

From the Office of the Minister



Department of
**Enterprise, Trade
and Investment**

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Our Ref: DETI SUB 57/2012

Mark Hoban MP
Financial Secretary to the Treasury
HM Treasury
1 Horse Guards Road
LONDON
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1 February 2012

Dear Mark

NORTHERN IRELAND CREDIT UNIONS – FSA REGULATION

I am grateful to you and Hector Sants for your responses, of 12 and 14 December respectively, to those matters outlined in my letter of 21 November 2011. I acknowledge your positive responses to the concerns I set out.

You may recall that among the issues I raised, one related to the proposed application, following transfer to FSA regulation, of the CREDS rules on the allowable period for investment of surplus funds. The joint HM Treasury and FSA Policy Statement (PS 11/18) issued on 9 December, while announcing a welcome, one year transitional easement for those NI credit unions which will transfer as version 1, confirmed the original proposal to limit the investment period for these to 12 months. However, representations from both trade bodies, as well as individual credit unions, have continued to question this decision, and the rationale, for retaining this policy after the expiry of the transitional period.

The FSA, while acknowledging that NI credit unions, perhaps in contrast to some of their GB counterparts, have excess liquidity and need to be able to earn additional income by shrewd investment of their surplus funds, nevertheless contend that investment safety and liquidity must continue to be of primary concern. While NI credit unions acknowledge the general value of the policy, trade bodies and individual credit unions alike maintain that, should it be imposed on a blanket basis, it will be hugely detrimental to their ability to take advantage of safe investment opportunities, such as bank bonds etc, in those institutions which themselves come within FSA's regulatory and fiscal scrutiny. While I appreciate FSA's aim to operate within a single set of rules across the UK, I have to confess to some sympathy with the trade bodies' position as this does appear to represent a retrograde step from the facility currently available.

In addition, many of our credit unions, while cash secure and well run, are small, rural entities, staffed by committed and very capable volunteers. These staff view the preparation and maintenance of the additional bureaucracy required to become a version 2 entity, essentially to allow them to maintain their current investment capabilities, as highly unnecessary. I am concerned that this may prove a step too far for these essential volunteers who may be forced to reconsider their social involvement leading to the possible loss of a vital facility within local, and in many

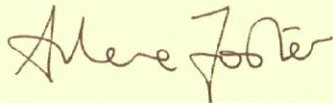
cases, isolated communities. Some members in these communities would have limited, or no, access to other methods of affordable borrowing.

I would therefore ask that you again explore the investment period issue towards achieving an equitable solution which may obviate the need for multiple applications for version 2 status. I am content for officials to meet and discuss the issue, if you feel that would help.

As before, I am copying this letter to FSA Chief Executive, Hector Sants, for any further observations, and to Alban Maginness, Chair of the Committee for Enterprise, Trade and Investment for information.

I am also circulating to all Northern Ireland MPs, many of whom are following this issue closely.

Yours sincerely

A handwritten signature in black ink that reads "Arlene Foster". The signature is written in a cursive, flowing style.

ARLENE FOSTER MLA
Minister of Enterprise, Trade and Investment