

Operational and Performance Review



IRELAND

Finance

Central Financial Service (CFS)

The CFS was established to provide loans to credit unions at competitive rates for premises, equipment or short-term liquidity purposes. Repayments are scheduled to suit the cash flow of the credit union and the rate of interest is reviewed monthly.

The rate of interest in the Republic is normally 0.5% above the one month EURIBOR rate while the rate in Northern Ireland is usually 0.5% above the LIBOR. Frequently, instead of taking up a CFS loan, a credit union will apply to the CFS for a standby facility from which the credit union can draw down funds when required.

In 2006, 5 credit unions applied for loans totalling €6.7m. The 5 loans were approved. Currently, because of the surplus liquidity in the movement, CFS loans rarely last for the full term for which they were approved. With CFS loans, credit unions are allowed to make large lump sum repayments.

At the year-end, the amount on loan to credit unions was €4.07m.

Back-to-Work Allowance Scheme

ILCU operates the scheme in co-operation with the Department of Social and Family Affairs to assist long-term unemployed credit union members to take up employment or self-employment opportunities. If a borrower under the scheme defaults, the credit union can apply through the ILCU for repayment of the loan balance and outstanding interest.

All loans under the scheme must be registered with the ILCU. To date, loans amounting to €875,114 for 161 loans have been registered. Since the start of the scheme, 56 loans have defaulted, amounting to €314,494. This sum was repaid by the scheme to the credit unions. The Department of Social and Family Affairs reimburses the ILCU for the defaulted loans.

Workers' Co-Operative Fund

This fund makes grants available to help credit union members establish or develop a workers' co-operative. Each qualifying member may get an initial grant of €952.30 each, up to a total of €3,809.20 for any one co-operative. After a year's successful trading, a follow-up grant of €2,539.48 may be given. The balance in the fund at the year-end was €163,781. This fund is financed by the ILCU General Fund

Workers' Co-Operative Training Fund

This fund is used to provide assistance in setting up and training new and existing worker co-operatives. The fund financed the development of the Degree in Mutual Credit Union Business and contributed €100,000 towards the development of an MBS in Co-operative and Social Enterprise. At the year-end, €329,513 was in the fund. This fund is also financed by the ILCU General Fund. The numbers of people who have either successfully completed or are currently studying the Degree and Masters programmes are as follows:

714 candidates have completed the Diploma in Credit Union Studies, with 75 currently undertaking this diploma. 97 graduates of BSc in Mutual and Credit Union Business to date (2003-2006 inclusive), with 52 people currently undertaking the BSc. 4 graduates of the MBS in Co-operative and Social Enterprise to date, with 25 currently undertaking the MBS.

ECCU Assurance Company Limited (ECCU)

This wholly owned subsidiary company of the ILCU was established in 1980 to provide Life Savings and Loan Protection Assurance to credit unions. Death benefit insurance was added as an optional extra in 1995.

The capital requirement of the company is determined by insurance regulations. ECCU must have substantial capital in order to maintain a high solvency margin. Last year, the ILCU paid €2.25m into ECCU's capital bringing the total paid up share capital to €28,042,870. A call for €3.1m is payable in December 2007.

Voluntary Health Insurance (VHI) Scheme

The ILCU operates a group scheme for employees and retired employees of affiliated credit unions in the Republic of Ireland. The renewal date is 1st March but new members can join at any time.

Central Investment Management (CIM)

▶ Credit union funds invested under CIM

During 2006, the funds in CIM increased by 8% to €2.5 billion. A number of new investment products were designed to provide suitable investment options for credit unions.

The Central Treasury Trust was successfully launched on 18th May 2006. On that date, the on-going fund balances of 289 credit unions were converted into the CTT. The total value of the balances converted was €534m. A series of further conversions took place during the following months. At the year-end, there were 333 credit unions with funds of €717 million in the CTT.

The CTT has earned a return of 3.19% since it commenced. This compares very favourably with the European Central Bank rate of 3.0% during these months. This is a very strong return given the fact that the CTT is a short-term liquid fund in that credit unions can withdraw their funds on any given day. This instant liquidity is a great advantage over individual term deposit accounts or notice deposit accounts which are not nearly as liquid.

▶ Guidance Note on Investments

The Registrar of Credit Unions issued the guidance note on investments to all credit unions in late October. This guidance note was the result of a review process which the Registrar had commenced in the summer of 2005. During these past 14 months, the ILCU has had a series of meetings with the Registrar of Credit Unions, the Department of Finance and with the Credit Union Advisory Committee on the matter of credit union investments. The ILCU held a series of regional consultation meetings at the start of the process to get the views of credit unions on appropriate investments for credit unions, following which a submission was made to the Department of Finance in November 2005.

The guidance note will have significant implications for the investment portfolios of credit unions. It is more prescriptive than the Trustee (Authorised Investments) Order which up until now laid down the rules and guidelines for credit union investments. The Registrar has stated

in the guidance note that he intends to inspect credit unions to check their compliance with the guidance note.

▶ **Treasury Management Consultant & Committee**

During the year, the ILCU appointed a treasury consultant to offer advice to the ILCU Board and to the Treasury Management Committee. This committee was appointed in November and is made up of six representatives from the movement and three representatives from the ILCU. It is expected that the work of this committee will include the new guidance note, selection and monitoring of investment advisors, scrutiny of investment products, counterparty management and investment returns expectations, and to lead the move to a central treasury management structure. This committee will begin its work early in 2007.

Legal & Secretariat

The legislative and regulatory environment within which credit unions operate in the Republic of Ireland and Northern Ireland has changed significantly in the last number of years. The Legal & Secretariat Department has assisted credit unions through this period of change and development by the issuance of generic guidance notes and guidelines and by the provision of specific advice in respect of particular queries from individual credit unions. The personnel in the Department are well placed to provide guidance, support and assistance to credit unions into the future in respect of:

- ▶ the interpretation of legislation that impacts upon credit unions in both Northern Ireland and the Republic of Ireland;
- ▶ the interpretation of Standard Rules for credit unions; and
- ▶ general legal queries that arise in respect of the day-to-day running of credit unions.

The Legal & Secretariat Department has built up a great deal of knowledge and expertise in relation to the current regulatory environment within which credit unions operate and is ideally placed to interact with the relevant authorities in relation to consultations that may impact on credit union operation into the future.

In addition to routine operational issues, the Legal & Secretariat Department has been involved in, and responsible for, many significant projects and initiatives during 2006:

Legislative Review in the Republic of Ireland

Following on from the legislative review conducted in 2005 and the submission made to the Minister for Finance in September 2005 seeking short-term amendments to the Credit Union Act 1997, the ILCU met with the spokespersons on Finance from the opposition political parties, as well as independent TDs, to seek their support. The ILCU also met the Minister for Finance in respect of these issues.

In June, the ILCU mobilised its constituency co-ordinator network to lobby TDs and other politicians in their local areas. This was a highly successful campaign with all TDs in the country being met over one weekend by credit union officials who set out what was required in relation to legislative change, particularly in respect of Section 35 of the Credit Union Act.

Following this campaign, the Minister for Finance, after consultation with the Credit Union Advisory Committee, agreed to establish a working group to include representatives of the ILCU to review the restrictions on lending contained in Section 35. This working group reported to the Minister in December.

In August, the Minister, through a statutory instrument, increased the limits in relation to the amount of money that an individual member may hold on deposit and may hold by way of shares. This was one of the key short-term amendments sought by the ILCU. Also, the amount that may be paid out under a validly completed nomination and under the provision for small payments on death increased to €23,000 and €15,000 respectively.

Northern Ireland

Legislative Review

Further to a meeting with Angela Smith MP, (Minister for Enterprise, Trade and Investment) in December 2005, 2006 began with the ILCU and the Department of Enterprise, Trade and Investment (Northern Ireland) [*DETI (NI)*] exchanging views and information on various issues. These included FSA-regulated activities and the barrier to the participation of member credit unions in the Child Trust Fund Scheme (*CTFS*), with a view to the Minister sending letters to Treasury and Inland Revenue requesting meetings to discuss the best way forward for credit unions in Northern Ireland.

It was clear at the time that, in the absence of any material change in the ILCU's case for inclusion in the CTFS, the original objections of officials at HM Revenue & Customs (*HMRC*) to the participation of credit unions in Northern Ireland in the scheme - that levels of savings protection on a par with those available under the Financial Services Compensation Scheme did not exist - would stand. If progressive discussions on the issue were to take place, a sound business case for inclusion would be required, with fresh evidence to persuade HMRC that it should reconsider its earlier refusal. Following considerable discussion of the issue at the ILCU, it was agreed that, in the absence of such fresh evidence or change in the ILCU's Savings Protection Scheme, it would not be wise to pursue the matter further at that time.

DETI Minister's letter to HM Treasury

By March 2006, the letter which had been sent by Angela Smith MP on behalf of the ILCU to Ivan Lewis (Economic Secretary to HM Treasury) had gone through his Private Office and been passed to the Board of Directors of the FSA for consideration.

The letter concerned the extent to which credit unions in Northern Ireland may be permitted to offer services to members which currently fall within the FSA's remit (i.e. deposits, insurance and mortgages) while remaining under the regulation of the Department of Enterprise, Trade and Investment in Belfast.

Meeting with HM Treasury Officials

A meeting was held on September 6th 2006 in Mark Durkan's Derry office, facilitated by Mr. Durkan and attended by Rt. Hon John McFall (Chairman, Treasury Select Committee) (*TSC*) and a ILCU delegation. The TSC has overall responsibility for policy, expenditure and administration at HM Treasury.

The meeting discussed the work of member credit unions in Northern Ireland in the area of financial inclusion. The ILCU delegation, assisted by Mr. Durkan, impressed upon Mr. McFall the significant contribution already being made by credit unions and the potential for even greater involvement where a number of legislative/regulatory/taxation issues can be addressed by Treasury.

It was felt by all involved that the discussion with Mr. McFall was highly worthwhile and parties were hopeful that some progress in respect of the framework within which credit unions in Northern Ireland operate will result from the meeting. Specifically, the ILCU requested (both orally and in writing) that Mr. McFall and the TSC consider the following:

1. The existing legislative blockade/regulatory stalemate (particularly with regard to insurance and deposit accounts), including any thoughts on the likely treatment of both an application to vary an existing Part IV permission and an application for an Exemption Order under FSMA 2000.
2. The deletion of Article 24 of the Credit Unions (Northern Ireland) Order, 1985 (as amended) concerning a prohibition on carrying on the business of banking as outdated and inappropriate in the legislation of any financial services provider in today's market.
3. An amendment to the primary legislation to enable the acceptance of groups/societies into membership of the credit union and a corresponding provision whereby credit unions could invest in micro-finance/community development/community enterprise development initiatives.
4. The MABS model and others as possible templates for similar initiatives in Northern Ireland.
5. The absence of funding for credit unions in Northern Ireland to support financial inclusion-driven initiatives.
6. The anomaly presented by the exclusion of credit unions in Northern Ireland from the Child Trust Fund Scheme (and any such future initiatives) on the grounds that the ILCU's Savings Protection Scheme, in which affiliated credit unions participate, does not offer the same level of protection as the FSCS when membership of the FSCS is not open to those credit unions.
7. Whether the issue of corporation tax can be explored with a view to utilising the funds involved in a more beneficial manner from the perspective of financial inclusion.
8. With regard to income tax, whether an exemption could be provided or a tax efficient product introduced.

Treasury Select Committee – Twelfth Report

In November 2006, the TSC prepared its Twelfth Report which focused, in part, on the significant role of credit unions in Northern Ireland in the area of financial inclusion and the problems being encountered. The following is the recommendation of the TSC subsequent to ILCU meeting with Rt Hon John McFall:

“Credit unions in Northern Ireland are well-developed and play an important role in promoting financial inclusion and access to affordable credit. The regulatory environment is currently preventing credit unions in Northern Ireland from expanding into areas such as insurance, mortgages and the provision of Child Trust Funds. We recommend that the Government takes action to ensure that the regulatory regime supports the expansion of credit unions in Northern Ireland. We also note that credit unions in Northern Ireland have been unable to apply for Government support through the Growth Fund for third sector lenders. We recommend that the Government and the Northern Ireland Executive give consideration to the most appropriate ways to provide additional Government funding and support to credit unions in Northern Ireland.”

New Statutory Rules for Northern Ireland Credit Unions

Following consultation and discussion between DETI (NI), the ILCU and member credit unions, the following new statutory maximums for credit unions in Northern Ireland have been in effect since April 1st 2006:

Membership

The membership maximum has increased from 5,000 to 10,000.

Adult Shareholding

The maximum which a member can hold in shares has increased:

From

- ▶ the greater of £10,000 or 1.5% of the credit union's total shareholding;

To

- ▶ the greater of £15,000 or 1.5% of the credit union's total shareholding.

Loan Amounts

The maximum loan amount has increased from £10,000 in excess of a member's shareholding to £15,000 in excess of a member's shareholding.

Unsecured Loan Repayment Period

The maximum period for the repayment of an unsecured loan has increased from 4 years to 5 years.

Deposits from persons too young to be members

The maximum which a credit union can hold on deposit for a person too young to be a member (i.e. someone under the age of 16) has increased from £1,000 to £10,000.

Northern Ireland Bankers' Association

2006 also saw communication between the ILCU and the Northern Ireland Bankers' Association regarding practices relating to the crossing of cheques. Discussions with the Association resulted in the circulation of an ILCU Guidance Note in April 2006 on the issue.

New Credit Union Products and Services for Northern Ireland

In a letter dated June 21st 2006 and following various pilot schemes undertaken to ascertain the suitability or otherwise of various products, the ILCU formally requested the Registrar's approval for the provision of new services by credit unions to their members in Northern Ireland. A reply in July 2006 (further to a meeting held late June to discuss the matter) confirmed that the following products and services have now been approved to the extent stated:

1. **Flexi-Loan Account** – all affiliated credit unions are authorised to offer the product.
2. **Social Security Benefit Payments** – the Registrar considers the Department for

Social Development and the Social Security Agency as being at the forefront when it comes to giving general approval to the acceptability of the credit union movement as a participant in the direct payments initiative. However, the Registrar wishes to be notified of any individual credit union's intention to provide social security benefit payments to members which will then be considered for approval.

Each credit union involved in the pilot scheme of the benefit payment scheme (namely Newry, Pennyburn, Waterside and Claudy) has been authorised by the Registrar to offer the service for all social security benefits (only Income Support, Incapacity Benefit and Disability Living Allowance had been piloted).

3. **Receipt of Electronic Funds from The Co-operative Bank via PayPoint Agents/Post Offices using Credit Union-issued ID Cards**
4. **PayPoint Bill Payment Service**
5. **Electronic Funds Transfer:** some member credit unions currently process the following transaction types electronically:
 - (i) originating direct debit transactions
 - (ii) processing bill payments
 - (iii) receiving social security benefit payments and accepting members' wages/salary lodgements.

Note: Each of the member services at 3 – 5 above are welcomed by the Registrar who encourages credit unions in Northern Ireland to make these services available to members.

Competition Authority case

In November, the ILCU's appeal of the High Court judgment in the case brought by the Competition Authority against the ILCU was heard by the Supreme Court over three days. A judgment is not expected from the Supreme Court until the first quarter of 2007.

SPS Working Group

The SPS Working Group has been engaged in discussions with the Department of Finance and the Registrar of Credit Unions regarding a re-structuring of the ILCU's Savings Protection Scheme. In February, the ILCU sent an Outline Proposal for a restructuring of the SPS to the Department of Finance. This Outline Proposal was discussed at both the Chapter Officers' Forum and the Consultative General Meeting.

The Department of Finance requested the ILCU and the Registrar of Credit Unions to engage in dialogue in respect of the ILCU's Outline Proposal. The SPS Working Group has met with the Registrar on a number of occasions and will continue to engage with the Registrar during 2007 with a view to exploring all options that are available and achieving a re-structuring of the ILCU's SPS.

EU matters

The ILCU met on three occasions with its EU partners (the Polish, British and Romanian credit union movements and the World Council of Credit Unions) during 2006 to discuss matters of mutual interest, including legislative developments at a European Union level. Two of these meetings were co-ordinated by our Brussels based consultants, Policy Action Limited, and included meetings with Members of the European Parliament and European Commission officials.

The ILCU views these meetings as very worthwhile, not only because it is an opportunity to share information and developments from national jurisdictions but because it also provides a unique opportunity to meet with key policy makers and educate them on credit unions.

The ILCU is currently following two key pieces of proposed legislation:

- ▶ Credit for Consumers Directive; and
- ▶ Payment Services Directive.

It is vital, considering that approximately 75% of all legislation impacting on the financial sector originates at an EU level, to be in a position to influence at the earliest stages of legislative development. This is essential to ensure that the credit union ethos and ideals are given due consideration when legislative initiatives are being considered.

Legislation Committee

The Legislation Committee met on six occasions in 2006. A range of issues were discussed, progressed and finalised by the Committee including: amendments to ILCU Rules, EU matters and policy, legislative reviews and amendments to legislation in Northern Ireland and the Republic of Ireland, unilateral amendments to credit unions' registered rules, minimum reserve requirements, money laundering and the revision of the credit agreement.

The Legislation Committee and representatives of the Legislation Committee also met with the Credit Union Advisory Committee, the Minister for Finance, officials from the Department of Finance, the Registrars of Credit Unions in Northern Ireland and the Republic of Ireland and various other politicians to further credit union matters at local, national and European level.

Revised Credit Agreement

The ILCU engaged in widespread consultation with the credit union movement regarding a review of the credit agreement and a revision of its structure and contents. A revised version was finalised and the ILCU has obtained approval for same from the Registrar of Credit Unions. It was circulated to credit unions in January 2007, to be implemented at a time that suits a credit union's business requirements.

Minimum Reserve Requirements

The ILCU was informed by the Irish Central Bank that the European Central Bank ruled that euro zone credit unions were subject to the requirement to hold minimum reserves and that,

as such, credit unions in the Republic of Ireland would be required to hold 2% of their shares/deposits on account with the Central Bank. The ILCU met with the European Central Bank in Frankfurt in respect of this matter and has had, and will continue to have, on-going dialogue with the Central Bank. It is believed that the first report will be due in October 2008 with the first deposit of funds required in January 2009.

The Legal & Secretariat Department has also been involved in other significant ILCU projects during 2006:

- ▶ Election Review Committee;
- ▶ Repayment Protection Insurance;
- ▶ Strategic Plan Development;
- ▶ Consultative General Meeting 2006 and preparation for Biennial Delegate Meeting 2007;
and
- ▶ Guidelines for Minimum Competency Requirements.

The Legal & Secretariat Department also provides advice, assistance and support to the Northern Ireland Committee, the Standing Orders Committee and the Nominating Committee.

HR Function

The HR Function within the ILCU continues to provide a comprehensive HR service to the ILCU and a general advisory service to its affiliated credit unions.

- ▶ The role of the HR Department is to:
- ▶ advise credit unions and the ILCU as to the correct procedure to follow in respect of managing HR/IR issues;
- ▶ provide HR tools – to ensure compliance with current legislation;
- ▶ develop policies and procedures to comply with legislation;
- ▶ develop policies and procedures to deal with HR/IR issues; and
- ▶ provide mediation/conciliation service where policies and procedures fail.

The Department consists of a HR Adviser, who deals with the more strategic elements of HR, in addition to providing advice and support to credit unions and managing the HR function in the ILCU Office; and a HR Executive whose main purpose is to provide HR advice, support and assistance to credit unions on an on-going basis. The HR Department also assists with training and is involved in carrying out HR presentations at both Chapter and credit union meetings.

The volume of complex HR issues throughout the credit union movement continues to

increase; the Department dealt with over 700 separate issues from credit unions in 2006. The continued need for the HR function to be more proactive, as opposed to continually “fire fighting”, continues to drive the need for increased training of credit union officers and personnel and ultimately the need to continue to provide advice and support in a timely manner.

A number of training sessions were carried out on a regional basis throughout the year, and these included:

- ▶ Managing and Controlling Absenteeism;
- ▶ Discrimination in the Workplace;
- ▶ Regional HR Workshop – concentrating on Employment Legislation;
- ▶ HR Workshop – Employment Law – the Employer’s obligations; and
- ▶ Workshop dealing with the Prevention of Bullying and Harassment.

Also, an additional number of new HR policies and checklists have been developed to assist credit unions in the effective management of all HR issues and the information has been posted on the ILCU website to enable credit unions to download policies, procedures and HR documents.

As stated, the number of routine queries/requests for advice from credit unions is increasing and these issues include: contracts of employment; right and entitlement of part-time employees; disciplinary action; grievances; HR policies – including a review of documents for credit unions; various types of leave; performance management; recruitment and selection; sick leave and absence management; and trade union issues.

In addition to these routine queries, there are also a number of complex issues involving employee relations in several credit unions which require the on-going support of the HR Department.

Insurance Services

Development

The Government is anxious to increase the level of individual pension coverage and introduced PRSAs in 2003 as a mechanism through which this could be achieved. From a public policy viewpoint, a number of Government Departments have expressed their desire that PRSAs would be made available through credit unions, because of the large national membership and demographic composition.

With the maturation of SSIA's earlier this year, the Government announced a targeted incentive to cater for individuals earning less than €50,000 per annum, who are more likely to have inadequate pension arrangements. This new initiative, whereby people who transfer some or all of their SSIA lump sum into their pension/PRSA, will be allowed a bonus of €1 for every €3 they contribute. The Government's maximum payout to any individual will be €2,500, which means people who qualify for the scheme will be able to switch up to €7,500 from their SSIA lump sum and receive a top-up. It is anticipated that this incentive is likely to increase the number of people who will actively investigate effecting PRSAs.

Surveys conducted by credit unions into their members' intentions following the maturation of their SSIA's indicated that 27% of those members would be interested in using some of the proceeds to invest in a PRSA. A number of credit unions have expressed an interest in making a suitable product available to their members. In February last, the Insurance Committee agreed that investigations should commence into the feasibility of establishing a suitable scheme for credit union members.

Consequently, research was carried out into the products available in the market, structures through which a scheme could be introduced into credit unions and consequent legal issues. An appropriate provider has now been identified. Meetings were held with relevant Government Departments and the Financial Regulator and at year-end, a solution to enable credit unions to offer PRSA products to their members. In closing we are confident that a competitive product can be launched early in 2007.

In Northern Ireland, Individual Voluntary Arrangements (IVAs) continue to remain a matter of concern with credit unions and indeed were the subject of a lively debate at the Insurance Forum and two seminars held in Cookstown in November. Insurance implications are being considered by the ECCU Board whose advices will follow when the research has been completed.

Loan Protection/Life Savings (LP/LS) Insurance & Death Benefit Insurance (DBI)

LP/LS and DBI are provided by ECCU Assurance Company, the movement's own insurer. Built into ECCU's operations are the principles of mutuality and co-operation. Competitors are in business to make a profit whereas ECCU is in business solely to provide credit unions with a service.

▶ LP/LS Pricing Review

The ECCU pricing review implemented with effect from 1st January 2006 has received very positive feedback from credit unions. The premiums are extremely competitive, particularly bearing in mind that the rating structure continues to maintain an element of community

rating. This ensures that no credit union is refused cover or left paying unaffordable premiums. Credit unions should be mindful of the fact that the new rating structure will mean substantially reduced claims experience refunds for this year and future years.

▶ **DBI**

Extended premium bands were introduced to the DBI scheme, also effective on 1st January. The new structure enabled all participating credit unions to remain in the scheme and the premium rates for those credit unions with high participation levels were reduced. The new rates broadly reflect the claims experience across the bands and also provide an incentive for credit unions to insure more members in this greatly valued scheme.

▶ **LP/LS Workshops for Credit Union Staff & Volunteers**

In September, LP/LS training was carried out in 24 workshops over 12 locations. 421 credit union staff and volunteers representing 148 credit unions attended the workshops. The following topics were covered:

- ▶ ECCU Background
- ▶ Loan Protection Insurance
- ▶ Life Savings Insurance
- ▶ Death Benefit Insurance
- ▶ Handling Claims

Feedback was very positive and it is planned to organise similar sessions during the coming year.

▶ **New Faces in ECCU**

ECCU's first employee, Noel Beecher commenced employment with ECCU in April of this year. Noel is ECCU's Finance & Compliance Advisor. There were also a number of changes to the Board of ECCU during the year with the retirement of Seamus Flanagan, Lauri Healy and Seamus O'Shea after many years of dedicated service on the Board. The League extends every good wish to them on their retirement. The replacement directors are Harry Allen, John Deegan and Norman Dodds. The League extends a warm welcome to all the new ECCU personnel.

ECCU User Group

The ECCU User Group was formed in 2004. The Group's main function is to act as the liaison between the ECCU Board and credit unions and to strengthen communication. The Group met three times during the course of the year and had one additional meeting with the ECCU Board. Included in the items discussed with ECCU were suggested product enhancements. The Group members also attended many chapter meetings throughout the year.

The term of office for the original User Group members expires at the end of 2006 and nominations have been sought from credit unions for the next term of office commencing in 2007. Details of the new Group members will be issued to the movement early next year.

Star Plan

During the year, we were pleased to enter into a new three-year arrangement with Quinn-direct for the property, money and liability sections of the Star Plan scheme. Quinn-direct has

strengthened the ancillary services available under the scheme to include property and liability surveys at no additional charge. Irish Life continues to underwrite the popular Serious Illness and Group Term Life schemes on behalf of credit unions.

► Risk Management

In December, a series of four seminars was arranged in association with the Garda National Crime Prevention Office (GNCPO) covering the topical subject of Tiger Kidnaps. These seminars were very well attended and the feedback has been very positive. The League would like to extend its sincere thanks to Sergeant Edward Daly of the GNCPO for his assistance and presentation of the seminars. A similar session will be held in Northern Ireland in early 2007.

Garda Crime Prevention Officers (CPOs) are available to credit unions interested in reviewing their own security arrangements. Local CPOs encourage credit unions to make contact with them so that such reviews can be carried out.

Serima1 (formerly Raid Awareness) also provide an in-depth security audit inspection. This cost of this service is borne by credit unions and further details can be obtained from the Insurance Services Department.

Group Pension, Life Assurance & Disability Schemes

► Republic of Ireland Scheme

A series of roadshows was held during 2006 following the ILCU Board's consideration of the recommendations of the Pension Review Committee. The funding proposal submitted to the Pensions Board has been approved and the scheme is currently being funded on this basis.

A member trustee election was held in November to appoint two member trustees for a six-year term. The elected individuals will take up their positions in January 2007.

► Northern Ireland Scheme

Changes in accordance with the Pensions Act, 2004 were made to the scheme and information was distributed to scheme members during the year.

A member trustee election is due to be held next year.

Personal Retirement Savings Accounts (PRSAs)

Credit unions in the Republic of Ireland are obliged to provide access to a PRSA for staff members where an alternative pension scheme is not already on offer. An arrangement is in place through the Insurance Services Department to facilitate this requirement.

Regulation of Credit Unions as Insurance Intermediaries

During the year, there were two significant developments from an insurance intermediary regulation standpoint in the Republic of Ireland:

▶ **Minimum Competency Requirements**

The Financial Regulator issued Minimum Competency Requirements ("the Requirements") in July. The Requirements are designed to establish minimum standards across all financial service providers from which consumers seek advice on, or seek to purchase, retail financial products. Credit unions are subject to the Requirements only when providing services for which they require to be authorised by, or registered with, the Financial Regulator under legislation other than the Credit Union Act 1997. This means that only credit unions that act as insurance or mortgage intermediaries will be subject to the Requirements and only in respect of such services. The Requirements come into force on 1st January 2007. Credit unions will be required to ensure that individuals who provide advice on or sell retail financial products or who undertake certain specified activities on their behalf acquire the competencies set out in the Requirements. In addition, individuals will be required to undertake a programme of Continuing Professional Development on an on-going basis.

▶ **Consumer Protection Code**

A new Consumer Protection Code (the Code) was published by the Financial Regulator in July. The Code contains provisions that cover all aspects of a regulated entity's relationship with a consumer. Credit unions are expected to take immediate steps to implement the necessary changes to:

- ▶ Systems
- ▶ Procedures
- ▶ Documents
- ▶ Arrangements for necessary staff training to be carried out

The Code applies to credit unions when providing services for which they require to be authorised by or registered with the Financial Regulator other than the Credit Union Act, 1997.

The ILCU is currently drafting an updated Compliance Manual to incorporate the new requirements for the Code and it is anticipated that this will be circulated to credit unions offering member pay insurance services early in the New Year.

Insurance Project

It was reported last year that the ILCU Board agreed that the Insurance Project should continue but that alternative procurement and ownership options should be considered. A firm of independent consultants was appointed to assist the ILCU in identifying and evaluating potential solutions in the marketplace and the best structure for acquiring them.

In March, a request for Information document was issued to ten companies deemed to be capable of providing systems, software and project management services to deliver the Insurance Project. Responses were received from seven of these companies and a short-list was agreed. Presentations were later made by the short-listed companies.

It has been agreed that all short-listed providers will be requested to participate in a full tender process. The tender process will be undertaken in 2007 and a report of the findings will be issued to credit unions.

Repayment Protection Insurance (RPI)

The RPI service continued to be extended to new credit unions during the year. It continues to be very competitively priced, circa 40% less than the average market price, a fact that has been borne out in various surveys.

▶ RPI Refund Exercise

During the year, all credit unions that had identified outstanding refunds fully reimbursed their members. Credit union system providers have now confirmed that the systems now cater fully for all refund scenarios. Credit unions that offer RPI met on two occasions during the year to discuss the implications of the refund exercise and next steps.

Star Plan Travel

The Star Plan travel products continue to remain popular with credit union members and this is reflected in the increase in premium income during the year. It is intended to carry out a review of the product and pricing in the coming year. Credit unions will be kept advised of developments.

HomeUnion

HomeUnion is a home insurance package providing a comprehensive range of benefits for credit union members. The ILCU intends to review the home insurance product during 2007 in line with the Insurance Project.

AutoUnion

AutoUnion is a quotation service whereby credit union members gain a discount on the normal rates charged by the insurer. AutoUnion is only suitable for credit union members who meet the specific underwriting requirements of the insurer. AutoUnion will also be reviewed as part of the Insurance Project.

Insurance Forum

The theme for this year's Insurance Forum, which was held in Cavan on 7th/8th October 2006, was "Insurance in a Changing Environment". Quinn-direct Insurance kindly sponsored the dinner dance on the Saturday evening. All Chapters were represented and the ECCU Board and User Group members were in attendance. The agenda was wide-ranging and delegates indicated that it was a very useful and informative weekend.

The issues discussed were as follows:

- ▶ Minimum Competency Requirements and New Consumer Protection Code
- ▶ Individual Voluntary Arrangements
- ▶ Open Forum on Employment Practices Liability and Professional Indemnity/Directors, Volunteers & Employees Liability
- ▶ RPI Update
- ▶ ECCU User Group Update
- ▶ Overview of ECCU Formation, Purpose & 2005 Pricing Review
- ▶ Health & Safety in Credit Unions
- ▶ Insurance Project Update
- ▶ PRSAs for Credit Union Members Update
- ▶ LP/LS Feedback from Recent Workshops

Insurance Committee

The Insurance Committee met on nine occasions during the year under the Chairmanship of Kevin Helferty. The issues considered were as follows:

- ▶ ECCU Assurance Company Limited
- ▶ Loan Protection/Life Savings Insurance
- ▶ DBI Review
- ▶ ECCU User Group
- ▶ Insurance Project
- ▶ Raid Awareness
- ▶ Competition
- ▶ Repayment Protection Insurance (RPI)
- ▶ Insurance Intermediary Regulation - Minimum Competency Requirements/New Consumer Protection Code
- ▶ IVAs
- ▶ Insurance Forum
- ▶ Star Plan
- ▶ PRSAs for Credit Union Members
- ▶ Tiger Kidnap Seminars

ECCU Assurance Company Limited

Representatives of the ILCU Board met with the ECCU Board on one occasion during the year. The topics discussed included:

- ▶ New ECCU Directors
- ▶ Role of new ECCU Employee
- ▶ ECCU User Group
- ▶ DBI
- ▶ Future Development
- ▶ Premium Monitoring
- ▶ Competitive Threats
- ▶ Review of Mandatory LP/LS Insurance
- ▶ Review of Cover Limits
- ▶ IVAs
- ▶ Insurance Forum

Regional Support Services

Regional Support Services comprises the Marketing Services Team including Youth Development, the Events Team, the Training & Development Team and the Business Unit Managers. Regional Support Services' objective is to provide a range of value-added services to credit unions which enable and support their development.

Marketing Services

The main objectives of the year were to:

- ▶ develop the ILCU and credit union movement brand identity and brand image among credit unions, their members and prospective members;
- ▶ to update and introduce new communications from the ILCU to credit unions; and
- ▶ to develop a range of toolkits to assist credit unions in youth development.

The highlights of the year follow:

MARKETING Highlights:

▶ Leaflets, Posters and Publications

New materials produced during 2006 included the following:

- ▶ Training Brochures – Spring, Summer, Autumn & Winter
- ▶ Calendars, Christmas Cards, Diaries
- ▶ CU 4 Youth Poster
- ▶ Event Materials
 - Art for Kids
 - Schools Quiz
 - Poster Competition
 - CGM
- ▶ Relevant credit union forms for League Stores
- ▶ "C what the credit union can do 4 U!" – DVD
- ▶ CU Focus(which replaced the Credit Union News)
- ▶ Benefits of Membership of the Irish League of Credit Unions
- ▶ SSIA Material – Posters and leaflets

▶ www.cu4youth.ie

The new website tailored specifically to a younger credit union audience was launched at the start of 2006 in conjunction with the "C what the credit union can do 4 U!" DVD. This website features information on credit union youth initiatives as well as general information on the credit union movement. There is a section for the younger audience to enter a competition to win an iPod or a PSP. Another section which has proved to be very popular provides credit unions with the opportunity to share with each other successful youth-related projects that they have carried out/implemented. The aim of creating this section is to share best practice throughout the movement.

▶ Promotional Merchandise

The ILCU offers a full range of quality, cost effective and efficient promotional merchandise to credit unions which are supplied by Classic Marketing. Flyers with promotional merchandise are sent to credit unions on a regular basis at different times of the year e.g. Back to School, International Credit Union Day, Christmas etc. A new promotional merchandise catalogue was sent to all credit unions during the year.

▶ **Chapter Officers 2006**

The Chapter Officers meeting took place in February in the Corrib Great Southern, Galway. Post-support material from the meeting was sent to all credit unions including a CD of all presentations.

▶ **Consultative General Meeting (CGM) 2006**

The Consultative General Meeting (CGM) took place in City West Hotel, Co. Dublin, in April 2006. Post-promotional support materials were sent to all credit unions including a CD which contained all the presentations and relevant papers presented at CGM.

COMMUNICATIONS - General Publications:

▶ **'Credit Unions News'**

The 'Credit Union News' magazine was produced twice in 2006 and contained general information relevant to credit unions, including reports from credit union events around the country. This magazine is aimed at credit union members and the general public. This publication has now been replaced by the CU Focus.

▶ **'League Newsletter'**

The 'League Newsletter', the ILCU's monthly newsletter, is a publication containing information on ILCU business and policy information. It is aimed at the credit union boards, managers and staff. It is now incorporated within the CU Focus.

▶ **'CU Focus'**

The ILCU launched the new **CU Focus** magazine with the first edition in June 2006. Three editions were produced this year – Summer, Autumn and Winter. This new 40-page magazine is being published on a quarterly basis and replaces its predecessor, the bi-monthly 16-page 'Credit Union News'. The magazine is a means to convey the credit union/ILCU key messages and copies are circulated to credit unions, the media and key stakeholders such as politicians, Regulators and the general public.

The target audience for this publication is both internal and external. Each issue contains important policy updates/reports, letters to the editor, news round-up from credit unions around the country, and best practice examples etc for credit unions. An international section will provide an insight into the experiences of credit unions throughout the world. It also includes the ILCU quarterly bulletin - the Financial Data Review - which is prepared by the ILCU's Research & Development Department.

Credit unions are invited to submit information/photos on credit union/chapter events for inclusion in the News Round-up section of the magazine.

Benefits of Membership of the Irish League of Credit Unions (ILCU)

This leaflet was distributed to all credit unions highlighting the history and benefits of membership of the ILCU. The leaflet also highlighted the current projects that the ILCU are working on for credit unions.

▶ **Public Relations:**

The ILCU had a very pro-active year in the field of PR. Some highlights of the year follow:

International Credit Union Day 2006

Thursday 19th October 2006 was International Credit Union Day (ICU Day).

The theme of ICU Day was 'Credit Unions: Making a World of Difference'. National and local coverage was received and the day was promoted with the help of RTE's Joe Duffy.

Annual Report 2005

The ILCU presented its Annual Report 2005 to An Taoiseach, Bertie Ahern T.D., on 10th April 2006 at St. Raphael's Credit Union, Dublin. A photo-call and national press release was arranged, with all the major papers, TV and radio stations covering the event. The ILCU also launched the Annual Report 2005 on 6th April 2006 in the presence of the Registrar of Companies & Credit Unions, Rosaleen McMullen, in Belfast.

Consultative General Meeting (CGM)

This Consultative General Meeting was successfully covered by both the local and national press and radio stations.

General PR for 2006

This included the covering and handling of numerous media queries regarding the credit union movement, individual credit union stories and the ILCU's view on general financial and social matters.

Topics that were released and reported on include: School Credit Unions, Poster Competition, Social Finance – 'Keep the Wolves from the Door this Christmas', Art for Kids, Schools' Quiz Final, Annual Report launch, Schools' Quiz 2007 launch, CGM, and International Credit Union Day.

Media coverage was achieved both in Northern Ireland and in the Republic of Ireland on an on-going basis throughout 2006.

The League responded to articles and queries from the media both proactively and reactively, especially on foot of the reported issue of delinquency, which contributes to many national and regional papers, national and local radio stations and national television programmes.

OTHER PR HIGHLIGHTS - Events**Credit Union Schools' Quiz 2007**

The ILCU launched the 2007 Schools Quiz on 5th October 2006 with a photo-call with school children from Scoil Bride, Ranelagh, Dublin. Popular RTE star Brian Ormond – known to thousands of younger viewers for his show 'SATTITUDE' and his success in 'Pop Idol' – launched the schools' quiz. Brian will be the quiz master for the final in April 2007.

2006

For the 2006 Schools Quiz held in April this year, invitations to the event, pre-event press releases and post-event press releases were issued to the relevant national and local press as appropriate. These achieved national and local coverage, with good photo coverage also.

The 2006 competition comprised of three levels - Credit Union Level, Chapter Level and

National Level. Approximately 30,000 children took part in the Chapter Level, with all 25 chapters represented. The competition commenced in January and concluded with the final in April. There were 100 teams taking part and the winners at national level were:

Competition A:

For children who have not reached their 11th Birthday on or before 31/12/05

Winners

St. Enda's National School, representing Ennistymon & District Credit Union Limited

Joint Runners Up

Scoil na Croise Naofa, representing Dungarvan Credit Union Limited

Réalt na Mara Girls' National School, representing East Meath Credit Union Limited

Competition B:

For children who have not reached their 13th Birthday on or before 31/12/05

Winners

Rathcormac National School, representing Fermoy Credit Union Limited

Runners Up

St. Brigid's National School, representing Cavan Credit Union Limited

The teams were all well supported by their families, teachers and credit union representatives. Francis Boylan Junior was a great success as the quizmaster, with Lorcan Murray on hand to entertain the children before the quiz commenced and during the breaks. Credit union volunteers and ILCU staff were present to ensure everything ran smoothly, and Mick Shanley was, as always the most competent adjudicator.

Credit Union Poster Competition 2006

With over 30,000 entry forms distributed, the 23rd annual Poster Competition run by the ILCU was one of the biggest art projects in 2006 on the island of Ireland. The 2006 competition was launched with a media call and with the help of one of the world's most popular TV artists, Irishman Frank Clarke. The competition asked entrants to work with the theme 'Credit Unions: Making a World of Difference'.

The theme gave the participants plenty of scope, and the result was a fine collection of posters showing great imagination and talent.

After much deliberation, the adjudicating team made their choices and the winners were presented with their prizes at an award ceremony in Dublin in early 2007. All the posters that reached the national level will be exhibited at the Biennial Delegate Meeting in Belfast in April 2007 and can be sent as free personalised eCards on www.cu4youth.ie.

Credit Union Art for Kids

The ILCU has always encouraged, as an integral part of the community, self-expression, creativity and imagination among artists all over Ireland.

In 2006, the ILCU, in partnership with Frank Clarke, ran 'Credit Union - Art for Kids'

workshops to help budding young artists set out on the road of artistry!

Children from the ages of 7–13 were invited to attend a two-hour introductory art workshop with Frank Clarke. Each child was given a Credit Union Art for Kids/Frank Clarke art pack consisting of 4 water colour paints, 2 paint brushes, instruction-video and art paper.

The event received widespread national and local coverage in both newspapers and radio.

National Advertising Campaign

It was a disappointment to many in the movement that the planned and researched National Advertising Campaign was unable to take place due to a lack of commitment in respect of the funding required from credit unions. The League Board intends to bring a further proposal in respect of such a campaign to BDM in 2007.

Youth Development

National Youth Committee

The National Youth Committee (NYC) was established in January 2004 with the aim of assisting and developing the ILCU further in its mission towards youth development and involvement within the credit union movement.

The NYC for the years 2006 & 2007 (term of office 1st January 2006 – 31st December 2007) is made up of the following members:

- ▶ John Long, ILCU Board Director, Chairperson
- ▶ Deirdre O'Brien, ILCU Youth Development Officer
- ▶ Anne-Marie Coffey, Enfield Credit Union Limited
- ▶ Catherine Coffey, Killarney Credit Union Limited
- ▶ Martin Cumiskey, Crossmaglen Credit Union Limited
- ▶ Julie Ferguson, Ballymena Credit Union Limited
- ▶ Noreen Greene, Rowlagh Credit Union Limited
- ▶ Declan Wall, St. Canice's Credit Union Limited

Four meetings took place in February, July, September and November 2006.

NYC achievements in 2006:

- ▶ Launch of "C what the credit union can do 4 U!" DVD & www.cu4youth.ie
- ▶ Survey Toolkit
- ▶ C U 4 Youth Powerpoint Presentation
- ▶ Revised roles of youth officers
- ▶ Attendance at Chapter Youth Officers, CGM, Chapter Youth Officer meetings and at WOCCU.

WOCCU's Young Credit Union People Programme (WYCUP) 2006 – Dublin, Ireland

Each year, WOCCU organises the WYCUP Scholarship which is an annual programme that encourages credit unions and credit union organisations to nominate and sponsor their next generation of credit union leaders to attend WOCCU's World Credit Union Conference. Each year, the WYCUP Committee selects five WYCUP Scholarship winners. The scholarship recipients are sponsored by WOCCU to attend the World Credit Union Conference the following year.

Since 2002, the Irish League of Credit Unions (ILCU) has run a competition to sponsor two people to attend WOCCU's Young Credit Union People Scholarship Programme (WYCUP). As the 2006 conference was held in Dublin, Ireland, the ILCU decided to sponsor 6 people to attend WYCUP. Three of the participants sponsored were via the annual competition that the ILCU runs and the other three were members of the National Youth Committee (NYC). Participants were as follows:

Sharon Cotter, Clonard Credit Union

Pauline Kelly, Clonard Credit Union

Yvonne McHugh, Mullingar Credit Union

Martin Cumiskey, Crossmaglen Credit Union & National Youth Committee

Julie Ferguson, Ballymena Credit Union & National Youth Committee

Anne-Marie Coffey, Enfield Credit Union & National Youth Committee

Prior to the conference, the participants' expectations were to network, share information with other credit union volunteers and personnel, learn new ideas to implement into their own credit unions and to make contacts.

All participants found the experience very worthwhile and would recommend that others attend this conference in the future. The conference lived up to their expectations.

A highlight of this year's conference was that one of the WYCUP winners was from Ireland - Anne-Marie Coffey, Enfield Credit Union and member of the National Youth Committee.

'I would strongly advise others to attend this type of conference. It's an event where you not only learn at the conference but you will also learn after the conference having met new people and made new contacts'. (WYCUP participant 2006)

'The organisation of this event was completed to the highest standards from top keynote speakers to accommodation and food'. (WYCUP participant 2006)

Marketing Services Executive NI

The ILCU has appointed Marianne MacCorquodale as Marketing Services Executive for NI. Her primary role will be promoting the credit union brand and increasing the awareness of the benefits of credit union membership amongst the public. She will act as a support to enable Chapters to promote the Credit Union brand at regional level.

Training & Development

2006 saw the launch of new training workshops to meet the emerging needs of the credit union movement. During the year, in excess of 5,000 credit union volunteers and staff participated in the training programmes arranged by the ILCU. *Influencing and Leadership Skills for Managers and Chairpersons*, *Compliance Workshop*, and *Essential Management Skills* were all launched to an extremely successful response, and there was an extensive series of workshops held nationally on *SSIA Operations and LP/LS*. There was delivery of a broad range of existing courses throughout the regions, of which Lending and Credit Control remain in significant demand.

In the area of Governance and Compliance, there were updates to the *Data Protection*, *Money Laundering*, *Introduction to Investments*, *PEARLS for Decision Making*, and the *Roles and Responsibilities of Directors and Supervisors* workshops. The Regulator issued the Minimum Competency Requirements document in July and the ILCU has responded by providing credit union-specific training in *Qualified Financial Advisor (QFA)*.

Finally, the team continued to support credit unions by distributing a record of the training undertaken by credit union personnel throughout the year, thus enabling credit union training officers to further promote training within their credit unions.

The year's activities can be reflected as follows:

New Courses

▶ Influencing and Leadership Skills for Managers and Chairpersons Workshop

Having run a well-received pilot course in collaboration with CUMA, the *Influencing and Leadership for Managers* workshop was delivered throughout the regions thereafter. Positive feedback from participants led to a further course being run specifically for Assistant Managers, and separate *Influencing Skills for Chairpersons and Leadership Skills for Chairpersons* workshops were developed to much acclaim.

▶ Compliance Workshop for Credit Unions

This workshop was developed in response to the increasing demand for training that would assist credit unions in meeting their regulatory requirements. Available initially on an in-house or cluster basis, it was then updated and extended to be available on an open-enrolment basis.

▶ Essential Management Skills Workshop

The evolving role of the manager in credit unions requires a person with multi-disciplinary skills. This residential workshop was developed to introduce people in a management role to the core competencies of an effective manager, and will be available on an annual basis.

Other Open Enrolment Courses

A full schedule of *open-enrolment* training courses including the new workshops mentioned above was delivered in both Spring and Autumn, and many extra courses were scheduled to meet the ever-increasing demand.

Computer-based Training

▶ Safety Statement Manager (ROI)

There was an on-going demand for this highly interactive CD, which assists credit unions greatly in meeting the requirements of the Safety, Health and Welfare at Work Act 2005.

In-House, Cluster & Chapter-wide Training

These training options offer credit unions maximum flexibility and ease of attendance, cutting down on travel and 'out of office' time. It is also more cost effective, with a lower cost per participant, and minimal travel and accommodation costs, causing less disruption to the busy lives of credit union personnel. The cluster and chapter-wide options further promote local co-operation and shared learning.

Business Unit Managers

The Business Unit Managers' role is to act in a relationship and support capacity for credit unions in their dealings with the ILCU, providing guidance and assistance, especially with non-routine queries and issues. They also seek to identify and disseminate best practice and ideas that credit unions around the country are successfully using.

In 2006, they visited over 250 credit unions, provided in-house and regional training courses on a variety of topics and made presentations to most of the Chapters, as well as being involved in projects within the League Office and in providing mentoring and guidance to credit unions.

In the coming year, their main focus will be on Lending and Credit Control, the use of Deposit Accounts in Asset/Liability Management and credit union rationalisations. In Northern Ireland, in addition to the foregoing, the focus will also be on the roll-out of benefit payment systems and Paypoint.

The Business Unit Managers' role is a unique supportive one, and is highly valued in the ILCU and credit unions, due to the depth of knowledge and experience available in the team.

Social Finance

An Information Awareness Raising Campaign regarding the benefits of Credit Unions versus Money Lenders '**Keep the Wolves from the Door this Christmas**' was launched.

Introduction/Background

A report issued by OPEN in 2005 on lone parents and debt called '**Do the Poor Pay More?**' revealed some startling information on lone parents in relation to debt and poverty. The survey found that 42% of lone parent households were at risk of poverty; 77% of these households also reported deprivation, with 31% indicating that many of these households 'experienced debt problems arising from ordinary living expenses'. These findings clearly indicate that debt is a live issue for lone parents. This is supported by the Money Advice and Budgeting Service (MABS), which notes that out of the 70% of their clients who were in receipt of social welfare, 31% were lone parents.

The research made a number of recommendations to key Government Departments, the Irish Financial Services Regulatory Authority (IFSRA), the Irish Bankers' Federation (IBF) and the ILCU.

At a presentation made in the Combat Poverty Agency by the Centre for Co-operative Studies, UCC – '**Credit Unions versus Moneylenders**', it highlighted startling information and statistics. From these findings, the ILCU decided to carry out a pilot project.

Proposed Project Concept

- ▶ Information awareness raising exercise regarding credit unions with a particular emphasis on the value of savings and loans.

Produce user-friendly leaflets/literature with the involvement of the local credit unions and other relevant organisations in the communities.

Dissemination methods – leaflet drop door-to-door, posting, information meetings in credit unions, etc., displaying material in relevant organisations e.g. MABS, Citizen Information Centres, Post Offices, health centres, etc.

Assess the success of the information Awareness Raising exercise. This could be undertaken by calling door-to-door and during welfare collection days at post offices.

'Keep the Wolves from the Door this Christmas'

- ▶ The ILCU developed a toolkit for participating credit unions. The toolkit consisted of a guide, two press releases and poster/advert based on the information leaflet produced by Tralee Credit Union Ltd for their Anti-Moneylender campaign last year.
- ▶ The toolkit was used by the participating credit unions so that they could personalise the leaflet and poster with their details at minimal cost and print.
- ▶ Dissemination methods used by credit unions included – leaflet drop door-to-door, posting, information meetings in credit unions, displaying material in relevant organisations e.g. MABS, Citizen Information Centres, Post Offices, health centres, etc.

Six credit unions took part in this pilot project – Tralee Credit Union, Waterford Credit Union, St. Francis Credit Union, Newry Credit Union, Finglas Credit Union and Boyle Credit Union. Credit unions were encouraged to launch the campaign in November/December 2006.

Feedback from all credit unions was that the campaign was successful.

Overall Benefits of Project:

- ▶ Built relationships with the local community in the bid to combat money lenders
- ▶ Educated people on the benefits of being a member with their local credit union
- ▶ Highlighted the benefits of saving even small amounts on a regular basis
- ▶ Educated the target communities to the dangers of money lenders and to dispel fears of approaching the credit union for help
- ▶ Highlighted the advantages of accessing credit via the local credit union as opposed to money lenders
- ▶ Strengthened the working relationship with the ILCU, OPEN, MABS and other local organisations

The Planning & Development Committee

The Planning & Development Committee met six times throughout 2006, under the chairmanship of Mark Bailey. The following priority areas were the focus of attention by the committee throughout 2006:

- ▶ CGM 2006
- ▶ Chapter review
- ▶ Social finance
- ▶ Art for Kids
- ▶ New Accredited Training Structure

- ▶ National Youth Committee
- ▶ Co-operation/Rationalisation
- ▶ Poster Competition
- ▶ Schools' Quiz
- ▶ WYCUP
- ▶ Youth Best Practice Meeting
- ▶ PR Strategy ROI and NI
- ▶ International Credit Union Day
- ▶ Electronic Communication
- ▶ Strategic Planning template for credit unions.

Information Technology

The major activities in 2006 were focused on:

Communications – greater use of the Internet

Improve remote access to ILCU information and systems, including:

▶ **Virtual Private Network**

Staff in the ILCU office who spend a large amount of their time off ILCU premises can now access ILCU systems from their laptop, via either a broadband link or a 3G data card. This allows these staff to input, update or retrieve information on the ILCU servers and applications to assist them in their daily work.

▶ **Electronic Circulations (Resolution 82, BDM 2005)**

Resolution 82 of BDM 2005 stated that credit unions would switch to electronic circulations. To provide a better interface to credit unions the following functionality was introduced in 2006:

- ▶ An electronic newsletter (commonly referred to as an ezine) was developed and implemented in the second half of 2006.
- ▶ A facility to improve user registration was added to ease the addition of new users from credit unions.
- ▶ Changes were made to the ILCU website to improve search facilities.

To date, around 65% of credit unions are receiving the electronic circulation and efforts will continue in 2007 to bring the remaining credit unions on board.

▶ **Email**

Additional users have been added to the email service of the ILCU, including ECCU directors.

Electronic Payments

Several initiatives took place during the year to bring banking services to credit unions and their members. These services include EFT, ATM and Debit Cards.

▶ **CU Solutions**

CU Solutions must be congratulated on their progress to date. Four credit unions are now using the Bank of Ireland solution and a further five have commenced project roll-out. CU Solutions is looking to invite further credit unions on board for a 2007 roll-out.

▶ **Bill Payment and Social Security Benefit Payments in Northern Ireland**

In early 2006, a scheme was successfully implemented for four credit unions in Northern Ireland to adopt electronic payment services to handle EFT, receipt of Social Security benefit payments, electronic bill payment via the PayPoint network and electronic payment receipt via Paypoint/Post Office Agents. The NI Registrar approved the full implementation, subject to final authorisation from the Social Security Agency for all benefits. Further credit unions will be rolled-out in 2007.

▶ **Credit Union Current Account**

In Britain, ABCUL has been pursuing a current account initiative since 2004. In 2006, it became a reality with the launch in November in two credit unions, namely

Leeds Credit Union and Southwark Credit Union. The service is delivered by the Co-operative Bank which is running the service on behalf of credit unions.

The service provides credit union members with a full range of banking services. With the Credit Union Current Account, credit union members are able to withdraw cash at any ATM machine in the LINK network, use direct debits and standing orders to pay regular household bills, use a VISA debit card to pay for goods in millions of retail outlets worldwide. Credit union members can pay their whole income - wages or benefits - into the credit union and have instant access to it. The ILCU invited credit unions in Northern Ireland to attend a workshop in September 2006 to gain more information on the initiative and to ascertain any interest in implementing the service. There has been interest from a number of credit unions and hopefully an implementation will be forthcoming in early 2007.

▶ **EFT Lite - Access to the Clearing System**

The ILCU has been working with the Irish Payment Services Organisation to deliver an EFT solution for credit unions wanting access to the Irish clearing system. Work is well advanced in finalising the package and selection of the initial pilot credit unions will take place in early 2007.

Insurance

Keeping the Insurance IT infrastructure and application software at current supported level of hardware and software

▶ **Upgrade LP/LS infrastructure**

Various amendments to coverage reports and ratings were made in 2006. In addition, changes were made for ECCU in respect of improved reporting and controls.

▶ **Assist in the review of technology solutions for CUIS**

IT assisted the Insurance Department in assessing various proposals for delivery of member Insurance products in the CUIS project.

▶ **Review options for delivery of Repayment Protection Insurance.**

In 2006, it was decided to go out to tender for delivery of Repayment Protection Insurance. IT was involved in looking at the technology infrastructure being offered by various companies to deliver the service of RPI.

National Technology Committee

▶ **ICT Strategy**

The National Technology Committee (NCT), chaired by Jimmy Johnstone must be commended for its work in 2006, for developing the Information and Communication Technology (ICT) Strategy for credit unions. Thanks are also due to the external project managers, who assisted the Committee. The NTC Strategy document, was finalised in late December and awaits ILCU Board review in early January before publication to credit unions. Following publication, there will be a series of regional meetings in early January to discuss the business strategy and the associated ICT strategy. Technology is key to supporting the credit union movement in the delivery of products, services and delivery channels to credit union members in the future.

IT Infrastructure

▶ Security Audit

In 2006, IT looked at various areas of risk in the delivery of IT services to the business. This included having a security company perform an external audit of the security within the ILCU to highlight any areas of risk. Overall the audit report received was very positive and any shortcomings have been addressed.

▶ Disaster Recovery and Business Continuity Planning

IT also implemented a disaster recovery plan for the replication and recovery of the IT service within the ILCU. The plan, will be tested in early 2007. Work has also commenced on the development of a Business Continuity Plan for ILCU services. This is expected to be implemented in mid 2007.

Supporting Business Projects

IT supported a number of projects aimed at introducing new lending processes and products for credit unions. These included:

▶ Credit Bureau

Experian was selected as the preferred supplier of credit referencing and 'know your customer' solutions for credit unions in Northern Ireland.

Take up of credit referencing is slow, both with Experian in Northern Ireland and with the Irish Credit Bureau in the Republic of Ireland. Further efforts will be made in 2007 to get more credit unions using these services to assist in lending decisions.

▶ Lending project

This project examined all aspects of the lending process in credit unions. From this, a number of smaller projects were identified. This included the definition and development of a revolving credit product – the Flexi-loan.

Deliverables for 2007

▶ Use of the Internet

- ▶ On-line maintenance of credit union details and officers
- ▶ On-line booking for training/events
- ▶ Improvements to electronic newsletters
- ▶ Private area for ILCU directors
- ▶ Removal of paper circulations

▶ National Technology Committee

- ▶ Delivery of the ICT strategy for the credit union movement at BDM 2007
- ▶ Development of ICT Standards
- ▶ Implementation of a project management methodology for delivering projects

▶ IT Infrastructure

- ▶ Business continuity plan implementation

▶ Insurance

- ▶ Upgrade of STARPLAN system
- ▶ CUIS initiative support
- ▶ RPI system implementation

▶ **Payment Systems**

Provide whatever support is needed to assist the following initiatives:

- ▶ CU Solutions and Bank of Ireland project
- ▶ Current Account (NI) – ABCUL/Co-Operative Bank project
- ▶ EFT Lite (Rol) – roll-out solution
- ▶ Pre-paid Debit Card

▶ **Planning and advice**

- ▶ Look at what use can be made of new technology features/developments

▶ **Lending**

- ▶ Implementation of the Flexi-Loan product to effect revolving credit
- ▶ Further roll-out of credit reference solutions for credit unions (ICB for Rol, Experian for NI)

MONITORING

The Savings Protection Scheme

The Savings Protection Scheme was established in 1989 to protect credit union members' savings and to support the credit union movement by making available for participating credit unions financial or other assistance to support any credit union who experienced solvency or other financial difficulties. The Savings Protection Scheme is not a guarantee scheme, but a discretionary scheme for the protection of members' savings and the solvency of credit unions.

While individual credit unions have been assisted over the years it has never been necessary to execute a direct guarantee to individual credit union members. Whenever a credit union has had difficulties it has been assisted and enabled to trade itself out of these difficulties. The Savings Protection Scheme is supported by a process of monitoring, risk assessment and prevention, together with remedial action directed towards credit unions as appropriate. No member of any ILCU affiliated credit union has ever lost any funds in his/her credit union. The Savings Protection Scheme continues to play a vital role in maintaining member confidence in ILCU-affiliated credit unions. In 2006 the Savings Protection Scheme issued a guarantee to one credit union which was experiencing difficulties.

In 2003, the Competition Authority initiated legal proceedings against the ILCU in relation to the Savings Protection Scheme and the case was heard in the High Court in 2004. In the period leading up to the hearing, the ILCU twice requested the Competition Authority to stay the proceedings to allow the ILCU to continue its negotiations with the Registrar of Credit Unions so that a restructuring of the Scheme satisfactory to all parties could be completed.

The Authority's case was that the rules of the Savings Protection Scheme, whereby disaffiliated credit unions lost their right to access to the Savings Protection Scheme, was in breach of Competition Law. The High Court ruled in favour of the Competition Authority. The High Court issued an order which requires the ILCU to provide access to the Savings Protection Scheme to all credit unions in the Republic of Ireland. The ILCU decided in January 2005 to appeal the High Court judgement in the case brought by the Competition Authority. The ILCU Board is of the view, supported by legal and economic advice, that there are inherent inconsistencies in the judgment delivered in the High Court and that certain findings of the Court are not supported by economic or legal principles. It is the view that the uncertainty that flows from the inconsistencies in the findings of the Court may lead to issues for the ILCU in the future.

This appeal was originally due to be heard in the Supreme Court in July 2006, but was postponed. However, the appeal was heard over three days in November 2006 with judgment being reserved. Due to considerable delays in the Supreme Court, a judgment is unlikely until the early part of 2007.

As reported in last year's Annual Report discussions are ongoing between the ILCU, and the Registrar of Credit Unions in relation to a restructuring of the Savings Protection Scheme. These discussions have been taking place throughout the year and will continue in 2007. Any restructured Savings Protection Scheme which may be put in place will reflect the best interests of credit unions, both in the Republic of Ireland and Northern Ireland, following the formal agreement of the members of the ILCU.

Review of Adequacy of the Savings Protection Scheme

In 2005 it was reported that, after a selection process, Eckler Partners Limited, Toronto, Canada were appointed to carry out a review of the adequacy of the Savings Protection Scheme both now and into the future.

Commencing in April 2006, and working with them throughout the summer, discussions were held between the ILCU and Eckler Partners Limited to determine the appropriate fund size for the Savings Protection Scheme. The ILCU provided twelve years of financial information to Eckler relating to the performance of the credit union movement in Ireland during that period in order to enable them perform a comprehensive review. The Eckler Report was accepted and approved by the ILCU Board in September 2006. The following are main points arising from this report:

- ▶ Two Fund Models were provided – the first details an economic scenario which mirrors the recent past and a situation whereby the Fund would be called upon in a manner similar to its current experience. The second provides a view of the future based on two good years followed by future years based on the assumption of a probability of 30% good conditions, 60% average conditions and 20% poor conditions. This would lead to less favourable conditions than the recent past and increased calls on the Fund.
- ▶ Based on the assumptions in both models, it would appear that the Fund, as it stands, can withstand severe plausible adverse experiences over a prolonged period of time without the need to increase the assessment rates.
- ▶ Assuming a loss severity rate of 4% of assets, the Fund could withstand losses on its ten largest credit unions and still retain over half of its value.
- ▶ The major threat to the Fund is the rapid growth of credit unions. This means that the larger the institution, the harder the fall.
- ▶ The current Fund and assessment rates appear to be sufficient for current circumstances. However, management of the Fund needs to be robust enough to ensure that any calls on it can be kept to a minimum. This, in effect, means that the Savings Protection Scheme needs to continue to actively support credit unions in their efforts to minimise the effect delinquency has on their financial well being. The Eckler models are considered to be an important tool in helping to ensure this and use of these tools will make it possible to determine what size the Fund should be if certain situations pertain.

The Fund now stands at €96 million, which equates to 0.76% on total estimated savings of €12.6 billion. Eckler regards this as sufficient for the needs of the movement unless there is a substantial change in market conditions. A circulation to all credit unions was sent out in November 2006 in relation to this report.

Administration Committee

The Committee, chaired by Vice President Uel Adair, met on eight occasions during the year.

Areas for consideration by the Committee during the year included:

- ▶ The ongoing requirement for a number of credit unions to identify non-performing loans, make adequate provisions for same and write off as appropriate.
- ▶ A range of human resource and related issues
- ▶ Supporting credit unions where the loan portfolio was not performing adequately.
- ▶ Section 35 of the Credit Union Act 1997 (as amended)
- ▶ Resolution No. 49 – guidance notes
- ▶ Rationalisation – transfer of engagement/wind-up and amalgamation

With regard to the issue of non-performing loans, any such trend in a credit union is drawn to its attention via desk audit reports and on the occasion of Field Officer visits. Such trends can arise from the competitive pressures now being experienced by some credit unions, the restricted lending capacity under Section 35 of the Credit Union Act 1997 (Republic of Ireland) and the focus on social lending.

At the 31st December 2006, there were 524 credit union affiliated to ILCU. During the year, 204 credit unions received Field Officer inspection visits.

Fidelity Bond

A credit union which does not take the Star Plan bond is required to provide a copy of its bond cover to the ILCU to confirm that the credit union's bond complies with the requirements of Resolution No. 19 of ILCU Annual General meeting 1976 as follows:

“That this Annual General meeting, in accordance with ILCU Rules, Section 2, Rule 3, resolved that on or before 31st May 1977, all affiliated credit unions shall carry adequate general insurance and fidelity bonding, at least equivalent to that provided by the ILCU Board under the Star Plan Insurance Scheme”.

Composite Resolution A, approved at ILCU Annual General meeting 1997, and Section 2, Rule 3 of the Rules of the Irish ILCU of Credit unions, require each member credit union participating in the SPS to have the following bonding levels:

Republic of Ireland

Asset Size	Bonding level
Up to €317,434.51	€31,743.45
€317,434.52 to €1,269,738	10% of assets
€1,269,738 and over	10% of assets for the first €1,269,738 plus 5% of assets over €1,269,738, subject to the maximum bond limit available from time to time.

In 2006, the number of credit unions taking the Star Plan bond is 507

Northern Ireland

Assets

Up to €317,435 / £250,000
 €317,435 - £1,269,738) / (£250,000 - £1m.)
 €1,269,738 and over / (£1m. and over)

Bonding level

€31,743 (£25,000)
 10% of assets
 10% of assets for first €1,300,000/
 £1,000,000) plus 5% of assets over
 €1,269,738/£1,000,000), subject to the
 maximum bond limit available from time
 to time

Co-operation/Rationalisation

During 2006, the Rationalisation Committee Report, together with Summary Version of the Report, was issued to all credit unions. This report is based on the work of the Rationalisation Committee, which was formed by the ILCU in late 2004. The Committee was set up as a result of an SGM 2002 motion which instructed the ILCU to look at the issue of rationalisation in the movement. Significant credit union consultation took place before and during the lifetime of the Committee. Feedback from the various consultative fora highlighted to the Committee that credit unions believe the movement has reached a cross-roads in its development and that change was required. There was also clear recognition that one of the ways to implement that change and to face the challenges ahead is through greater inter-credit union co-operation. Feedback was also demonstrated that credit unions do not want to be forced into "a one size fits all" type of plan and want the ILCU to develop rationalisation models which could inform credit unions in making a choice. Appropriate models of rationalisation for Irish credit unions have been presented in the report to allow credit unions to decide for themselves how they would like to collaborate with other credit unions. For example, some credit unions might consider a transfer of engagements or those that have close relationships with neighbouring credit unions might consider developing co-operative networks. The key recommendations of the committee have been built into the new movement strategic plan.

Capital Policy

A Working Group was established during 2005 to formulate a capital policy that will enable a risk weighted approach for the allocation from surplus of sufficient reserves to be developed. The Group comprises two members from the Administration Committee, two members from the movement, one individual with expertise in this area and one member of staff. A paper relating to Capital Policy was presented to the Consultative General Meeting (CGM) held in Citywest, Dublin in April 2006.

The feedback from CGM was very positive. A risk weighted approach, both financial and operational, will enable any credit union to ensure that it has adequate capital reserves in place. The ILCU, through the Capital Policy Working Group, has commissioned the preparation of a business case for the introduction of risk weighted capital reserves in the credit union movement. The legal implications of introducing a new basis for arriving at capital reserves will need to be considered. It will also be necessary to seek regulatory approval. It is the intention to develop motions for the Biennial Delegate Meeting (BDM) in Belfast in April 2007.

Annual General Meeting – ILCU Savings Protection Company Limited

The 17th Annual General Meeting of the company took place on the 14th July 2006. The role of the company, which is wholly-owned by the ILCU, is to take and enforce securities for loans made under the scheme.

ILCU Chapter

The topics discussed at Chapter for 2006 were:

- ▶ Lending/Credit Control
- ▶ Human Resources
- ▶ Insurances
- ▶ Raid Awareness
- ▶ Governance
- ▶ Rationalisation

Chapter Regions are as follows and continue to be the preferred arrangement for ILCU consultation, road shows and information sessions:

Region	Chapters
Northern	1, 2, 3, 4 and 17
Western	15, 16, 18 and 19
Eastern	5, 6 and 7
Dublin	20, 21, 22, 24 and 25
South East	8, 9, 10 and 14
South West	11, 12, 13 and 23

In 2006, Regional Chapter Meetings/Workshops/Briefings were presented on the following:

- ▶ An Introduction to Governance
- ▶ SSIA's
- ▶ Pension Information Sessions
- ▶ Rationalisation Road Shows
- ▶ Central Treasury Trust & Credit Bureau
- ▶ LP/LS Road Shows
- ▶ PRSAs

Research & Development

The ILCU's Research & Development Department continued its examination of the current and future trends that are affecting the Irish Credit Union Movement. The Department published three Bulletins which aimed to keep credit unions informed of key data required to assist in a structured approach to planning. The most recent Quarterly Bulletins were published as part of the new CUFocus magazine as the ILCU Financial Data Review.

The Research & Development Department conducted and published the results of surveys about members' intentions for their maturing SSIA's, and two surveys about credit union loans. The first loans survey was primarily focussed on the interest rates on loans charged by credit unions and the results were published in the Autumn 2006 edition of CUFocus. The second loan survey focussed on the purpose of loans advanced by credit unions and the results of this were published in the Winter 2006 edition of CUFocus.

The Department supported other sections of the ILCU office in servicing the needs of credit unions in such projects as Capital Policy, review of Section 35 of the Credit Union Act 1997, development of a lending policy paper for credit unions and the development of a paper on achieving best practice in lending. The Department was also instrumental in the development of a step-by-step guide to introducing deposits in credit unions, the new flexi-loan product, and the development of a strategic planning template for credit unions to be launched early in 2007.

Other important projects on which the Department is working on include Business Lending Advice Centre, Asset Liability Management, Social Finance, and the development of a mortgage option for credit unions, and a survey on savings in credit unions which will take place in 2007.