



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

May 2016

## Application to retain individual members' savings in excess of €100,000 held at commencement of the Regulations



## Explanatory Note

On 1 January 2016 [the Credit Union Act 1997 \(Regulatory Requirements\) Regulations 2016 \(the Regulations\)](#) came into effect.

### Introduction

Regulation 35 of the Regulations sets a maximum individual member savings limit of €100,000. Regulation 36 of the Regulations provides that where credit unions held individual member savings in excess of €100,000 at commencement of the Regulations they shall repay those savings in excess of €100,000 as soon as possible and in any event by 1 January 2017.

Regulation 36 of the Regulations also provides that credit unions may apply to the Central Bank for approval to continue to hold (but not increase) an individual member's savings in excess of €100,000 held at commencement of the Regulations where they can demonstrate that it is consistent with the adequate protection of the savings of members and effective and proportionate, having regard to the nature, scale and complexity of the credit union, for them to do so. A credit union may choose to apply to retain all or a portion of individual members' savings<sup>1</sup> in excess of €100,000. Applications for approval will be subject to the process outlined below.

In order for a credit union to apply to the Central Bank for approval to retain individual members' savings in excess of €100,000 held at commencement of the Regulations, this Application Form should be completed by the credit union approved by the board of directors and signed by the chair of the board on behalf of the board of directors and submitted to the Central Bank.

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<sup>1</sup> A credit union may apply to retain savings in excess of €100,000 for every individual member who holds savings in excess of €100,000 or may choose a portion of credit union members who hold savings in excess of €100,000 and only make applications in respect of those members.

A word or expression used in this Application Form and also used in the Regulations has, unless the contrary intention appears, the same meaning in this Application Form as it has in the Regulations.

### **Financial Criteria and Considerations of the Central Bank**

In determining whether to grant approval to retain an individual member's savings in excess of €100,000 held at the commencement of the Regulations in accordance with paragraphs 1 to 4 below the Central Bank will consider all of the information provided in Sections 1 to 4 of this Application Form.

1. The Central Bank will grant approval to a credit union to retain an individual member's savings in excess of €100,000 held at the commencement of the Regulations if the credit union satisfies the Central Bank of the following:

A.

- i. that it is effective and proportionate for the credit union to retain such savings having regard to the nature, scale and complexity of the credit union; and
- ii. that no other circumstances exist or are likely to arise which, in the opinion of the Central Bank, would undermine the ability of the credit union to retain those individual members' savings in excess of €100,000 in a manner consistent with Regulation 36(2)(c) of the Regulations,

B. and the criteria and conditions set out in paragraphs 2 to 4 below are met.

2. Subject to paragraph 3, the Central Bank will only grant approval to retain an individual member's savings in excess of €100,000 in accordance with paragraph 1 where the individual member's total

savings do not represent an amount greater than 1% of the total assets of the credit union.

3. The Central Bank may, where it is satisfied that exceptional circumstances arise which in its opinion justify retention, grant approval for retention of an individual member's savings in excess of €100,000 in accordance with paragraph 1 where that individual member's total savings represents an amount greater than 1% of the total assets of the credit union. In determining whether the circumstances are exceptional the Central Bank will consider the additional information provided to the Central Bank. Credit unions who wish to apply for such approval should contact Alison Kelly by phone (01 2244619) or e-mail ([alison.kelly@centralbank.ie](mailto:alison.kelly@centralbank.ie)).
4. Where a credit union had less than €6,000,000 excess total realised reserves as at 31 December 2015 any approval given by the Central Bank to retain all individual members' savings or a portion of individual members' savings in accordance with paragraph 1 will be subject to the condition that the aggregate of savings in excess of €100,000 being retained by the credit union is not greater than the lesser of:
  - 50% of the excess total realised reserves of the credit union<sup>2</sup>;  
or
  - 50% of the excess relevant liquid assets of the credit union<sup>3</sup>.

When considering an application from a credit union to retain individual members' savings in excess of €100,000 held at commencement of the Regulations, the Central Bank will take cognisance of all relevant information which it has gathered through its supervisory interaction with the credit union including the outcome of any PRISM engagements undertaken.

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<sup>2</sup> Being the amount by which the total realised reserves exceed the regulatory reserves required to satisfy the minimum regulatory reserve requirement of the credit union.

<sup>3</sup> Being the amount by which the relevant liquid assets exceed the relevant liquid assets required to satisfy the minimum liquidity requirement of the credit union.

The Application Form and notes on how to complete and submit the application are contained in the following sections of this document.

The Application Form contains a number of sections as follows:

- Section 1: Retention Information
- Section 2: Board Approval
- Section 3: Information to Support Application
- Section 4: Business Rationale
- Appendix 1: DGS Template Letter
- Appendix 2: Additional Notes

**Sections 1-4 are mandatory for completion and submission of application.**

## **Application Form Section 1: Retention Information**

Information should be provided outlining details of the savings position of the individual members with savings in excess of €100,000 which the credit union is applying for approval to retain. This information should be provided in excel format and uploaded via the secure file upload facility available through the Online Reporting System.

The information should be provided in the format prescribed below.

Where an individual member held savings at commencement of the Regulations in excess of €100,000 that represented greater than 1% of the total assets of the credit union but has since reduced the amount of their savings to 1% or less of total assets then approval may be granted for the credit union to retain such savings in excess of €100,000.

**Savings Position of the Individual Members' with Savings in Excess of €100,000 that Credit Union is applying for Approval to Retain**

<b>Number</b>	<b>Member Name</b>	<b>Member Account Number</b>	<b>Total Individual Member's Savings held at commencement of the Regulations</b>	<b>Total Individual Member's Savings held at commencement of the Regulations as a percentage of total assets</b>	<b>Total Individual Member's Savings held at date of application</b>	<b>Total Individual Member's Savings held at date of application as a percentage of total assets</b>
1	XXX XXX	Xxxx	€xxx,xxx	x.xx%	€xxx,xxx	x.xx%
2	XXX XXX	Xxxx	€xxx,xxx	x.xx%	€xxx,xxx	x.xx%
3	XXX XXX	Xxxx	€xxx,xxx	x.xx%	€xxx,xxx	x.xx%
4	XXX XXX	Xxxx	€xxx,xxx	x.xx%	€xxx,xxx	x.xx%
5	XXX XXX	Xxxx	€xxx,xxx	x.xx%	€xxx,xxx	x.xx%

## Application Form Section 2: Board

### Approval

***(This section must be reviewed and approved by the board of directors of the credit union and signed by the chair on behalf of the board of directors.)***

\_\_\_\_\_ (insert credit union name) confirm that;

- i. The information provided in Section 1 of this application, accurately reflects the savings position of the individual members with savings in excess of €100,000 which the credit union is applying for approval to retain ; and
- ii. The information provided in Section 3 of this application accurately reflects the financial position of the credit union; and
- iii. The business rationale provided in Section 4 of this application is reasonable and the retention of individual members' savings in excess of €100,000 held on 1 January 2016<sup>4</sup> is not considered to pose a threat to the protection of members' savings generally in the credit union.

If the credit union is successful in its application to retain all or a portion of individual members' savings in excess of €100,000 held on 1 January 2016<sup>3</sup>:

- i. The credit union will use all reasonable endeavours to ensure that it will remain in compliance on an ongoing basis with the financial criteria and conditions, on the basis of which the Central Bank has granted approval; and

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<sup>4</sup> Where an individual member held savings at commencement of the Regulations in excess of €100,000 that represented greater than 1% of the total assets of the credit union but has since reduced at the date of application the amount of their savings to 1% or less of total assets then approval may be granted for the credit union to retain such savings in excess of €100,000.



- ii. Where the situation arises that the credit union ceases to meet one or all of the financial criteria or conditions, on the basis of which the Central Bank has granted approval, the credit union will notify the Central Bank immediately outlining the appropriate measures which the credit union will take to resume compliance with these criteria.

The credit union has and will use all reasonable endeavours to maintain on an ongoing basis:

- Appropriate information systems and management information policies to ensure the maintenance of proper accounting records for the credit union's business and to ensure that the level of savings in excess of €100,000 can be effectively monitored and reported upon; and
- An appropriate liquidity management policy to ensure prudent levels of liquidity appropriate to the scale of savings held in the credit union and taking account of the level of savings in excess of €100,000 in the credit union.

Chair's Signature: \_\_\_\_\_  
(on behalf of the board)

Date of Signature: \_\_\_\_\_

Any follow up questions in relation to the application form and supporting documentation can be addressed to the following contact in the credit union:

Name: \_\_\_\_\_

Role in the credit union: \_\_\_\_\_

Phone number: \_\_\_\_\_

Email: \_\_\_\_\_

## Application Form Section 3: Information to Support Application

	Source of Data	Total Number of Members	Amount €
Total Members' Savings in excess of €100,000 held at 1 Jan 2016			
Total Members' Savings in excess of €100,000 the credit union is applying to retain			

	Source of Data	Amount €
Total Assets		

	Source of Data	%
Total Realised Reserves		

	Source of Data	%
Relevant Liquid Assets		

	Source of Data	Amount €
Unattached Savings		

Please indicate above (where relevant) the source of the financial data. It is expected all financial data should be taken from the Prudential Return for 31 December 2015 with the exception of the total amount of individual members' savings in excess of €100,000 held at 1 January 2016 which should be by reference to the savings in excess of €100,000 held in the credit union on 1 January 2016.

## Application Form Section 4: Business

### Rationale

Please outline in the space provided below the rationale for the credit union seeking approval to retain individual members' savings in excess of €100,000 held at commencement of the Regulations on 1 January 2016, having regard to the nature, scale and complexity of the credit union.

**Rationale:**

## Appendix 1

***This is a template letter which all credit unions who are approved to retain individual members' savings in excess of €100,000 will be required to circulate to each individual member who has savings with the credit union in excess of €100,000. (For further information see Additional Note 7 of Appendix 2)***

Dear Member **X**,

Please be advised that **XYZ Credit Union Limited** is a member of the Deposit Guarantee Scheme (DGS) operated by the Central Bank of Ireland as the designated authority under the European Union (Deposit Guarantee Schemes) Regulations 2015.

The DGS provides protection which ensures that an individual member's total savings in any one particular credit institution is covered up to a maximum amount of €100,000<sup>5</sup>. Given that your current total savings with **XYZ Credit Union Limited** are in excess of €100,000 we would like to remind you that your savings will only be covered up to the amount of €100,000. The DGS is activated where it has been determined that the credit union is unable to repay its deposits and in that event your savings will be repaid up to the value of €100,000 by the DGS.

Yours sincerely,

**XXX XXXXX**

Chair of **XYZ Credit Union Limited**

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<sup>5</sup> In the case of joint accounts, the limit of €100,000 applies to each individual member. In general, all retail depositors and businesses are covered by the Deposit Guarantee Scheme. In some cases eligible deposits which are categorised as "temporary high balances" are protected above €100,000. More information relating to "temporary high balances" and exceptions from coverage can be obtained in the attached Depositor Information Sheet and at [www.depositguarantee.ie](http://www.depositguarantee.ie)

## Appendix 2-Additional Notes

### Application Process

1. In order to apply for approval to retain individual members' savings in excess of €100,000 held at commencement of the Regulations, a credit union must complete this application form and submit a signed hard copy to the following address:

Applications,  
Registry of Credit Unions,  
P.O. Box 559,  
Dame Street,  
Dublin 2.

2. The timescale for considering applications will depend on the quality of information provided. Where the application form has been fully completed and contains or includes all of the information requested the Central Bank will endeavour to issue an approval letter or a letter indicating that the Central Bank is minded to refuse the application within one month of receipt of the complete application.
3. The Central Bank retains the right to request additional information from individual credit unions when reviewing their applications to retain individual members' savings in excess of €100,000 held at commencement of the Regulations. Notwithstanding paragraph 2 where further additional information is sought the Central Bank will endeavour to issue an approval letter or a letter indicating that the Central Bank is minded to refuse the application within one month of the receipt of the further additional information.
4. Applications to the Central Bank for approval to retain individual members' savings in excess of €100,000 and all related submissions and responses shall be submitted between 17 May 2016 and 27 June

2016 and the Central Bank will provide a response to all applicant credit unions on the outcome of their application by 26 August 2016.

5. Where a credit union's application is approved to retain an individual member's savings in excess of €100,000 held at commencement of the Regulations, it may retain but not increase such savings. Any approval granted to retain an individual member's savings will not be transferable between members.
6. Where a credit union's application is not approved to retain all or a portion of individual members' savings in excess of €100,000 held at commencement of the Regulations for which it has applied, it shall repay to its members for which the application has been denied the savings in excess of €100,000 as soon as the partial or full refusal is given and in any event before 1 January 2017.
7. Credit unions are reminded of their obligations under Part 9 of the European Union (Deposit Guarantee Schemes) Regulations 2015 (DGS Regulations) and in particular Regulation 29(2) which requires that they inform actual and intending depositors of the applicable exclusions from the deposit guarantee scheme in which the credit union participates. Appendix 1 contains a template letter which all credit unions who have been granted approval to retain individual members' savings in excess of €100,000 should circulate along with a copy of the Deposit Information Sheet required under Regulation 29(2) to each individual member who has savings with the credit union in excess of €100,000. Any approval to retain individual members' savings in excess of €100,000 will be subject to this requirement as a condition of approval.
8. Unless the Registrar is satisfied in relation to all aspects set out in the application, approval cannot be granted.

## Ongoing Monitoring

Where a credit union is granted approval to retain individual members' savings in excess of €100,000 for one or more of its members, it is

expected that the credit union will comply with the financial assessment criteria and any other conditions, on the basis of which the Central Bank has granted approval, on an ongoing basis. Without prejudice to any conditions contained in this Application Form the Central Bank may at any time subject any approval for retention to additional conditions with which the credit union shall comply. The Central Bank will monitor credit union compliance by reference to the criteria and any other conditions using information extracted from the Prudential Returns submitted on a quarterly basis and any other information available to the Central Bank.

The ongoing monitoring process will operate without prejudice to the Central Bank's right to exercise its power to give regulatory directions under section 87 of the Credit Union Act, 1997 at any time that it is deemed appropriate.

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