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23 April 2020

RE: Implications of COVID-19 for Credit Unions

Dear Ed

I refer to your letter to Governor Makhlouf, dated 26 March 2020, in relation to the implications of COVID-19 for credit unions and your request for consideration and discussion on proposed measures. Given the detailed issues addressed in the letter, the Governor has asked me to consider the matters raised and to respond on his behalf.

First and foremost, all of us in the Central Bank sincerely hope that you, your ILCU colleagues, families and loved ones, all remain safe and well throughout this difficult time.

As communicated to all credit unions in our COVID-19 related circular issued on 31 March 2020, we recognise the key role that credit unions play in the delivery of financial services in local communities across Ireland, the need for which is heightened at this time. In the current environment, credit unions are appropriately focussing on the health and wellbeing of their volunteers and staff, and on continuing to serve the needs of their members.

We have carefully considered the broad range of issues set out in your letter. Many of them are central to the protection of credit unions members' interests and their funds. We have set out detailed responses on each of the matters raised below. Before doing so, we thought it would be useful to set out, by way of background and in the context of our statutory mandate, our prudential observations on current credit union operational and financial resilience, and associated challenges.

<u>Our statutory mandate towards credit unions</u>

Through recent legislative and regulatory changes and the evolution of our supervisory approach, we have continued to ensure that credit unions operate under a framework that is both tailored and proportionate. In doing so we have sought as regulator and supervisor to ensure such changes are grounded in our statutory mandate - namely the protection by each credit union of the funds of its

members, and the maintenance of the financial stability and well-being of credit unions generally[1]. As regulator we work with individual credit unions on their business continuity, operational capability and financial resilience, so that they can continue to provide essential services to their members in a safe, prudent and sustainable manner. This aligns with our statutory mandate towards credit unions and our broader mission to serve the public interest.

Credit union – operational resilience and challenges

We all recognise the challenges being faced by many credit unions to continue providing services to members in light of COVID-19. As you know from our bi-weekly engagements via conference call, we are proactively engaging with credit unions and key stakeholders, to facilitate business continuity for members.

Thus far in the crisis, it is commendable that all credit unions continue to serve their members' needs. To date, only a small number of credit unions have made the operational decision to close their office doors. All of those credit unions continue to provide services to members by alternative means. As the crisis continues to unfold, and more credit unions face organisational stress, further temporary office closures are likely to occur. This underlines the benefit of *ex ante* business continuity planning, and our ongoing supervisory engagement on this risk area with credit unions.

As set out in the circular we issued on 16 April 2020, we expect credit unions to continue to meet their regulatory and statutory obligations on an ongoing basis. However, the Central Bank also recognises that many credit unions are under or will encounter significant organisational stress. Our view is that some limited and time-bound regulatory flexibility may allow credit unions to better serve their members, and in turn serve the wider economy.

Therefore, as outlined in our April circular, we have introduced some temporary flexibility for credit unions – alongside similar measures for other regulated sectors - in the areas of reporting and Risk Mitigation Programme (RMP) timelines. Similarly, a pragmatic approach is being taken where Pre-approval Controlled Function (PCF) roles need to be filled on a temporary basis as a result of COVID-19. Further information on communications on COVID-19 related matters is set out below.

Credit union – financial resilience and challenges

In terms of the overall financial position of the sector, credit unions have come into this crisis with a strong reserves position, with a sector average reserve ratio of 16% as at 31 December 2019. This highlights that many individual credit union boards have chosen to prudently maintain additional reserves over the 10% regulatory minimum requirement. Credit unions have also maintained high levels of liquidity, with a sector average liquidity ratio of 39% as at 31 December 2019.

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[1] Section 84(1) Credit Union Act, 1997.

Notwithstanding this strong financial position, many credit unions face a well-documented sustainability challenge impacting their financial performance. The root cause of this challenge is commercial in nature, reflecting the current business model of Irish credit unions.

This business model is suffering from low growth rates in loan demand over recent years (outpaced by stronger savings growth). Surplus funds not lent out to members are appropriately not exposed to undue risk, and they yield limited investment returns reflective of the current low interest rate environment. The operational business model lacks scale efficiencies and suffers from high operating costs. This all translates into low loan to asset ratios (sector average 28%), low return on assets (sector average 0.6%) and high cost income ratios (sector average 82%).

The future economic outlook presents further unwelcome challenges given the expected downward direction of the cycle by virtue of COVID-19 impacts and other economic uncertainties (e.g. Brexit). Therefore, as ever and particularly now at a time of crisis, it is imperative that the leadership of the sector ensures that credit unions take steps to protect and support their financial position. It is fundamentally important that a prudent approach is maintained to lending, investments, liquidity and capital, as this will best serve the longer term interests of credit unions and their members.

Having given a frame of reference, the following sections deal with each of the matters you raised in your letter, setting out our position including context and rationale.

1. Provisioning Guidelines and Additional Credit

Providing Payment Flexibility or Additional Credit to Members Impacted by COVID-19

COVID-19 presents challenges for borrowers leading to requests for flexibility from banks, credit unions and other credit providers. All regulated firms, including banks, credit unions and other credit providers should take a consumer-focused approach and act in their customers' best interests in the current environment.

Our engagement with individual credit unions suggests that to date a small proportion of credit unions have received requests for and are implementing tailored loan forbearance (principally reduced payment arrangements), and that some are providing emergency credit to members affected by COVID-19.

With regard to any decisions by individual credit unions to provide additional credit or temporary payment flexibility to members affected by COVID-19, as set out in our circular of 31 March 2020, credit union boards must retain ownership for credit underwriting decision making. Our supervisory expectations in considering such requests are that individual credit union boards must take account of relevant regulatory framework parameters, their own stated credit risk appetite and the credit union's financial position. It is also important that credit union members in receipt of such flexibility are provided with sufficient information to understand how the arrangement operates, the impact on their loan, and how their case will be treated when the arrangement comes to an end.

In our supervisory engagement with credit unions who are involved in granting members credit forbearance related to COVID-19, we will expect the credit union to have conducted effective credit assessments and to properly document their credit decisions and any related matters. In this way, it will be clear where the credit union has operated in line with its stated risk appetite, and to the extent that it has not, the rationale for this will be clearly recorded and available for review. Credit union board ownership is central to this process.

Through RMPs and our supervisory interactions, we have stressed the importance of credit unions continuing to focus on identifying, managing and mitigating risks. Credit risk is clearly a key risk given that loan portfolios can come under stress in a crisis. Robust governance and effective risk management remain fundamental to the ongoing protection of members' funds.

Provisioning Guidelines
The purpose of provisioning is to ensure that loan losses are recognised as early as possible to support clarity and transparency on the performance of loan books and the financial position of individual credit unions.

Financial Reporting Standard 102 (FRS 102) - the accounting standard applicable to credit unions - requires an '*incurred loss*' approach to the calculation of bad debt provisions on loans. This contrasts to banks who use an '*expected loss*' approach, making comparisons in terms of loan loss treatment less meaningful given the differing frameworks. The core principle with respect to impairment is that there must be objective evidence of it before a provision is recognised. Where it is deemed that there is objective evidence of impairment, the credit union board must recognise a bad debt provision.

Our Provisioning Guidelines for Credit Unions (April 2018) were put in place to ensure credit unions have appropriate procedures for assessing and measuring credit risk, to support judgements about the risk of lending exposures. Under the guidelines, the Central Bank expects that credit unions undertake a loan impairment review on at least a quarterly basis, to help to ensure the recognition of loan losses as early as possible in accordance with applicable accounting standards.

As set out in the guidelines, it is the overall responsibility of the board of each credit union to ensure the adequacy and accuracy of its loan provisioning. The Central Bank expects credit unions to continue to apply a conservative and comparable approach in the measurement of provisions, and to regularly assess loans for objective evidence of impairment. This will be based on all available information at assessment, including for instance unforeseen changes in the economic cycle.

You have suggested that, in most cases, the period of an agreed COVID-19 forbearance measure should be ignored in relation to credit union board decisions on whether or not a provision is required. Our view is that your suggestion would be contrary to the requirement, under FRS 102, for credit unions to consider at the end of each reporting period whether there is objective evidence of impairment and if a provision is required. While provisioning requirements differ between banks and credit unions neither are required to make an automatic provision where a payment break is

provided. However both banks and credit unions will need to consider situations where the borrower may face longer term financial difficulties to ensure that risk is identified and measured in a true and accurate manner.

COVID-19 impacts will include different consequences for member capacity to repay loans in line with contract. Some borrowers may be impacted on a temporary basis, and their loan repayments will shortly resume in line with contract. For others, impacts may be longer term in nature and may have a more significant impact on their ongoing ability to repay their loan. These particular factors and circumstances need to be considered by each credit union board, as part of their objective loan provisioning assessment in line with the existing provisioning framework. It has never been more important to ensure that distress within individual credit union loan books is not underestimated through loan classification and provisioning assessments.

Communication and Engagement

Our communication and engagement approach includes the issue of circulars to all credit unions to clarify areas of concern. Through such circulars, we emphasise that where credit unions have any regulatory or supervisory issues or queries requiring clarification from us, they should engage directly with their supervisor in the Registry of Credit Unions. We believe this avenue of engagement is the most effective means of addressing any underlying concerns of individual credit unions, including those that relate to COVID-19. The Central Bank is also providing information for firms and consumers on the COVID-19 Information Hub on the Central Bank's website while the Governor is communicating key messages via the 'Governor's Blog' – also available on the Central Bank's website.

More broadly we will continue to monitor our communications and engagements with credit unions, and where we identify the need for any further sectoral communications on particular common sectoral issues arising, we will consider how best to engage and communicate with credit unions on them.

2. <u>Levies</u>

Safety Net Mechanisms

In protecting credit union members, the legislative and regulatory framework makes provision for a range of '*safety net*' mechanisms in line with best international practice as it relates to deposit taking institutions. The Oireachtas has, through primary and secondary legislation, put in place the Statutory Stabilisation Fund, the Credit Institutions Resolution Fund (CIRF) and the Deposit Guarantee Scheme (DGS) as key forms of such safety nets to support credit unions and their members at times of financial distress. Each one of them serves a specific purpose, brought into view during times of crisis – details are summarised below.

DGS - Deposits and savings held in credit institutions (banks, building societies and credit unions) authorised in Ireland are protected by the DGS, which is administered by the Central Bank and funded by the credit institutions covered by the scheme. In the event of a credit union being unable to repay members' savings, all eligible savings are guaranteed to be repaid by the DGS up to a limit

of €100,000 per member. Following the introduction of the European Union (Deposit Guarantee Schemes) Regulations 2015 (S.I. No. 516 of 2015), funding arrangements were introduced requiring the DGS to reach a target fund level of 0.8% of covered deposits by 2024. A risk-based methodology, in line with European Banking Authority (EBA) guidelines, is used to calculate the annual contributions for each institution, including credit unions, based on their degree of risk and level of covered deposits.

To date, a pay-out event has been triggered under the DGS domestically on four occasions, of which three were for cases of credit union insolvency.

Statutory Stabilisation Fund - the Credit Union and Co-operation with Overseas Regulators Act 2012 enables the Minister for Finance to provide stabilisation support to credit unions from the Credit Union Fund. As you are aware, in its 2012 report, the Commission on Credit Unions recommended that stabilisation support be fully funded by the credit union sector. This means that there must be funds in the Stabilisation Fund before any stabilisation support can be provided by the Minister for Finance. Following consultation, the Minister signed into law the Credit Union Fund (Stabilisation) Levy Regulations 2014[2] on 26 November 2014, giving effect to the introduction of a stabilisation levy to provide stabilisation support for credit unions under the Stabilisation Scheme.

The size of the Stabilisation Fund and the length of time it will take to build it up is reviewed every three years by the Minister for Finance, with the first of these reviews having taken place in October 2017. The outcome of that review was to reduce the rate of the levy (from 0.022% of credit union assets to 0.017% of credit union assets), while still meeting the original target of €30 million over a ten year period. A further reduction in the levy rate to 0.164% will be applied for the levy period 1 October 2019 to 30 September 2020, with a further review of the stabilisation levy expected to take place during 2020.

CIRF - the Central Bank and Credit Institutions (Resolution) Act 2011 (the 2011 Act) established the CIRF. The purpose of the CIRF is to provide a source of funding for the resolution of credit unions[3].

The Minister for Finance is responsible for prescribing the rate of contribution, or a method of calculating the rate of contribution to the CIRF and for approving the use of the CIRF. The Central Bank's role under the 2011 Act is to administer the CIRF as a fund, including processing the annual collection of levies. In 2019, the Department of Finance undertook a detailed review and consultation on the current and future funding levels for the CIRF. Following that consultation, it was decided that a target level for ex-ante industry funding for the CIRF should be set at €65M, to be reached by 2025, subject to no resolution actions occurring that require funding from the CIRF. To achieve this level of funding, the annual levy will be approximately €5M for the credit union sector. It was further agreed that the CIRF funding level should be reviewed again in 2025.

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[2] S.I. No. 533 of 2014.
[3] Other credit institutions are within scope of the Bank Recovery and Resolution Directive (BRRD).

The changed circumstances presented by COVID-19, emphasise more than ever the importance of credit unions having the full range of safety net mechanisms in place. Without them, members' funds could be exposed in the future, to an unacceptable level of risk.

The regulatory levy, which the Central Bank is responsible for, is dealt with separately below.

Regulatory Levy

The regulatory levy arises from the cost of financial regulation and supervision of each sector regulated by the Central Bank. For all regulated firms, sustainability includes an ability to bear the cost of regulation.

Since the introduction of the levy in 2004, while other sectors have paid 50% and upwards of the cost of their regulation, the balance of the cost still falls to the public purse. For credit unions, over this period the levy has remained capped at 0.01% of credit union assets, with the balance of annual costs for the sector covered each year through Central Bank subvention. For example in 2018, credit unions collectively paid c.9% of the cost of regulating the sector.

In 2019, reflecting the principle of "user pays" and seeking to reduce and limit the taxpayer burden, the Central Bank indicated that we would move towards 100% funding for all sectors. The only exception to the full application of the "user pays'' principle relates to the credit union sector - where we intend to move to a phased approach of cost recovery over the 3 year period 2020-2022, to reach a recovery rate of 50% of costs by 2022. Any changes to recovery rates for credit unions from 2022 onwards will be subject to review and public consultation.

As you are aware through our communications with you on this matter, we did not issue any levies for payment in 2019 - instead the 2019 levy notices are planned to issue during Q3 2020. While there was no levy payment required in 2019, an estimated amount should have been accrued by all credit unions in their financial statements for the year ended 30 September 2019. Further details will be provided in due course on the exact timing of issue of the 2019 levy notices as well as details on the 2020 levy.

In summary, the Central Bank would stress the importance of maintaining safety nets to support credit unions and their members at times of financial distress. We are not in a position to suspend all levy charges imposed on credit unions for the next 12 months as outlined above, nor can we give a commitment for a subsequent review of the levies framework after 12 months. We hope this clarifies any confusion on your part in that regard.

3. Regulatory Reserve Requirements

Adequate reserves support a credit union's operations, provide a base for future growth and protect against the risk of unforeseen losses. Credit unions need to maintain sufficient reserves to ensure operational and business continuity and to protect members' savings. Adequate reserves are key to maintaining member confidence and on-going sector stability. Save for a small number of

credit union failures, the last crisis showed the importance of minimum capital requirements which helped ensure losses could be absorbed and members' funds protected.

The regulatory reserve requirement of 10% of assets is the minimum reserve requirement for credit unions. However, credit unions are generally expected to operate with a level of reserves above the 10% regulatory reserve requirement. It is for the board of directors of each credit union to decide on the amount of reserves to hold in excess of the minimum requirement having taken prudent account of the scale and complexity of the credit union's business, its risk profile and prevailing market conditions.

By way of clarification the 10% minimum reserve requirement does not have any countercyclical element. When the 10% minimum reserve requirement was introduced in 2009, credit unions who did not already hold 10% capital reserves were provided with a 4 year transitional period to bring their reserves from 7.5% to 10% of total assets by 30 September 2012.

Credit unions are also required to hold additional reserves in relation to operational risk. When determining the appropriate level of operational risk reserves to hold, credit unions should assess the level of operational risk they are exposed to. The Central Bank expects that the amount the credit union holds in its operational risk reserve would be based, at a minimum, on the predicted impact of operational risk events that may have a material impact on the credit union's business. The average amount held in operational risk reserves by credit unions stood at c.0.6% at 31 December 2019.

A credit union can make transfers into and out of its reserves in excess of the 10% regulatory reserve requirement, as long as the credit union board has satisfied itself that the total level of reserves held are appropriate. In doing so the board must take prudent account of the scale and complexity of its business, its risk profile and prevailing market conditions. Credit unions should also give consideration to the challenges and limitations associated with replenishing its reserves, given that retained earnings represent the only source of reserve generation.

As you have noted in your letter, at a sectoral level credit unions are currently well capitalised with average capital of 16% as at December 2019. There is of course variation across individual credit unions in terms of the level of reserves held, with 12% of credit unions holding capital levels of less than 13%. There is also variation across credit unions in terms of loan to assets ratios, which is relevant to the impact of any shocks to reserves arising from loan asset impairment.

It seems clear that most credit union boards have prudently decided to hold additional reserves in excess of the 10% minimum regulatory reserve requirement. Where an individual credit union has concerns about the impact of COVID-19 on its capital position, we expect that they would engage with the Registry of Credit Unions on a timely basis to outline the particular circumstances arising and their plans to address matters.

Pillar II Requirements, Countercyclical and Capital Conservations Buffers

You have referenced the recent action taken by the European Central Bank (ECB) on Pillar II guidance (P2G) and Capital Conservation Buffer, and by the Central Bank on the Countercyclical Capital Buffer (CCyB). You suggest that these actions provide a basis for changing the level of credit union minimum capital requirements.

There is, in fact, no linkage between the two frameworks. Pillar II requirements and the other capital buffers to which you refer, are designed to cover risks not covered by minimum (Pillar I) capital requirements which apply to banks. It continues to be the Central Bank's and the ECB's strong expectation that banks will continue to meet the Pillar I and Pillar 2 requirements. Post crisis macro-prudential tools such as the CCyB, are designed to limit the potential for regulatory capital requirements to act as an impediment to the supply of credit to the economy. There is no equivalent regulatory capital impediment to increased credit union lending under the existing framework.

To conclude on the question of minimum regulatory reserve requirements, adequate levels of reserves remains key in supporting a credit union's operations, providing a base for future growth and supporting member confidence. We do not agree with your suggestion on a reduction in the 10% minimum regulatory reserve requirement. The level of the minimum regulatory reserve requirement does not represent an impediment to credit union lending, and indeed any reduction would have a negative impact on the financial resilience of the sector and on credit union members, in terms of weakening the protection of their funds.

Risk Weighted Assets

The current reserve requirement for credit unions is calculated on a leverage ratio basis. This is a reflection of a number of factors including: available sources of reserves (retained earnings); the need for individual credit unions to have the capacity to absorb potential losses in absolute terms and the non-complex business model currently operated by credit unions, which is predominantly focused on the provision of short-term personal lending. These specific characteristics of Irish credit unions mean direct comparisons with requirements in other jurisdictions are not appropriate.

We are of the view that the current business model profile and asset mix of credit unions, do not justify the additional complexity for individual credit unions that would be associated with the introduction of a risk weighted approach for reserve requirements for credit unions. Indeed such an approach might adversely influence business line decisions.

Introducing a risk weighted approach would place a disproportionate burden on individual credit unions involving a requirement for system enhancements and a level of new expertise with associated cost impacts for individual credit unions. As noted earlier, the cost income ratio is already at high levels across the sector, without introducing such additional recurring operating costs on credit unions.

In the context of risk-based capital, the International Credit Unions Regulators Network's Guiding Principle for Effective Financial Cooperative Supervision on Capital Adequacy notes that:

> '*when supervisors choose to align the capital requirements of credit unions to Basel standards, a simplified approach may be adopted for small or simple credit unions that are not allowed to hold complex financial instruments. For such credit unions, compliance with the most advanced risk measurement techniques may be beyond their resources*[4]'.

In addition, the World Council of Credit Unions (WOCCU), the leading international trade association and development agency for credit unions globally, has indicated that:

> *'risk-based capital regimes have limited usefulness for credit unions unless the credit unions in question have complex positions of assets and liabilities that are similar to the complex assets and liabilities of large, internationally active banks'*[5].

This is not currently the case with the business model of Irish credit unions.

As you may be aware, one of the "Additional Observations" contained in the 2019 Peer Review Report suggests that the Registry of Credit Unions conduct additional stress-testing on regulatory reserves under the existing leverage ratio and risk-weighted reserve approach. We will consider this suggestion as we plan our work around implementation of the Peer Review Team's recommendations following the COVID-19 crisis.

4. Investment Regulations

Under section 43 of the Credit Union Act, 1997 (the 1997 Act), credit unions are required to ensure that they manage investments so that they do not involve undue risk to members' savings, and that before making an investment they assess the potential impact of the investment on the credit union, including the impact on the liquidity and financial position of the credit union.

Given the current nature of economic uncertainty associated with COVID-19 and the prevailing asset mix within credit unions - where investments represent 66% of sector assets on average – investment risk is a key driver of financial risk within credit unions' balance sheets.

Credit union boards' investment decisions must take cognisance of appropriate levels of investment risk for credit unions, consistent with the requirement under section 43 of the 1997 Act. In addition credit union investment decisions and investment portfolios should reflect the objects of credit unions[6] and the fact that it is the savings of credit union members (which can be withdrawn on demand), that are being invested by credit unions.

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[4] https://nebula.wsimg.com/4842a85152d1d2f422881170f5224252?AccessKeyId=EB21D0068BD759C2C465&disposition=0&alloworigin=1

[5] https://www.woccu.org/documents/Model_Credit_Union_Law_2015

[6] The primary objects and purpose of a credit union are the promotion of thrift among its members by the accumulation of their savings and the creation of sources of credit for their mutual benefit at fair and reasonable interest rates.

We remain of the view that it is not appropriate for credit unions to invest in sub-investment grade investments. If a credit union finds itself holding an investment which no longer meets the minimum credit rating requirements set out in the 2016 Regulations as a result of rating downgrades, and has difficulty disposing of such holdings in accordance with the provisions in the framework, they should engage directly with their Registry of Credit Union's supervisor.

Liquidity Requirements

The 2016 Regulations set out required minimum levels of liquidity for credit unions. The regulations currently state that '*relevant liquid assets*' means the following unencumbered assets only:

a) *Cash;*
b) *Investments with a maturity of less than 3 months, excluding the minimum reserve deposit account and the deposit protection account;*
c) *Irish and EEA State Securities, bank bonds and supranational bonds with a maturity of greater than 3 months, held either directly or through a UCITS, provided that all such Irish and EEA State Securities and supranational bonds comply with minimum rating requirements specified in Regulation 29(1) or 29(3).*

The wording of this requirement reflects that, generally, balances held in the minimum reserve deposit accounts, would be for the required 'minimum reserve amount' and as such would effectively be non-withdrawable. Where a credit union holds a balance in the reserve deposit account in excess of their minimum reserve requirement, these excess funds are withdrawable. Following the ECB's announcement on 12 September 2019[7] on the introduction of a two-tier system for remunerating such excess liquidity holdings, we understand that credit unions may now choose to avail of this facility, by placing additional liquid funds in their reserve deposit account at the Central Bank.

In assessing the liquidity position of a credit union, we will take account of any balances that a credit union holds in the reserve deposit in excess of the minimum reserve requirement as these excess funds are withdrawable by the credit union.

In terms of the regulatory reporting aspect, we are considering the current definition of '*relevant liquid assets*' and whether any associated reporting changes should be made. However, in the meantime credit unions should continue to report all balances held in the minimum reserve deposit account in the relevant field on the Balance Sheet tab of the quarterly Prudential Return. They should report the total balance held in the minimum reserve deposit account as on the relevant reporting date i.e. the minimum reserve requirement plus any amounts held in excess of the minimum reserve requirement.

Counterparty Limit

The purpose of the counterparty exposure limit set out in the investment regulations is to drive appropriate levels of diversification in credit union investment portfolios. Diversification is a critical

[7] https://www.ecb.europa.eu/press/pr/date/2019/html/ecb.pr190912_2~a0b47cd62a.en.html

means of managing risk in investment portfolios, by helping to mitigate the impact of exposure to single counterparties on an investment portfolio, and in the current environment, this remains of critical importance.

Accordingly, in line with section 43 of the 1997 Act, credit unions should continue to manage their investment portfolios to ensure that they achieve an appropriate level of diversification, and that they comply with the 20% counterparty exposure limit from 31 March 2020. This date marks the end of the two year transitional period provided for and advised to credit unions when revised investment regulations were issued in 2018.

5. The Central Credit Register (CCR)

You will have noted the communication from our colleagues in the Central Credit Register dated 26 March 2020, which was sent to all lenders within scope. This, and the subsequent update of 2 April 2020, sought to clarify that a payment break is not in itself an event that is reportable by a lender to the Central Credit Register. We hope this addresses matters relating to the CCR.

Summary

Finally, in delivering on our statutory mandate - to ensure the protection by each credit union of the funds of its members and the maintenance of the financial stability and well-being of credit unions generally - we will continue to support all credit unions through our supervisory engagement.

It is imperative that the leadership of the sector ensures that credit unions continue to focus on their financial and operational resilience. We recognise credit unions will need to take action to support members affected by COVID-19. It is fundamentally important that a prudent approach is maintained to lending, investments, liquidity and capital, as it will best serve the longer term interests of credit unions and their members.

Given the ever-changing developments associated with COVID-19, we stress the continued need for early engagement by credit unions on any emerging issues with their supervisor in the Registry of Credit Unions. In the meantime we will also continue to engage constructively with all sector stakeholders, including the ILCU, recognising that we all have a role in supporting credit unions in delivery of services to their members in a safe and sustainable way.

Yours sincerely

Patrick Casey
Registrar of Credit Unions

cc Governor Makhlouf
cc Mr Paschal Donohoe, TD, Minister for Finance and Public Expenditure & Reform
cc Mr Brian Corr, Head of Credit Union Policy Department of Finance