



ReBo
The Credit Union Restructuring Board
Strategic Plan
2014 – 2015



The Credit Union Restructuring Board
An Bord Athchóiriú Comhar Creidmheasa

Credit Union Restructuring Board “ReBo”

2nd Floor IPC House,
35-39 Shelbourne Road,
Ballsbridge, Dublin 4

W: www.rebo.ie

Contents

| | Page No. |
|----------------------------------|-----------------|
| FOREWORD | 3 |
| VISION & MISSION STATEMENTS..... | 4 |
| THE ORGANISATION | 6 |
| Board & Staff..... | 6 |
| Functions..... | 7 |
| Operating Principles..... | 8 |
| SITUATIONAL ANALYSIS | 9 |
| STRATEGIES | 10 |
| ACTION PLAN..... | 11 |
| PERFORMANCE MEASURES..... | 15 |
| APPENDICES | 16 |
| Organisation Charts | 16 |



**“Action without vision is only passing time,
vision without action is merely day dreaming,
but vision with action can change the world”**

- Nelson Mandela

Foreword

In its 55 year history the Irish credit union movement has achieved great success in attracting members and delivering financial services in a professional and dignified manner. The models that served credit unions so well have, in recent times, come under financial and other strains. All stakeholders, through the work of the Commission on Credit Unions, recognised the need for change. One of the core recommendations of the Report of the Commission is that credit unions should restructure in order to improve efficiency and maintain the strength and stability of the movement into the future. The Government in the enactment of the Credit Union and Co-operation with Overseas Regulators Act 2012 and the subsequent establishment of the Credit Union Restructuring Board “ReBo” has endorsed these findings.

In this Strategic Plan, ReBo has articulated that its vision is for vibrant and sustainable credit unions that are credible, trustworthy providers of financial services to their members. The work of ReBo will be achieved on a voluntary, incentivised and time-bound basis. Leadership from within credit unions must be forthcoming in order for ReBo to be successful. Over the next two years ReBo will actively work with those credit unions that are willing to engage in the process of developing and implementing restructuring plans. It is essential that these plans not only address financial viability and governance structures, but more importantly demonstrate how a merger will be in the best interest of members and how the merged entity will preserve and enhance the community presence.

ReBo will assist credit unions with the preparation of restructuring plans and oversee their implementation, either directly or by assisting the funding of professional third party services. For credit unions that wish to partake in the restructuring process, this represents a unique and attractive opportunity to avail of practical and financial support for a limited period. As part of its commitment to restructuring, the Government has made available €250 million in the form of the Credit Union Fund from which funds will be made available to meet the expenses of ReBo in discharging its functions. ReBo is required to make regulations for a levy payable by credit unions of half the total expenditure it incurs annually. This is consistent with the co-funding of ReBo by the movement as recommended by the Commission on Credit Unions.

In preparing restructuring proposals some merging credit unions may have the need for additional funding. ReBo may recommend to the Department of Finance that this funding is provided from the Credit Union Fund. It is the Department’s intention that the full amount of any financial support provided in these circumstances would be repaid by those credit unions directly.

ReBo’s preliminary engagements with credit unions in the last year has shown that credit unions are ready and willing to embrace restructuring that will support their financial stability and long term sustainability. It is on this basis that ReBo is pleased to present its Strategic Plan for 2014 – 2015. The Board and staff of ReBo are fully committed to working with credit unions and other stakeholders within the movement to ensure we deliver on our mandate.



Bobby McVeigh
Chairman



Donal Coghlan
Chief Executive

Vision & Mission Statements

Vision

ReBo's vision is for vibrant and sustainable credit unions that are credible, trustworthy providers of financial services to their members.

Mission

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.

Objectives of Restructuring

The guiding objectives of restructuring are:

- The protection of credit union members' savings;
- The provision of credit to members at fair and reasonable rates;
- The stability and viability of credit unions and the sector at large;
- The preservation of the credit union identity and ethos;
- Contributing to the development of a world class credit union sector in Ireland.

The restructuring process will provide the opportunity to credit unions to develop a more sophisticated – and ultimately more sustainable – business model and provide a mechanism to help deal with the financial stresses in the sector in an orderly and time bound way.



The Organisation

The Credit Union Restructuring Board “ReBo” was established on 1st January 2013 in accordance with the Credit Union and Co-operation with Overseas Regulators Act 2012 as the statutory body responsible for facilitating and overseeing the restructuring of credit unions to support their financial stability and long term sustainability. The 2012 Act was the product of extensive engagement within the credit union movement through the Commission on Credit Unions whose report set out recommendations for the voluntary consolidation or restructuring of the credit union sector over time, recognising the need to maintain local presence and taking into account the credit unions’ not-for-profit mandate, their volunteer ethos and community focus.

The enactment of the 2012 Act cleared the way for €250 million to be contributed by the Government to a Credit Union Fund created under the legislation. This funding will support the restructuring process and underpin the stability of the credit union sector by providing a source of funds to meet half of the expenses of ReBo in discharging its functions and a source of recoupable financial support to credit unions for capital or other funding requirements identified as part of a restructuring proposal.

Board & Staff

The work of ReBo is overseen by a board appointed by the Minister for Finance. The board has thirteen members comprised from the credit union representative bodies, the Central Bank of Ireland, the Department of Finance, independent members and for continuity purposes a member of the Commission on Credit Unions. The board is chaired by Mr Bobby McVeigh, whose experience spans 40 years in the international credit union movement.



L-R Donal Coghlan (CEO - ReBo) and Bobby McVeigh (Chairman - ReBo)

ReBo has a full time executive staff led by its Chief Executive, Mr Donal Coghlan. Staff in the Restructuring Team actively engage with credit unions on the ground with a view to formulating restructuring proposals for submission to the Board of ReBo for consideration and onward recommendation to the Central Bank for regulatory approval and, where necessary, to the Minister for Finance for funding approval.

Functions

ReBo's purpose is 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 to support the financial stability and long term sustainability of credit unions generally. For that purpose its functions shall include:

- 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 Bank of its recommendations,
- Overseeing the implementation of restructuring plans, including the provision of post-restructuring support,
- Making recommendations to the Central Bank that credit unions be considered for stabilisation support.

Operating Principles

In performing its functions ReBo will be guided by its stated objectives and adhere to the following operating principles:

- ReBo will fulfil its functions in accordance with:
 - the Credit Union and Co-operation with Overseas Regulators Act 2012,
 - the recommendations of the Report of the Commission on Credit Unions,
 - the Code of Practice for Governance of State Bodies, and
 - any other directions given to it by the Minister for Finance.
- ReBo will operate on an independent basis.
- ReBo will take the actions which it considers necessary or expedient to enable it to perform its functions.
- ReBo's interactions with credit unions will be on a voluntary basis and will be handled in a consistent manner, showing no bias toward any particular party.
- ReBo will act with due care and professionalism in its dealings and will operate in an ethically and financially prudent manner.
- ReBo will interact and communicate with all sector stakeholders in an inclusive and open way.

Situational Analysis

As at 31 December 2013 there were 390 credit unions in Ireland with total assets of just under €14 billion. Taken in aggregate, the Credit Union Sector has a strong balance sheet and would meet all its regulatory financial targets if it were one single entity. However, it is an atomised structure, independently owned and run by its members across the country. In 2012, the report of the Commission on Credit Unions found that there were a number of significant challenges facing credit unions. These challenges continue to be a feature of the current landscape.

Credit union income is under threat as the average loan to asset ratio continues to decline. Operating costs now exceed loan interest income in approximately half of all credit unions. These credit unions are therefore reliant on investment income to support costs, dividends and reserves.

With ECB interest rates at an all-time low and forecast to remain low for the foreseeable future, the rate of return on investment income is expected to fall, further compounding stresses on a significant number of credit unions.

Credit unions are experiencing some upward cost pressure, particularly in the areas of compliance as a result of the enactment of the 2012 Act. In addition some are encountering challenges in recruiting and retaining sufficient numbers of volunteers as they seek to comply with the new Fitness & Probity and governance requirements. The potential impact of the Personal Insolvency Legislation and proposals around tiered regulation remain to be seen.

The Commission report viewed restructuring in two ways;

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

The scale and pace of credit union consolidation in Ireland to date suggests that voluntary restructuring without support is unlikely to bring about the extent of restructuring that may be necessary to resolve the very real problems facing some credit unions. The Commission also acknowledged that resolution – including the transfer process – and voluntary consolidation should remain important elements of the overall approach to restructuring.

Strategies

The strategic approach is to leverage the aggregate strength in a way that delivers financial security and stability without losing the co-operative dimension. This leverage should be both operational and 'balance sheet' in nature. The strategies below outline the high level approach ReBo will take in order achieve its restructuring functions and bring about its vision for the movement:

1. 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.
2. ReBo will make recommendations in relation to individual credit unions for stabilisation support and will also seek to offer a path to sustainability for credit unions that would not otherwise be capable of independent viability but will not impinge on the Central Bank's independence or resolution actions.
3. ReBo will develop proposals and plans with credit unions and sector stakeholders on viable business models for restructuring and the longer term sustainability of the credit union sector.
4. ReBo will effectively manage its operations and costs to reflect its short term and focused remit.



Action Plan

| Strategy | | |
|--|--|----------------------------------|
| 1. 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. | | |
| Action | Outcome | Timeframe |
| a) Undertake a high level assessment of all credit unions based on financial data from Central Bank and engagement with each credit union. | Each credit union will be categorised so as to identify their willingness & suitability to engage in the restructuring process. | Q2 2014 |
| b) Develop a standardised merger process. | A merger handbook. | Q1 2014 |
| c) Engage with credit unions to facilitate agreement on restructuring proposals and assist them in the preparation of restructuring plans. | Comprehensive restructuring plans with intensive business analysis to examine improvements to systems, controls and governance, transition and post restructuring planning and a clear communication plan. | In progress & ongoing to Q2 2015 |
| d) Approve restructuring plans for onward recommendation to Central Bank and Minister for Finance. | Plans are recommended to the Minister and/or the Central Bank | In progress & ongoing to Q3 2015 |
| e) Oversee the implementation of restructuring plans, including the provision of post-restructuring support. | Credit unions successfully merged. | In progress & ongoing to Q4 2015 |

| Strategy | | |
|--|---|----------------------|
| 2. ReBo will make recommendations in relation to individual credit unions for stabilisation support and will also seek to offer a path to sustainability for credit unions that would not otherwise be capable of independent viability but will not impinge on the Central Bank's independence or resolution actions. | | |
| Action | Outcome | Timeframe |
| a) Review individual credit unions where regulatory reserves are greater than or equal to 7.5 per cent but less than 10 per cent of total assets to identify those that are not a party to a restructuring proposal. | Individual credit unions that satisfy the criteria recommended to the Central Bank to be considered for stabilisation support | Q3 2014 ¹ |
| b) Agree approach with Central Bank on identifying and dealing with distressed credit unions with the aim of facilitating, where feasible, restructuring proposals. | Restructuring proposals agreed and plans developed for identified credit unions. | Q4 2014 |
| c) Where ReBo determines it is not in a position to facilitate restructuring proposals for identified credit unions, advise the Central Bank of the position on a timely basis. | Central Bank advised of credit unions that are not party to a restructuring proposal. | Q4 2014 |

| Strategy | | |
|--|---|-----------|
| 3. ReBo will develop proposals and plans with credit unions and sector stakeholders on viable business models for restructuring and the longer term sustainability of the credit union sector. | | |
| Action | Outcome | Timeframe |
| a) Consult with key sector stakeholders and conduct independent research. | Interim report on viable business models for credit unions. | Q3 2014 |
| | A series of best practice ReBo guidance documents. | Ongoing |
| b) Actively participate in Central Bank's consultation processes. | Regulatory framework that supports restructuring. | Ongoing |
| b) Make recommendations on best practice strategies for the future restructuring of the sector. | Final report | Q4 2015 |

¹ May need to extend as other cases could emerge during lifetime of ReBo

| Strategy | | |
|--|---|--------------------|
| 4. ReBo will effectively manage its operations and costs to reflect its short term and focused remit. | | |
| Action | Outcome | Timeframe |
| a) Have a proactive communication strategy with the sector that maximises the use of technology to minimise costs. | Board update will be sent after each meeting. | Ongoing |
| | Strategic Plan will be sent to all stakeholders. | Q1 2014 |
| | Regular reports to the Minister on performance of functions. | Ongoing |
| | Majority of communications will be in electronic format. | Ongoing |
| | An interactive website for internal and external document upload. | Q2 2014 |
| b) Undertake a review of policies and ensure compliance with legislation and Code of Practice. | Board is satisfied that suitable governance and operational structures are in place for performance of functions. | Q2 2014 |
| c) Ensure ReBo is staffed with the right skill sets and there is effective use of third party providers. | A strategy based performance management system in place across all levels of the organisation. | Q1 2014 |
| | Training and development program to be implemented. | Q1 2014 |
| | Policy on the effective use of 3rd parties approved. | Q1 2014 |
| d) Develop a stakeholder policy. | Stakeholder policy approved by Board. | Q1 2014 |
| | Regular meetings held with all key stakeholders. | Ongoing |
| | Participation in Commission on Credit Union Implementation Group. | Ongoing to Q2 2014 |
| e) Make regulations prescribing the ReBo Levy and how it is to be paid by credit unions. | Consultation completed with Minister and Credit Union Advisory Committee. | Q2 2014 |
| | ReBo Levy agreed by Board & Department of Finance. | Q2 2014 |



Performance Measures

ReBo will measure its own performance against key performance indicators designed to deliver its goals and stated mission. ReBo will also measure the impact of the restructuring process on participating credit unions and the movement at large. In this regard ReBo will use the following measurements to track and report on its performance to its stakeholders:

- Delivery on the action plan in accordance with the timeframes,
- Number of completed mergers,
- Number of restructuring proposals processed,
- Number of credit unions engaged with,
- Number of meetings held with sector stakeholders,
- ReBo Guidelines issued,
- Credit union market share and activity,
- Financial strength of the movement on individual and aggregate basis,
- Credit union operating efficiencies.

Appendices

Organisation Charts

| ReBo Board | | |
|--------------------------------|---|--|
| Chairman Bobby McVeigh | | |
| Pat Fay <i>ILCU</i> | Neil Ryan <i>Department of Finance</i> | Tom Kavanagh <i>Independent</i> |
| Jimmy Johnstone <i>ILCU</i> | Elaine Byrne <i>Central Bank</i> | Eoin McGettigan <i>Independent</i> |
| Kevin Johnson <i>CUDA</i> | Joe O'Toole <i>Credit Union Commission</i> | Stephen O'Donovan <i>Independent</i> |
| Tim Molan <i>CUMA</i> | Brendan Burke <i>Independent</i> | Kathleen Prendergast <i>Independent</i> |

| ReBo Staff | |
|-------------------------------|---|
| Chief Executive Donal Coghlan | |
| Finance & Admin | Restructuring Team |
| Finance & Admin Manager | Head of Restructuring Head of Strategy |
| Staff Officer | Senior Restructuring Manager(s) (1-3) |
| | Restructuring Analyst(s) (2-3) |
| | Executive Officer |



Credit Union Restructuring Board "ReBo"

2nd Floor IPC House,
35-39 Shelbourne Road,
Ballsbridge, Dublin 4

W: www.rebo.ie