

# Credit Union Merger Process Handbook



The Credit Union Restructuring Board  
*An Bord Athchóiriú Comhar Creidmheasa*

[www.rebo.ie](http://www.rebo.ie)





## Introduction

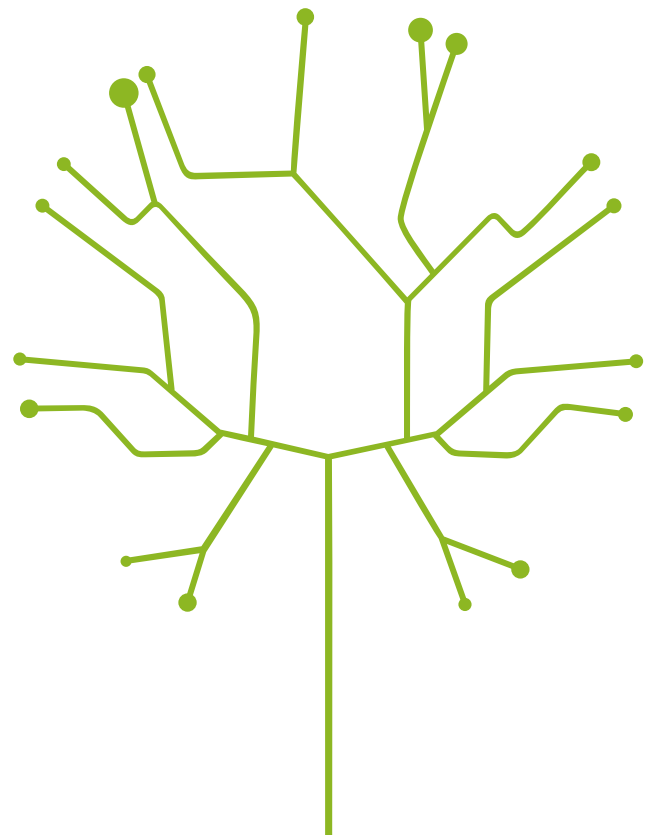
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This is intended as a guide for credit unions who wish to explore restructuring opportunities and use the services of the Credit Union Restructuring Board (ReBo) on a voluntary basis.

ReBo is an independent body set up to facilitate and oversee the restructuring of credit unions in accordance with Part 3 of the Credit Union and Co-Operation with Overseas Regulators Act 2012 (the Act).

As outlined in Section 43 of the Act, ReBo will have a finite life and is expected to carry out its work by the end of 2015. During that time, ReBo will make its resources available to assist and facilitate credit unions who wish to restructure.

**For more information on any aspects of the merger process steps, please contact a member of ReBo's restructuring team.**



## Reasons for Credit Unions to Consider Restructuring

The credit union movement is facing significant challenges, particularly in the areas of long-term financial viability and satisfying new regulatory requirements as well as responding to the changing needs and expectations of its members.

As part of their strategy to meet these challenges, many credit unions are exploring restructuring opportunities. Restructuring can provide significant benefits to credit unions including:

- Ensuring long-term viability, the ability to pay annual dividends and provide member services into the future.
- Increasing scale – thereby allowing the combined entity to extend its business model and provide an expanded range of products and services in line with member demands.
- Enhancing the ability to meet increased governance requirements by building an appropriate organisation structure to meet current and future needs from a wider pool of volunteers.
- Achieving cost efficiencies through economies of scale in areas such as Branding/Marketing, IT, Audit and Compliance and Risk Management.
- Enabling the development of a strong IT platform to support IT-driven services (mobile technology, ATMs, online banking, debit cards, etc.) in response to the changing needs of members.

The Board of each credit union should, as part of the strategic planning process, consider its ability to meet the needs of its members both on a stand-alone basis and also in the context of a merger. Considering all options will facilitate a more informed decision on how best to proceed.

## Responsibilities and Considerations for the Board of a Restructuring Credit Union

Entering into a merger transaction is a significant decision, and the Board of a credit union should ensure that the process is subject to sufficient due diligence. A Board should ensure that all material aspects of the merger, both positive and negative, have been considered and be in a position to confirm that:

- The proposed restructure is in the best interest of their membership.
- Their credit union is in a position to proceed with a merger.
- The restructured entity will be financially viable
- Staffing issues are fully explored and can be satisfactorily resolved.
- They are satisfied with the proposed governance structure and the composition of the committees including the Board of the restructured entity.
- Appropriate infrastructure will be in place (IT and premises).
- There is a good fit based on culture, mission and synergies.
- There is a shared vision on the principles underpinning the operation of the merged entity.

*For a restructuring proposal to be worthwhile, it must result in a benefit to the members.*

## ReBo's Role

Where a credit union wishes to consider merging with one or more credit unions, ReBo can play an important role in the facilitation of this process by:

- Assisting credit unions to understand the relevant strategic and business issues and also the benefits and challenges associated with their merger considerations.
- Assisting with finding like-minded partners.
- Negotiating with the parties and assisting with the formulation of an initial agreement.
- Providing merger templates/documentation to include: confidentiality agreement, desk audit & due diligence guidance, detailed business case, implementation plan & merger costs budget.
- Providing guidance through each step of the merger process, thereby facilitating a faster, smoother and more cost-efficient result.
- Giving financial support (up to 50% of the costs associated with the merger).
- Managing communications with the Central Bank in relation to the merger.
- Providing post-restructuring support.

ReBo's restructuring team is available to provide assistance and guidance to credit unions when seeking Central Bank approval and ultimately to ensure successful delivery of their merger project.

## Summary of Key Steps in a Merger Process

### INITIATION PHASE

- Credit unions engage with ReBo.
- Credit unions/ReBo find suitable 'partner credit unions' & discuss merger possibility.
- Credit unions carry out "fact-find" process on each other.
- High-level business case and merger cost budget is developed.

### REPORTING/DUE DILIGENCE PHASE

- Proceed to formal due diligence.
- Develop a detailed business case and implementation plan.
- Submit application for ReBo consideration.
- ReBo recommends proposal to the Central Bank or – where funding support is required directly from the Credit Union Fund – to the Department of Finance and subsequently to the Central Bank, for approval.

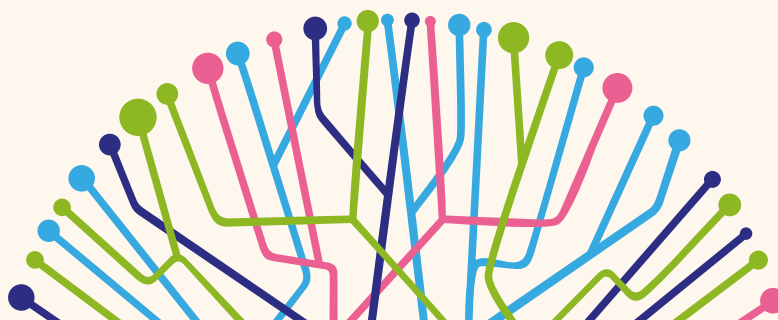
### COMPLETION PHASE

- Proceed with merger by way of special resolution or Board resolution.
- Central Bank issues certificate of confirmation and effective date for merger.
- Cancel registration of the transferor credit union.
- Merger complete.

These steps are outlined in more detail in the following section, and a flowchart is provided at Appendix 1.

*“The objective of the restructuring process is to provide the opportunity to stronger credit unions to develop a more sophisticated – and ultimately more sustainable – business model and provide a mechanism to sort through the financial stresses in the sector in an orderly way”*

**Commission Report on Credit Unions**



# Credit Union Merger Process Steps

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*“The guiding objectives of restructuring are – protection of members savings, stability and viability of credit unions and the sector at large, preservation of the credit union identity and ethos, contributing to the development of a world class credit union sector in Ireland.”*

## **1. BOARD DECISION**

The Board of a credit union decides to investigate/pursue a merger strategy on a noncommittal basis.

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## **2. CONTACT REBO TO DISCUSS OPTIONS**

ReBo will meet with the credit union to discuss options and provide information, guidance and templates to assist with the merger process. The templates and guidance notes are also available on the ReBo website at [www.rebo.ie](http://www.rebo.ie).

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## **3. FINDING A SUITABLE PARTNER**

A credit union wishing to pursue restructuring should make contact with suitable, like-minded credit unions. Consider those which are local and those more geographically diverse and/or those operating a different model (e.g., Community with Industrial) to establish their level of interest in pursuing a merger.

ReBo can play a role in facilitating introductions between credit unions that are interested in discussing mergers and also in seeking agreement on key issues associated with the merger.

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## **4. FACT-FIND & CONFIDENTIALITY AGREEMENTS**

When the Boards of two or more credit unions have agreed to further investigate the possibility of a merger, they should complete a confidentiality agreement in advance of sharing information with each other. Standard confidentiality agreements are available on the ReBo website at [www.rebo.ie](http://www.rebo.ie).

The credit unions can then share relevant information and facilitate an early-stage, fact-find investigation to be carried out by each participating credit union on the others involved in the proposed merger. The fact-find exercise is intended to satisfy each credit union, prima facie, that there are no insurmountable impediments to the proposed merger. This step occurs before the formal, independent, due diligence process.

Credit unions should agree to exchange certain information with each other to facilitate the fact-find. The following is a non-exhaustive list of the type of information that should be included in the fact-find process:



### Source Information for Fact-Find Process

- |    |   |
|----|---|
| 1  | Prudential Returns  |
| 2  | PRISM Reports   |
| 3  | Correspondence with Central Bank for a specified period   |
| 4  | Details of any Business Restrictions in place   |
| 5  | Audit Management Letters  |
| 6  | Details of Investments  |
| 7  | Details of loan book (large loans, top-up loans, arrears figures, provisions, etc. and facility to review physical files if required and officers' loans)               |
| 8  | Details of Fixed Assets – basis for valuation, view on current market valuation, etc.   |
| 9  | Business Model – loan rates, dividend policy, product and service offering, opening hours   |
| 10 | HR – terms and conditions of employment, salary comparisons, details of pension arrangements, any industrial relations issues, organisation chart, training commitments |
| 11 | Most recent Strategic Plan  |
| 12 | Most recent Financial Projections   |
| 13 | Governance Structures – e.g., Composition of Board and Committees   |

The credit unions should agree a timeframe for reviewing the information provided. Any questions which arise during the analysis period should be documented and presented to the other credit union for response. Responses should be supplied within an agreed timeframe, and representatives of each credit union should meet to discuss and gain a full understanding of any issues which have arisen. Credit unions can also seek advice from ReBo on any matters of concern following the fact-find process.

## 5. APPOINT MERGER STEERING COMMITTEE

In most cases, credit unions will appoint a steering committee to represent all parties involved. Ideally, this would have at least one member from the management team and Board of each credit union. However, in the interest of the merger project progressing in a smooth manner and to ensure the proper flow of information between the parties, it is important that the merger has one dedicated person driving the project where possible. The Board should consider delegating authority on certain operational matters to the steering committee to allow them to complete their work in a timely manner.

## 6. REVIEW OUTPUT OF FACT-FIND

Where each credit union is satisfied with the information provided and answers received to any subsequent queries, they are then in a position to make an informed decision to move onto the next phase of the merger process or to terminate discussions. Where issues prove difficult to overcome, ReBo can provide assistance in the form of facilitation between the parties with a view to finding a suitable solution.

## 7. DEVELOP A HIGH-LEVEL BUSINESS CASE (SEE APPENDIX 2) & COST BUDGET (SEE APPENDIX 3)

Where credit unions decide to proceed to the next stage of the merger process, they should prepare a high-level business case and cost budget for the proposed merger.

A high-level business case is a summary of all the key financial and strategic information associated with the merger. It should be approximately 3-5 pages in length and should contain the following suggested information:

- Details of the participating credit unions
- Outline of the main reasons for the merger
- Key benefits of merging/impact of not merging
- Financial analysis demonstrating the future viability of the combined entity
- A cost budget for completing the merger

A suggested template for a high-level business case and a sample cost budget are available on the ReBo website at [www.rebo.ie](http://www.rebo.ie).

## 8. REBO REVIEW THE HIGH-LEVEL BUSINESS CASE & COST BUDGET

Upon completion, the high-level business case and cost budget will be reviewed by ReBo. ReBo may request additional information or propose amendments to the document. Once this process is complete, ReBo will agree the level of transaction cost support funding which it will provide and enter into a formal agreement with the participating credit unions to reflect this. Following the review and agreement on funding levels, ReBo will discuss the proposed merger with the Central Bank. It is important to establish the Central Bank's position at this early stage, to avoid unnecessary time and cost being invested where the Central Bank may have a fundamental issue with the proposed merger.

## 9. CENTRAL BANK REVIEW HIGH-LEVEL BUSINESS CASE

ReBo obtains Central Bank agreement to proceed to due diligence on a "no objections" basis.

## 10. CREDIT UNIONS UNDERTAKE DUE DILIGENCE PROCESS – SEE APPENDIX 4

Due diligence is a process of evaluating all material facts before making a merger decision. An independent, due diligence process is a critical part of the merger transaction. By undertaking a thorough due diligence, each of the participating credit unions is protecting its members' interest and ensuring that the credit unions are a good fit for each other. Due diligence will also provide independent assurance of the view reached through the fact-find process – that there are no insurmountable issues or risks which may stand in the way of the proposed merger.

It is recommended that the due diligence process be undertaken on a two-phase basis to ensure that areas of higher potential risk are reviewed in the first instance, before incurring the costs associated with reviewing some of the lower

risk areas – see Table 1 below. More detailed guidance on matters to be examined in the due diligence process is available on the ReBo website at [www.rebo.ie](http://www.rebo.ie)

**Table 1 – Approach to Phased Due Diligence**

Phase I	Areas of Interest
Asset Review	<ul style="list-style-type: none"> <li>• Loans</li> <li>• Fixed Assets</li> <li>• Investments</li> </ul>
Phase II	Areas of Interest
IT	<ul style="list-style-type: none"> <li>• The depth of due diligence required in these areas will be commensurate with the scale and complexity of each, individual, merger proposal.</li> </ul>
HR	
Legal	
Operations	
Financial Audit	
Governance	
Compliance	

### 10.1 Selecting a Due Diligence Provider

When selecting a due diligence provider, participating credit unions should contact a number of potential providers and put in place a selection process to facilitate collective agreement and ensure best value on the appointment of the preferred provider(s).

It is preferable for the same due diligence provider to carry out the process in each credit union. In some instances, the same provider may be in a position to undertake more than one aspect of the due diligence; in others, separate providers may be required for the various areas which need to be covered. Given the distinct phases associated with due diligence, credit unions should request a detailed breakdown of costing from the due diligence provider for each phase.

The chosen provider for Phase I should be a reputable, professional firm with:

- Multi-disciplinary functions
- An established track record in audit and consulting
- Experience of operating in, and a knowledge of, the credit union movement

The nature and format of the Phase II due diligence work will depend on the individual circumstances prevailing in each proposed merger. Some areas may require the involvement of specialist practitioners to investigate, identify issues and propose solutions. For example, where there is a requirement to consider and select an IT system for the merged entity, the services of an independent IT expert (who is not one of the existing suppliers) to analyse both existing systems and advise the Boards through a selection process would be important. Alternatively, where a system selection decision is not complicated – for example, where merging credit unions use the same system – the IT specialist involvement would be more about planning the migration process than a due diligence on the systems. The credit union should communicate the name of the selected due diligence provider, along with details of the terms of engagement, to ReBo for review by the Central Bank.

Where the selected due diligence provider is already associated with one or other of the participating credit unions (e.g., as part of the internal or external audit function, or on a business consultancy or other basis), the firm should be of a size sufficient to ensure that an appropriate level of independence exists internally to avoid any conflict of interest arising.

## **11. PHASE I AND PHASE II DUE DILIGENCE OUTPUT**

ReBo will review the output from each phase of due diligence and present the findings to the Central Bank on behalf of the merging credit unions.

## **12. CENTRAL BANK REVIEW OF DUE DILIGENCE OUTPUT**

ReBo will obtain Central Bank agreement to proceed to Phase II due diligence upon completion of Phase I and ultimately to proceed to Detailed Business Case & Implementation Planning Stage after Phase II due diligence.

## **13. PREPARING A DETAILED BUSINESS CASE AND INTEGRATION PLAN**

Credit unions will need to produce a detailed business case and integration plan to support the merger process. Full engagement with ReBo during the process will enhance the prospects of a successful application. Suggested templates are available on the ReBo website at [www.rebo.ie](http://www.rebo.ie).

### **13.1 Detailed Business Case – Appendix 5**

The detailed business plan will outline the basis for, and benefits of, the proposed merger. It will also provide a detailed analysis of the merged entity, including proposed governance structure, SWOT analysis, key performance indicators, three-year financial projections with associated assumptions and a business plan supporting the achievement of these projections.

The integration plan will address all practical issues with respect to the completion of the merger transaction, such as IT integration, HR matters, operation streamlining, stakeholder communication strategy, legal requirements, etc.

Credit unions may find it beneficial to engage an external consultant to assist in the development of both a business case and an implementation plan to support and validate the proposed merger. An external consultant should be impartial and therefore bring a degree of independent opinion to the process; however, it is important that the business case is owned by the credit unions and reflects their views and not just those of the consultant.

Having an independent consultant in the process can help overcome sensitive issues and act as a “sense checker” to the proposal as it develops.

When selecting an external business consultant, participating credit unions should contact a number of potential providers and put in place a selection process to facilitate collective agreement and ensure best value on the appointment of the preferred provider(s).

External business consultants should:

- Have a strong understanding of the credit union movement and current business environment, issues and challenges
- Be able to demonstrate experience in consultancy and strategic planning
- Be able to provide references

ReBo can request the independent 3rd party to prepare a separate report to verify the information contained within a detailed business case.

### 13.2 Integration Plan – see Appendix 6

Allocating appropriate resources to the planning and execution of the merger process is critical to ensuring that the project runs efficiently and effectively. A suggested integration plan template is available on the ReBo website at [www.rebo.ie](http://www.rebo.ie).

Using an experienced project manager to assist in both the planning and execution of a merger project will minimise risks and maximise the potential for project delivery on time and within budget.

Where credit unions opt to use an external project management provider, they should contact a number of potential providers and put in place a selection process to facilitate collective agreement on the appointment of the preferred provider.

Guidance on the type of skills that a project manager should have and the duties that they may fulfil are outlined in Appendix 7.

Alternatively, credit unions may opt to deploy an internal resource to manage the project. Ideally, in this case, this person should have project management experience and capability to fulfil the duties as outlined in Appendix 7.

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## 14. REBO ASSESSES BUSINESS CASE AND INTEGRATION PLAN

The Board of ReBo will have the following options: (1) assess and approve; (2) approve with conditions; or (3) decline each merger proposal presented.

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## 15. SUBMISSION OF REBO-APPROVED PROPOSALS TO THE DEPARTMENT OF FINANCE AND/OR THE CENTRAL BANK

When a merger proposal has been approved by the Board of ReBo, it will take one of two paths depending on whether financial support, such as capital funding, is sought.

15.1 Where financial support is sought, ReBo will present the proposal to the Department of Finance for approval of funding from the Credit Union Fund. Assuming approval is obtained, the proposal will then be forwarded to the Central Bank for regulatory approval.

15.2 Where financial support is not required, ReBo will present the proposal directly to the Central Bank for regulatory approval.

## 16. REGULATORY APPROVAL IS GRANTED TO PROCEED BY BOARD RESOLUTION OR BY SPECIAL RESOLUTION OF THE MEMBERS

Credit unions will proceed with a merger either by way of an Amalgamation or a Transfer of Engagements.

Amalgamations require a special resolution of the members, whereas a Transfer of Engagements can proceed by way of special resolution of the members or by Board resolution (the latter requires the consent of the Central Bank). Each of the credit unions involved must proceed using the same method and the resolutions must be passed on the same night.

### 16.1 Proceeding by Member Special Resolution:

16.1.1 The credit unions must prepare and send an information pack to the members and Auditor as prescribed in Section 130 of the '97 Act.

16.1.2 A meeting must be convened (unless this action coincides with the annual AGM) at which the members can vote on the restructuring proposal.

## **16.2 Proceeding by Board Resolution:**

- 16.2.1 The Boards of the credit unions may hold a members' information evening (optional).
- 16.2.2 The Boards pass a resolution to proceed with the merger.
- 16.2.3 The Boards must prepare and send an information pack to the members and Auditor as prescribed in Section 130 of the '97 Act.

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## **17. SEEK CONFIRMATION OF THE MERGER FROM THE CENTRAL BANK – SEE APPENDIX 8**

Having carried out all requirements as set out in Section 130 of the '97 Act, the credit unions then seek confirmation of the merger from the Central Bank. This request must include a copy of:

- The resolutions passed by each Board – Appendix 8a
- The proposed advertisement to be placed in the national press – Appendix 8b
- The Instrument of Transfer of Engagement

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## **18. ADVERTISEMENTS IN THE NATIONAL PRESS**

The credit unions must place an advertisement in two national newspapers within seven days of the application to the Central Bank for confirmation of the Transfer of Engagements.

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## **19. MEMBERS' REPRESENTATIONS TO THE CENTRAL BANK REGARDING THE PROPOSED MERGER**

Following the placing of the advertisement in the national press, a three-week waiting period must elapse during which members may make representation to the Central Bank with regard to the proposed merger. The Central Bank will refer any representations received to the credit unions for a response.

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## **20. CENTRAL BANK CONFIRMS TRANSFER**

Where the Central Bank has reviewed any member representations and the credit union responses and remains satisfied that the merger should proceed, it will confirm the transfer.

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## **21. CONFIRMATION OF OPERATIONAL READINESS – SEE APPENDIX 9**

Each credit union must then confirm in writing to the Central Bank their operational readiness to proceed with the merger.

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## **22. CERTIFICATE OF CONFIRMATION AND EFFECTIVE DATE**

Upon receipt of the confirmation of operational readiness, the Central Bank will issue a Certificate of Confirmation and specify an effective date for the merger to come into effect.

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## **23. CONFIRMATION THAT ALL ASSETS HAVE TRANSFERRED – SEE APPENDIX 10**

The transferee credit union confirms in writing to the Central Bank that the title to all assets has been transferred to it.

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## **24. CANCEL REGISTRATION**

The Central Bank cancels the registration of the transferor credit union.

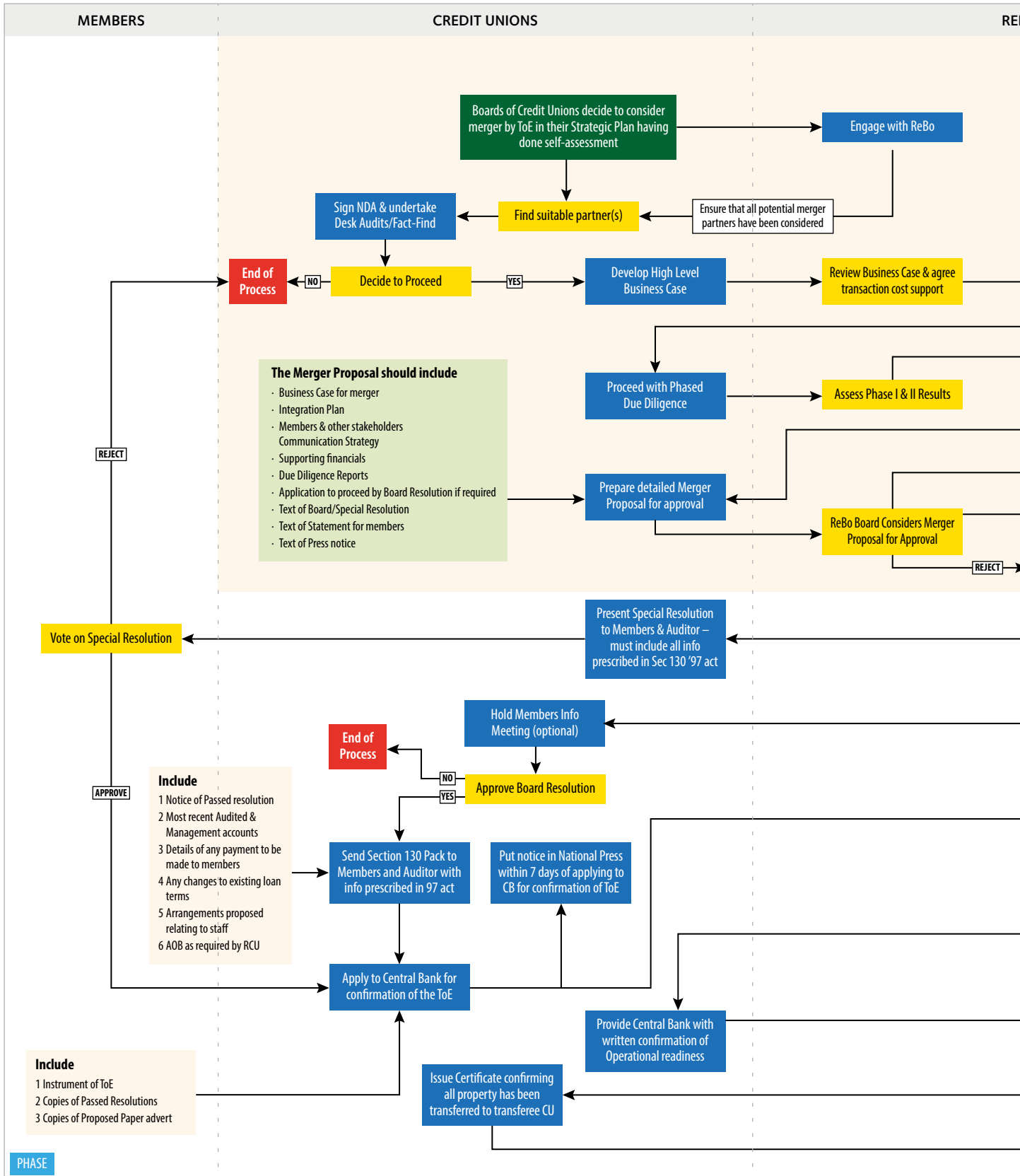
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*“The primary focus should be on using stronger credit unions to anchor restructuring with other participating credit unions to fulfil current and future members’ needs”*

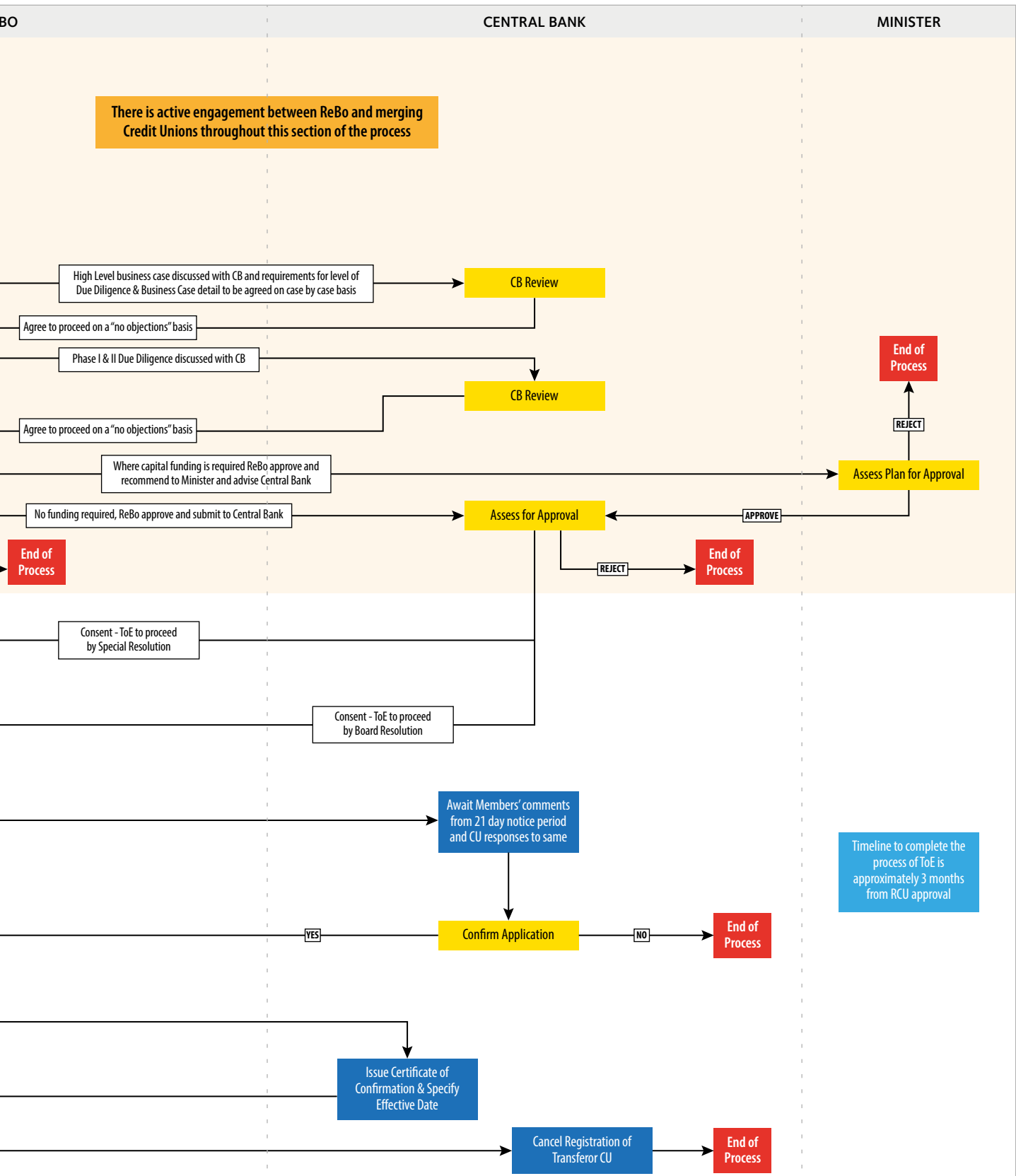
Commission Report on Credit Unions



# Appendix I – Flow Chart for Credit Union Mergers by Transfer of Engagement – Where ReBo is Engaged







This flow chart has been designed to visually present the merger process by way of a transfer of engagement. However credit unions can also pursue a merger by amalgamation; the process only differs from the point of board or member resolution onwards. Further details on the amalgamation process is available from ReBo.

## Appendix 2 – High Level Business Case

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### 1.0 GENERAL INFORMATION

- 1.1 Names of the credit unions involved
- 1.2 Asset Size
- 1.3 Membership
- 1.4 Common Bond area
- 1.5 Latest key financial ratios  
(for each CU and combined)

### 2.0 REASONS FOR MERGING

*For Example*

- 2.1 Increased Scale
- 2.2 Facilitate IT investment
- 2.3 Long Term Viability

### 3.0 KEY BENEFITS OF MERGER

*For Example*

- 3.1 How members will benefit from the merger  
(new services/products)
- 3.2 Ability to leverage brand in combined common  
bond area
- 3.3 Cost efficiencies to be gained
- 3.4 Ability to offer larger range of products and services  
(tiered regulation)

### 4.0 FINANCIAL ANALYSIS

- 4.1 3 years financial projections for each credit union on  
a standalone basis
- 4.2 An aggregate picture of those individual projections
- 4.3 3 year projections for the combined entity (for  
comparison against 4.2 above).
- 4.4 Summary of Key Ratios for each credit union and  
the combined entity

### 5.0 COST BUDGET

Sample Merger Cost Budget Template is provided  
in the next appendix.

- 5.1 The high level business case should include a  
summary of the total merger costs.

### 6.0 SUMMARY & CONCLUSION

- 6.1 Brief summary and conclusions in support of  
proposal and proposed next steps

## Appendix 3 – Merger Cost Budget

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<b>Business Consultancy</b>	
Develop high-level business case	*
Develop detailed business case	*
<b>Subtotal</b>	
<b>Due Diligence</b>	
Asset Review (property, Investments, Loans)	*
HR – (review of employment contracts, pensions, salaries, IR issues etc.)	*
Legal – (contracts, title to assets, on-going/potential litigation etc.)	*
Other Due Diligence Costs	*
<b>Subtotal</b>	
<b>IT</b>	
Facilitate system selection process (where required)	*
Prepare IT migration plan	*
Migration event	*
Hardware investment	*
Software investment	*
<b>Subtotal</b>	
<b>Project Management</b>	
Preparation of Integration Project plan	*
Project management and reporting for project duration	*
<b>Subtotal</b>	
<b>General Costs</b>	
Communications (events and correspondence)	*
Printing & Postage (section 130 packs to members)	*
Press adverts	*
<b>Subtotal</b>	
<b>Miscellaneous/Other</b>	
	*
	*
<b>Subtotal</b>	
<b>Total Budget Costs</b>	
*Qualifying Costs	

This is a non-exhaustive list of costs which may be incurred in a merger process. Each credit union should investigate the costs associated with its proposed merger. Costs should be prepared as accurately as possible, supported by quotations for the provision of services from external suppliers where relevant. This Cost Budget should be part of the high-level merger business case submission. It will be used by ReBo when assessing the provision of financial support to a restructuring proposal.

## Appendix 4 – Due Diligence Process

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### 1.0 DETAILS OF CREDIT UNION

Name & contact details, Registered Number, Date of Registration, Tax Registration Number, Data Protection Commissioner Registration Number, Business Registered Number, Trade Association affiliation, Chapter affiliation.

### 2.0 CREDIT UNION PRINCIPAL OFFICERS

Chairperson, Secretary and Management Team, positions, date of appointment, brief biographies, DOB, Nationality and contact details

### 3.0 GENERAL INFORMATION

#### 3.1 Rule Book

Copy of rule book and confirmation that all amendments have been adopted (where relevant)

#### 3.2 Capital base

Classes of shares, Deposits (terms and conditions), Private Sector Funding, other.

#### 3.3 Governance Structure

Number of Directors, list of elected Committees and non-statutory Committees, Directors' names, contact details, brief biographies and commencement dates for current roles

#### 3.4 Regulatory Direction

Any business restrictions/limits or issues of note

#### 3.5 Minutes & Resolutions

AGM (and EGM) minutes and details of any Special Resolution(s) passed in last 3 years.

#### 3.6 Other Business interests

Details of any other business in which the CU has an interest or control, nature of business and extent of control/involvement.

#### 3.7 Plans

Copy of current business plan and previous versions in place over past 5 years.

#### 3.8 Relationships between individuals

Details of relationships (family, corporate, financial or other) between staff members, Directors, members, consultants and contractors of the credit union

#### 3.9 Guarantees relating to the credit union

Details of any guarantees given to 3rd parties by the credit union or in favour of the credit union by 3rd Parties

#### 3.10 Common Bond

Details of the common bond, including a map of the geographic area and showing overlaps with other common bonds where applicable.

### 4.0 AUDITING

#### 4.1 Auditors

Contact details of Auditors (and previous Auditors in past 5 years), copy of letters of engagement to Auditors,

#### 4.2 Audit Information

Copies of correspondence between Auditors and credit union in past 5 years.

#### 4.3 Financial Information

5 years audited accounts, most recent management accounts, forecast-projections to year end and next 5 years, details of any issues/obligations not evident most recent audited accounts, Resolution 49 and additional provision analysis for last 3 years, investment register and product analysis for last 3 years, monthly control reports at year end and up to date of Due Diligence, Reconciliation of all bank accounts/petty cash, trial balance at last month end, nominal ledger from last year end to date, copy of any adjustments to opening trial balance at last year end, reconciliation of other cash services (FX, stamps etc.)

## 5.0 TAX INFORMATION

List of and contact details for all Tax consultants/Firms that the credit union has dealt with for last 5 years and copies of all related correspondence in that period. Copies of all notices of (re)assessment, audits and tax returns and any related correspondence. Copy of current tax clearance certificate.

## 6.0 BANKING INFORMATION

List of and contact details for all financial institutions used by the credit union in the last 5 years. List and details of all bank accounts with 12 months statements, copies of any loan agreements or other financial obligations entered into (including corporate credit card facilities) and any other form of financial support provided to the credit union in the last 5 years. Any notice of arrears or default served on the credit union in the same period.

## 7.0 LEGAL INFORMATION

List of and contact details for any Legal firm which the credit union has engaged in the last 5 years and copies of all related documents/correspondence - including proceedings, claims, injunctions, civil or criminal or arbitral in nature.

## 8.0 LEGAL COMPLIANCE

List of and copies of all licences, permits and other authorisations allowing the credit union to operate its business. Details of any notifications/warnings/other correspondence with regard to the (potential) breach of any legislation by the credit union in the last 5 years and/or of any investigations in this regard.

## 9.0 INTELLECTUAL PROPERTY RIGHTS

Details of any Trademarks, Copyrights, Patents, Intellectual Property Rights. Details of any NDAs in place or signed by 3rd parties or the credit union in the last 5 years.

## 10.0 EQUIPMENT & FIXED ASSETS

### 10.1 Equipment (non computer hardware)

List of all machinery & equipment, acquisition agreements, acquisition date, cost and depreciation. (include rental, maintenance and support agreements)

### 10.2 Equipment (computer)

List of computer equipment, servers, name and version of software, serial number, acquisition and/or rental leasing agreements, end user licence agreements, maintenance service and support agreements. credit union policies on computer use

### 10.3 Property Assets (owned)

List of properties and addresses, acquisition agreements, mortgage agreements, valuation reports obtained in the past 5 years, confirmation of title to each property, planning permissions for alterations to the property, agreements relating to any works carried out on the property

### 10.4 Property Assets (leased as lessor)

List of properties and addresses, copy of lease agreements, any notice of default

### 10.5 Property Assets (leased as lessee/sub-lessee)

List of properties and addresses, copy of lease agreements, any notice of default.

### **13.0 INSURANCE**

List contact details for all insurance companies used in the past 5 years. Copies of all policies and schedules covering credit union property/equipment, public liability, professional liability, business interruption, directors & officers liability, employees disability/health/life assurance, environmental liability. Documents and correspondence relating to any insurance claims made in the last 5 years.

### **14.0 INTERNET**

List of URLs linked to the credit union website, list of other URLs owned by the credit union, website maintenance/design/hosting agreements, list of e-mail addresses used, details of any complaint or challenge affecting the use or ownership of the website/e-mail addresses.

### **15.0 ENVIRONMENT**

Copy of any building inspections, health & safety reports, environmental inspections carried out in the last 5 years. credit union policy on environmental protection re-cycling/waste disposal, details of any complaints and/or formal notices of breach of environmental legislation in past 5 years

### **16.0 OPERATIONS**

List of all business locations, list of products and services provided, organisation chart, any material relating to the market place, competition etc.

### **17.0 MARKETING**

Copy of any press releases, articles, promotional material, adverts, surveys, advertising agreements, media plans used in past 5 years. List of all phone numbers used (low-call/free phone/mobile/land line), service agreements with call centres

### **18.0 CENTRAL BANK & ILCU**

List of all correspondence and CUARs in last 6 years, all prudential returns, PRISM visit reports, field officer reports, submissions to ILCU for last 3 years

### **19.0 LOANS**

List of all loan balances, list of all loans/accounts in arrears, attached borrowers, documents relating to Res 49, details of provisions, copy of all lending, credit control and provisioning policies, list of all loan rates currently in use

### **20.0 SUPPLIERS, SUBCONTRACTORS & CONSULTANTS (WHERE NOT ALREADY PROVIDED ABOVE)**

List of suppliers, sub-contractors and consultants and contact details, details of contracts/engagement letters, list of accounts payable, copy of any outsourcing agreements, copy of any report, opinion or studies prepared by any 3rd party on behalf of the credit union in the last 3 years

### **21.0 EMPLOYEE INFORMATION**

List of key employees (management) and staff with contact details, date of hire, position held, tenor of position (permanent, temporary, job-share etc.), job role, current remuneration & benefits, current status (maternity leave, sick leave, on site etc.), list of employees laid off in last 5 years, staff personnel files (including hiring letter, performance appraisals, dismissal letters, employment contracts, contracts for service with self employed workers), any employment agreements entered into (termination, release etc.) in last 5 years, hierarchical organisation chart, all HR policies, employee handbook/guide, HR resource handbook/guide, details of union interactions, details of grievances filed against or by the credit union and any judgement/arbitration decisions in last 5 years, details of any understanding, agreement or

other commitment in terms of remuneration/benefits or deferred consideration etc. currently outstanding, details of any pension funds – history of contributions, current status and valuation, list of loans/leases to directors or management & staff during the last 5 years, list of current vacant positions.

### 22.0 COMPETITION

List of main competitors, industry studies, reports, reviews etc. regarding competition faced or likely to be faced by the credit union, estimate of current market share, common bond penetration levels, list competitive advantages/disadvantages

### 23.0 POLICY & PROCEDURE

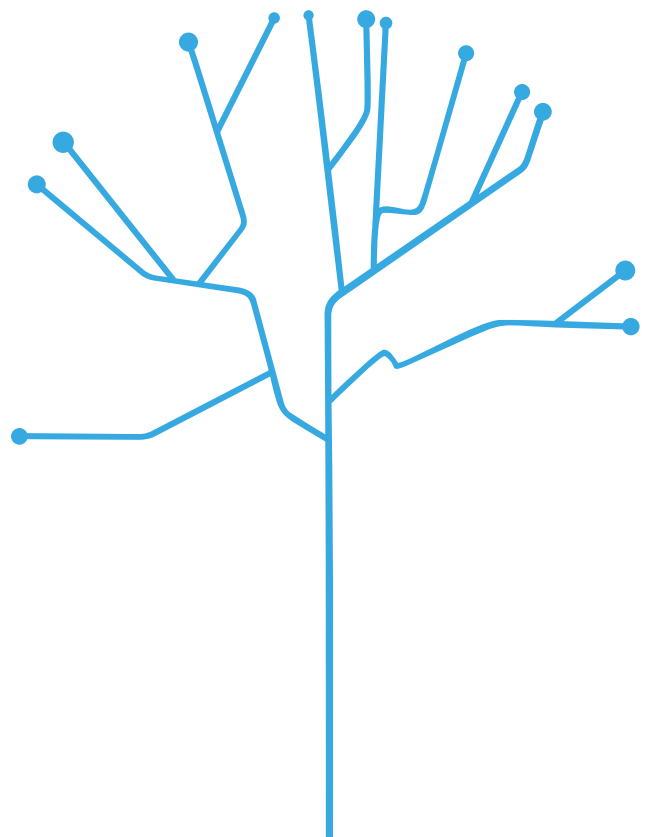
Copy of all policy documents in place, copy of all office procedure documents.

### 24.0 GENERAL

Any other relevant information not covered by the foregoing questions which may give rise to a claim against the credit union or the absence of which might mislead the transferee

*“For credit unions to remain relevant to their actual and potential membership, and particularly a younger membership which expects a high degree of ICT sophistication, significant advances will be required”*

Commission Report on Credit Unions



# Appendix 5 – Detailed Business Case

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## 1.0 EXECUTIVE SUMMARY

Executive Summary should be brief (1-2 pages max) but should include sufficient detail to allow quick understanding of main objectives, key benefits and resource requirements to accomplish the objectives.

## 2.0 INTRODUCTION AND GENERAL INFORMATION

- 2.1 Details of Common Bond (see Appendices 6.1.3 below)
- 2.2 Business Location(s)
- 2.3 Number of Members, Employees and Directors, Asset size
- 2.4 IT Systems in use in each credit union
- 2.5 High level overview of Key Financial information and ratios for each entity and for the proposed combined entity.

Most recent Balance Sheet and I&E for each CU.  
Solvency, Liquidity, Loan to Assets, Provision/Gross Loans%, Fixed Assets/Total Assets%, Investment maturity profile

## 3.0 CURRENT SITUATION

### 3.1 Current Business Model

- 3.1.1 Products & Services  
Loan balances/Numbers by type and interest rate. Special Share Accounts, Share accounts, Deposits, recent Dividend/ Rebate history

### 3.2 Environmental analysis

- 3.2.1 Economic  
Overview of Economy and trends, details of any specific issues impacting locally

- 3.2.2 Competitor  
Details of competitors (and potential new entrants) active in the CU market space

- 3.2.3 Regulatory  
Any Regulatory issues – existing business restrictions, ability to comply with new regulatory regime

## 3.3 SWOT

SWOT analysis needs careful thought. Actions outlined in the Business Case should tie back to the observations in the SWOT analysis.

## 4.0 VISION & MISSION STATEMENTS

- 4.1 Vision Statement – Describes the desired future state/operating model for the combined entity
- 4.2 Mission Statement – Outlines how the Vision statement is to be achieved. What are the main goals and what actions are required to achieve them?

## 5.0 BUSINESS CASE

### 5.1 Business Case

- 5.1.1 Growth opportunities – identify, support with evidence and outline actions required to deliver
- 5.1.2 Cost efficiency opportunities – identify, support with evidence and outline actions required to deliver
- 5.1.3 New product service offerings – identify, support with evidence and outline actions required to deliver



- 5.1.4 Overview of staffing pre & post merger  
Determine staffing compliment required to run the merged entity (more, fewer, same number, skills mix etc.) outline actions to be taken to arrive at desired number
- 5.1.5 Overview of Governance structure – Board and Committee make-up (same process as 5.1.4)

## 5.2 Financial Impact of merger (see Appendices 6.2)

- 5.2.1 Impact on Cost & Income lines
- 5.2.2 Implications for provisions (Fixed Asset and/or Loans)  
Accounting assessment of business combination & impact under Irish GAAP
- 5.2.3 Comparison with projected position were the merger not to proceed  
Aggregate the 5 year projections for each CU on a standalone basis and compare the results to the 5 year projections for the Merged entity to show the difference between merging and not merging

## 5.3 Key Performance Indicators and plans to Measure Success

How will it be known if the plan is working, what is the process for formal review?

## 6.0 APPENDICES

### 6.1 General Information

- 6.1.1 Composition of the Board and Committees post merger
- 6.1.2 Organisation Chart post merger
- 6.1.3 Details of Common Bond – map, demographics and penetration rates

### 6.2 Financial Information

- 6.2.1 Most recent set of management accounts
- 6.2.2 Details of Financial performance for each credit union for the last 3 years
- 6.2.3 Consolidated financial statement – including assessment of the net worth of each credit union pre merger and the net worth of the combined entity post merger (allowing for fair value adjustments (if any))
- 6.2.4 Projected figures for 5 years for the merged entity showing, Best Case, Worst Case & Most Likely Case scenario's based on relevant assumptions (including all costs and benefits associated with the merger). Present alongside the last 2 years actual figures on a aggregated basis for all CUs involved for comparison
- 6.2.5 Comparison of combined projections against individual CU projections were the merger not to proceed (shows the financial impact of the merger)
- 6.2.6 Provide an explanation of all assumptions used in the preparation of the financial projections

# Appendix 6 – Integration Plan Template

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## 1.0 IT

- 1.1 Select IT & Telephony system
- 1.2 Review IT maintenance requirements/agreements
- 1.3 Engage IT provider for Data Migration process
- 1.4 Plan migration process
- 1.5 Undertake data cleansing exercises
- 1.6 Create Data Dictionary
- 1.7 Create Data Mapping plan
- 1.8 Data testing / Migration testing
- 1.9 Formal sign off on data migration
- 1.10 Execute migration

## 2.0 HUMAN RESOURCES

- 2.1 Review & update all HR policies
- 2.2 Agree management & staff structure
- 2.3 Agree selection process for appointment to roles
- 2.4 Agree process for selection of people for roles
- 2.4 Schedule appointment process
- 2.6 Ensure each role has clear job description/ specification
- 2.7 Resolve any contractual issues that may exist (salary, pension & entitlement disparities), TUPE Legislation
- 2.8 Agree opening hours for each location

## 3.0 STAFF TRAINING

- 3.1 New Policies – HR, Operational, Finance, IT
- 3.2 New processes
- 3.3 New IT Systems
- 3.4 New products/services
- 3.5 Customer service during transition

## 4.0 OPERATIONAL/FACILITIES

- 4.1 Review all Operational policies
- 4.2 Roll out policy changes and arrange staff training
- 4.3 Arrange new stationery (if required) and schedule removal of obsolete stock
- 4.4 Arrange for external signage alterations (if required)

## 5.0 GOVERNANCE

- 5.1 Agree new Board – structure & composition
- 5.2 Agree new Committees – structure & composition
- 5.3 Agree Rules for New credit union entity (amalgamations only)
- 5.4 Revision of Registered Rules

## 6.0 COMMUNICATIONS

- 6.1 Identify all stakeholders for communication (e.g. Staff, Members, ReBo, RCU, Boards, Auditors etc.)
- 6.2 Where necessary – provide statutory notice for employees (information and consultation Bill, TUPE legislation), & minimum notice for redundancy
- 6.3 Create schedule for communication to each stakeholder
- 6.4 Create draft of all communications required for each stakeholders (including Section 130 requirements)

## 7.0 FINANCIAL

- 7.1 Agree MIS reporting requirements
- 7.2 Review finance policies

## 8.0 LEGAL/REGULATORY PROCESS

- 8.1 Legal advisors to confirm process for ToE/ Amalgamation
- 8.2 Confirm title to properties
- 8.3 Prepare and submit draft Sec 130 packs for RCU approval
- 8.4 Prepare and submit draft Press Notice for RCU approval
- 8.5 Apply to RCU for confirmation of the ToE
- 8.6 Place advert in press within 7 days of seeking confirmation
- 8.7 Prepare and post Sec 130 pack to Auditor and Members
- 8.8 Confirm operational readiness to RCU
- 8.9 Advisors confirm all property has transferred to transferee CU
- 8.10 CU secretary submits certificate stating all property vested in transferee CU

### GENERAL COMMENTS ON CREATING AN IMPLEMENTATION PLAN

The list of issues in this sample plan is not exhaustive and each plan needs to be drawn up based on the individual circumstances pertaining to each proposed merger.

When creating an implementation plan, it is important to start by identifying and listing every action required to ensure the merger project can be completed. Once these actions are identified, they should be broken down into individual steps or deliverables, each one being assigned to an owner. These steps then need to be reviewed for dependencies (e.g. some steps cannot commence until others have been completed) and put in a logical sequence. At this stage, the time required for each step should be estimated and the information transcribed into a Gantt chart (or similar chart). Completion of a Gantt chart will provide the project manager with a strong tool with which to manage, monitor and control the progress of the project.

## Appendix 7 – Selecting a Project Manager

The Successful candidate should have a deep understanding and experience of;

- Project Management strategies and methodologies
- Current ICT technologies
- Business & Systems Analysis techniques
- Experience in the management of systems integration projects is beneficial

The following skills/experience will be considered as a distinct advantage

- Experience in project management
- Knowledge of the credit union movement
- A professional Project Management certification (preferably Prince II)

The following duties may be required;

### Project Management:

- Defining/Clarifying project scope
- Planning, Execution, Monitoring and Control,
- Business Analysis/Requirements Gathering
- Managing Stakeholder Expectations
- Change management
- Risk and Issue Management
- Deployment & Support
- Budget Management
- Stakeholder communication

### Quality Assurance:

- Maintenance of a detailed project schedule
- Integrate and plan across a number of project areas
- Identification or assistance with identification of project deliverables and timing

- Preparing Acceptance Plans including all milestones, deliverables, review, activities and dependencies for the timely and efficient completion of the Project
- Determining and updating the project's critical path
- Developing and implementing risk assessment and risk mitigation procedures

### Communication and Report Writing:

- Communication at all levels including project team, sponsors, vendors etc.
- Presentations at internal meetings and external meetings where required
- The preparation of reports including
  - > Project Status Reports
  - > Reports describing the analysis of any problem(s) experienced and corresponding corrective actions, taken or proposed,
  - > Reports justification of any delays occurred,
- Final Reports including
  - > Details of the results achieved,
  - > Details of the methodology adopted,
  - > Quality assurance methods applied,
  - > Deviations from the original project plan with detailed justifications,
  - > Description of problems encountered and solutions adopted,
  - > Deliverables submitted.

# Appendix 8 – Application for Confirmation of Transfer of Engagements

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Credit Union Act 1997 (as amended)

APPLICATION FOR CONFIRMATION BY THE REGISTRAR OF CREDIT UNIONS OF A TRANSFER OF ENGAGEMENTS IN ACCORDANCE WITH SECTION 131 OF THE ACT.

Application for Confirmation by the Registrar of the Transfer of Engagements of

\_\_\_\_\_ Credit Union Limited

to

\_\_\_\_\_ Credit Union Limited

is made by the persons whose names are subscribed hereunder.

This application is accompanied by;

1. A copy of the Special Resolutions (or resolutions of the Boards of Directors, where applicable) passed by the Transferor and Transferee Credit Unions in accordance with the Act.
2. The Instrument of Transfer of Engagements.
3. A copy of the required notice to inserted in two daily newspapers, in accordance with Section 131 of the Act.

Chairman,

\_\_\_\_\_ Credit Union  
Limited (the Transferor)

Date: \_\_\_\_\_

Chairman,

\_\_\_\_\_ Credit Union  
Limited (the Transferee)

Date: \_\_\_\_\_

Secretary,

\_\_\_\_\_ Credit Union  
Limited (the Transferor)

Date: \_\_\_\_\_

Secretary,

\_\_\_\_\_ Credit Union  
Limited (the Transferee)

Date: \_\_\_\_\_

## Appendix 8A – Notice of Passed Resolution

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### **PROPOSED BOARD RESOLUTION**

The board of directors of ABC Credit Union Limited resolves that the credit union transfers its engagements to XYZ Credit Union Limited in accordance with the relevant provisions of the Credit Union Act 1997 (as amended).

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XXXXXX

Secretary

ABC Credit Union Limited

Date

### **PASSED BOARD RESOLUTION**

That at the board of directors meeting on Day Month Year the board of directors of ABC Credit Union Limited resolved that the credit union transfers its engagements to XYZ Credit Union Limited in accordance with the relevant provisions of the Credit Union Act 1997 (as amended).

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XXXXXX

Secretary

ABC Credit Union Limited

## Appendix 8B – Template Newspaper Notice

ABC Credit Union Limited

&

XYZ Credit Union Limited

ABC Credit Union Limited and XYZ Credit Union Limited hereby give notice that both credit unions have passed board resolutions agreeing to the proposed Transfer of Engagements of ABC Credit Union Limited to XYZ Credit Union Limited. A copy of the statement under Section 130 (3) of the Credit Union Act 1997, (as amended) detailing the particulars of the transfer, may be obtained on demand during normal working hours at:

ABC Credit Union office, Credit Union Road, Ireland and at

XYZ Credit Union office, Credit Union Avenue, Ireland.

A formal application to proceed with the transfer of engagements has been lodged with the Registrar of Credit Unions, Central Bank of Ireland, PO Box 559, Dame Street, Dublin 2.

Representations relating to this application may be made in writing to the Registrar of Credit Unions at the above address within 21 days of the date of this notice.

Dated this Xth day of Month 201X

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XXXXXXXXXX

Secretary

ABC Credit Union Limited XXXXXXXXX

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XXXXXXXXXX

Secretary

XYZ Credit Union Limited

## Appendix 9 – Letter of Confirmation of Operational Readiness

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Registry of Credit Unions,  
Central Bank of Ireland,  
PO Box 559,  
Dame Street,  
Dublin 2.

Date

Dear

We wish to confirm that Transferee Credit Union Limited and Transferor Credit Union Limited are both operationally ready to complete the Transfer of Engagements of Transferor Credit Union Limited to Transferee Credit Union Limited.

We wish to confirm that both IT systems are aligned and both credit unions are ready to operate as a single unit.

We wish to confirm that the Transferor Credit Union bank accounts will be transferred into the name of the Transferee Credit Union on the production of the Certificate of Confirmation of the Transfer.

We wish to confirm that all other relevant Transferor balance sheet items including property assets are in a position to be included in the Transferee Credit Union balance sheet.

We wish to confirm that there are no outstanding issues regarding transfer of existing Transferor lease arrangements.

Signed

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Chairperson  
Transferee Credit Union

---

Secretary  
Transferee Credit Union

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Chairperson  
Transferor Credit Union

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Secretary  
Transferor Credit Union



# Appendix 10 – Certificate for Lodgement with Registrar in Respect of an Instrument of Transfer of Engagements

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CERTIFICATE UNDER SECTION 136 OF THE CREDIT UNION ACT, 1997 (AS AMENDED)  
FOR LODGEMENT WITH THE REGISTRAR OF CREDIT UNIONS IN RESPECT OF AN INSTRUMENT OF TRANSFER OF  
ENGAGEMENTS

Name of Credit Union: \_\_\_\_\_ Credit Union Limited ('the Credit Union')

Registered Number: \_\_\_\_\_

The Instrument of Transfer of Engagements appended hereto, was lodged with the Registrar of Credit Unions on the  
\_\_\_\_ day of \_\_\_\_\_ 20\_\_.

I hereby certify that all property vested in the above named Credit Union has been duly conveyed or transferred to  
\_\_\_\_\_ Credit Union Limited.

I make this certificate for the purposes of Section 136 of the Credit Union Act, 1997 (as amended) for lodgement with  
the Registrar of Credit Unions.

\_\_\_\_\_

Secretary of \_\_\_\_\_ Credit Union Limited

\_\_\_\_\_

Date

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[www.rebo.ie](http://www.rebo.ie)



The Credit Union Restructuring Board  
*An Bord Athchóiriú Comhar Creidmheasa*

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