

## Regulator Assessment: Qualifying Regulatory Provisions

**Title of proposal:** Reform of the legacy Credit Unions Sourcebook

PS16/1 includes both changes made as a result of the CP with the same title (CP15/21) and consequential changes to CREDS as a result of our senior managers regime (consulted on in CP 14/31)

**Lead regulator:** For *CP15/21*: Prudential Regulation Authority, with the FCA making largely consequential amendments. For *CP14/31*: FCA

**Date of assessment:** 25 July 2016

**Commencement date:** *CP15/21*: 3 February 2016; for *CP14/31*: 7 March 2016

**Origin:** Domestic

**Does this include implementation of a Cutting Red Tape review?** No

**Which areas of the UK will be affected?** All areas

### Brief outline of proposed new or amended regulatory activity

The Credit Unions Sourcebook (CREDS) was originally a joint sourcebook that pre-dated the separation of the Financial Services Authority (FSA) into the PRA and FCA. We jointly consulted with the PRA on the reform of the legacy CREDS in CP 15/21.

The PRA proposed to make some substantial changes to its rules for credit unions, including replacing its CREDS with a new Credit Union Rulebook, focussing just on financial safety and soundness of credit unions. As a result, we proposed making non-significant consequential changes to the FCA's CREDS to facilitate the PRA's changes, with the aim of aligning our CREDS with the PRA's Rulebook and to make some improvements to CREDS.

The proposed FCA changes were to:

- 1 Clarify the responsibilities of the FCA (i.e. with a focus on the way in which credit unions conduct business) in our CREDS by removing rules and guidance that do not relate to our objectives to avoid unnecessary duplication and potential inconsistency with the PRA's Rulebook;
- 2 Change some current guidance on senior management arrangements, systems and controls into rules to align with the PRA's Rulebook;
- 3 Adjust credit unions' regulatory reporting arrangements to assist with the FCA's supervision of credit unions; and
- 4 Correct oversights, omissions, inconsistencies and outdated provisions in CREDS, for example, update outdated links and remove references to PRA-only rules.

We published our final rules in February 2016 in PS16/1 (which, like CP15/21, was a joint publication with the PRA).

As part of our new Senior Manager and Certification Regime (SM&CR) for banks, building societies and credit unions, we separately consulted on a number of policy changes in CP14/31, namely transitional arrangements (i.e. individuals grandfathering across from the Approved Persons Regime to the new SM&CR), the introduction of new forms to support reporting and applications, and other more minor consequential amendments to the FCA Handbook. Given the scope of the SM&CR, these changes also impacted individuals working in credit unions.

The main feedback and policy changes as a result of that consultation were published in July and August 2015 (in CP15/22.3 and PS15/21). However, these did not include the consequential amendments needed to the FCA's CREDS and instead we made these amendments at the same time as the other planned changes to the CREDS sourcebook in PS16/1 in February 2016.

**Which type of business will be affected? How many are estimated to be affected?**

These changes affect all credit unions in the UK (roughly 500 firms).

Publication	Price base year	Implementation date	Duration of policy (years)	Business Net Present Value	Net cost to business (EANDCB)	BIT score
CP15/21	2015	Feb 2016	Indefinite	0	0	0
CP14/31	2014	March 2016	Indefinite	0	0	0

**Please set out the impact to business clearly with a breakdown of costs and benefits**

*In regard to changes proposed in CP15/21:*

The FCA proposed to make only minimal changes to its rules for credit unions. These do not impose any significant additional obligations on firms given that they largely replicate existing requirements.

The only costs (if any) are likely to be as a result of:

- 1 Increased expectations on credit unions' governing bodies to review relevant policies and procedures (which is in any case necessary as a result of the simultaneous and more substantial PRA changes);
- 2 Submission of two sets of accounts (to the FCA and the PRA) rather than one set (which will normally entail the addition of another email address when submitting the accounts); and
- 3 Updating compliance and policies and procedures manuals as appropriate (which, again is already necessary as a result of the simultaneous and more substantial PRA changes).

The FCA, as indicated in CP15/21, considers these costs to be of minimal significance; therefore no detailed cost benefit analysis was conducted prior to consultation. Consultation responses confirmed that these costs are expected to be minimal if at all and we therefore estimate the costs as zero.

The primary benefits are related to the compatibility of FCA and PRA rules for credit unions, as the PRA made substantial changes to its credit union rules (including the creation of a new Credit Union Rulebook Part). We are not reasonably able to quantify these benefits, as even if we were to survey a large number of credit unions we do not expect they could determine the cost savings of the FCA changes versus having two incompatible sets of rules.

*In regard to changes proposed in CP14/31:*

The FCA published in PS16/1 amendments to CREDS which were consequential to changes made in previous publications (CP15/22 and PS15/21). As such, no costs or benefits are included here as a result of the amendments published in PS16/1.

**Please provide any additional information (if required) that may assist the RPC to validate the BIT Score.**

It is important to remember that PS16/1 includes both changes made as a result of the CP with the same title (CP15/21) and consequential changes to CREDS as a result of our senior managers' regime (consulted on in CP 14/31). The costs for CP15/22 and PS15/21 (the Banking Accountability Regime) are included in a separate assessment.

Policy Statement 16/1:

<https://www.fca.org.uk/publication/policy/ps16-1.pdf>

Consultation Paper 15/21:

<https://www.fca.org.uk/publication/consultation/cp15-21.pdf>

Consultation Paper 14/31:

<https://www.fca.org.uk/publication/consultation/cp14-31.pdf>