

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
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 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 handover 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> apply to all <i>credit unions</i> in respect of both their <i>regulated activities</i> and their unregulated activities.
Code of Conduct (<i>COCON</i>)	This contains <i>rules</i> and <i>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> .

Module	Relevance to Credit Unions
Threshold Conditions (COND)	In order to become <i>authorised</i> under the <i>Act</i> 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 <i>FCA</i> of its powers.
The Fit and Proper test for Employees and Senior Personnel (FIT)	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> . It also sets out and describes criteria that the <i>FCA</i> 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> .
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 <i>FCA's</i> 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 mediation activity</i> <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</i> <i>insurance distribution activity</i> (<i>MIPRU 2</i>), for the use of <i>home finance intermediaries</i> (<i>MIPRU 5</i>) and for professional indemnity insurance (<i>MIPRU 3</i>).
Conduct of Business sourcebook (COBS)	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> (Systems and controls and approving and communicating 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).
Insurance: Conduct of Business sourcebook (ICOBS)	<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. But <i>ICOBS</i> does not apply to a <i>credit union</i> taking out an insurance <i>policy</i> for itself, such as a <i>policy</i> against default by members on their loans where the credit union is the be-

Module	Relevance to Credit Unions
	<p>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>
<p>Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)</p>	<p>MCOB applies to any <i>credit union</i> that engages in any <i>home finance activity</i>. MCOB rules cover advising and selling standards, responsible lending (including affordability assessment), charges, and the fair treatment of <i>customers</i> in payment difficulties.</p>
<p>Banking: Conduct of Business sourcebook (BCOBS)</p>	<p>BCOBS sets out <i>rules and 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 and 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 the <i>Distance Marketing Directive</i> applies where there is "an organised distance sales or service-provision scheme run by the supplier" (Article 2(a)), i.e. if the <i>credit union</i> routinely sells any of its services by post, telephone, fax or the internet.</p>
<p>Supervision manual (SUP)</p>	<p>The following provisions of SUP 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 (Auditors), SUP 5 (Skilled persons), SUP 6 (Applications to vary or cancel Part 4A permission), 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 or PRA) and SUP 16 (Reporting Requirements).</p> <p><i>Credit unions</i> are reminded that they are subject to the requirements of the Act and SUP 11 on <i>close links</i>, and are bound to notify the FCA 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 Act 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>
<p>Consumer Credit sourcebook (CONC)</p>	<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. Most <i>credit union</i> lending is therefore outside the scope of CONC. However, subject to the constraints in the Credit Unions Act 1979 or the Credit Unions (North</p>

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	ern Ireland) Order 1985 (as relevant), <i>credit unions</i> may undertake <i>credit-related regulated activities</i> to which <i>CONC</i> does apply if the activity is carried out by way of business. This could include lending under a <i>borrower-lender-supplier agreement</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 <i>permission</i> to do so. Further information can be found on the <i>FCA's</i> website.
Decision, Procedure and Penalties manual (<i>DEPP</i>)	<i>DEPP</i> is relevant to <i>credit unions</i> because it sets out: (1) the <i>FCA's</i> decision-making procedure for giving <i>statutory notices</i> . These are <i>warning notices</i> , <i>decision notices</i> and <i>supervisory notices</i> (<i>DEPP</i> 1.2 to <i>DEPP</i> 5); and (2) the <i>FCA's</i> policy with respect to the imposition and amount of penalties under the <i>Act</i> (see <i>DEPP</i> 6).
Dispute Resolution: Complaints (<i>DISP</i>)	<i>DISP</i> sets out <i>rules</i> and <i>guidance</i> in relation to treating complainants fairly and the <i>Financial Ombudsman Service</i> .
Compensation (<i>COMP</i>)	<i>COMP</i> 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.
General guidance on Benchmark Administration, Contribution and Use (<i>BENCH</i>)	<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> .

