 March 2014	Remaining provisions in relation to governance commenced (including reduction in board size, reporting requirements)
1 August 2014	Fitness and Probity Standards for Credit Unions apply to all persons performing a Controlled Function (“CF”) in credit unions (with total assets > €10m)
30 November 2014	Annual compliance statement required to be submitted by all credit unions



New requirements introduced on 3 March 2014

- New requirements introduced into the 1997 Act from 3 March 2014 in relation to:
 - the board of directors (section 53)
 - the requirement to submit an annual compliance statement (section 66C)
 - the board oversight committee report to members (section 760(7))



New requirements introduced on 3 March 2014

Board of Directors

- New requirements for the board of directors include:
 - sufficient in number and expertise to adequately oversee the operations of the credit union
 - max board size reduced to 11 (from 15)
 - sufficient time to devote to the role of director (and the responsibilities associated with that role)
 - certain persons not eligible to become/remain a director
 - may not be appointed to board of directors if served 12 of previous 15 years on board of directors or board oversight committee¹

¹For membership of the board of directors, time served is calculated from 3 March 2014



New requirements introduced on 3 March 2014

Board of Directors

- At the first AGM¹ following 3 March 2014, full board of directors must be re-elected
- New requirements, including ineligible persons, apply to re-elected board
- Requirement that number of directors whose term of office expires at each AGM shall, as near as possible, be the same, should also be considered

¹ Or SGM called for the purposes of holding a secret ballot to elect the board of directors



New requirements introduced on 3 March 2014 ***Annual Compliance Statement***

- Credit unions now required to submit an annual compliance statement to the Central Bank
- Reporting period is the credit union financial year (e.g. 1 October 2013 to 30 September 2014)
- Submitted by 30 November each year
- Confirms whether the credit union has:
 - acted in compliance with; or
 - failed to comply withthe requirements of Part IV of the 1997 Act¹

¹and any other regulations prescribed under Part IV of the 1997 Act



New requirements introduced on 3 March 2014 ***Annual Compliance Statement***

- If material non-compliance is identified, report of material non-compliance is also submitted
- Board of directors responsible for determining if non-compliance is material
 - *will depend upon the facts of each case and the specific circumstances in the credit union*
 - *board materiality statement can assist*
- Credit unions should inform the Central Bank as soon as they become aware of any instance of material non-compliance



New requirements introduced on 3 March 2014 ***Annual Compliance Statement***

- Central Bank has published a number of resources to assist credit unions
 - Guidance on the Annual Compliance Statement in the [Governance Chapter](#) of the Credit Union Handbook
 - Guidance notes on the Submission of the Annual Compliance Statement
(available on the Online Reporting System)
 - [Frequently Asked Questions](#) on the Annual Compliance Statement for Credit Unions



New requirements introduced on 3 March 2014

Board Oversight Committee Report

- From 3 March 2014 board oversight committee is required to report to members at the AGM on whether the board of directors has operated in accordance with:
 - *Part IV (management of credit unions) and*
 - *Part IVA (board oversight committee)*
- of the 1997 Act



Fitness and Probity in 2014

- 1 August 2014 – credit unions with assets > €10m
- Pre-approval Controlled Functions
- Due diligence requirements
- Resources available



Fitness and Probity in 2014

1 August 2014 – credit unions with assets > €10m

- From 1 August 2014, all Controlled Functions (CFs) subject to Fitness and Probity Standards for Credit Unions
- *Shall not permit a person to perform a CF unless*
 - *satisfied on reasonable grounds that the person is compliant with the Standards, and*
 - *has obtained confirmation that the person has agreed to comply by the Standards (section 21)*
- Existing and new CFs



Fitness and Probity in 2014

1 August 2014 – credit unions with assets > €10m

- CFs for credit unions
 - CUCF-1 – Significant influence
 - CUCF-2 – Ensuring, monitoring or controlling compliance

CUCF-1 Examples

- Board of directors
- Chair
- Manager and Management Team
- Risk management officer
- Committees: Credit, Credit Control, Membership, Nomination
- Other significant influence functions

CUCF-2 Examples

- Board oversight committee
- Compliance officer
- Money laundering reporting officer
- Internal audit function
- Other functions involved in compliance

- Credit union identifies CF roles





Fitness and Probity in 2014

Pre-approval Controlled Functions

- Pre-approval Controlled Functions (PCFs)
 - *CUPCF-1: Chair of the board of the credit unions*
 - *CUPCF-2: Manager of the credit union*
- Pre-approval of Central Bank required before appointment
- Following approval, provide updates to Central Bank to
 - *confirm effective start dates / roles not taken up*
 - *notify of resignations*



Fitness and Probity in 2014

Pre-approval Controlled Functions

- CUPCF-1: Chair of the board of the credit union
 - pre-approval not required where seeking re-election if
 - *previously approved as chair for the credit union and*
 - *no break in service since pre-approval received*
 - credit unions will be required to confirm circumstances have not changed since pre-approval received
 - PCF Annual Return will be introduced to facilitate this
 - 4-year term requirement for chair also relevant



Fitness and Probity in 2014

Due Diligence Requirements

- Credit union required to confirm that a person is:
 - a) competent and capable
 - b) honest, ethical and acts with integrity
 - c) financially sound



Fitness and Probity in 2014

Due Diligence Requirements

- Competence and capability appropriate to the relevant function including
 - e.g. sound knowledge of the business of the credit union and a clear understanding of regulatory and legal environment

- Credit union should consider responsibilities of each CF role and determine the specific competencies that should be expected (*role descriptions*)

- Functions contained in legislation for certain CF roles



Fitness and Probity in 2014

Due Diligence Requirements

- On-going obligation (section 21)
 - identify and maintain a record of CFs on an on-going basis
 - maintain relevant documentation and ensure security of information
 - also recommend:
 - *requiring CFs to notify credit union of any material changes in respect of initial due diligence*
 - *carrying out annual audit asking CFs to confirm awareness of and compliance with Standards.*

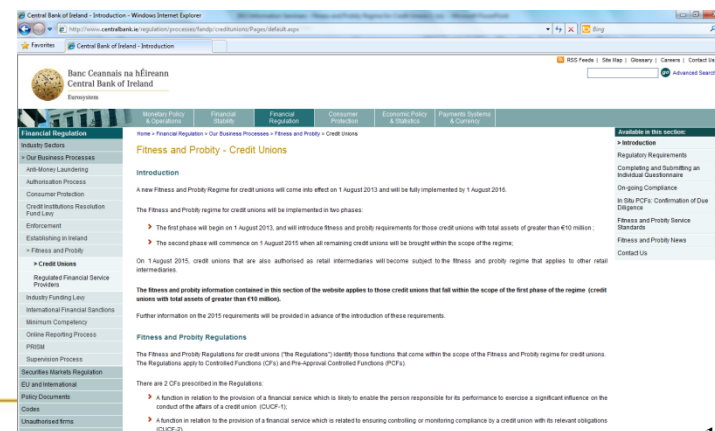




Fitness and Probity in 2014

Resources Available

- **'Fitness and Probity - Credit Unions'** section on our website
 - Fitness and Probity **Regulations** for Credit Unions (S.I. No. 171 of 2013)
 - Fitness and Probity **Standards** for Credit Unions
 - **Guidance** on Fitness and Probity for Credit Unions
 - **Frequently Asked Questions**
 - **Individual Questionnaire** for Credit Unions
 - **Individual Questionnaire Application Guidance** for Credit Unions
 - Other material including
 - Videos
 - Presentations
 - Bulletins and Updates





Credit Union Newsletter

- July 2014 published first issue of new biannual newsletter for credit unions: '**Credit Union News**'
- Purpose is to:
 - *assist credit unions by introducing key regulatory updates; and*
 - *provide information and articles on matters relating to credit unions from RCU and other Central Bank divisions*
- Next edition planned for Q1 2015
- Welcome any feedback on the newsletter