

## 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</i> '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> ( <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> (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).
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 beneficiary of the <i>policy</i> , since in this circumstance the

Module	Relevance to Credit Unions
	<p><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 for 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), <i>distance communications</i> (BCOBS 3), <i>information to be communicated to banking customers</i> (BCOBS 4), <i>post sale requirements</i> (BCOBS 5), and <i>cancellation</i> (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>
<p>Supervision manual (SUP)</p>	<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 (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 <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>
<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</p>

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	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 <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 <i>guidance</i> 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> .