Credit Union Restructuring Board - ReBo

Final Section 43 Review

June 2017

An Roinn Airgeadais
Department of Finance

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Acknowledgments

This report was requested by the Minister for Finance to assist in the fulfilment of his obligations under Section 43 of the Credit Union and Co-Operation with Overseas Regulators Act 2012 to assess the extent to which the Credit Union Restructuring Board (ReBo) has, in the Minister's opinion, completed the performance of its functions. The analysis and views set out in this paper are those of the authors only and do not necessarily reflect the views of the Minister or the Department of Finance.

The authors, Brian Corr and Deirdre Aherne are specialists within the Shareholding and Financial Advisory Division in the Department of Finance.

The authors wish to acknowledge with thanks the assistance of ReBo and the Central Bank of Ireland in providing data for this review.

1. Executive Summary

Purpose of the ReBo Review

This review has been undertaken specifically to determine whether or not the Credit Union Restructuring Board (ReBo) has completed the performance of its functions in accordance with Part 3 of the Credit Union and Co-operation with Overseas Regulators Act 2012 (2012 Act). The 2012 Act provides that when the Minister for Finance (the Minister) is satisfied that ReBo has completed the performance of its functions under Part 3 of the 2012 Act, the Minister may dissolve ReBo. However, before dissolving ReBo, the Minister must conduct a review of the operation of Part 3 of the 2012 Act to determine whether or not in the Minister's opinion ReBo has completed the performance of its functions. This review satisfies that requirement.

Commission on Credit Unions and Restructuring Recommendations

The Programme for Government 2011-2016 set out the Government's position regarding the credit union sector and acknowledges its recognition of the important role of the sector as a volunteer co-operative movement and the distinction between credit unions and other financial institutions. The Government agreed to establish a Commission on Credit Unions to bring forward recommendations on the future structure of the sector, recognising that credit unions have played and can continue to play an important role in the Irish financial sector going forward.

A core recommendation of the Commission in its March 2012 Report was that the sector should be restructured on a voluntary, incentivised and time-bound basis[1]. It further recommended that a new body should be established on a short-term basis – called the Credit Union Restructuring Board - ReBo - to engage with credit unions and to facilitate the restructuring process[2]. ReBo was established on an administrative basis in August 2012 and was put on a statutory footing on enactment of section 42 of the 2012 Act on 1 January 2013.

Current Financial Overview of Credit Unions

The financial position of credit unions in Ireland is set out in Chapter 3. This clearly shows that credit union numbers in Ireland have reduced, resulting in a decrease in the number of credit unions with assets of less than €20m and an increase in the number of credit unions with assets of €100m or more. This change can mainly be attributed to restructuring. Despite this, income generation continues to be a challenge due to the low interest rate environment and limited demand for borrowing across the financial services sector. However, in recent times consumer lending has begun to slowly grow again. Figure 11 shows return on assets was 1.2% at September 2016.

Credit unions loan to asset ratio, on average, currently remains at an all-time low of 27%. This is down from a peak of 52% in 2008. The credit union sector has on aggregate been under-lent for some time now and any growth in their loan books would greatly assist their financial position while supporting lending within the community.

[1] Report of the Commission on Credit Unions. March 2012. Page 109 Ref: 9.6.1
[2] Report of the Commission on Credit Unions. March 2012. Page 110 Ref: 9.6.2

The average regulatory reserve ratio for credit unions is currently 16%, well above the 10% minimum required. In September 2016, 5 credit unions (2% of all credit unions) had total reserves of less than 10% of assets, i.e. 98% of credit unions now have total reserves greater than 10%. This figure compares favourably with the 2011 figure showing 87% of credit unions with reserves greater than 10%.

ReBo's Work

This report clearly demonstrates that ReBo has worked methodically and diligently throughout its time-bound lifetime to maximise its potential in facilitating and overseeing restructuring of the credit union sector in Ireland. Additionally, it has completed its restructuring work with minimum call on Exchequer resources. When initially established, ReBo engaged extensively with individual credit unions and with the sector as a whole. This engagement helped raise its profile within the sector and provided a platform for the commencement of its restructuring work, enabling it to complete 82 restructuring projects involving 156 credit unions across 24 counties, with assets totalling circa €6bn. This equates to circa 38% of total credit union assets.

Conclusion

Taking account of each aspect of ReBo's functions and following due consideration, examination and a detailed analysis of its work, this 2017 review, the final review of ReBo under section 43(2)(b), concludes that ReBo has completed the performance of its functions to the highest standards and the orderly wind down of ReBo's operations is now recommended.

2. Purpose of the Review

Sector restructuring, a core recommendation of the Commission on Credit Unions is set out in Chapter 9 of its Report. The Commission made its objective of the restructuring process very clear in that it was to provide the opportunity for stronger credit unions to develop a more sophisticated – and ultimately more sustainable - business model and to provide a mechanism to sort through the financial stresses in the sector in an orderly way[3]. The Commission also recommended that restructuring should be carried out according to a clear and time-bound plan. It further recommended that the focus should be on bringing stability to the credit union system overall, without impinging on the ability of some credit unions to succeed on a stand-alone basis.

The recommended first step in restructuring was the establishment on a short-term basis of a new body called the Credit Union Restructuring Board – ReBo, to engage with credit unions on the ground and to facilitate the restructuring process. It was further recommended that ReBo should assess credit unions against objective criteria in a forward looking way before devising restructuring plans. Restructuring proposals would then need endorsement by the ReBo Board following which they would undergo Central Bank approval. Another recommendation was that recoupable Exchequer funding should be made available to support the restructuring process.

ReBo was established by the Minister on an administrative basis in August 2012 and was placed on a statutory basis on 1 January 2013, on commencement of section 42 of the 2012 Act.

Part 3 of the Credit Union and Co-operation with Overseas Regulators Act 2012 provides the legal foundation for the restructuring process, including the establishment of ReBo on a time-bound basis and the dissolution of ReBo on completion of its work, under section 43 of the 2012 Act. When the Minister is satisfied that ReBo has completed the performance of its functions under Part 3 of the 2012 Act, the Minister can dissolve ReBo. However, before dissolving ReBo, section 43(2) requires the Minister to conduct a review of the operation of Part 3 of the 2012 Act no later than 1 January 2016, to determine whether or not ReBo has, in the Minister's opinion, completed the performance of its functions. To date two section 43 reviews have been carried out, the first in October 2015 and the second in October 2016. Both reviews noted that ReBo's functions had been fulfilled in so far as they could be, given that at each point in time, ReBo's work was still ongoing.

The purpose of this final review is to assess the work of ReBo over its lifetime to date, to determine whether or not its work is complete. This final review will assist the Minister in making an informed decision in relation to the restructuring process and to the term of ReBo.

[3] Report of the Commission on Credit Unions. March 2012. Page 109 Ref: 9.5.2

3. Current Financial Position of the Credit Union Sector in Ireland

Introduction

This chapter provides a sector review of the Irish credit union movement over an eleven year period, 2006 to 2016. In the main, September 2016 quarterly prudential returns information is utilised.

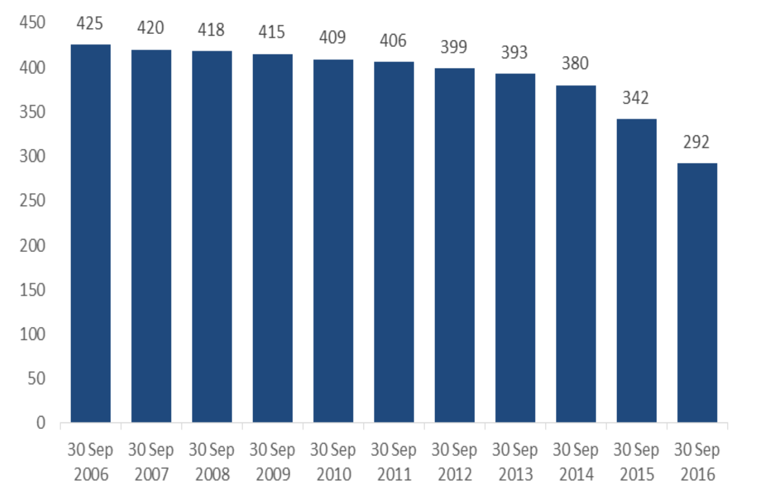
In line with the October 2015 Section 43 Review, this final review uses comparable data as presented in Chapter 3 of the Report of the Commission on Credit Unions.

This report considers in brief the wider financial position of credit unions which was analysed in detail at the time of the Commission Report and more recently in the Central Bank publication on credit union financial conditions[4].

The data used in this section was provided by the Central Bank of Ireland.

Number of credit unions

FIGURE 1: NUMBER OF CREDIT UNIONS IN IRELAND



Source: Central Bank of Ireland

It was noted in the Commission Report that from September 2006 to September 2011, there was a reduction in credit union numbers from 425 to 406, a decline of 4%.

This trend of decreasing numbers of credit unions has accelerated. From September 2011 to September 2016 there was a reduction in credit union numbers from 406 to 292, a fall of 28%. The reduction is mainly due to credit union amalgamations and a limited number of resolution cases.

Asset Distribution

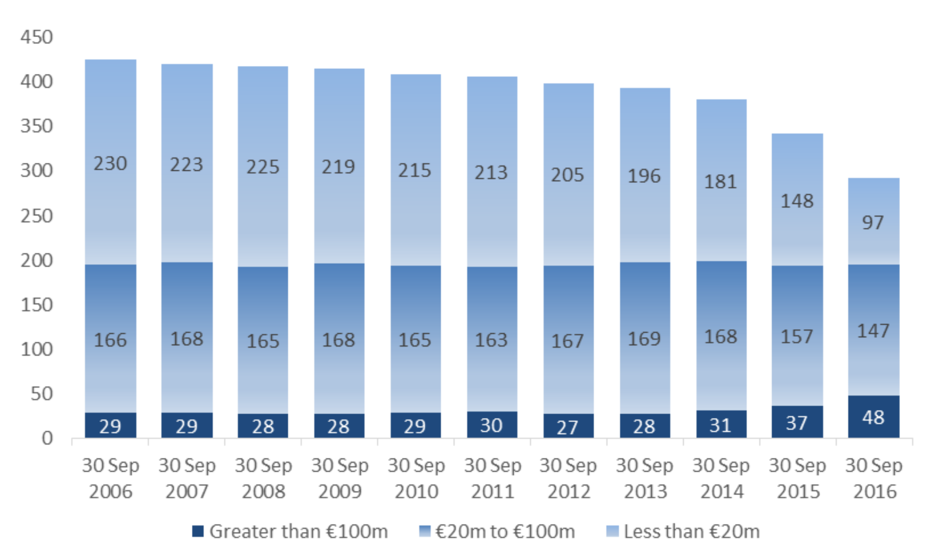
The graph divides credit unions in terms of asset size. Of the credit unions graphed below, 33% have assets of less than €20m (this compares with 52% at the time of the Commission Report).

From 30 September 2006 to 30 September 2016, the number of credit unions that have an asset size of less than €20m has decreased by 58% to 97, from 230. Over the same time period, the number of credit unions that have an asset size of €20m - €100m has fallen by 11%. However the

[4] Financial Conditions of Credit Unions: 2011 – 2016. Issue 1 February 2017. Central Bank of Ireland.

number of credit unions with assets over €100m has increased by 66% over the time period. These figures indicate that the restructuring process is resulting in smaller credit unions merging with other credit unions with a corresponding increase in asset size in the enlarged credit unions.

FIGURE 2: ASSET DISTRIBUTION OF CREDIT UNIONS IN IRELAND

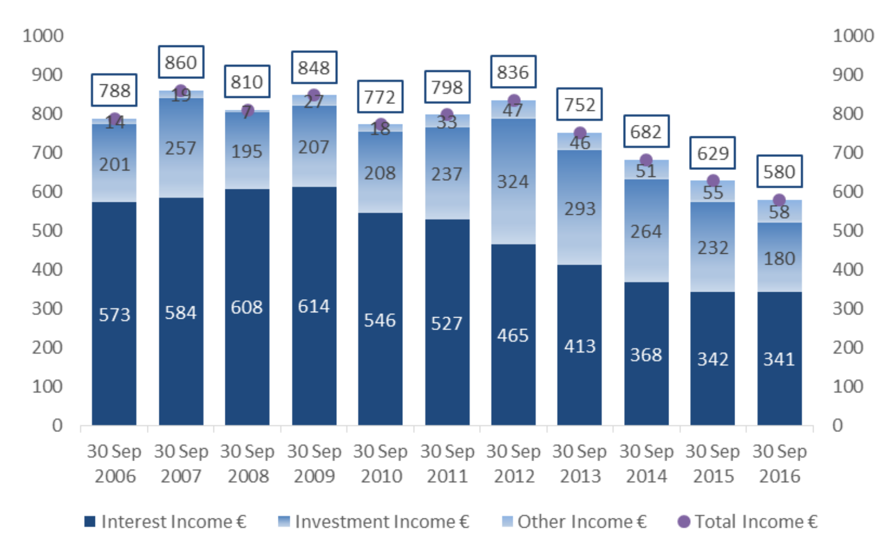


Source: Central Bank of Ireland

Income

In 2007 prior to the onset of the financial crisis income peaked at €860m. Since the Commission report, total income has fallen consistently from €836m in 2012 to the current level of €580m. This fall in income is being partly driven by the current low interest rate environment and lower lending volumes. In 2016, the principal components of income were interest income (59%), investment income (31%) and other income (10%). This compares to the time of the Commission Report when the principal components of income were interest income (71%), investment income (27%) and other income (2%).

FIGURE 3: CREDIT UNION INCOME

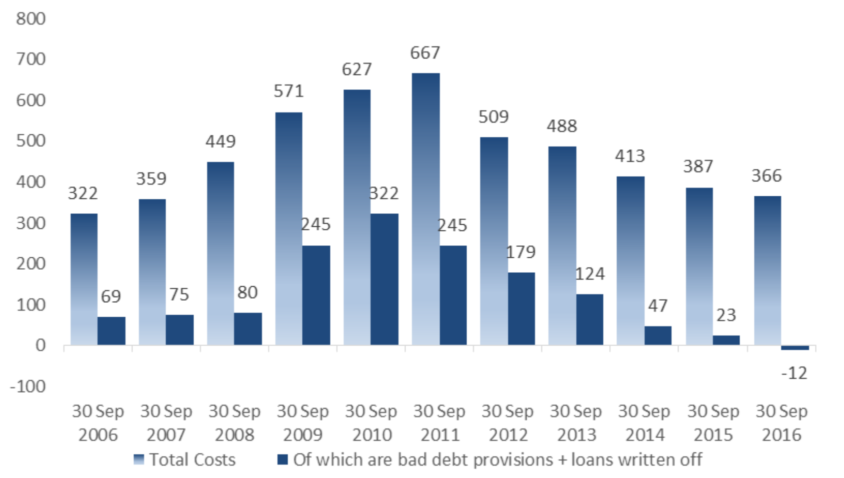


Source: Central Bank of Ireland

Costs

At the time of the Commission Report, credit union total costs had almost doubled, to €627m in 2010 from €322m in 2006. Costs increased further in 2011 to €667m. By 2016, total costs had reduced to €366m. In recent years, costs have reduced as a result of bad debt provision write backs and lower loan write-offs. Costs as a % of assets have been broadly static at c 2.4% since 2011 as synergies relating to restructuring are likely to occur over time.

FIGURE 4: CREDIT UNION COSTS



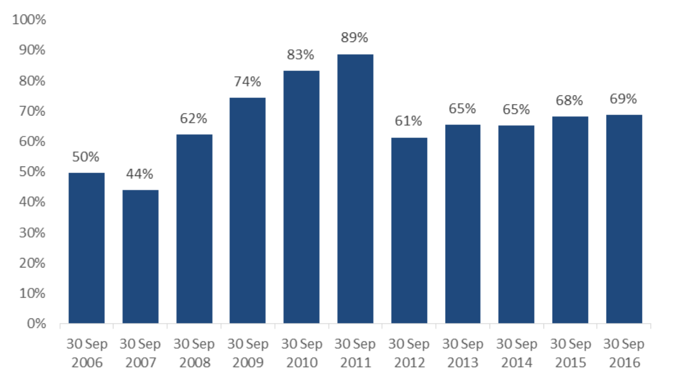
Source: Central Bank of Ireland

Cost Income Ratio

In the Commission Report it was noted that the cost-to-income ratio had increased considerably from 2006 to 2011, rising from 50% to 89% respectively. This was due to a decline in income coupled with an increase in costs.

Income has continued to decline since 2011. However, costs have also reduced, largely due to a decrease in bad debt provisions and lower levels of loan write-offs. The cost-to-income ratio in 2016 was 69%.

FIGURE 5: COST INCOME RATIO



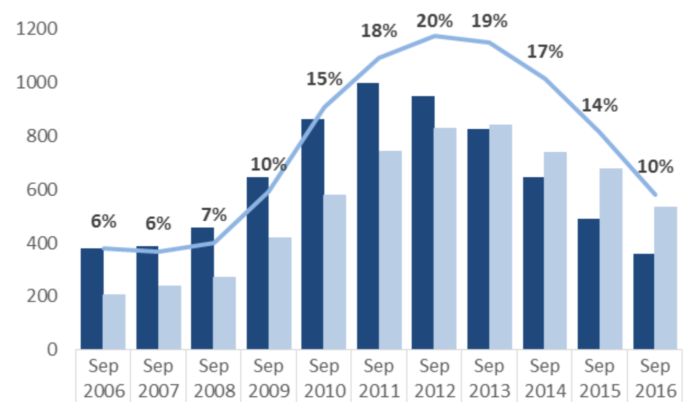
Source: Central Bank of Ireland

Arrears and Provisions

Figure 6 graphs loans over nine weeks in arrears[5] and also shows total provisions. When the Commission Report was written, there had been a significant increase in the percentage of the gross loan book in arrears over nine weeks, increasing to 18% in 2011 from 6% in 2006. Bad debt provisions increased to €743m in 2011 from €205m in 2006.

Since the Commission Report there has been a reduction in the percentage of the gross loan book in arrears over nine weeks to 10% in 2016 (from a peak of 20% in 2012). Provisions (€533m) now exceed arrears (€358m) by 49%.

FIGURE 6: CREDIT UNION LOANS OVER 9 WEEKS IN ARREARS AND PROVISIONS



	Sep 2006	Sep 2007	Sep 2008	Sep 2009	Sep 2010	Sep 2011	Sep 2012	Sep 2013	Sep 2014	Sep 2015	Sep 2016
Arrears €m	380	389	458	644	860	996	948	825	644	491	358
Provisions €m	205	237	270	420	578	743	826	838	737	677	533
Average Arrears	6%	6%	7%	10%	15%	18%	20%	19%	17%	14%	10%

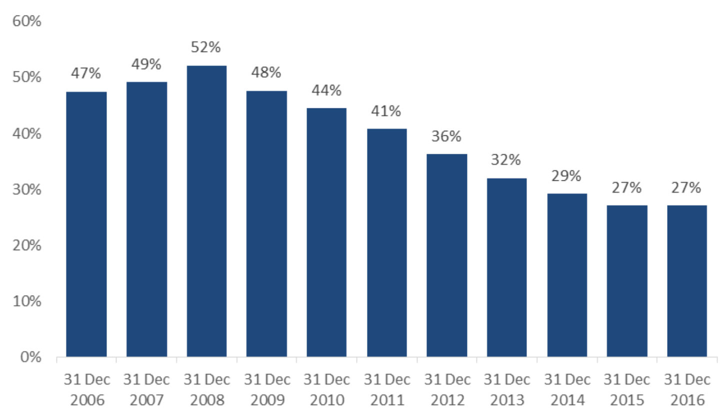
Source: Central Bank of Ireland

Loan to Asset Ratio

At the time of the Commission Report, the loan to asset ratio was 41% and it was noted in the Report that credit unions on average appeared to be significantly under-lent. This was partly driven by the decline in personal loan demand through the financial crisis.

Since the Commission Report, the average loan to asset ratio has declined further and stands at 27%. This shows the majority of credit unions continuing to be under-lent,

FIGURE 7: CREDIT UNION LOAN TO ASSET RATIO



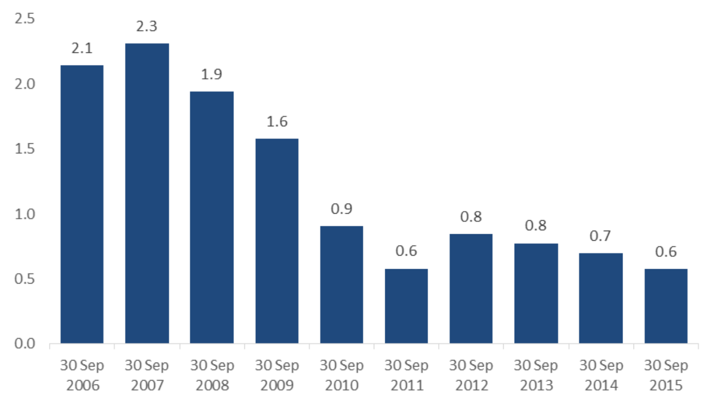
Source: Central Bank of Ireland

[5] Resolution 49/03 of the Irish League of Credit Unions is a provisioning tool adopted by credit unions for the calculation of provisions for bad and doubtful debts. This Resolution sets out how provisions must be made for loans which are not performing in accordance with the credit agreement. Provisioning commences when a loan is over 9 weeks in arrears.

thus presenting considerable scope for loan book growth going forward and for supporting lending within the economy.

Average Dividends

FIGURE 8: CREDIT UNION DIVIDENDS



Source: Central Bank of Ireland

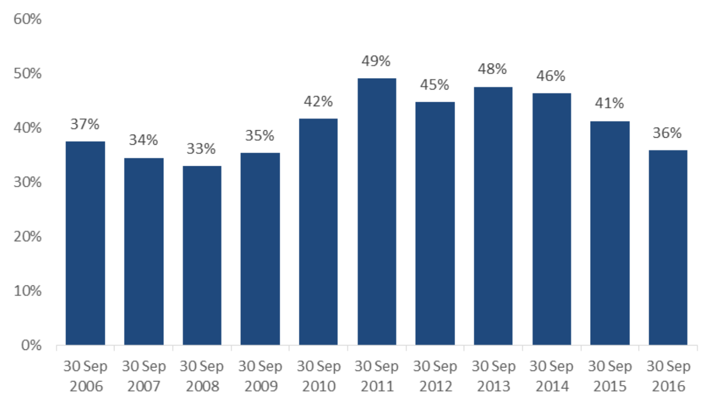
There was a pronounced decrease in the average dividend payment figure from 2007 to 2011, showing a decline from 2.3% to 0.6% respectively. Since 2012, average dividends paid to members have declined. Average dividend rates differ depending on credit union size. In 2015 the average dividend rate for credit unions with assets over €100m was 0.82% compared with an average rate of 0.49% for credit unions with assets under €20m.

Liquidity

A credit union must maintain at all times a Liquidity Ratio of at least 20%.[6] Despite the financial crisis, average liquidity remains high.

Average liquidity in 2016 was 36% compared to 37% in 2006. Average liquidity is much higher for small credit unions (42% for credit unions with assets less than €20m) compared to large credit unions (31% for credit unions with assets greater than €100m).

FIGURE 9: CREDIT UNION LIQUIDITY



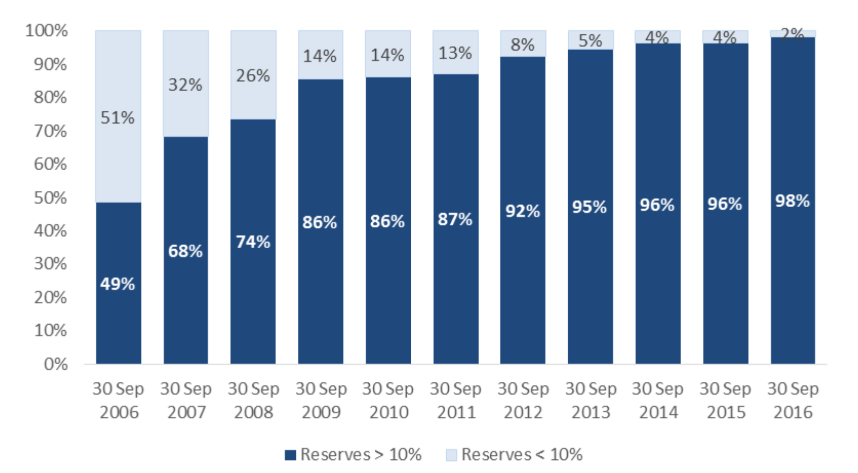
Source: Central Bank of Ireland

[6] Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 (S.I. No. 1 of 2016). Regulation 8(1) A credit union shall establish and maintain a minimum liquidity ratio of relevant liquid assets of at least 20 per cent of its unattached savings. .

Reserves

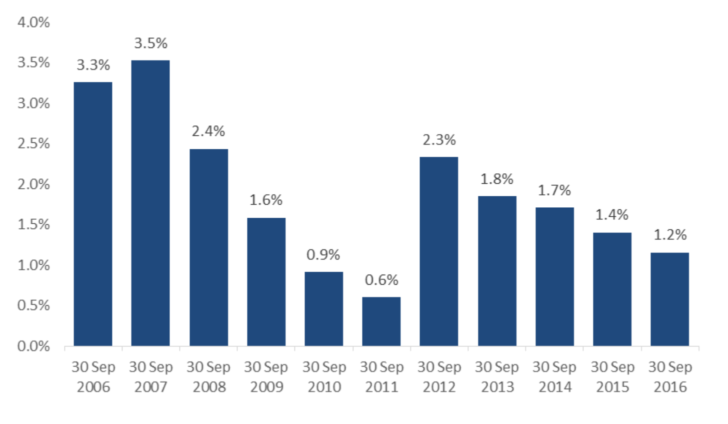
The Registrar of Credit Unions requires credit unions to hold a minimum of 10% of assets in total regulatory reserves[7]. The chart below graphs the percentage of credit unions that have a Regulatory Reserve Ratio greater than or less than 10% of total assets. There is a clear trend of increasing numbers of credit unions holding regulatory reserves in excess of 10% of assets. In 2011, at the time of the Commission Report, 51 credit unions (13% of all credit unions) had total reserves of less than 10% of assets. That compares to September 2016, with 5 credit unions (2% of all credit unions) having total reserves of less than 10% of assets, i.e. 98% of credit unions now have total reserves greater than 10%. The average reserve ratio for credit unions is currently 16%.

FIGURE 10: CREDIT UNION RESERVES



Source: Central Bank of Ireland

FIGURE 11: CREDIT UNION RETURN ON ASSETS



Source: Central Bank of Ireland

Return on Assets

In the two years preceding the onset of the financial crisis, credit unions generated a return on assets in excess of 3%, reaching 3.5% in 2007. However, there was a fall in returns throughout the financial crisis that bottomed at 0.6% in 2011.

There has been somewhat of a recovery since 2011 with returns in 2016 at 1.2%, though they have been declining since 2012. The return on assets varies depending on the size of the credit union, with large credit unions (assets

[7] Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 (S.I. No. 1 of 2016). Regulation 4(1) A credit union shall establish and maintain a minimum regulatory reserve requirement of at least 10 per cent of the assets of the credit union.

over €100m) generating an average return on assets of 1.4% and small credit unions (assets under €20m) generating an average return on assets of 1.1%. The return on assets figure is set against a backdrop of low interest rates in recent years.

Summary

From the data and trends highlighted, the following points emerge:

- The downward trend in the number of credit unions in Ireland has continued since the Commission Report. Indications are that small credit unions (less than €20m in assets) have seen the largest decline. The number of large credit unions (greater than €100m in assets) has increased substantially since 2006. This is mainly due to credit unions restructuring.

- Income generation continues to be challenging due to the low interest rate environment and limited demand for borrowing across the financial services sector until recently when consumer lending has begun to grow again.

- Total costs have reduced from previous years largely due to bad debt provision write-backs and a lower level of loans written off.

- Loans over 9 weeks in arrears are trending downwards to 10% of total gross loan balances. At a sectoral level, provisions now exceed arrears by 49%.

- Credit unions on average are considerably under-lent and have significant scope to grow their loan books going forward and to support lending in the economy. The average loan to asset ratio of 27% at September 2016 is an historic low.

- Dividends have fallen significantly since pre-financial crisis levels averaging 0.6% across the sector. This is set against the backdrop of a lower interest rate environment generally.

- Despite the financial crisis, average liquidity continues to remain high and now stands at 36%.

- Since the Commission Report, there has been a considerable improvement in the percentage of credit unions with a Regulatory Reserve Ratio of greater than 10%. As at September 2016, 98% of credit unions had a Regulatory Reserve Ratio of greater than 10%, compared to 87% of credit unions in 2011. i.e. 51 credit unions had a Regulatory Reserve Ratio of less than 10% at the time of the Commission Report compared to 5 credit unions now.

- There was a decline in credit union return on assets ratio through the financial crisis, which by 2011 had fallen to 0.6%. This has been falling somewhat in recent years and was 1.2% at September 2016.

4. Credit Union Restructuring Board – ReBo - Functions

This review was carried out specifically to ascertain whether or not ReBo has completed the performance of its functions in line with the Commission's recommendations and under the 2012 Act. This chapter sets out ReBo's requirements under the 2012 Act and also its core functions.

ReBo Requirements under the 2012 Act

ReBo's requirements are set out in Appendix II. In addition to the core functions of ReBo, the 2012 Act sets out a number of other activities which ReBo must perform as part of its duties. The Department is satisfied that ReBo has fulfilled these functions as follows:

- In line with section 46 of the 2012 Act ReBo developed, adopted and presented to the Minister for Finance guidelines for the operating principles of ReBo. The Minister laid a copy of the guidelines before each House of the Oireachtas and had them published in Iris Oifigiúil.

- In line with section 47 of the 2012 Act, ReBo made regulations prescribing the ReBo Levy to be paid to it by credit unions and when the levy falls due to be paid. Before making these regulations, ReBo consulted with the Minister and the Credit Union Advisory Committee – CUAC.[8] ReBo also entered into agreement with the Central Bank for collection of the levy as provided for in section 48. The ReBo Levy received from each credit union is paid into the Credit Union Fund in accordance with section 47(4).

- The Board of ReBo holds regular meetings, generally monthly, and complies with the Code of Practice for the Governance of State Bodies as set out in section 49.

- In line with section 51, following its regular board meetings the ReBo Board reports to the Minister on the performance of its functions, providing updates on the number of credit unions within the restructuring process, including asset size, and also on the number of credit unions within each phase of the process. This information enables the Department monitor the progress of the process.

- The CEO of ReBo submits estimates of income and expenditure to the Minister on a regular basis and is bound under section 54 of the 2012 Act to keep all proper and usual accounts of moneys received and spent by ReBo, including an income and expenditure account and a balance sheet. ReBo's accounts for 2013, 2014 and 2015 were signed off by the Comptroller and Auditor General (C&AG). A copy of those accounts and the C&AGs reports were presented to the Minister and were laid before each House of the Oireachtas. Preparation of the 2016 accounts is currently underway.

In order to carry out its work in an effective and efficient manner ReBo put a number of measures in place. It developed a user friendly website www.rebo.ie where credit unions could find information regarding all aspects of the restructuring process, including a merger process handbook, forms and templates associated with the process itself and updates on completed mergers.

[8] S.I. 581 of 2014 – Credit Union Fund (ReBo Levy) Regulations 2014; S.I. 557 of 2015 –Credit Union Fund (ReBo Levy) Regulations 2015; S.I. 585 of 2016 - Credit Union Fund (ReBo Levy) Regulations 2016

In March 2014, ReBo published its Strategic Plan with its overarching vision being for vibrant sustainable credit unions that are credible, trustworthy providers of financial services to their members. It also published its Mission Statement affirming that 'ReBo shall facilitate and oversee the restructuring of credit unions on a voluntary, incentivised and time bound basis so as to support the financial stability and long term sustainability of credit unions generally'.

Core Functions of ReBo

Sections 39 to 60 in Part 3 of the 2012 Act set out ReBo's requirements. This review will assess whether or not ReBo has completed the performance of its functions in accordance with the 2012 Act and its Terms of Reference. Terms of Reference are set out in Appendix I.

ReBo's functions are set out in Section 44 of the 2012 Act. In accordance with the Act the core function of ReBo is to facilitate and oversee the restructuring of credit unions in accordance with Part 3 of the Act to support the financial stability and long term sustainability of credit unions generally. To enable it carry out its work, the Act provides that ReBo's functions should include the following-

- Analysing and examining information provided to it by the Central Bank, credit unions or by any other person,
- Developing provisional proposals and plans with credit unions for the restructuring of the credit union sector,
- Engaging with credit unions to facilitate agreement on restructuring proposals,
- Assisting credit unions in the preparation of restructuring plans,
- Considering and assessing restructuring plans submitted to it by or on behalf of credit unions including any funding requirements under the plan including requiring credit unions to engage third parties to verify information and provide a report to ReBo,
- Approving, approving with conditions or rejecting those restructuring plans,
- Recommending the restructuring plans to the Minister and advising the Central Bank of its recommendations,
- Overseeing the implementation of restructuring plans, including the provision of post-restructuring support,
- Making recommendations to the Central Bank where a credit union should be considered for stabilisation support.

The 2012 Act also provides that ReBo may do anything it considers necessary to enable it perform its functions.

Department of Finance Section 43 Reviews

Two previous reviews of ReBo's work have been carried out by the Department of Finance, in line with section 43 requirements in the 2012 Act. Those reviews were completed in 2015 and 2016. This 2017 review is the third and final review of ReBo's work conducted to assess the operation of Part 3 of the 2012 Act to determine whether or not ReBo has, in the Minister's opinion, completed the performance of its functions.

Section 43(2)(a) of the 2012 Act requires that the first review must be carried out no later than 1 January 2016. The Department carried out its first review of ReBo in October 2015 and its second review in October 2016.

2015 Review

The first ReBo review was conducted in October 2015 where the Department found that ReBo's functions and requirements had been fulfilled, in so far as they could be, given that ReBo's work was still ongoing. The Department in agreement with ReBo recommended that a letter of acceptance from ReBo must be received by a credit union by 31 March 2016 to avail of restructuring under ReBo. This would enable ReBo continue with its work of facilitating and overseeing restructuring projects and to fully complete the performance of its functions under Part 3 of the 2012 Act.

2016 Review

Section 43(2)(b) of the 2012 Act, provides that having conducted a review, where the Minister is satisfied that ReBo has not completed the performance of its functions, the Minister shall then conduct a further such review within 12 months of the preceding review. A second review was conducted by the Department in October 2016. That review recommended that ReBo be given until 31 March 2017 to complete any outstanding restructuring projects, following which ReBo should be wound down in an orderly fashion.

On foot of those reviews it was considered that ReBo had not completed the performance of its functions and that a further review would be required.

5. Work of the Credit Union Restructuring Board - ReBo

ReBo

Restructuring under ReBo was a 'once off' opportunity for credit unions in Ireland to avail of the huge expertise and experience of the Board and staff of ReBo, led by the Chairman of its board Mr Bobby McVeigh. ReBo worked diligently and methodically to implement restructuring recommendations as recommended by the Commission. The ReBo Board comprises representatives from the credit union sector, the Central Bank of Ireland, the Department of Finance[9] and a number of independent members. (Appendix III)

Following on from its establishment on a statutory basis under section 42 of the Credit Union and Co-operation with Overseas Regulators Act 2012, ReBo appointed a Chief Executive Officer (CEO) and relevant staff in the second half of 2013. (Appendix III)

ReBo' s Role

The role of ReBo is as follows:

- Plan for the restructuring of the credit union sector,
- Engage with and assist credit unions in the preparation of restructuring plans,
- Consider and decide on restructuring plans submitted to it by or on behalf of credit unions,
- Oversee the implementation of restructuring plans, including the provision of post-restructuring support,
- Oversee the operational functions of ReBo.

Restructuring Recommendations

The Commission on Credit Unions viewed restructuring in two ways[10]:

1. As a way of addressing current weaknesses in the sector.
2. As a business strategy for credit unions that want to achieve the scale necessary to move to a more efficient and sophisticated business model.

The Commission recommended that restructuring should be carried out in a voluntary, incentivised and time-bound manner. ReBo's Strategic Plan stated that 'its vision is for vibrant and sustainable credit unions that are credible, trustworthy providers of financial services to members'. The following three measures became the guiding principles of its restructuring work in achieving its vision.

- Voluntary - It was noted by the Commission that restructuring would not apply to all credit unions. Some credit unions will continue to operate successfully on a standalone basis should they so choose.[11] The Commission also noted the importance of being mindful of the strengths of the sector which have helped it to grow and sustain itself over many years.

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[9] Was a member of staff at the time of appointment but is not currently a Department of Finance staff member.
[10] Report of the Commission on Credit Unions. March 2012. Page 103 Ref: 9.1.2
[11] Report of the Commission on Credit Unions. March 2012. Page 103 Ref: 9.1.3

- Incentivised - The Commission recommended that credit unions approved for restructuring 'should be provided with funding, where required and subject to conditions, to ensure they have adequate capital and to upgrade systems.' The Minister provided €250m in the Credit Union Fund specifically for credit unions restructuring under ReBo. As such funding is classified as State aid, a Restructuring and Stabilisation Scheme was approved by DG Competition to provide this support.

  The Commission also set out the potential sources of funding[12] required to bring about restructuring and suggested that such funding should come in the following order, from:

  1. Any available excess capital within the participating credit unions;
  2. The credit union sector;
  3. Exchequer advances.

- Time-bound - The Commission recommended that restructuring should be carried out according to a clear and time-bound plan.[13]

Commission Recommended Approach to Restructuring

The Commission recommended three overarching steps in ReBo's approach as follows:

1. Step 1 - Engagement with the sector to discuss restructuring options, the sharing of information provided by the Central Bank, a detailed analysis of those credit unions expressing an interest in restructuring including a forward looking analysis over the coming years. This should occur in a transparent manner with each credit union having full knowledge on how it is scored.[14]
2. Step 2 – Making it happen requires the consideration of information provided by the Central Bank to plan and encourage restructuring, where the credit union and ReBo consider it both necessary and appropriate. Engaging with credit unions to formulate restructuring proposals. Provision of technical support and expertise for restructuring proposals, project managing the restructuring process and providing post-restructuring support.[15]
3. Step 3 – Formulating restructuring proposals. ReBo co-ordinators on the ground should assess a credit union prior to undertaking an intensive business analysis e.g. provisions, reserves, liquidity, systems and controls. ReBo should prepare transition and post-restructuring plans to minimise disruption during and after restructuring. A communication plan providing access to clear information should also be made available.[16]

Following on from these steps, the Commission recommended that any restructuring proposals must have endorsement from the ReBo Board before being submitted to the Central Bank for regulatory approval. Funding requirements should be determined based on credit union assessments and funding should be provided from one of three sources in the following order: excess capital from within participating credit unions, the sector itself, Exchequer funding on a recoupable basis.

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[12] Report of the Commission on Credit Unions. March 2012. Page 114 Ref: 9.11.1
[13] Report of the Commission on Credit Unions. March 2012. Page 109 Ref: 9.6.1
[14] Report of the Commission on Credit Unions. March 2012. Page 111 Ref: 9.7
[15] Report of the Commission on Credit Unions. March 2012. Page 112 Ref: 9.8
[16] Report of the Commission on Credit Unions. March 2012. Page 113 Ref: 9.9

ReBo’s Restructuring Work

ReBo approached its restructuring work in a methodical manner and in accordance with recommendations set out by the Commission. It was stated in ReBo’s June 2015 Interim Report to the Minister (page 15) that the initial perception of credit unions was that ‘only small credit unions would transfer into larger neighbouring credit unions’. However it added that during ReBo’s lifetime, ‘this perception changed’ and a ‘paradigm shift’ occurred whereby credit unions were ‘more willing to engage with the process and were approaching restructuring as a strategic advantage rather than as a financial necessity’. This mind set change saw credit unions that were seeking to restructure, looking to grow their business and expand their product offerings rather than doing so due to a financial necessity.

Restructuring Process

In early 2014, in collaboration with the Registry of Credit Union (RCU), ReBo agreed a restructuring process to allow for the prudent but expeditious development, assessment and approval of restructuring plans and proposals.

1. The first step was where ReBo facilitated initial negotiations and assisted the credit unions in examining areas that required agreement.
2. ReBo then worked with the credit unions in developing a High Level Business Case (HLBC) to examine the rationale for the proposed merger and to assess the financial sustainability of the merged entity. This HLBC was then submitted to the RCU for review and adjudication on allowing the merger to proceed.
3. HLBC Phase 1 Due Diligence: This examined the main areas of financial risk within each credit union namely the loan book, investment portfolio and fixed assets. Investigations were conducted by recognised audit firms.
4. Phase 2 Due Diligence: Investigations were made into areas not covered in Phase 1. These generally included governance, legal, human resources, products and information technology.
5. Detailed Business Case: Subject to the satisfactory completion of due diligence, a detailed case was then prepared underpinning the rationale in favour of a proposed merger together with a thorough examination of financial projections demonstrating the sustainability of the merged entity. Concurrently with this step an integration plan was developed for the merger.
6. Where a project had successfully completed a Detailed Business Case, the proposal was presented to the ReBo Board for approval, approval with conditions or rejection. ReBo approved projects were notified to RCU, at whose sole discretion all proposed mergers were permitted to proceed or otherwise.

Work Timelines

Timelines involved in completing a merger varied considerably, with some being completed in 12 weeks while others took more than 18 months to complete. This project timeline was dependent on the complexity of the project and the individual credit unions involved. The following is a brief overview of ReBo’s work year on year, commencing with its early work in 2013 through to completion of its restructuring operations in March 2017.

- **2013**

In 2013 ReBo appointed a CEO and specialised staff to facilitate restructuring on the ground. As part of its work, in early 2013 ReBo engaged with all credit unions by writing to all credit union boards seeking expressions of interest in the restructuring process. In late 2013 following recruitment of its staff, ReBo carried out a nationwide series of roadshows to better inform the sector about ReBo itself, the restructuring process and ReBo's objectives. ReBo's initial goal was to engage in face to face meetings with every individual credit union to deliver its message and to gauge credit unions' positions and views towards restructuring.

- **2014**

In the first half of 2014, ReBo met with all credit union boards that were open to such engagement. Those engagements informed the development of ReBo's Strategic Plan and provided the foundation for all subsequent work. Restructuring project plans were developed involving 5 steps: 1. Initiation – initial discussions; 2. Development – commencement of formal due diligence, business case etc.; 3. Approval – awaiting either ReBo or RCU approval; 4. Implementation – s130 packs issued; 5. Post restructuring – project completed. ReBo made all documentation available on its website (www.rebo.ie). These documents included: forms and templates, ReBo operating principles, a timeline generator tool, ReBo's Strategic Plan and its Merger Process Handbook.

By December 2014 ReBo had engaged with 148 credit unions and saw 30 credit unions with merger proposals approved by ReBo. At that stage 20 credit unions were restructured under 8 projects with assets of circa €860m.

- **2015**

On Saturday 21 March 2015, ReBo held a one day Restructuring Conference in the Aviva Stadium as a final means of reaching out to the sector. The Conference featured speeches and presentations from a wide range of speakers with a wealth of both national and international experience. Approximately 500 delegates attended. 2015 was a particularly busy year for ReBo due in particular to two catalysts for restructuring, the first being the one day Restructuring Conference which encouraged and motivated a number of credit unions to enter the restructuring process. The second catalyst was the Central Bank's modified approach in its credit union supervisory engagement model which, in 2015 focused on smaller, low impact credit unions encouraging some to seek partners to strengthen their viability.

By December 2015, 81 credit unions had restructured under 40 projects, with assets of circa €3.8bn

- **2016**

The final date for restructuring was initially 31 December 2015. However, following a section 43 review of ReBo's work in October 2015 the Minister announced that credit unions wishing to enter a restructuring programme under ReBo would be required to have a high level business case with ReBo and to have received an approval letter from ReBo by 31 March 2016. After that date no further restructuring proposals would be accepted by ReBo. The following table clearly sets out the deadlines.

To ensure clarity for the sector around the cut-off date for restructuring under ReBo, ReBo issued a statement as follows: 'As from the 1 April 2016, any credit union not in receipt of a formal ReBo

Letter of Offer and seeking to progress a voluntary restructuring solution will need to contact the Registry of Credit Unions (RCU) directly'.

Key Milestones Deadline	Date
High Level Business Case (HLBC) and merger cost budget developed and submitted to ReBo	29 February 2016
HLBC approved and Letter of Support issued	31 March 2016

By December 2016, 146 credit unions had restructured under 75 projects, with assets of circa €5.7bn.

- **2017**

January to March 2017 involved the finalisation of any outstanding mergers and the handing over of any uncompleted projects to the Central Bank for further consideration.

By March 2017, ReBo had completed the performance of its functions in accordance with recommendations of the Commission and in accordance with the 2012 Act. While some 210 credit unions were involved in 117 restructuring projects, at the end of its operational life ReBo facilitated and oversaw the full restructuring of 156 credit unions under 82 projects with assets of circa €6bn, across 24 counties. Some of the uncompleted projects were handed to the Central Bank for further consideration.

Cumulative Overview of Restructuring Work under ReBo: 2014 - 2017

Year	No. of Restructured Credit Unions	No. of Completed Projects	Total Asset Size
2014	20	8	€860m
2015	81	40	€3.8bn
2016	146	75	€5.7bn
2017*	156	82	€6bn

*To 31 March 2017

Financial Support

To its great credit and to the credit of the sector itself, ReBo has minimised the use of Exchequer funding in its restructuring work. Only circa €20m was utilised from a fund of €250m. The Credit Union Fund, established under section 57 of the 2012 Act, provided specifically for restructuring of the sector. The lower than anticipated spend on restructuring is essentially due to the fact that the majority of credit unions participating in restructuring projects have financed those projects from within their own resources, as was recommended by the Commission. Where there was a shortfall it was provided, in certain cases, by the Irish League of Credit Unions (ILCU) using its Savings Protection Scheme (SPS). ReBo utilised the *de minimis* State Aid Exemption rule for qualifying credit unions requiring funding. The overriding rationale for the adoption of the *de minimis* aid exemption as a funding mechanism, was to remain true to the Commission's recommendation of encouraging and incentivising credit unions to involve themselves in voluntary restructuring. This has resulted in a much lower cost to the Exchequer than anticipated by the Commission which is a huge achievement by ReBo. It is also highly commendable that the sector itself provided funding for credit unions to undergo and complete restructuring projects, from within its own resources

Restructured Credit Unions

The following pages set out the names of the 156 credit unions that undertook and completed restructuring under ReBo. Column 1 shows the original name on entering the restructuring process while column 2 shows the current name, having completed the restructuring process.

The asset size of those 156 restructured credit unions is circa €6bn which equates to circa 38% of assets of the credit union sector in Ireland. There are now 280[17] active credit unions in Ireland, compared to 419 active credit unions in 2008. ReBo maximised its potential impact by consistently engaging closely with credit unions on an individual basis and at sector level throughout its lifetime. Attendance by the Chair, Board, CEO and staff at numerous credit union events gave ReBo a very high profile within the sector. ReBo's availability to credit unions to discuss potential merger ideas or to answer specific queries enabled many restructuring proposals to be progressed and completed which might otherwise have been lost.

[17] As at Q1 2017 – Central Bank – Quarterly Prudential Returns

Credit Union Name	New Name
Balbriggan Credit Union Ltd Skerries Credit Union Ltd Donabate Credit Union Ltd Victory Credit Union Ltd Rivervalley & Rathingle Credit Union Ltd	Progressive Credit Union Ltd
Foxrock Credit Union Ltd Carrickbrennan Credit union Ltd Dalkey Credit Union Ltd Sallynoggin, Glenageary Credit Union Ltd Shankill Ballybrack Credit Union Ltd Credit Union Ltd Glasthule-Dún Laoghaire Credit Union Ltd	Core Credit Union Ltd
Swords & District Credit Union Ltd Raheny & District Credit Union Ltd North William Street Parish Credit union Ltd Donnycarney/Beaumont & District Credit Union Ltd Member First Credit Union Ltd	Member First Credit Union Ltd
Templeogue Credit Union Ltd Harolds Cross Credit Union Ltd Rathfarnham Credit Union Ltd	Rathfarnham Credit Union Ltd
Pearse Credit Union Ltd St Laurence O'Toole's Credit Union Ltd Ringsend Credit Union Ltd Indogroup Credit union Ltd St Patrick's Credit Union (ESB Staff) Ltd	St Patrick's Credit Union (ESB Staff) Ltd
Castledermot Credit Union Ltd Baltinglass Credit Union Ltd Hacketstown & Tinahely Credit Union Ltd Dunlavin Credit Union Ltd	Baltinglass Credit Union Ltd
Castlelost Credit Union Ltd Mullingar Credit Union Ltd Kinnegad & District Credit Union Ltd	Mullingar Credit Union Ltd
St Bernard's (Bansha) Credit Union Ltd Plassey Credit Union Ltd Tipperary Credit Union Ltd	Tipperary Credit Union Ltd
Kenmare Credit Union Ltd Killarney Credit Union Ltd	Killarney Credit Union Ltd
S. S. Peter & Paul Credit Union Ltd Sixmilebridge Credit Union Ltd Fergus Credit Union Ltd St Francis Credit Union Ltd	St Francis Credit Union Ltd

Credit Union Name	New Name
St John's Credit Union Ltd South Hill Credit Union Ltd St Patrick's Parsh Limerick Credit Union Ltd Caherdavin Credit Union Ltd	Caherdavin Credit Union Ltd
St Gabriel's Credit Union Ltd CIE Staff (Cork) Credit Union Ltd Castle Credit Union Ltd CIE (Galway) Credit Union Ltd Health Services Staff Credit Union Ltd	Health Services Staff Credit Union Ltd
St Loman's Trim Credit Union Ltd East Meath Credit Union Ltd Drogheda Credit Union Ltd	Drogheda Credit Union Ltd
Kinvara & District Credit Union Ltd Ballygar Credit Union Ltd Athenry Credit Union Ltd	Athenry Credit Union Ltd
Naomh Pádraig Credit Union Ltd St Columba's Credit Union Ltd	St Columba's Credit Union Ltd
Ballyhaunis Credit Union Ltd Achill Credit Union Ltd Castlebar Credit Union Ltd	First Choice Credit Union Ltd
Kingscourt Credit Union Ltd Bailieborough Credit Union Ltd St Mary's Moynalty Credit Union Ltd	Link Credit Union Ltd
Mullinahone Credit Union Ltd Clonmel Credit Union Ltd	Clonmel Credit Union Ltd
Buncrana Credit Union Ltd Inishowen Credit Union Ltd	Buncrana Credit Union Ltd
Carlow & District Credit Union Ltd Ballon & Rathoe Credit Union Ltd	Carlow & District Credit Union Ltd
Gorey Credit Union Ltd Avonmore Credit Union Ltd	Gorey Credit Union Ltd
Portlaoise Credit Union Ltd Abbeyleix Credit Union Ltd Athy Credit Union Ltd	People First Credit Union Ltd
Clondalkin Credit Union Ltd The Four Corners Credit Union Ltd	Clondalkin Credit Union Ltd
Ardee Credit Union Ltd Louth Credit Union Ltd Collon Credit Union Ltd	Ardee Credit Union Ltd
Community Credit Union Ltd West Cabra Credit Union Ltd	Community Credit Union Ltd
Cahir Credit Union Ltd Ardfinnan Credit Union Ltd	Cahir Credit Union Ltd

Credit Union Name	New Name
Dundrum Credit union Ltd Sandymount Credit Union Ltd	Dundrum Credit Union Ltd
Cois Sionna Credit Union Ltd Estuary Credit Union Ltd	Cois Sionna Credit Union Ltd
Sligo Credit Union Ltd Collooney Credit Union Ltd	Sligo Credit Union Ltd
Monaleen Credit Union Ltd Cashel credit Union Ltd Ballymahon Credit Union Ltd St Bernadette's Credit Union (Limerick) Ltd	Affinity Credit Union Ltd
Douglas Credit Union Ltd Passage West/Monkstown Credit Union Ltd	Douglas Credit Union Ltd
Ballyphehane Credit Union Ltd St Finbarr's South Credit union Ltd Kinsale Credit union Ltd	First South Credit union Ltd
Mallow Credit Union Ltd Millstreet Parish Credit Union Ltd Dromcollogher Credit union Ltd Buttevant & Doneraile Credit union Ltd	Mallow Credit Union Ltd
Muintir Skibbereen Credit union Ltd Bandon Credit Union Ltd	Muintir Skibbereen Credit union Ltd
Killybegs Credit Union Ltd Ballyshannon Credit Union Ltd	Ballyshannon & Killybegs Credit Union Ltd
Ballygall Credit Union Ltd Ballymun Credit Union Ltd	Ballygall Credit Union Ltd
Civil Service Credit Union Ltd FÁS Credit Union Ltd Forfás Staff Credit Union Ltd	Civil Service Credit Union Ltd
Staff of MOPI Credit Union Ltd Dubco Credit Union Ltd	Staff of MOPI Credit Union Ltd
Stillorgan Credit Union Ltd St Mary's Donnybrook Credit Union Ltd	Stillorgan Credit Union Ltd
St Jarlath's Credit Union Ltd Moylough/Mountbellew Credit Union Ltd	St Jarlath's Credit Union Ltd
Listowel Credit Union Ltd Ballybunion Credit Union Ltd	Listowel Credit Union Ltd
Rathmore & District Credit Union Ltd Milltown (Kerry) Credit Union Ltd	Rathmore & District Credit Union Ltd
Kildare Credit union Ltd Kilcullen Credit Union Ltd Narraghmore Parish Credit Union Ltd	Kildare Credit union Ltd
Naas Credit Union Ltd Maynooth Credit Union Ltd	Naas Credit Union Ltd

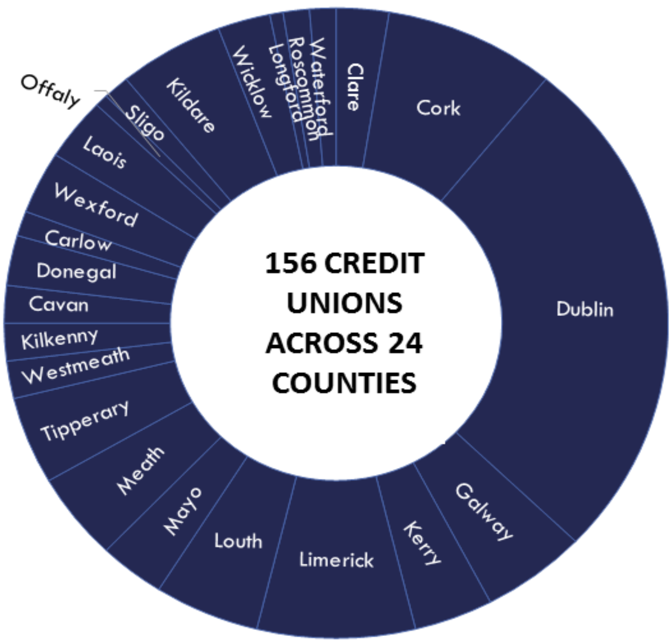
Credit Union Name	New Name
St Canice's Credit Union Ltd Ballyragget & District Credit Union Ltd Mountrath & District Credit Union Ltd Rathdowney Credit Union Ltd Durrow Credit Union Ltd Graigeunamanagh Credit Union Ltd	St Canice's Credit Union Ltd
St Mary's Parish Credit Union Ltd Castleconnell/Ahane Credit Union Ltd St Lelia's Credit Union Ltd	Unity Credit union Ltd
Cuchulainn Credit Union Ltd Faughart Credit Union Ltd	Cuchulainn Credit Union Ltd
Togher Credit Union Ltd Kilsaran & District Credit Union Ltd	Kilsaran & District Credit Union Ltd
St Colman's (Claremorris) Credit Union Ltd Ballinrobe Credit Union Ltd	St Colman's (Claremorris) Credit Union Ltd
St Mary's Navan Credit Union Ltd Ballyjamesduff Credit Union Ltd Ballivor-Kildalkey Credit Union Ltd St Scire Credit union Ltd Dunshaughlin Credit Union Ltd	Credit Union Plus Ltd
Edenderry Credit Union Ltd Coill Dubh & District Credit Union Ltd	Croí Laighean Credit Union Ltd
Roscommon Credit Union Ltd Elphin Credit Union Ltd	Roscommon Credit Union Ltd
Lisduggan & District Credit Union Ltd Portlaw/Ballyduff Credit Union Ltd	Lisduggan & District Credit Union Ltd
Enniscorthy Credit Union Ltd Piercetown & District Credit Union Ltd	Enniscorthy Credit Union Ltd
New Ross Credit Union Ltd Bunclody Credit Union Ltd	New Ross Credit Union Ltd

Source: ReBo

ReBo Projects Countrywide

The following figure demonstrates the location of restructured credit unions across Ireland by county. In total 156 credit unions restructured across 24 counties. While Dublin, Cork and Limerick account for over 40% of restructures involving 41 credit unions, 13 credit unions and 12 credit unions respectively. There were 90 restructures completed throughout another 21 counties. This shows the length and breadth of ReBo's work, and is evidence of its positive engagement with credit unions throughout the country. It is also testimony to its success in that it facilitated restructuring in 24 counties out of a possible 26 counties. This was a huge achievement given the time-bound nature of ReBo, clearly demonstrating the commitment and enthusiasm of both its board and staff in performing its functions to the highest standards.

FIGURE 12: CREDIT UNIONS RESTRUCTURED BY COUNTY



Source: ReBo

Post Restructuring

In April 2016 ReBo issued a sector-wide communiqué informing credit unions that post-ReBo, the Central Bank would continue to engage with credit unions to facilitate future voluntary restructuring. Following that, in May 2016 the Central Bank issued a letter to all credit unions. This letter was to encourage those credit unions considering restructuring to contact the Registry of Credit Unions and to highlight to credit unions that relevant guidelines around restructuring can be found in the Credit Union Handbook.

A number of non-completed restructuring projects have now been passed from ReBo to the Central Bank for further progression. While some benefits have been derived from restructuring, it is recognised that it is too early at this stage to see the full benefits arising from restructuring and that consolidation alone will not generate benefits. However, it is expected that in time, greater operational efficiencies will be achieved and a broader range of products and services will be available to members.

6. Conclusions & Recommendation

This Report looks at the financial position of the sector over 11 years from 2006 to 2016, provides a progress report on restructuring under ReBo, reviews ReBo's performance of its functions in accordance with the 2012 Act and concludes that ReBo has completed the performance of its functions.

This report clearly demonstrates that ReBo has worked methodically and diligently throughout its time-bound lifetime to maximise its potential in facilitating and overseeing restructuring of the credit union sector in Ireland. When initially established ReBo engaged extensively with individual credit unions and with the sector as a whole. This engagement helped raise its profile within the sector and provided a platform for the commencement of its restructuring work, enabling it to complete 82 restructuring projects involving 156 credit unions across 24 counties, with assets totalling circa €6bn. This equates to circa 38% of total credit union assets.

It must be recognised that restructuring was one part of an integrated package of far reaching measures recommended by the Commission on Credit Unions which also included governance measures, prudential regulation and stabilisation. The majority of those recommendations have been implemented for credit unions. The Credit Union Advisory Committee's recent Report identified a small number of those recommendations which have yet to be implemented. The Minister for Finance has established an Implementation Group[18] to ensure full implementation of all recommendations and the Implementation Group is currently undertaking this task. Implementation of those measures should provide an opportunity for credit unions, particularly those larger entities, to further develop their business models and to provide more services to members.

The credit union sector has undergone many changes in recent years both legislative and regulatory. It is fair to say that the sector generally has embraced those changes, many of which should underpin their key role in providing access to credit and other important services in local communities throughout the country. The important objective of restructuring was to ensure that it achieved better outcomes for current and prospective members, enhanced the financial soundness of credit unions and acted as an enabler for future growth and development, setting the sector up for a viable and successful future.

From 30 September 2006 to 30 September 2016, the number of credit unions with an asset size of less than €20m has decreased by 58% to 97, from 230. Over the same time period, the number of credit unions with an asset size of €20m - €100m has fallen by 11%. However the number of credit unions with assets over €100m has increased by 66% over that time period. These figures indicate

[18] The CUAC Report Implementation Group held its first meeting on 20 February 2017. The Group consists of a member from, each of the Credit Union Representative Bodies (ILCU, CUDA, CUMA, NSF), the Central Bank, CUAC and the Department of Finance.

that the restructuring process has resulted in smaller credit unions merging with larger credit unions and has seen a corresponding increase in asset size in larger credit unions. Currently 51 credit unions have assets equal to or greater than €100m.

Restructuring was achieved under ReBo in such a way that, while it was envisaged that restructuring would require significant funding, it is commendable that the credit union movement itself provided financial support from within its own resources and minimised the call on Exchequer funding. It was a huge achievement for ReBo to complete 82 projects involving 156 credit unions across 24 counties and to accomplish this in a tight timeframe using only circa €20m.

Recommendation

Taking account of each aspect of ReBo's functions and following due consideration, examination and a detailed analysis of its work, this 2017 review, the final review of ReBo under section 43(2)(b), concludes that ReBo has completed the performance of its functions and the orderly wind down of ReBo's operations is now recommended.

Appendix I – ReBo Terms of Reference

Credit Union Restructuring Board

Terms of Reference

1. The Credit Union Restructuring Board (ReBo) is to be a body corporate established by the Minister for Finance to facilitate and oversee the restructuring of credit unions in accordance with the provisions of the Credit Union Act 2012 (the Act).[19]

2. The guiding aims of restructuring are:

   a. the protection of credit union members' savings;

   b. the stability and viability of credit unions and the sector at large;

   c. the preservation of the credit union identity and ethos.[20]

   d. contributing to the development of a world class credit union sector in Ireland

3. The objective of the restructuring process is to underpin the stability and longterm viability of credit unions and the sector at large and to provide an opportunity for stronger credit unions to develop a more sustainable business model.

4. Funding to support restructuring will be obtained from the following sources:

   a. any available excess capital within the participating credit unions

   b. individual credit unions

   c. Exchequer advances[21]

   It is important that sector resources are not drawn upon to the extent that the cost of restructuring is destabilising. At the same time, Exchequer resources are scarce and it is important to avoid moral hazard and State aid issues.[22]

5. Restructuring proposals will provide for amalgamation of credit unions or transfer of engagements between credit unions.[23] The primary focus will be on using stronger credit unions to anchor restructuring with other participating credit unions to fulfil current and future members needs and implementing a best value solution bearing in mind that the funds will have to be repaid from the credit union sector over time.

6. Restructuring is to be carried out according to a clear and time-bound plan[24]. To facilitate this, the ReBo shall develop an initial plan based on assessment of data made available from the Central Bank of Ireland (CBI) and directly from credit unions and other sources. This plan will be reviewed and amended as necessary by the ReBo and will represent a framework within which restructuring decisions are made.

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[19] Source S43(1) of CU Bill
[20] Extract from the Report of the Commission on Credit Unions (Par. 9.5.1)
[21] Source Report of the Commission on Credit Unions (Par.9.11.1)
[22] Source Report of the Commission on Credit Unions (Par.9.11.4)
[23] Section 44(2) of the Credit Union Bill 2012
[24] Extract from the Report of the Commission on Credit Unions (Par. 9.6.1)

7. Restructuring is to take place within a three year window to end-2015. The timetable recommended by the Commission on Credit Unions will be used as a guideline.

8. The ReBo will operate within a framework of on-going open communication and engagement with credit unions enabling credit unions to be informed of developments as appropriate.

9. In accordance with the Act, the ReBo may recommend that a credit union be considered by the CBI for stabilisation support.

10. Restructuring will operate within a restricted budget. The ReBo will provide the Minister for Finance with an overall estimate of the cost of restructuring the credit union sector broken into annual estimates of expenditure.

11. Until such time as the Credit Union Bill 2012 is enacted, the ReBo is to be established on an administrative basis under the aegis of the Department of Finance.

12. The Attached Annex sets out in further detail the core functions of the ReBo and the terms under which financing, operations and ancillary issues pertaining to the ReBo will be carried out.

Annex

Summary of Core Functions of the ReBo

Core Functions

1 The ReBo shall facilitate and oversee the restructuring of credit unions in accordance with the Act, and for that purpose its functions shall include:[25]

a) analysing and examining information provided to it by the Bank, credit unions or by any other person or organisation,

b) developing proposals and plans with credit unions for the restructuring of credit unions and the credit union sector,

c) engaging with credit unions to facilitate agreement on restructuring proposals,

d) assisting credit unions in the preparation of restructuring plans,

e) considering and assessing restructuring plans submitted to it by credit unions, including any funding requirements under the plan,

f) approving, approving with conditions or rejecting those restructuring plans,

g) recommending the restructuring plans to the Minister for Finance, including the structure and size of any financial support, and advising the Bank of its recommendations,

h) overseeing the implementation of restructuring plans, including the provision of post-restructuring support,

[25] Source: Section 43(1) (a) to (h) of the Credit Union Bill

i) assessing credit union stabilisation proposals and making recommendations to the CBI that a credit union be considered for stabilisation support.

Approach

2 The ReBo shall take the following broad approach to progress its work. It shall

a) Acquire core financial and non-financial information in relation to each credit union.

b) Take initial soundings from each credit union regarding its future restructuring.

c) Consider a variety of models for restructuring

d) Make an outline plan for the broad restructuring of credit unions.

e) Consult with the Dept of Finance and the CBI on the development of draft guidelines for the operating principles of ReBo.[26]

f) Submit the overall plan for restructuring and the draft guidelines to the Minister for Finance together with an estimate of the resources required annually for restructuring to end-2015.

g) Engage with credit unions to develop restructuring plans and assess restructuring proposals received and further develop these as necessary.

h) Recommend restructuring proposals to the Minister for Finance.

i) Engage with credit unions to support the successful implementation of restructuring projects.

j) Monitor the implementation of restructuring projects

Operations

3 The ReBo shall, in consultation with the Minister and, where relevant, the CBI, develop guidelines for the operating principles of ReBo and, after obtaining approval of the Minister for such, the ReBo shall adopt and publish such guidelines and have regard to them in the performance of its functions.

4 Members of the Board and Staff of the ReBo are subject to requirements in relation to non-disclosure of confidential information and the Rebo shall enter into a memorandum of understanding with the Central Bank of Ireland in relation to sharing of information between both parties.

Finance

5 On an on-going basis, the ReBo is required to

a) oversee the implementation of restructuring projects in line with timetable and funding, and

[26] Source: Section 45(1) of the Credit Union Bill

b) manage the financing of the performance of the ReBo's own functions.

6 For the purpose of financing the performance of its functions the ReBo shall, with the consent of the Minister, prescribe by regulations the levy to be paid to it by credit unions, when the levy falls due to be paid by credit unions and the rate of levy applicable. The ReBo shall make arrangements for the collection of such levy.

7 The ReBo shall submit income and expenditure accounts to the Minister for Finance and shall have its accounts handled in accordance with the provisions of the Act.

Ancillary Issues

8 The ReBo may do anything which it considers necessary or expedient to enable it to perform its functions including appointing staff, organising meetings of the ReBo and making arrangements with regard to the use of staff, premises or equipment.

9 The ReBo shall carry out such additional functions relating to the restructuring of credit unions and connected with the functions conferred on it under the Act as is conferred on it by the Minister for Finance.

10 The ReBo shall comply with any directions given to it by the Minister for Finance concerning any matter relating to the provision of funding to support the restructuring or stabilisation of credit unions.

11 The ReBo Board shall hold such meetings as are necessary to carry out its functions and shall comply with the Code of Practice for the Governance of State Bodies and such other codes as are published by the Minister for Finance and the Minister for Public Expenditure and Reform.

12 The ReBo shall provide reports to the Minister for Finance on the performance of its functions, where requested.

Apendix II - Requirements of ReBo

(Under Part 3 (Restructuring) of the Credit Union and Co-Operation with Overseas Regulators Act 2012). Column 1 refers to the relevant section of the 2012 Act.

Section	ReBo Requirement	Comment	Completed / On-going/
44	Functions of ReBo	ReBo's core functions are to facilitate and oversee the restructuring of credit unions on a voluntary, incentivised and time-bound basis.	Completed
45	Recommend to the Minister the provision of financial support for a restructuring proposal	Funding of restructuring process provided under 'de minimis' rule. No recommendations made outside of this parameter.	Completed
45	Advise the CB in relation to its approval of a restructuring plan	Notification provided as part of the restructuring process.	Completed
46	Develop guidelines for the operating principles of ReBo	Developed and presented to the Minister for Finance. The Minister laid a copy of the guidelines before each House of the Oireachtas and published them in *Iris Oifigiúil.*	Completed
47	Prescribe a ReBo levy	S.I. 581 of 2014 – Credit Union Fund (ReBo Levy) Regulations 2014; S.I. 557 of 2015 –Credit Union Fund (ReBo Levy) Regulations 2015; S.I. 585 of 2016 - Credit Union Fund (ReBo Levy) Regulations 2016.	Completed (2017 Levy currently being prepared) Amount calculated annually.
48	Collection of the ReBo levy	Arrangements made for CB to collect ReBo Levy	Completed (2017 collection currently being prepared)
49(5)	Board of ReBo – Meeting and Code of Practice for Governance of State Bodies	The Board of ReBo has held monthly meetings and has complied with the Code of Practice for Governance of State Bodies and other codes as relevant.	Completed
50	Enter into a MOU with the CB	Framework in place between CB and ReBo for provision of financial and other	Completed

		information on individual credit unions & the credit union sector.	
51	Report to the Minister on the performance of its functions	Minister receives reports from ReBo following its monthly Board meeting.	Completed Monthly updates received
52	Appoint a CEO	Donal Coghlan CEO Jun 2013 – Aug 2014 John Doyle CEO Sep 2014 - Nov 2016 Joshua Fletcher CEO from Dec 2016	Completed
53	Staff of ReBo	Staff appointed in line with numbers and budget agreed with DoF and DPER	Completed
54	Submit estimates of income & expenditure to the Minister as may be specified by the Minister	Estimates submitted and agreed.	Completed
54	Allow any person appointed by the Minister to examine the accounts		Completed
54	Accounts approved and submitted to the C&AG	2013/2014/2015 Accounts approved and submitted to C&AG and Laid before Houses of the Oireachtas.	Annual 2016 accounts currently being audited by C&AG
55	Contracted Service Providers	ReBo has contracted service providers and complies with requirements of s55 of the 2012 Act.	Completed
65	May recommend stabilisation support from the Credit Union Fund	In certain cases ReBo may make recommendation to the CB in relation to stabilisation support. Such recommendation has so far not been required.	Not required

Appendix III - ReBo Board Members and Staffing

REBO BOARD		
Chair: BOBBY MCVEIGH		
Pat Fay *ILCU*	Neil Ryan *Department of Finance*	Tom Kavanagh (Resigned) *Independent*
Jimmy Johnstone *ILCU*	Elaine Byrne *Central Bank (non-voting member)*	Eoin McGettigan *Independent*
Kevin Johnson *CUDA*	Joe O'Toole *Credit Union Commission*	Stephen O'Donovan *Independent*
Tim Molan *CUMA*	Brendan Burke *Independent*	Kathleen Prendergast *Independent*

Note: Affiliations are as at the time the ReBo Board was established

REBO STAFF	
CEO: Joshua Fletcher*	
Administration	Restructuring Team
Finance & Admin Manager x 1	Head of Restructuring x 1
Staff Officer x 1	Restructuring Team x 8

* From 1 December 2016. CEO John Doyle: Aug 2014 - Nov 2016. CEO Donal Coghlan: Jun 2013 – Aug 2014.

Note: ReBo staffing has reduced considerably. From 31 Mar 2017, the majority of staff contracts ceased. 2 staff members remain: the CEO and the Finance & Admin Manager.