

Chapter 10

Application of other parts of the Handbook to credit unions



10.1 Application and purpose

Application

10.1.1 **R** This chapter applies to all *credit unions*.

Purpose

10.1.2 **G** This chapter is intended to draw *credit unions'* attention to the application of other key parts of the Handbook to *credit unions* as set out in the table at ■ CREDS 10.1.3 G.

Application of other parts of the Handbook and of Regulatory Guides to Credit Unions

| Module | Relevance to Credit Unions |
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| The Principles for Businesses (<i>PRIN</i>) | The Principles for Businesses (<i>PRIN</i>) set out high-level requirements imposed by the <i>FCA</i> . They provide a general statement of regulatory requirements. The <i>Principles</i> apply to all <i>credit unions</i> . In applying the <i>Principles</i> to <i>credit unions</i> , the <i>FCA</i> will be mindful of proportionality. In practice, the implications are likely to vary according to the size and complexity of the <i>credit union</i> . |
| Senior Management Arrangements, Systems and Controls (<i>SYSC</i>) | <i>SYSC 1, SYSC 4 to 10</i> and <i>SYSC 21</i> apply to all <i>credit unions</i> in respect of the carrying on of their <i>regulated activities</i> and unregulated activities in a <i>prudential context</i> . <i>SYSC 22</i> (Regulatory references), <i>SYSC 23</i> (Senior managers and certification regime: Introduction and classification), <i>SYSC 24</i> (Senior managers and certification regime: Allocation of prescribed responsibilities), <i>SYSC 25</i> (Senior managers and certification regime: Management responsibilities maps and hand-over procedures and material), <i>SYSC 26</i> (Senior managers and certification regime: Overall and local responsibility), <i>SYSC 27</i> (Senior managers and certification regime: Certification regime) and <i>SYSC 18</i> (Whistleblowing) apply to all <i>credit unions</i> in respect of both their <i>regulated activities</i> and their unregulated activities. <i>SYSC 19F.2</i> (IDD remuneration incentives) and <i>SYSC 28</i> (Insurance distribution: specific knowledge, ability and good repute requirements) also apply to <i>credit unions</i> when carrying out <i>insurance distribution activities</i> . |
| Code of Conduct (<i>COCON</i>) | This contains <i>rules and guidance</i> that are directly applicable to a <i>credit union's SMF managers, certification employees</i> and (from 2017) other <i>conduct rules staff</i> . There is also <i>guidance</i> for <i>credit unions</i> on giving their staff training about <i>COCON</i> . |

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| Threshold Conditions (COND) | In order to become <i>authorised</i> under the Act all <i>firms</i> must meet the <i>threshold conditions</i> . The <i>threshold conditions</i> must be met on a continuing basis by <i>credit unions</i> . Failure to meet one of the conditions is sufficient grounds for the exercise by the FCA of its powers. |
| The Fit and Proper test for Employees and Senior Personnel (FIT) | <p>The purpose of <i>FIT</i> is to set out and describe the criteria that a <i>firm</i> should consider when assessing the fitness and propriety of a person (1) in respect of whom an application is being made for approval to undertake a <i>controlled function</i> under the senior managers regime, (2) who has already been approved, (3) who is a <i>certification employee</i> or (4) whom a <i>firm</i> is considering appointing to be a <i>certification employee</i>.</p> <p>It also sets out and describes criteria that the FCA will consider when assessing the fitness and propriety of a <i>candidate</i> for a <i>controlled function</i> position and that it may consider when assessing the continuing fitness and propriety of <i>approved persons</i>.</p> |
| General Provisions (GEN) | <i>GEN</i> contains <i>rules</i> and <i>guidance</i> on general matters, including interpreting the <i>Handbook</i> , statutory status disclosure, the FCA's logo and insurance against financial penalties. |
| Fees manual (FEES) | This manual sets out the fees applying to <i>credit unions</i> . |
| Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU) | <i>MIPRU</i> applies to any <i>credit union</i> carrying out <i>insurance distribution activity</i> or <i>home finance mediation activity</i> , or using these services. In particular, it sets out requirements for allocation of responsibility for the <i>credit union's insurance distribution activity</i> (MIPRU 2), for the use of <i>home finance intermediaries</i> or <i>persons</i> doing <i>insurance distribution activity</i> (MIPRU 5) and for professional indemnity insurance (MIPRU 3). |
| Conduct of Business sourcebook (COBS) | <p>A <i>credit union</i> which acts as a <i>CTF provider</i> or provides a <i>cash-deposit ISA</i> will need to be aware of the relevant requirements in <i>COBS</i>. <i>COBS 4.6</i> (Past, simulated past and future performance), <i>COBS 4.7.1 R</i> (Direct offer financial promotions), <i>COBS 4.10</i> (Approving and confirming compliance of financial promotions), <i>COBS 13</i> (Preparing product information) and <i>COBS 14</i> (Providing product information to clients) apply with respect to <i>accepting deposits</i> as set out in those provisions, <i>COBS 4.1</i> and <i>BCOBS</i>. A <i>credit union</i> that communicates with clients, including in a <i>financial promotion</i>, in relation to the promotion of <i>deferred shares</i> and <i>credit union subordinated debt</i> will need to be aware of the requirements of <i>COBS 4.2</i> (Fair, clear and not misleading communications) and <i>COBS 4.5</i> (Communicating with retail clients).</p> <p>A <i>credit union</i> carrying on <i>insurance distribution activities</i> in relation to <i>life policies</i> will also need to be aware of the relevant requirements in <i>COBS</i>. A <i>firm</i> may also elect to comply with <i>COBS</i> in relation to <i>pure protection contracts</i> that otherwise fall under <i>ICOBS</i> (see <i>ICOBS 1 Annex 1 3.1R(1)</i>).</p> |

| Module | Relevance to Credit Unions |
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| Insurance: Conduct of Business sourcebook (ICOBS) | <p><i>Credit unions</i> are reminded that they are subject to the requirements of the appropriate legislation, including the Credit Unions Act 1979, relating to activities a <i>credit union</i> may carry on.</p> <p><i>ICOBS</i> applies to any <i>credit union</i> carrying on non-investment insurance distribution activities, such as arranging or advising on general insurance contracts to be taken out by members or where those members gain rights under such a contract (for example, in relation to a <i>group policy</i>). <i>ICOBS</i> does not apply to a <i>credit union</i> taking out an insurance <i>policy</i> for its own purposes, such as a <i>policy</i> against default by members on their loans where the <i>credit union</i> is the beneficiary of the <i>policy</i>, since in this circumstance the <i>credit union</i> would not be acting as an insurance intermediary, but would itself be the customer. <i>Credit unions</i> are reminded that they are subject to the requirements of the appropriate legislation, including the Credit Unions Act 1979, relating to activities a <i>credit union</i> may carry on.</p> |
| Mortgages and Home Finance: Conduct of Business sourcebook (MCOB) | <p><i>MCOB</i> applies to any <i>credit union</i> that engages in any <i>home finance activity</i>. <i>MCOB</i> rules cover advising and selling standards, responsible lending (including affordability assessment), charges, and the fair treatment of <i>customers</i> in payment difficulties.</p> |
| Banking: Conduct of Business sourcebook (BCOBS) | <p><i>BCOBS</i> sets out <i>rules</i> and <i>guidance</i> for <i>credit unions</i> on how they should conduct their business with their <i>customers</i>. In particular there are <i>rules</i> and <i>guidance</i> relating to communications with <i>banking customers</i> and <i>financial promotions</i> (BCOBS 2), distance communications (BCOBS 3), information to be communicated to <i>banking customers</i> (BCOBS 4), post sale requirements (BCOBS 5), and cancellation (BCOBS 6). The <i>rules</i> in BCOBS 3.1 that relate to <i>distance contracts</i> may apply to a <i>credit union</i>. This is because BCOBS 3 contains requirements which implemented the <i>Distance Marketing Directive</i> where there is "an organised distance sales or service-provision scheme run by the supplier" (Article 2(a)) of the <i>Distance Marketing Directive</i>, i.e. if the <i>credit union</i> routinely sells any of its services by post, telephone, fax or the internet.</p> |
| Client Assets (CASS) | <p>CASS 5 (Client money: insurance distribution activity) applies to <i>credit unions</i> carrying on <i>insurance distribution activities</i> where the <i>credit union</i> receives or holds money in the course of or in connection with those activities (i.e. where the application rules set out in CASS 5.1.1R are met). This may vary on a case-by-case basis depending on the <i>firm's</i> business model.</p> |
| Product Intervention and Product Governance sourcebook (PROD) | <p>PROD 1.4 (Product Intervention and Product Governance Sourcebook (PROD)) and PROD 4 (Product governance: IDD and pathway investments) apply to <i>credit unions</i> involved in the <i>manufacture</i> or <i>distribution</i> of insurance products.</p> |
| Supervision manual (SUP) | <p>The following provisions of <i>SUP</i> are relevant to <i>credit unions</i>: SUP 1A (The FCA's approach to supervision), SUP 2 (Information gathering by the FCA or PRA on its own initiative), SUP 3.1 to SUP 3.8 (Aud</p> |

| Module | Relevance to Credit Unions |
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| | <p>itors), SUP 5 (Reports by skilled persons), SUP 6 (Applications to vary and cancel Part 4A permission and to impose, vary or cancel requirements), SUP 7 (Individual requirements), SUP 8 (Waiver and modification of rules), SUP 9 (Individual guidance), SUP 10C (FCA senior managers regime for approved persons in SMCR firms), SUP 11 (Controllers and Close links), SUP 15 (Notifications to the FCA) and SUP 16 (Reporting Requirements). Where <i>credit unions</i> carry on <i>insurance distribution activities</i> and fall within the category provided at SUP 3.1.2R(10), SUP 3.10 and SUP 3.11 (Auditors) will also be relevant.</p> <p><i>Credit unions</i> are reminded that they are subject to the requirements of the <i>Act</i> and SUP 11 on <i>close links</i>, and are bound to notify the <i>FCA</i> of changes. It may be unlikely, in practice, that <i>credit unions</i> will develop such relationships. It is possible, however, that a <i>person</i> may acquire <i>close links</i> with a <i>credit union</i> within the meaning of the <i>Act</i> by reason of holding the prescribed proportion of <i>deferred shares</i> in the <i>credit union</i>.</p> <p>In relation to SUP 16, <i>credit unions</i> are exempted from the requirement to submit annual reports of <i>close links</i>.</p> |
| Decision, Procedure and Penalties manual (DEPP) | <p>DEPP is relevant to <i>credit unions</i> because it sets out:</p> <p>(1) the <i>FCA</i>'s decision-making procedure for giving <i>statutory notices</i>. These are <i>warning notices</i>, <i>decision notices</i> and <i>supervisory notices</i> (DEPP 1.2 to DEPP 5); and</p> <p>(2) the <i>FCA</i>'s policy with respect to the imposition and amount of penalties under the <i>Act</i> (see DEPP 6).</p> |
| Dispute Resolution: Complaints (DISP) | <p>DISP sets out <i>rules</i> and <i>guidance</i> in relation to treating complainants fairly and the <i>Financial Ombudsman Service</i>.</p> |
| Compensation (COMP) | <p>COMP sets out <i>rules</i> relating to the scheme for compensating consumers when authorised <i>firms</i> are unable, or likely to be unable, to satisfy claims against them.</p> |
| Consumer Credit sourcebook (CONC) | <p>CONC contains rules that apply to <i>firms</i> carrying on <i>credit-related regulated activities</i>. PERG 2.7.19IG provides guidance on relevant exemptions. Where an exemption applies, the <i>credit union</i> lending will be outside the scope of CONC. However, subject to the constraints in the Credit Unions Act 1979 or the Credit Unions (Northern Ireland) Order 1985 (as relevant), <i>credit unions</i> may undertake <i>credit-related regulated activities</i> to which CONC does apply if the activity is carried out by way of business. This could include lending under a <i>borrower-lender-supplier agreement</i>, including entering into <i>conditional sale agreements</i> and/or <i>hire-purchase agreements</i>, or <i>debt adjusting</i> or <i>debt counselling</i> where the <i>credit union</i> is not the lender. A <i>credit union</i> carrying on such activities should consider whether it requires</p> |

| Module | Relevance to Credit Unions |
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| General guidance on Benchmark Administration, Contribution and Use (<i>BENCH</i>) | <i>permission</i> to do so. Further information can be found on the <i>FCA's</i> website. <i>BENCH</i> provides <i>guidance</i> about which parts of the <i>Handbook</i> are relevant to a <i>firm</i> when carrying out <i>benchmark activities</i> and when using a <i>benchmark</i> . It also provides guidance about the <i>benchmarks regulation</i> . |
| The Enforcement Guide (<i>EG</i>) | The Enforcement Guide (<i>EG</i>) describes the <i>FCA's</i> approach to exercising the main enforcement powers given to it by the <i>Act</i> and by other legislation. |
| Financial Crime Guide: A firm's guide to countering financial crime risks (<i>FCG</i>) and Financial Crime Thematic Reviews (<i>FCTR</i>) | <i>FCG</i> and <i>FCTR</i> provide <i>guidance</i> on steps that a <i>firm</i> can take to reduce the risk that it might be used to further <i>financial crime</i> . |