



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Explanatory Note: on Amendment of a Credit Union Common Bond

Explanatory Note: on Amendment of a Credit Union Common Bond

Registry of Credit Unions

August 2017

The purpose of this explanatory note is to assist credit unions in considering the extension or amendment of their existing common bond. Any guidance provided below is for information purposes only and should not be construed as legal advice or legal interpretation.

Legislative Requirements

The legislative requirements in relation to the common bond are set out in the Credit Union Act, 1997 ("the 1997 Act"). Section 17 of the 1997 Act provides that members of the credit union shall be limited to the signatories to the application to register the credit union and such other persons having the common bond specified in the rules of the credit union.

Section 6(1)(b) of the 1997 Act requires that admission to membership of a credit union is restricted to persons each of whom has, in relation to all the other members, at least one of the common bonds specified in section 6(3) of the 1997 Act.

Section 6(3) of the 1997 Act defines the term "*common bond*" as follows:

- (a) following a particular occupation;
- (b) residing or being employed in a particular locality;
- (c) being employed by a particular employer or having retired from employment with a particular employer;
- (d) being a member of a bona fide organisation or being otherwise associated with other members of the society for a purpose other than that of forming a society to be registered as a credit union;
- (e) any other common bond approved by the Central Bank.

As noted above, the common bond of a credit union is that referred to in the credit union's rules. Therefore, an amendment to a credit union's common bond necessitates an amendment by the credit union of its registered rules. Section 14 of the 1997 Act outlines the steps that a credit union must follow to amend its registered rules.

Summary of the Process for Registering a Common Bond Rule Amendment

A. Obtain a Preliminary View

Where a credit union is considering an amendment to its registered rules to extend or otherwise amend its common bond by resolution passed by its members at its AGM, (section 14(1) of the 1997 Act), it is recommended that the credit union should obtain a preliminary view from the Central Bank in relation to the proposal amendment to its common bond in advance of a notice of rule change being circulated to members.

The credit union should contact its credit union supervisor in relation to obtaining a preliminary view in the first instance. The supervisor will then advise the credit union on the next steps. The supervisor will ask the credit union to submit a preliminary view form – this form is available on the “Amendments Processing” section of the website. The following are the types of information that will be sought from the credit union in a preliminary view application:

- Proposed new common bond and rationale for extension or amendment of the existing common bond;
- Details of how the proposed common bond complies with section 6, including identifying the type of common bond under section 6 (3);
- business case (demonstrating how the proposed common bond aligns with the credit union’s strategic plan and that the credit union has the capacity and resources required to support the extension or amendment of the common bond);
- A risk assessment on the proposed extension or amendment;
- Details of operational capability, including any experience of operating a branch network (where relevant) and plans to establish credit union facilities in the extended common bond area (where relevant).

The purpose of the preliminary view is to allow a credit union that is considering a common bond extension or variation to bring its proposal to the attention of the Central Bank and to obtain the preliminary views of the Central Bank before holding a meeting of its members to approve the extension or variation. The giving of such a preliminary view by the Central Bank is without prejudice to the Central Bank’s power to register or decline to register a rule amendment under section 14.

The steps required for an amendment of the credit union’s registered rules, as set out below, must be completed before any rule amendment can take effect.

B. Registration of Common Bond Rule Amendment

The 1997 Act outlines the process for the amendment of the registered rules of a credit union.

In the first instance, where an amendment to the rules of a credit union is proposed, a resolution is required to be passed by not less than two-thirds of the members of the credit union present and voting at an annual general meeting or at a special general meeting called for the purpose of considering a resolution proposing an amendment of the rules (section 14(1)).

Where such a resolution is passed, the proposal to amend the rules must be submitted to the Central Bank for registration (section 14(2)).

In considering whether or not to register a proposed amendment to the rules of a credit union, the Central Bank will need to be satisfied that the proposed amendment is not contrary to financial services legislation (section 14(4)).

In considering whether a proposed amendment to the rules of a credit union is contrary (or otherwise) to financial services legislation, the Central Bank may take into account a range of matters (which may vary from case to case) including:

- Proposed new common bond and rationale for extension or amendment of the existing common bond;
- Business case (demonstrating how the proposed common bond aligns with the credit union's strategic plan and that the credit union has the capacity and resources required to support the extension or amendment of the common bond);
- Current financial position of the credit union;
- Governance structures of the credit union;
- Operational capability, including any experience of operating a branch network (where relevant) and plans to establish credit union facilities in the extended common bond area (where relevant).

Consideration will also be given to any documentation submitted in the preliminary view application.

Timing

Credit unions should be mindful that preliminary view applications should be submitted in sufficient time to allow the Central Bank to issue a preliminary view on the proposed common bond extension or amendment in advance of the credit union's AGM. Where the documents submitted by the credit union are not complete or lacking in detail, further correspondence may delay a preliminary view being issued by the Central Bank.

Queries

Any credit union that is considering an extension or other amendment to its common bond should forward its query to its RCU credit union supervisor or to rcu@centralbank.ie.

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