



STATUTORY INSTRUMENTS.

**S.I. No. 32 of 2018**



CREDIT UNION ACT 1997 (REGULATORY REQUIREMENTS)  
(AMENDMENT) REGULATIONS 2018

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In exercise of the powers conferred on the Central Bank of Ireland (the “Bank”) by section 182A of the Credit Union Act, 1997 (No. 15 of 1997) (the “Act”), the Bank, having consulted the Minister for Finance, the Credit Union Advisory Committee and other bodies that appear to the Bank to have expertise or knowledge of credit unions generally and that the Bank considers appropriate to consult in the circumstances, hereby makes the following regulations:

1. (1) These Regulations may be cited as the Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2018.

(2) These Regulations come into operation on 1 March 2018.

2. In these Regulations “Principal Regulations” means the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 (S.I. No. 1 of 2016).

3. Regulation 2(1) of the Principal Regulations is amended—

(a) by substituting for the definition of “bank bonds” the following definition:

““bank bond” means a senior bond issued by a credit institution and traded on a regulated market where the capital amount invested is guaranteed by the issuer and, for the avoidance of doubt, does not include any bond that is subordinated to any other liability of that credit institution;”,

(b) by deleting the definition of “collective investment schemes”, and

(c) by inserting the following definitions:

““approved housing body” means a housing body granted approval status under section 6 of the Housing (Miscellaneous Provisions) Act, 1992;

“corporate bond” means a bond issued by a company and traded on a regulated market excluding the following:

(a) a bond issued by a credit institution;

(b) a bond issued by a holding company of a credit institution;

*Notice of the making of this Statutory Instrument was published in  
“Iris Oifigiúil” of 13th February, 2018.*

“credit rating” has the same meaning as it has in Article 3(1)(a) of Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009<sup>1</sup> on credit rating agencies;

“holding company” means a company whose business consists wholly or mainly of the holding of shares or securities of other companies;

“recognised rating agency” means a credit rating agency that is registered or certified in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009<sup>2</sup> on credit rating agencies;

“supranational bond” means a bond issued by a supranational institution, being an institution formed by two or more central governments with the purpose of promoting economic development for the member countries;

“Tier 3 Approved Housing Body” means a housing body granted approval status under section 6 of the Housing (Miscellaneous Provisions) Act, 1992 and classified as Tier 3 under the Voluntary Regulation Code for Approved Housing Bodies in Ireland;

“UCITS” means an undertaking authorised as an undertaking for collective investment in transferable securities by the Bank or by a competent authority of another EEA State pursuant to Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009<sup>3</sup> on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS);”.

4. The Principal Regulations are amended by substituting for Part 3 the following—

*“Interpretation — Part 3*

7. (1) In this Part “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 the

<sup>1</sup>OJ No. L302, 17.11.2009, p. 1

<sup>2</sup>OJ No. L302, 17.11.2009, p. 1

<sup>3</sup>OJ No. L302, 17.11.2009, p. 32

minimum rating requirements specified in Regulation 29(1) or 29(3).

(2) For the purposes of calculating the minimum liquidity ratio specified in Regulation 8(1), the following discounts shall be applied in valuing the relevant liquid assets specified in paragraph (1)(c):

- (a) where such investments have a maturity of greater than three months and less than one year, a 10 per cent discount shall be applied to the market value of such investments;
- (b) where such investments have a maturity of at least one year but less than 5 years, a 30 per cent discount shall be applied to the market value of such investments;
- (c) where such investments have a maturity of at least 5 years and up to 10 years, a 50 per cent discount shall be applied to the market value of such investments.

#### *Liquidity Requirements*

8. (1) A credit union shall establish and maintain a minimum liquidity ratio of relevant liquid assets of at least 20 per cent of its unattached savings, subject to the following:

- (a) at least 2.5 per cent of unattached savings shall be comprised of cash and investments with a maturity of less than 8 days;
- (b) no more than 10 per cent of unattached savings shall be comprised of the relevant liquid assets specified in Regulation 7(1)(c), after application of the applicable discounts specified in Regulation 7(2).

#### *Reporting Requirements*

9. (1) A credit union shall monitor its liquidity ratio on a continuous basis to ensure compliance with the liquidity requirements in this Part and in the Act.

(2) Where a credit union is failing, or likely to fail to comply, with the liquidity requirements in this Part or in the Act, it shall notify the Bank in writing no later than close of business on the next business day.”.

5. The Principal Regulations are amended by substituting for Part 5 the following—

#### *“Classes of Investments*

25. (1) A credit union may only invest in euro denominated investments in the following:

- (a) Irish and EEA State Securities;
- (b) supranational bonds;

- (c) accounts in credit institutions;
- (d) bank bonds;
- (e) corporate bonds;
- (f) regulated investment vehicles where the underlying investments of the regulated investment vehicle are investments in Tier 3 Approved Housing Bodies;
- (g) UCITS;
- (h) shares of, and deposits with, other credit unions;
- (i) shares of a society registered under the Industrial and Provident Societies Act 1893 to 1978, provided the society is not an approved housing body.

(2) For the purposes of Regulation 25(1)(f), the underlying investments of a regulated investment vehicle in a Tier 3 Approved Housing Body shall consist exclusively of loans or other forms of debt financing provided by the regulated investment vehicle to the Tier 3 Approved Housing Body.

(3) A credit union may invest in a UCITS only where—

- (a) the underlying investments of the UCITS are composed of instruments specified in Regulation 25(1)(a), (b), (c), (d) or (e) (or any combination of such instruments),
- (b) the UCITS has total assets with a value of at least €150 million, and
- (c) the making of such an investment would not cause a credit union to fail to comply with this Part.

(4) The Bank may prescribe from time to time, in accordance with section 43 of the Act, further classes of investments in which a credit union may invest its funds which may include investments in projects of a public nature. Investments in projects of a public nature include, but are not limited to, investments in social housing projects.

#### *Counterparty Limits*

26. (1) A credit union shall not make an investment with a counterparty which, were that investment to be made, would cause the credit union's investments with that counterparty to exceed 20 per cent of the credit union's total value of investments.

(2) A credit union shall not make a direct investment in corporate bonds issued by a particular counterparty which, were that investment to be made, would cause the credit union's direct investments in corporate bonds issued

by that counterparty to exceed 5 per cent of the total value of the credit union's regulatory reserve.

#### *Concentration Limits*

27. (1) A credit union shall not make an investment in Irish and EEA State Securities, either directly or through a UCITS, which would cause the credit union's combined investments in Irish and EEA State Securities and supranational bonds, held directly or through a UCITS, to exceed 70 per cent of the total value of the credit union's investments.

(2) A credit union shall not make an investment in supranational bonds, either directly or through a UCITS, which would cause the credit union's combined investments in Irish and EEA State Securities and supranational bonds, held directly or through a UCITS, to exceed 70 per cent of the total value of the credit union's investments.

(3) A credit union shall not make an investment in bank bonds, either directly or through a UCITS, which would cause the credit union's investments in bank bonds, held directly or through a UCITS, to exceed 70 per cent of the total value of the credit union's investments.

(4) A credit union shall not make an investment in corporate bonds, either directly or through a UCITS, which would cause the credit union's investments in corporate bonds, held directly or through a UCITS, to exceed 50 per cent of the credit union's regulatory reserve.

(5) A credit union shall not make an investment in a regulated investment vehicle referred to in Regulation 25(1)(f) which would cause the credit union's investments in such regulated investment vehicles to exceed—

(a) 50 per cent of the credit union's regulatory reserve, where the credit union has assets of at least €100 million, or

(b) 25 per cent of the credit union's regulatory reserve, where the credit union has assets of less than €100 million.

(6) A credit union shall not make an investment in another credit union which would cause the credit union's investments in other credit unions to exceed 12.5 per cent of the credit union's regulatory reserve.

(7) A credit union shall not make an investment in the shares of a society referred to in Regulation 25(1)(i) which would cause the credit union's investments in shares in societies referred to in Regulation 25(1)(i) to exceed 12.5 per cent of the credit union's regulatory reserve.

#### *Maturity Limits*

28. (1) With the exception of an investment in a regulated investment vehicle referred to in Regulation 25(1)(f), a credit union shall not make an investment, either directly or through a UCITS, which has a maturity date which exceeds 10 years from the date of the investment.

(2) A credit union shall not make an investment in a regulated investment vehicle referred to in Regulation 25(1)(f) where the underlying investments of that regulated investment vehicle have a maturity date which exceeds 25 years from the date of the investment.

(3) A credit union shall not make an investment which would cause the credit union to have more than 30 per cent of its investments maturing after 7 years.

(4) A credit union shall not make an investment which would cause the credit union to have more than 50 per cent of its investments maturing after 5 years.

*Minimum Rating Requirements*

29. (1) A credit union may invest directly in—

- (a) Irish and EEA State Securities, or
- (b) supranational bonds,

only where at least two recognised rating agencies have assigned to those investments a credit rating of investment grade or higher.

(2) A credit union may invest in corporate bonds directly only where at least two recognised rating agencies have assigned to each such investment a credit rating that is at least equivalent to an A3 rating on the rating scale issued by Moody's Investor Service.

(3) A credit union may invest in UCITS where the underlying investments of the UCITS are composed of—

- (a) Irish and EEA State Securities,
- (b) supranational bonds, or
- (c) corporate bonds,

only where at least one recognised rating agency has assigned to each such underlying investment of the UCITS a credit rating of investment grade or higher.

(4) Subject to Regulation 33(2), where an investment made by a credit union no longer complies with the minimum rating requirements specified in paragraph (1), (2) or (3), a credit union shall divest itself of that investment as soon as possible.

*Holding of Investments*

30. A credit union shall ensure that any investments made remain in compliance with the investment requirements in this Part.

*Investment Practices — Distribution of Investment Income/ Investment Gain*

31. A credit union shall not distribute from its annual operating surplus, investment income or an investment gain to members or transfer investment income or an investment gain to a reserve set aside to provide for dividends, unless the investment income or investment gain falls within the following:

- (a) investment income or an investment gain received by the credit union at the balance sheet date;
- (b) investment income that will be received by the credit union within 12 months of the balance sheet date.

*Investment Practices — Concentration Risk*

32. A credit union shall establish and maintain a written strategy having regard to section 43 of the Act to manage concentration risk which can result from dealing with a single counterparty or holding investments with similar characteristics like maturities and to ensure investments remain within the limits contained in these Regulations.

*Transitional Arrangements*

33. (1) Where, on 1 March 2018, a credit union has investments made in accordance with legislative requirements applicable at the time of the investment which do not comply with the requirements in this Part, the credit union shall (subject to paragraph (2)):

- (a) take such actions as are necessary in relation to those investments in order to ensure compliance with this Part—
  - (i) as soon as possible without incurring a loss, and
  - (ii) in any event not later than 1 March 2020 or such later date as the Bank may permit;
- (b) only make an investment where the making of such an investment would not cause the credit union to either—
  - (i) fail to comply with any of the requirements in this Part, or
  - (ii) exacerbate a failure existing on 1 March 2018 to comply with any of the requirements in this Part.

(2) A credit union may hold to maturity all fixed term investments made in accordance with legislative requirements applicable at the time of the investment and held by that credit union on 1 March 2018.”.

Signed for and on behalf of the CENTRAL BANK OF IRELAND  
7 February 2018.

PATRICK CASEY,  
Registrar of Credit Unions.

EXPLANATORY NOTE

*(This note does not form part of the Instrument and does not purport to be a legal interpretation)*

The purpose of these Regulations is to amend the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 (S.I. No. 1 of 2016).

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