



20 May 2020

Dear Regulator,

RE: Ensuring sufficient support to the Credit Unions during the current COVID-19 pandemic

As Members of the European Parliament and champions of the European Parliament Credit Union Interest Group, we are writing to you to draw your attention to the need to ensure sufficient support to credit unions in your jurisdiction in order to allow them to remain open and to continue to provide vital services to their members in these difficult times.

Since 2014, the European Parliament Credit Union Interest Group has represented a cross-group parliamentary platform to raise awareness about credit unions and micro-finance among EU institutions and stakeholders and to discuss key issues relevant to the credit union movement.

As you know, credit unions are member-owned, not-for-profit financial cooperatives which promote financial inclusion and provide access to credit to communities that are often underserved by traditional financial institutions. Currently, **credit unions across the European Union, much like other financial institutions, are suffering a number of negative impacts from the COVID-19 pandemic and the resulting economic situation. Those vary across jurisdictions and include amongst others temporary branch closures, reduced operational capacities and liquidity shortages.**

All of these impacts significantly hinder the ability of credit unions to serve their members and advance their goal of financial inclusion. This is especially problematic when one considers the fact that credit unions provide services primarily to household and SMEs who are likely to be hit particularly hard by the current crisis and often face a number of obstacles in accessing credit from traditional financial institutions such as banks.

We do welcome measures already undertaken by some national authorities in Europe to alleviate the situation of credit unions in their respective jurisdictions. Some of those measures include postponement of some reporting obligations, flexibility when it comes to auditing and other aspects of credit unions' operations, which cannot be carried out in the current circumstances, as well as the provision of support for credit union employees affected by the crisis.

However, we believe that much more needs to be done. Unfortunately, we are alarmed to observe that in many jurisdictions, credit unions struggle to secure sufficient support and are often excluded in part or in full from measures aimed at aiding the banks in the country.

As you are likely aware, in light of the current crisis and its impact on the financial sector, the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) have called on national regulators to use pragmatism in the exercise of prudential supervision in order to ensure continued access to credit for the real economy. In a series of guidance documents, the most recent of which was published on 22 April, the EBA called for flexibility including when it comes to the application of existing capital requirements and the framework regarding default, forbearance and IFRS9.

In addition, on 28 April, the European Commission adopted an emergency banking package aimed at facilitating bank lending to support the economy and help mitigate the economic impact of the COVID-19 crisis. The package encourages banks and supervisory bodies to apply the EU's accounting and prudential rules more flexibly and proposes targeted amendments to the Capital Requirements Regulation (CRR).

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In this context, we appeal to you to ensure that swift and effective measures are taken in order to ensure that credit unions can continue to operate and serve their members, who are likely to need access to credit now more than ever. In particular, we call on you to:

- *Consider temporary easing of capital reserve requirements for credit unions in line with the EBA's and the European Commission's guidelines and with the flexibility afforded to banks.*
- *Provide temporary relief to credit unions regarding IFRS 9 loan loss provision reporting in line with the relief offered to banks in the context of emergency CRRII amendments outlined above.*
- *Ensure that moratoria on loan repayments and other forbearance assistance, introduced in response to the current crisis, are reflected in amortisation schemes.*
- *Ensure that credit unions can access Central Banks' credit refinancing schemes, where those exist, on similar terms as those applicable to banks.*
- *Consider, where appropriate, allowing credit unions to provide selected services to non-members on a temporary basis in order to respond to the current extraordinary situation.*
- *Ensure that any other temporary assistance measures introduced in order to boost the resilience of the financial sector in your jurisdiction are extended to credit unions as well as other financial institutions.*

We firmly believe that those measures will be of vital importance to allow credit unions to address their potential capital constraints and improve their lending capacity in these critical times. We fully understand that any emergency measures should not come at the expense of financial stability and increased market risk. Therefore, we would like to take this opportunity to stress credit unions' historic commitment to supporting Europe's underserved communities responsibly and their aversion to unnecessary risks.

We sincerely hope that you will take our views and the views of the hundreds of credit unions across the EU into account.

We thank you for your time, consideration and support in this important matter and we look forward to hearing from you.

Kind regards,

Billy Kelleher

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