

**CREDIT UNIONS NEW SOURCEBOOK (CONSEQUENTIAL
AMENDMENTS NO 2) INSTRUMENT 2012**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 138 (General rule-making power);
 - (b) section 149 (Evidential provisions);
 - (c) section 156 (General supplementary powers);
 - (d) section 157(1) (Guidance);
 - (e) section 213 (The compensation scheme);
 - (f) section 214 (General); and
 - (g) section 226 (Compulsory jurisdiction); and
 - (2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the FSA’s Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 September 2012.

Amendments to the Handbook

- D. The modules of the FSA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Supervision manual (SUP)	Annex A
Compensation sourcebook (COMP)	Annex B
Credit Unions New sourcebook (CREDS)	Annex C

Notes

- E. In Annex A (SUP) to this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- F. This instrument may be cited as the Credit Unions New Sourcebook (Consequential Amendments No 2) Instrument 2012.

By order of the Board
26 July 2012

Annex A

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

16 Annex 14(1) R Quarterly return (CQ) for credit unions

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SUPPLEMENTARY ANALYSIS OF THE QUARTERLY RETURN

~~The Supplementary Analysis of the Quarterly Return should be completed as part of the Quarterly Return by credit unions in Great Britain where they meet one or more of the following conditions at the end of the quarter:~~

- ~~• the credit union has issued interest-bearing shares under section 7A of the Credit Unions Act 1979 (the Act);~~
- ~~• the credit union has issued deferred shares in accordance with section 31A of the Act; or~~
- the credit union has admitted corporate members under section 5A of the Act.

A credit union should complete the relevant sections of the supplementary analysis of the quarterly return (CQ) for credit unions if any of the following conditions apply:

- the Great Britain credit union has issued interest-bearing shares under section 7A of the Credit Unions Act 1979 (the Act);
- the Great Britain credit union has issued deferred shares in accordance with section 31A of the Act;
- the Great Britain credit union has admitted corporate members under section 5A of the Act; or
- the credit union has revaluation reserves from the upward valuation of property fixed assets.

Interest-bearing shares

Interest-bearing shares

	£	
Total shares	_____	10A
<i>(transferred from 1A on CQ)</i>		
Interest-bearing shares	_____	10B
Dividend-bearing shares	_____	10C

Deferred shares

Deferred shares

Total shares	_____	11A
<i>(transferred from 1A on CQ)</i>		
Non-deferred shares	_____	11B
Deferred shares	_____	11C

Reserves – total

Audited reserves – General	_____	12A
<i>(transferred from 5A on CQ)</i>		
Audited reserves – Other	_____	12B
<i>(transferred from 5B on CQ)</i>		
Revaluation reserve – non-capital element	_____	12C
Deferred share reserves	_____	12D
Reserves	_____	12E

Reserves – percentage

Total assets	_____	12F
<i>(transferred from 4A on CQ)</i>		
Reserves as % of total assets	_____	12G

Corporate membership**Corporate members**

Number of members at the end of the quarter		12A
<i>(transferred from 4a 1A on CQ)</i>	_____	13A
Individuals		12B
	_____	13B
Bodies corporate		12C
	_____	13C
Partnerships		12D
	_____	13D
Unincorporated associations		12E
	_____	13E

Corporate non-deferred shares

Non-deferred shares		13A
<i>(transferred from 11B above)</i>	_____	14A
Individual non-deferred shares		13B
	_____	14B
Body corporate non-deferred shares		13C
	_____	14C
Partnership non-deferred shares		13D
	_____	14D
Unincorporated association non-deferred shares		13E
	_____	14E

Corporate deferred shares

Deferred shares		14A
<i>(transferred from 11C above)</i>	_____	15A
Individual deferred shares		14B
	_____	15B
Body corporate deferred shares		14C
	_____	15C
Partnership deferred shares		14D
	_____	15D
Unincorporated deferred shares		14E
	_____	15E

Corporate loans

Total loans to members		15A
		16A
<i>(transferred from 1B on CQ)</i>		
Individual loans		15B
		16B
Body corporate loans		15C
		16C
Partnership loans		15D
		16D
Unincorporated association loans		15E
		16E

Reserves and capital – adjusted for deferred share and revaluation reserves**Re-valued total assets**

Total assets		16A
<i>(transferred from 4A on CQ)</i>		
Revaluation amount		16B
Re-valued total assets		16C

Adjusted reserves - total

Audited reserves – General		17A
<i>(transferred from 5A on CQ)</i>		
Audited reserves – Other		17B
<i>(transferred from 5B on CQ)</i>		
Revaluation reserves		17C
Deferred share reserves		17D
Adjusted reserves		17E

Adjusted reserves - percentage

Adjusted reserves as % of re-valued total assets		18A
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Revaluation reserves – CREDS capital element

Total capital		19A
<i>(transferred from 5E on CQ)</i>		
Deferred share reserves		19B
Total capital and deferred share reserves		19C
1/3 of (Total capital and deferred share reserves)		19D
Revaluation reserves		19E
Revaluation reserves – CREDS capital element		19F

Adjusted capital - total

Total capital and deferred share reserves		20A
<i>(transferred from 19C above)</i>		
Revaluation reserve – CREDS capital element		20B
<i>(transferred from 19F above)</i>		
Adjusted capital		20C

Adjusted capital - percentage

Adjusted capital as % of re-valued total assets

21A

NOTE: A *credit union* should use the figures for re-valued total assets and adjusted capital when reporting large exposures and risk-adjusted capital-to-assets in the main body of the CQ. Further guidance is provided in the Notes on completing the CQ.

16 Annex 14(2) R Annual return (CY) for credit unions

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SUPPLEMENTARY ANALYSIS OF THE ANNUAL RETURN

The Supplementary Analysis of the Annual Return should be completed as part of the Annual Return by credit unions in Great Britain where they meet one or more of the following conditions at the end of the financial year:

- the credit union has issued interest-bearing shares under section 7A of the Credit Unions Act 1979 (the Act);
- the credit union has issued deferred shares in accordance with section 31A of the Act;
- the credit union has admitted corporate members under section 5A of the Act; or
- the credit union's rules limit the number of non-qualifying members of the credit union, in accordance with section 5(5) of the Act

A credit union should complete the relevant sections of the supplementary analysis of the annual return (CY) for credit unions if any of the following conditions apply:

- the Great Britain credit union has issued interest-bearing shares under section 7A of the Credit Unions Act 1979 (the Act);
- the Great Britain credit union has issued deferred shares in accordance with section 31A of the Act;
- the Great Britain credit union has admitted corporate members under section 5A of the Act;
- the rules of the Great Britain credit union limit the number of non-qualifying members, in accordance with section 5(5) of the Act; or
- the credit union has revaluation reserves from the upward valuation of property fixed assets.

Interest bearing shares

Interest-bearing shares

	£	
Members' share balances (transferred from 2T on CY)	_____	33A
Interest-bearing shares	_____	33B

Dividend-bearing shares	_____	33C

Interest expenditure

Expenditure – Other	_____	34A
<i>(transferred from 4P on CY)</i>		
Interest expenditure	_____	34B
Non-interest expenditure	_____	34C

Deferred shares

Deferred shares

Members' share balances	_____	35A
<i>(transferred from 2T on CY)</i>		
Non-deferred shares	_____	35B
Deferred shares	_____	35C

Reserves – total

General reserve – Closing balance	_____	36A
<i>(transferred from 10G on CY)</i>		
Other reserve – Closing balance	_____	36B
<i>(transferred from 11G on CY)</i>		
Revaluation reserve – non-capital element	_____	36C
Deferred share reserve	_____	36D
Reserves	_____	36E

Reserves – percentage

Total assets	_____	36F
<i>(transferred from 1P on CY)</i>		
Reserves as % of total assets	_____	36G

Corporate membership

Corporate members

Total members	_____	36A
<i>(transferred from 12D on CY)</i>		37A
Individuals	_____	36B
		37B
Bodies corporate	_____	36C
		37C
Partnerships	_____	36D
		37D
Unincorporated associations	_____	36E
		37E

Corporate non-deferred shares

£

Non-deferred shares	_____	37A
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	<hr/>	38A
<i>(transferred from 35B above)</i>		
Individual non-deferred shares		37B 38B
Body corporate non-deferred shares	<hr/>	37C 38C
Partnership non-deferred shares	<hr/>	37D 38D
Unincorporated association non-deferred shares	<hr/>	37E 38E

Corporate deferred shares

Deferred shares		38A
	<hr/>	39A
<i>(transferred from 35C above)</i>		
Individual deferred shares		38B 39B
Body corporate deferred shares	<hr/>	38C 39C
Partnership deferred shares	<hr/>	38D 39D
Unincorporated deferred shares	<hr/>	38E 39E

Corporate loans

Due from members for loans - Secured		39A
	<hr/>	40A
<i>(transferred from 1E on CY)</i>		
Due from members for loans - Unsecured		39B 40B
	<hr/>	
<i>(transferred from 1F on CY)</i>		
Total loans outstanding		39C 40C
	<hr/>	
Individual loans		39D 40D
Body corporate loans	<hr/>	39E 40E
Partnership loans	<hr/>	39F 40F
Unincorporated association loans	<hr/>	39G 40G

Non-qualifying membership

Non-qualifying member percentage

Limit on the number of non-qualifying members (where stated in the rules of the <i>credit union</i>)		40A 44A
	<hr/>	

Reserves and capital – adjusted for deferred share reserves and revaluation reserves

Re-valued fixed and total assets

Fixed assets	_____	41A
<i>(transferred from 1A on CY)</i>		
Revaluation amount	_____	41B
Re-valued fixed assets	_____	41C
Total assets	_____	41D
<i>(transferred from 1P on CY)</i>		
Re-valued total assets	_____	41E

Adjusted reserves - total

General reserves	_____	42A
<i>(transferred from 2N on CY)</i>		
Other reserves	_____	42B
<i>(transferred from 2P on CY)</i>		
Revaluation reserves	_____	42C
Deferred share reserves	_____	42D
Adjusted reserves	_____	42E

Adjusted reserves - percentage

Adjusted reserves as % of re-valued total assets	_____	43A
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Revaluation reserves – CREDS capital element

Total capital	_____	44A
<i>(transferred from 2S on CY)</i>		
Deferred share reserves	_____	44B
Total capital and deferred share reserves	_____	44C
1/3 of (Total capital and deferred share reserves)	_____	44D
Revaluation reserves	_____	44E
Revaluation reserves – CREDS capital element	_____	44F

Adjusted capital - total

Total capital and deferred share reserves	_____	45A
<i>(transferred from 44C above)</i>		
Revaluation reserve – CREDS capital element	_____	45B
<i>(transferred from 44F above)</i>		
Adjusted capital	_____	45C

Adjusted capital - percentage

Adjusted capital as % of re-valued total assets	_____	46B
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NOTE: A *credit union* should use the figures for re-valued total assets and adjusted capital when reporting large exposures and risk-adjusted capital-to-assets in the main body of the CY. Further guidance is provided in the Notes on completing the CY.

16 Annex 15(1)G Notes on completing the Quarterly Return (CQ) for credit unions

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General information

The Quarterly Return (CQ) is to be completed by all *credit unions* in the *United Kingdom* as at end March, end June, end September and end December. This form should be completed using the accruals-based accounting method.

Please read *CREDS* in conjunction with these reporting instructions.

Send the fully completed Quarterly Return (CQ) to **The Financial Services Authority** in accordance with *SUP* 16.3.6R – *SUP* 16.3.13R **within one calendar month** after the quarter to which it relates. Failure to do so is a breach of your regulatory requirements, as laid down in *CREDS*, and may result in your *credit union* being subject to *FSA* sanctions.

Page numbers that appear in the text of these Notes refer to the pages of the Quarterly Return (CQ), not to the pages of these Notes (CQN).

Words in italics denote defined terms which can be found in the Glossary to the main *FSA Handbook*.

"*CREDS*" means the Credit Unions New sourcebook.

"*SUP*" means The Supervision Manual (part of the main *FSA Handbook*)

"*APER*" means the Approved Person ~~Manual~~ sourcebook (part of the main *FSA Handbook*)

"CUA 1979" means the Credit Unions Act 1979.

"CUO" means the Credit Unions Order (Northern Ireland) 1985.

If there is no figure to be entered in the box please insert "nil" or "N/A" as appropriate.

Care should be taken to avoid errors. The *approved person* who signs the Front Page of the Quarterly Return (CQ) should initial any alterations to entries. Correction fluid should **not** be used in correcting entries.

All information should be legible, in particular especially the name of the persons signing the Quarterly Return (CQ).

~~If you have any questions, please contact one of the following numbers:~~

~~020 7676 0104~~

~~020 7676 1096~~

~~020 7676 0282~~

~~020 7676 0352~~

If you have any questions, please contact The Customer Contact Centre

UK: 0845 606 9966 (call rates may vary)

International: +44 20 7066 1000

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Membership and complaints contact

page 2 of CQ

Membership

Indicate in the appropriate boxes the number of members that the *credit union* currently has in each category of membership.

“Member” refers to a member (qualifying or non-qualifying) (and over the age at which he may lawfully become a member of the *credit union*, for *Great Britain credit unions* under the *credit union’s* rules or, for *Northern Ireland credit unions*, under the CUO or the *credit union’s* rules) who, ~~in respect of a *Great Britain credit union*, can save up to £10,000 or 1.5 per cent of the total non-deferred shares in the *Great Britain credit union*, whichever is the greater, or who, in respect of a *Northern Ireland credit union*, can save up to £15,000 or 1.5 per cent of the total non-deferred shares in the *Northern Ireland credit union*, whichever is the greater.~~ [A qualifying member is a person who fulfils the membership requirements: a non-qualifying member is a person who no longer fulfils the membership requirements having once done so.]

“Juvenile depositor” refers to a depositor who is a person too young to be a member of the *credit union* (for a *Great Britain credit union* under the ~~*credit union’s*~~ *credit union’s* rules and for a *Northern Ireland credit union* under the CUO or the *credit union’s* rules), who can save up to a maximum of £10,000, or 1.5% of the total non-deferred shares in the *credit union* but cannot take out a loan from the *credit union*.

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Share capital

page 3 of CQ

1A Total shares

The total amount of money held by your *credit union*, at the quarter end, relating to shares paid in by members, including money held for *deferred shares* by *Great Britain credit unions*.

This figure should take account of all changes made during the quarter.

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Income and expenditure

page 3 of CQ

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4A Total assets

The total assets of your *credit union* that appear on the Balance

Sheet of the relevant monthly financial statement. It may include the following:

- Investments
- Investments of juvenile *deposits*
- Total loans to members
- Cash and *bank* balances

This is not an exclusive list. Your *credit union* will need to refer to its relevant Balance Sheet.

Please note: Unused overdrafts should not be included when calculating the total assets of your *credit union*.

If a *credit union* has revalued its property fixed assets upwards, the revalued amount of total assets should not be included here. Instead, include here the value of total assets excluding any upward property revaluation. The revalued amount of total assets, including any upward property revaluation, should be calculated in section 16 of the supplementary analysis of the quarterly return (CQ) for *credit unions*.

4B Total liabilities (including reserves)

The total liabilities of your *credit union*, that appear on the Balance Sheet of the relevant Monthly Financial Statement of your *credit union*. It may include the following:

- Total shares of members, including *deferred shares*
- Reserves, but not including revaluation reserves or *deferred share reserves*
- Juvenile savings
- Total borrowings at **2E** above

This is not an exclusive list. Your *credit union* will need to refer to its relevant Balance Sheet.

Under section 7(6) of the Credit Unions Act 1979, a *Great Britain credit union* must transfer a sum equal to the amount paid on fully subscribed *deferred shares* to its reserves. However, in the main body of the CQ, *Great Britain credit unions* should report the amount held for *deferred shares* here (as part of total shareholding and, therefore, as part of total liabilities), and should not report *deferred share reserves* as part of Audited reserves – other at **5B**. In the supplementary analysis of the CQ, *Great Britain credit unions* should report *deferred share reserves* at **17D** and **19B**.

Where a *credit union* has revaluation reserves, due to the upwards revaluation of property fixed assets, the amount should not be included here but reported separately in the supplementary analysis of the CQ at **17C** and **19E**.

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5B Audited reserves - other Money that your *credit union* has set aside out of net profits (in accordance with *CREDS* 5.3.2R) - for example, a "revenue reserve" for unforeseen circumstances.

This will include initial capital which has not yet been spent.

Please note:

~~Where a revaluation reserve is included within other reserves, this should only include revaluation reserves counting towards capital under *CREDS* 5.2.1R(6) to *CREDS* 5.2.1R(8).~~

Under section 7(6) of the Credit Unions Act 1979, a *Great Britain credit union* must transfer a sum equal to the amount paid on fully subscribed *deferred shares* to its reserves. However, ~~if~~ if money is held in a ~~deferred share reserve~~ *shares* by a *Great Britain credit union*, it should not be included here within other reserves in the main body of the CQ, but reported separately as part of the calculation of adjusted reserves and adjusted capital in the supplementary analysis of the quarterly return CQ at 17D and 19B. Similarly, where a *credit union* has revaluation reserves, due to the upwards revaluation of fixed assets, it should not be included here but reported separately in the supplementary analysis of the CQ at 17C and 19E.

Please refer to Chapter 5 of *CREDS*. ~~This~~ The figure for Audited reserves – other will be negative if your *credit union* has an accumulated deficit from previous years. "Audited reserves – other" should not be confused with a bad debt "reserve" or provision for bad debts. Please insert "nil" if no other audited reserves are held by your *credit union* other than a general reserve.

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Information for version 1 credit unions

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Total capital

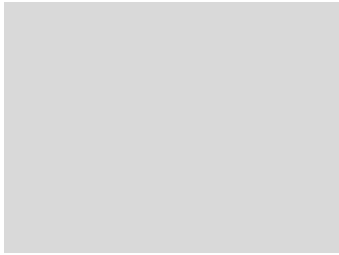
This is the same figure that appears at **5E** on the ~~Quarterly Return (CQ)~~ or, where your *credit union* has revaluation reserves or ~~deferred share reserves~~, it is defined as adjusted capital at 20C on the supplementary analysis of the CQ.

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Capital ratio (for information purposes only)

To determine the capital ratio your *credit union* will use the following formula:

$$\text{Total capital (5E or 20C)}$$



$$\begin{array}{r} X \\ 100 \\ \text{Total assets (4A or 16C)} \\ 1 \end{array}$$

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Large exposures **page 4 of CQ**

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8A Largest net exposure *A credit union should report here its largest large net exposure. To work out your credit union's largest large net exposure you will need to determine:*

a) the net *exposure* on each loan and find the largest figure. The formula for this is:

$$\text{(loan balance + interest owing) – attached share balance}$$

b) what is the total capital of your *credit union*? This is defined at **5E** of CQ or, where your credit union has revaluation reserves or deferred share reserves, it is defined as adjusted capital at 20C on the supplementary analysis of the CQ.

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8B As % of capital An individual large exposure should not exceed **25%** of your *credit union's* capital (*CREDS 7.4.2R*).

To determine this percentage, your *credit union* will need to use the following calculation:

$$\begin{array}{r} \text{Largest large net exposure (8A)} \\ X \\ 100 \\ \text{Total capital (5E or 20C)} \\ 1 \end{array}$$

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8D As % of capital *CREDS* states that the aggregate total of large net *exposures* should not exceed 500% of the total capital of the *credit union*, and should not exceed 300% of total capital without prior notifying the *FSA*. To see if the example satisfies the rules please use the following calculation:

Aggregate total of large net exposure exposures (8C)

X

100

Total capital (5E or 20C)

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**Large version 1 and
version 2 credit
unions**

page 4 of CQ

...

9A	Total capital	This figure is the same as the figure that appears at 5E of CQ or, where your <i>credit union</i> has revaluation reserves or deferred share reserves, it is defined as adjusted capital at 20C on the supplementary analysis of the CQ.
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F

Net provisions

Total assets (as at **4A** of CQ or **16C** of the supplementary analysis of the CQ)

G

1% of total assets

The figure that needs to be posted to the Quarterly Return (CQ) is the lesser of **F** and **G**. If this is a negative figure, the figure that appears on the Quarterly Return (CQ) needs to be a negative figure.

A worked example is given on the next page

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...

E

Net provisions

3,200

Total assets (as at **4A** of CQ or **16C** of the supplementary analysis of the CQ)

1,120,000

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9D	Total assets	This is the total assets of your <i>credit union</i> that appears on the Balance Sheet. It will be the same figure that appears in 4A above of the CQ or, where a <i>credit union</i> has revaluation reserves, at 16C of the supplementary analysis of the CQ. Please note that unused overdrafts or unused committed facilities cannot be used when calculating the total assets of your <i>credit union</i> .
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NOTES ON COMPLETING SUPPLEMENTARY ANALYSIS OF THE QUARTERLY RETURN

General Information

A credit union should complete the relevant sections of the supplementary analysis of the quarterly return (CQ) for credit unions if any of the following conditions apply:

- the Great Britain credit union has issued interest-bearing shares under section 7A of the Credit Unions Act 1979 (the Act);
- the Great Britain credit union has issued deferred shares in accordance with section 31A of the Act;
- the Great Britain credit union has admitted corporate members under section 5A of the Act; or
- the credit union has revaluation reserves from the upward valuation of property fixed assets.

The sections of the supplementary analysis of the CQ should be completed as follows:

- ~~Sections 10 – 15 The Supplementary Analysis of the Quarterly Return should be completed as part of the Quarterly Return by credit unions in Great Britain by a Great Britain credit union where they meet one or more of the following conditions at the end of the quarter: that~~
- ~~the credit union has issued interest-bearing shares, under section 7A of the Credit Unions Act 1979 (the Act);~~
- ~~the credit union has issued deferred shares *deferred shares* in accordance with section 31A of the Act; or~~
- ~~the credit union has admitted corporate members under section 5A of the Act.~~
- These sections are The Supplementary Analysis of the Quarterly Return is intended to break down some of the information contained in the Quarterly Return CQ in order to give a clearer picture of the financial position of credit unions *Great Britain credit unions* that undertake ~~the these~~ activities listed above.

- The Credit Unions (Northern Ireland) Order 1985 does not provide for *Northern Ireland credit unions* to undertake the activities listed above. Therefore, *Northern Ireland credit unions* do not need to complete the ~~Supplementary Analysis of the Quarterly Return~~ sections 10 – 15.
- Sections 16 – 21 should be completed by a *Great Britain credit union* that has issued *deferred shares* or has revaluation reserves. Sections 16 and 19 – 21 should be completed by a *Northern Ireland credit union* that has revaluation reserves.
- Sections 16 – 21 are intended to recalculate or adjust the value of reserves and capital by including the appropriate amount of deferred share reserves and revaluation reserves. Adjusted reserves amounts at 17E and 18A are used to determine whether a *Great Britain credit union* meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act. Adjusted capital amounts at 20C and 21A are used to determine whether a *credit union* meets the capital requirements in CREDS.

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Deferred shares

Deferred shares

11A	Total shares	The total amount of money held by the <i>credit union</i> relating to shares paid in by members.
		The amount entered here should be transferred from 1A on CQ for analysis. In the following sections, this amount should be broken down into non-deferred shares and <i>deferred shares</i> so that: 11A = 11B + 11C
11B	Non-deferred shares	The total amount of money held by the <i>credit union</i> in respect of non-deferred shares.
11C	Deferred shares	The total amount of money held by the <i>credit union</i> in respect of <u>of</u> <i>deferred shares</i> .

Reserves – total

12A	Audited reserves – General	The total amount held by the <i>credit union</i> in general reserve. The amount entered here should be transferred from 5A on CQ.
12B	Audited reserves – Other	The total amount held by the <i>credit union</i> in other reserves. The amount entered here should be transferred from 5B on CQ.
12C	Revaluation reserves –	The amount of revaluation reserve that is not included in 5B of CQ and 12B (because it does not count towards a <i>credit</i>

	non-capital element	union's capital under CREDs 5.2.1R). See the note to 5B on CQ.
12D	Deferred share reserves	The total amount held by the credit union in the deferred share reserve. Where subscribed for in full, credit unions must transfer a sum equal to the amount paid for deferred shares to its reserves.
12E	Reserves	The total amount of money held by the credit union in reserves (including deferred share reserves) at the end of the financial year, so that:
		12E = 12A + 12B + 12C + 12D

Reserves - percentage

12F	Total assets	The amount entered here should be transferred from 4A on CQ.
12G	Reserves as % of total assets	To determine this ratio your credit union will use the following formula:
		Reserves (12E)
		X
		100
		Total assets (12F)
		1

Corporate membership

Corporate members

<u>12A</u>	Number of members at the end of the quarter	Total number of members of the <i>credit union</i> .
13A		The amount entered here should be transferred from 1a on CQ for analysis. In the following sections, this amount should be broken down into different categories of member so that:
		<u>12A 13A</u> = <u>12B 13B</u> + <u>12C 13C</u> + <u>12D 13D</u> + <u>12E 13E</u>

<u>12B</u> 43B	Individuals	The number of members of the <i>credit union</i> that are individuals.
<u>12C</u> 43C	Bodies corporate	The number of members of the <i>credit union</i> that are bodies corporate <u>bodies corporate</u> .
<u>12D</u> 43D	Partnerships	The number of members of the <i>credit union</i> that are partnerships. Partnerships are represented by individuals who are members of a <i>credit union</i> in their capacity as partners in a partnership.
<u>12E</u> 43E	Unincorporated associations	The number of members of the <i>credit union</i> that are unincorporated associations. Unincorporated associations are represented by individuals who are members of a <i>credit union</i> in their capacity as officers or members of the governing body of an unincorporated association.

Corporate non-deferred shares

<u>13A</u> 44A	Non-deferred shares	The total amount of money held by the <i>credit union</i> in respect of shares that are not <i>deferred shares</i> . The amount entered here should be equal to the amount at 11B above. In the following sections, this amount should be broken down into non-deferred shares held by different categories of member so that: <u>13A 44A = 13B 44B + 13C 44C + 13D 44D + 13E 44E</u>
<u>13B</u> 44B	Individual non-deferred shares	The total amount held by the <i>credit union</i> in respect of non-deferred shares held by individuals.
<u>13C</u> 44C	Body corporate non-deferred shares	The total amount held by the <i>credit union</i> in respect of non-deferred shares held by bodies corporate <u>bodies corporate</u> .
<u>13D</u> 44D	Partnership non-deferred shares	The total amount held by the <i>credit union</i> in respect of non-deferred shares held by partnerships. Partnerships are represented by individuals who are members of a <i>credit union</i> in their capacity as partners in a partnership.

<u>13E</u>	Unincorporated association non-deferred shares	The total amount held by the <i>credit union</i> in respect of non-deferred shares held by unincorporated associations.
<u>44E</u>		

Unincorporated associations are represented by individuals who are members of a *credit union* in their capacity as officers or members of the governing body of an unincorporated association.

Corporate deferred shares

<u>14A</u>	Deferred shares	The total amount of money held by the <i>credit union</i> in respect of <i>deferred shares</i> . This should be equal to the amount at 11C .
<u>45A</u>		

In the following sections, this amount should be broken down into *deferred shares* held by different categories of member so that:

$$\mathbf{14A\ 45A = 14B\ 45B + 14C\ 45C + 14D\ 45D + 14E\ 45E}$$

<u>14B</u>	Individual deferred shares	The total amount held by the <i>credit union</i> in respect of <i>deferred shares</i> held by individuals.
<u>45B</u>		

<u>14C</u>	Body corporate deferred shares	The total amount held by the <i>credit union</i> in respect of <i>deferred shares</i> held by <i>bodies corporate</i> .
<u>45C</u>		

<u>14D</u>	Partnership deferred shares	The total amount held by the <i>credit union</i> in respect of <i>deferred shares</i> held by partnerships.
<u>45D</u>		

Partnerships are represented by individuals who are members of a *credit union* in their capacity as partners in a partnership.

<u>14E</u>	Unincorporated association deferred shares	The total amount held by the <i>credit union</i> in respect of <i>deferred shares</i> held by unincorporated associations.
<u>45E</u>		

Unincorporated associations are represented by individuals who are members of a *credit union* in their capacity as officers or members of the governing body of an unincorporated association.

Corporate loans

<u>15A</u>	Total loans to members	The total amount outstanding to the <i>credit union</i> on loans to members. The amount entered here should be transferred from 1B on CQ for analysis.
<u>46A</u>		

In the following sections, this amount should be broken down into loans to different categories of member so that:

$$\mathbf{15A\ 46A = 15B\ 46B + 15C\ 46C + 15D\ 46D + 15E\ 46E}$$

<u>15B</u>	Individual loans	The total amount outstanding to the <i>credit union</i> at the end of the financial year on loans to individuals.
<u>46B</u>		

<u>15C</u>	Body corporate loans	The total amount outstanding to the <i>credit union</i> at the end of the financial year on loans to <i>bodies corporate</i> .
<u>46C</u>		

<u>15D</u>	Partnership loans	The total amount outstanding to the <i>credit union</i> at the end of the financial year on loans to partnerships.
<u>46D</u>		

Partnerships are represented by individuals who are members of a *credit union* in their capacity as partners in a partnership.

<u>15E</u>	Unincorporated association loans	The total amount outstanding to the <i>credit union</i> at the end of the financial year on loans to unincorporated associations.
<u>46E</u>		

Unincorporated associations are represented by individuals who are members of a *credit union* in their capacity as officers or members of the governing body of an unincorporated association.

Reserves and capital – adjusted for deferred share reserves and revaluation reserves

Re-valued total assets

<u>16A</u>	<u>Total assets</u>	<u>The value of total assets of the <i>credit union</i>, excluding any amount for the upward revaluation of property fixed assets. The amount entered here should be transferred from 4A on CQ.</u>
<u>16B</u>	<u>Revaluation amount</u>	<u>The amount by which the property fixed assets the <i>credit union</i> owns have been re-valued upwards, being the difference between current market values and the book values of the property fixed assets.</u>
<u>16C</u>	<u>Re-valued total assets</u>	<u>The current market value of total assets of the <i>credit union</i>.</u>

including any amount for the upward revaluation of property fixed assets, so that:

$$\mathbf{16C = 16A + 16B}$$

This amount will be used to determine which CREDs requirements apply to a credit union.

Adjusted reserves – total

<u>17A</u>	<u>Audited reserves – General</u>	<u>The total amount held by the Great Britain credit union in general reserves. The amount entered here should be transferred from 5A on CQ.</u>
<u>17B</u>	<u>Audited reserves – Other</u>	<u>The total amount of money held by the Great Britain credit union in other reserves. This amount should not include deferred share reserves or revaluation reserves. The amount entered here should be transferred from 5B on CQ.</u>
<u>17C</u>	<u>Revaluation reserves</u>	<u>The amount of revaluation reserves held by the Great Britain credit union, arising from the differences between current market values and the book values of the property fixed assets.</u>
<u>17D</u>	<u>Deferred share reserves</u>	<u>The total amount held by the Great Britain credit union in the deferred share reserves. Under section 7(6) of the Act, where subscribed for in full, Great Britain credit unions must transfer a sum equal to the amount paid for deferred shares to its reserves.</u>
<u>17E</u>	<u>Adjusted reserves</u>	<p><u>The total amount of money held by the Great Britain credit union in reserves (including revaluation reserves and deferred share reserves), so that:</u></p> $\mathbf{17E = 17A + 17B + 17C + 17D}$ <p><u>This amount will be used to determine whether a Great Britain credit union meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act.</u></p>

Adjusted reserves - percentage

18A	<u>Adjusted reserves as % of re-valued total assets</u>	To determine this ratio the <i>Great Britain credit union</i> should use the following formula:
		<u>Adjusted reserves (17E)</u>
		X
		<u>100</u>
		/
		<u>Re-valued total assets (16C)</u>
		<u>This amount will be used to determine whether a <i>Great Britain credit union</i> meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act.</u>

Revaluation reserves – CREDS capital element

19A	<u>Total capital</u>	<u>The total amount held by the <i>credit union</i> as capital in the form of general reserves, other reserves, interim profit or loss, and subordinated debt. This amount should not include deferred share reserves or revaluation reserves. The amount entered here should be transferred from 5E on CQ.</u>
19B	<u>Deferred share reserves</u>	<u>The total amount held by the <i>credit union</i> in the deferred share reserves. Under section 7(6) of the Act, where subscribed for in full, <i>Great Britain credit unions</i> must transfer a sum equal to the amount paid for <i>deferred shares</i> to its reserves. For <i>Northern Ireland credit unions</i>, the amount entered here will be nil.</u>
19C	<u>Total capital and deferred share reserves</u>	<u>The total amount held by the <i>credit union</i> in total capital and deferred share reserves so that:</u> 19C = 19A + 19B

19D	<u>1/3 of (Total capital and deferred share reserves)</u>	<u>To determine this amount the <i>credit union</i> should use the following formula:</u>
		1
		<u>X</u>
		<u>Total capital and deferred share reserves (19C)</u>
		/
		<u>3</u>
19E	<u>Revaluation reserves</u>	<u>The amount of revaluation reserves held by the <i>credit union</i> that meets the requirements in <i>CREDS</i> 5.2.1R(6) to (7), arising from the differences between current market values and the book values of the property fixed assets.</u>
19F	<u>Revaluation reserves – CREDS capital element</u>	<u>The amount of revaluation reserves meets the limits in <i>CREDS</i> 5.2.1R(6) to (8) and so can be included in capital.</u>
		<u><i>CREDS</i> 5.2.1R(8) states that the amount of revaluation reserves included in the calculation of capital must not be more than 25% of the sum of audited reserves, interim net profits, <i>deferred shares</i>, subordinated debt, initial capital and revaluation reserves.</u>
		<u>The simplest way of reporting this amount accurately is to calculate an equivalent amount. An equivalent amount is a third of the sum of audited reserves, interim net profits, <i>deferred shares</i>, subordinated debt and initial capital, but excluding revaluation reserves. This is equivalent to a third of the sum of total capital and <i>deferred shares</i>, which is the amount at 19E.</u>
		<u>So the amount that can be included in capital for the purpose of meeting the <i>CREDS</i> capital requirements will be equal to either 19D or 19E above, whichever is the lower.</u>
Adjusted capital – total		
20A	<u>Total capital and deferred share reserves</u>	<u>The total amount held by the <i>credit union</i> in total capital and deferred share reserves. This amount should be equal to 19C above.</u>
20B	<u>Revaluation reserves – CREDS capital element</u>	<u>The amount of revaluation reserves that can be included in capital for the purpose of meeting the <i>CREDS</i> capital requirements. This amount should be equal to 19F above.</u>

<u>20C</u>	<u>Adjusted capital</u>	<p>The sum of total capital, deferred share reserves and the <i>CREDS</i> capital element of revaluation reserves so that:</p> <p><u>20C = 20A + 20B</u></p> <p>This amount will be used to determine whether a <i>credit union</i> meets the <i>CREDS</i> capital requirements.</p>
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Adjusted capital – percentage

<u>21A</u>	<u>Adjusted capital as % of re-valued total assets</u>	<p>To determine this ratio the <i>credit union</i> should use the following formula:</p> <p><u>Adjusted capital (20C)</u></p> <p style="text-align: center;"><u>X</u></p> <p style="text-align: center;"><u>100</u></p> <p style="text-align: center;">/</p> <p><u>Re-valued total assets (16C)</u></p> <p>This amount will be used to determine whether a <i>credit union</i> meets the <i>CREDS</i> capital requirements.</p>
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16 Annex 15(2)G Notes on completing the Annual Return (CY) for credit unions

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Balance sheet

The balance sheet sets out the *credit union's* total assets, reserves and liabilities at the end of the financial year.

ASSETS

1A	Fixed assets	<p>The figure entered here should include the value of any property the <i>credit union</i> owns (e.g. the <i>credit union's</i> registered office, computer or office equipment). Depreciation of the fixed assets should be deducted before the figure is entered into the box. <u>If a <i>credit union</i> has re-valued its property fixed assets upwards, the re-valued amount of fixed assets should not be included here. Instead, include here the value of fixed assets excluding any upward property revaluation. The re-valued amount of fixed assets should be included in the supplementary analysis of the annual return (CY) for <i>credit unions</i> at 41C.</u></p>
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Credit union capital and reserves

...

2P	Other reserves	<p>Money that the <i>credit union</i> has set aside out of profits e.g. a revenue reserve to provide for unforeseen circumstances. Other reserves are entirely voluntary and do not have to be held by the <i>credit union</i>.</p>
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Please note:

~~Where a revaluation reserve is included within the other reserves, this should only include revaluation reserves counting towards capital under CREDS 5.2.1R(6) to CREDS 5.2.1R(8).~~

~~If Under section 7(6) of the Credit Unions Act 1979, a *Great Britain credit union* shall transfer a sum equal to the amount paid on fully subscribed *deferred shares* to its reserves. However, if money is held for in a *deferred share reserve* by a *Great Britain credit union* *deferred shares*, it should not be included here within other reserves in the main body of the CY, but reported separately in the supplementary analysis ~~to~~ of the annual return CY at **42D** and **44B**. Similarly, where a *credit union* has revaluation reserves, due to the upwards revaluation of fixed assets, it should not be included here within other reserves but reported separately in the supplementary analysis of the CY at **42C** and **44E**.~~

...

2T	Members' share balances	<p>Total amount of money held by the <i>credit union</i> in respect of shares paid in by members, <u>including money paid in for <i>deferred shares</i></u>.</p>
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...

Adult liquidity Liquidity ratio

...

	Large exposures	Whilst these figures relate to the financial year end, your <i>credit union</i> will need to look at large <i>exposure</i> requirements when issuing loans. For example, a large <i>exposure</i> is defined as any individual net liability which is at least £7,5000 <u>£7,500</u> and at least 10% of the value of the <i>credit union's</i> capital.
31A	Largest net exposure	<p><u>A credit union should report its largest large net exposure.</u> To work out your <i>credit union's</i> largest <u>large</u> net <i>exposure</i> you will need to determine:</p> <ol style="list-style-type: none"> 1. the net <i>exposure</i> on each loan and find the largest figure. The formula for this is: (loan balance + interest owing) – attached share balance 2. what is the total capital of your <i>credit union</i>? This is defined at 2S of CY or, <u>where your credit union has revaluation reserves or deferred share reserves, it is defined as adjusted capital at 45C on the supplementary analysis of the CY.</u> <p>Say, for example your <i>credit union's</i> total capital is £40,000. We know from the above that only net liabilities over 10% of Capital are subject to the large <i>exposures</i> rule. Ten percent of £40,000 is £4,000.</p> <p>However, we further know from the above that only net liabilities over £7,500 are subject to the large <i>exposures</i> rule. Below we see all net <i>exposures</i> over 10% of total capital and those that do and do not qualify:</p> <p>...</p>
31B	As % of capital	<p>An individual large exposure should not exceed 25% of your <i>credit union's</i> capital (<i>CREDS</i> 7.4.2R).</p> <p>To determine this percentage, your <i>credit union</i> will need to use the following calculation:</p> $\begin{array}{r} \text{Largest net exposure (31A)} \\ \times \\ 100 \\ \hline \text{Total capital (2S or 45C)} \\ \hline 1 \end{array}$ <p>...</p>

...

31D As % of capital *CREDS* states that the aggregate total of large net *exposures* must not exceed 500% of the total capital of the *credit union*, and must not exceed 300% of total capital without prior notifying the FSA. To see if the example satisfies the rules please use the following calculation:

Aggregate total of large net *exposure* (31C)

X

100

Total capital (2S or 45C)

1

So:

£35,285

X

100

=

88.21%

£40,000

1

Please note that risk adjusted capital should not be used for the purposes of calculating your large *exposures*. For all *credit unions* the total capital figure used here should be the same as box **2S** ~~on the balance sheet of CY or, where your *credit union* has revaluation reserves or deferred share reserves, it is defined as adjusted capital at **45C** on the supplementary analysis of the CY.~~

Large version 1 and version 2 credit unions

Risk adjusted capital ratio

A risk adjusted capital ratio is a requirement for larger *version 1* and *version 2 credit unions* under *CREDS*.

CREDS 5.3.15R states "A *version 1 credit union* with total assets of more than £10 million and/or a total number of members of more than 10,000 must maintain at all times a risk-adjusted capital to total assets ratio of at least 8%".

32A Total capital

The figure for capital will be the figure that appears on the balance sheet at **2S** of CY or, where a *credit union* has revaluation reserves or deferred share reserves, it is defined as

adjusted capital at **45C** on the supplementary analysis of the CY.

32B ...

...

F

Net provisions

Total assets (as at **1P** of CY or **41E** of the supplementary analysis of the CY)

G

1% of total assets

The figure that needs to be posted onto the Annual Return (CY) is the lesser of **F** and **G**. If this is a negative figure, the figure that appears on the Annual Return (CY) need to be a negative figure.

A worked example is given on the next page.

...

...

F

Net provisions

3,200

Total assets (as at **1P** of CY or **41E** of the supplementary analysis of the CY)

1,120,000

...

...

32D Total assets

This is the same as box ~~**4M**~~ on the Balance Sheet **1P** of CY or **41E** of the supplementary analysis of the CY.

...

NOTES ON COMPLETING SUPPLEMENTARY ANALYSIS OF THE ANNUAL RETURN

General Information

A credit union should complete the relevant sections of the supplementary analysis of the annual return (CY) for credit unions if any of the following conditions apply:

- the Great Britain credit union has issued interest-bearing shares under section 7A of the Credit Unions Act 1979 (the Act);
- the Great Britain credit union has issued deferred shares in accordance with section 31A of the Act;
- the Great Britain credit union has admitted corporate members under section 5A of the Act;
- the rules of the Great Britain credit union limit the number of non-qualifying members, in accordance with section 5(5) of the Act; or
- the credit union has revaluation reserves from the upward valuation of property fixed assets.

The sections of the supplementary analysis of the CY should be completed as follows:

- ~~Sections 33 – 40 The Supplementary Analysis of the Annual Return~~ should be completed as part of the Annual Return by credit unions in Great Britain by a *Great Britain credit union* where they meet one or more of the following conditions at the end of the financial year: that has
 - ~~the credit union has issued interest-bearing shares, under section 7A of the Credit Unions Act 1979 (the Act);~~
 - ~~the credit union has issued deferred shares, in accordance with section 31A of the Act;~~
 - ~~the credit union has admitted corporate members under section 5A of the Act; or~~
 - ~~the rules of the credit union limit limited the number of non-qualifying members of the credit union in its rules, in accordance with section 5(5) of the Act.~~
- These sections The Supplementary Analysis of the Annual Return are is intended to break down some of the information contained in the Annual Return CY in order to give a clearer picture of the financial position of ~~credit unions~~ *Great Britain credit unions* that undertake ~~the these activities listed above.~~
- Where a credit union issues interest bearing shares, its auditor should submit a report to the FSA stating whether, in their opinion, the credit union has satisfied the conditions specified by the FSA for the purpose of section 7A of the Credit Unions Act 1979.
- The Credit Unions (Northern Ireland Order) 1985 does not provide for Northern Ireland credit unions to undertake the these activities listed above. Therefore, so they Northern Ireland credit unions do not need to complete the Supplementary Analysis of the Quarterly Return sections 33 – 40.
- Sections 41 – 46 should be completed by a Great Britain credit union that has issued deferred shares or that has revaluation reserves. Sections 41 and 44 – 46 should be completed by a Northern Ireland credit union that has revaluation reserves.
 - Sections 41 – 46 are intended to recalculate or adjust the value of reserves and capital by including the appropriate amount of deferred share reserves and

revaluation reserves. Adjusted reserves amounts at 42E and 43A are used to determine whether a *Great Britain credit union* meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act. Adjusted capital amounts at 45C and 46A are used to determine whether a *credit union* meets the capital requirements in CREDS.

...

Deferred shares

Deferred shares

35A	Members' share balances	The total amount of money held by the <i>credit union</i> in respect of member shares.
		The amount entered here should be transferred from 2T on CY for analysis. In the following sections, this amount should be broken down into non-deferred shares and <i>deferred shares</i> so that: 35A = 35B + 35C
35B	Non-deferred shares	The total amount of money held by the <i>credit union</i> in respect of non-deferred shares.
35C	Deferred shares	The total amount of money held by the <i>credit union</i> in respect of <i>deferred shares</i> .

Reserves

36A	General reserve— Closing balance	The total amount held by the <i>credit union</i> in general reserve at the end of the financial year. The amount entered here should be transferred from 10G on CY.
36B	Other reserve—Closing balance	The total amount held by the <i>credit union</i> in other reserves at the end of the financial year. The amount entered here should be transferred from 11G on CY.
36C	Revaluation reserves— non-capital element	The amount of revaluation reserve that is not included in 11G on CY and 36B (because it does not count towards a <i>credit union's</i> capital under CREDS 5.2.1R). See the note to 2P on CY.
36D	Deferred share reserves	The total amount held by the <i>credit union</i> in the deferred share reserve. Where subscribed for in full, <i>credit unions</i> must transfer a sum equal to the amount paid for <i>deferred shares</i> to its reserves.
36E	Reserves	The total amount of money held by the <i>credit union</i> in reserves (including <i>deferred share</i> reserves) at the end of the financial year, so that: 36E = 36A + 36B + 36C + 36D

Reserves – percentage

36F	Total assets	The amount entered here should be transferred from 1P on CQY.
36G	Reserves as % of total assets	To determine this ratio your <i>credit union</i> will use the following formula: Reserves (36E) X 100 Total assets (36F) 1

Corporate membership**Corporate members**

36A	Total members	Total number of members of the <i>credit union</i> at the end of the financial year.
37A		The amount entered here should be transferred from 12D on CY for analysis. In the following sections, this amount should be broken down into different categories of member so that: 37A 36A = 37B 36B + 37C 36C + 37D 36D + 37E 36E
36B	Individual members	The number of members of the <i>credit union</i> at the end of the financial year that are individuals.
37B		
36C	Body corporate members	The number of members of the <i>credit union</i> at the end of the financial year that are bodies corporate <u>bodies corporate</u> .
37C		
36D	Partnership members	The number of members of the <i>credit union</i> at the end of the financial year that are partnerships.
37D		Partnerships are represented by individuals who are members of a <i>credit union</i> in their capacity as partners in a partnership.
36E	Unincorporated association members	The number of members of the <i>credit union</i> at the end of the financial year that are unincorporated associations.
37E		Unincorporated associations are represented by individuals who are members of a <i>credit union</i> in their capacity as officers or members of the governing body of an unincorporated association.

Corporate non-deferred shares

<u>37A</u> 38A	Non-deferred shares	The total amount of money held by the <i>credit union</i> in respect of shares that are not <i>deferred shares</i> . The amount entered here should be equal to the amount at 35B above. In the following sections, this amount should be broken down into non-deferred shares held by different categories of member so that: 38A 37A = 38B 37B + 38C 37C + 38D 37D + 38E 37E
<u>37B</u> 38B	Individual non-deferred shares	The total amount held by the <i>credit union</i> in respect of non-deferred shares held by individuals.
<u>37C</u> 38C	Body corporate non-deferred shares	The total amount held by the <i>credit union</i> in respect of non-deferred shares held by bodies corporate <u>bodies corporate</u> .
<u>37D</u> 38D	Partnership non-deferred shares	The total amount held by the <i>credit union</i> in respect of non-deferred shares held by partnerships. Partnerships are represented by individuals who are members of a <i>credit union</i> in their capacity as partners in a partnership.
<u>37E</u> 38E	Unincorporated association non-deferred shares	The total amount held by the <i>credit union</i> in respect of non-deferred shares held by unincorporated associations. Unincorporated associations are represented by individuals who are members of a <i>credit union</i> in their capacity as officers or members of the governing body of an unincorporated association.

Corporate deferred shares

<u>38A</u> 39A	Deferred shares	The total amount of money held by the <i>credit union</i> in respect of <i>deferred shares</i> . This should be equal to the amount at 35C . In the following sections, this amount should be broken down into <i>deferred shares</i> held by different categories of member so that: 39A 38A = 39B 38B + 39C 38C + 39D 38D + 39E 38E
<u>38B</u> 39B	Individual deferred shares	The total amount held by the <i>credit union</i> in respect of <i>deferred shares</i> held by individuals.
<u>38C</u> 39C	Body corporate deferred shares	The total amount held by the <i>credit union</i> in respect of <i>deferred shares</i> held by bodies corporate <u>bodies corporate</u> .

<u>38D</u>	Partnership deferred shares	The total amount held by the <i>credit union</i> in respect of <i>deferred shares</i> held by partnerships.
<u>39D</u>		Partnerships are represented by individuals who are members of a <i>credit union</i> in their capacity as partners in a partnership.
<u>38E</u>	Unincorporated association deferred shares	The total amount held by the <i>credit union</i> in respect of <i>deferred shares</i> held by unincorporated associations.
<u>39E</u>		Unincorporated associations are represented by individuals who are members of a <i>credit union</i> in their capacity as officers or members of the governing body of an unincorporated association.

Corporate loans

<u>39A</u>	Due from members for loans – Secured	The total amount outstanding to the <i>credit union</i> on secured loans to members e.g. loans secured on shares or property.
<u>40A</u>		The amount entered here should be transferred from 1E on CY for analysis.
<u>39B</u>	Due from members for loans – Unsecured	The total amount outstanding to the <i>credit union</i> on unsecured loans to members. This figure will exclude any loans written off during the financial year.
<u>40B</u>		The amount entered here should be transferred from 1F on CY for analysis.
<u>39C</u>	Total loans	The total amount outstanding to the <i>credit union</i> at the end of the financial year on all loans to members, whether secured or unsecured, so that: $40C \ 39C = 40A \ 39A + 40B \ 39B$ In the following sections, this amount should be broken down into loans to different categories of member so that: $40C \ 39C = 40D \ 39D + 40E \ 39E + 40F \ 39F + 40G \ 39G$
<u>39D</u>	Individual loans	The total amount outstanding to the <i>credit union</i> at the end of the financial year on loans to individuals.
<u>40D</u>		
<u>39E</u>	Body corporate loans	The total amount outstanding to the <i>credit union</i> at the end of the financial year on loans to <i>bodies corporate</i> .
<u>40E</u>		
<u>39F</u>	Partnership loans	The total amount outstanding to the <i>credit union</i> at the end of the financial year on loans to partnerships.
<u>40F</u>		Partnerships are represented by individuals who are members of a <i>credit union</i> in their capacity as partners in a partnership.
<u>39G</u>	Unincorporated	The total amount outstanding to the <i>credit union</i> at the end

40G	association loans	of the financial year on loans to unincorporated associations. Unincorporated associations are represented by individuals who are members of a <i>credit union</i> in their capacity as officers or members of the governing body of an unincorporated association.
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Non-qualifying membership

40A	Limit on non-qualifying members	If the rules of the <i>credit union</i> provide a limit on the number of non-qualifying members of a <i>credit union</i> , that amount should be entered here.
41A		Non-qualifying members are members who no longer fulfil the membership qualifications, having once done so e.g. he or she no longer lives in the common bond area.

Reserves and capital – adjusted for deferred share reserves and revaluation reserves

Re-valued fixed and total assets

41A	<u>Fixed assets</u>	<u>The book value of any property the <i>credit union</i> owns, excluding any amount for the upward revaluation of property fixed assets. The amount entered here should be transferred from 1A on CY.</u>
41B	<u>Revaluation amount</u>	<u>The amount by which the property fixed assets the <i>credit union</i> owns have been re-valued upwards, being the difference between current market values and the book values of the property fixed assets.</u>
41C	<u>Re-valued fixed assets</u>	<u>The current market values of the property fixed assets the <i>credit union</i> owns, including any amount for the upward revaluation of property fixed assets. so that:</u> 41C = 41A + 41B
41D	<u>Total assets</u>	<u>The value of total assets of the <i>credit union</i>, excluding any amount for the upward revaluation of property fixed assets. The amount entered here should be transferred from 1P on CY.</u>
41E	<u>Re-valued total assets</u>	<u>The current market value of total assets of the <i>credit union</i>, including any amount for the upward revaluation of property fixed assets, so that</u> 41E = 41B + 41D <u>This amount will be used to determine which <i>CREDS</i> capital requirements apply to a <i>credit union</i>.</u>

Adjusted reserves - total

42A	<u>General reserves</u>	<u>The total amount held by the <i>Great Britain credit union</i> in general reserves at the end of the financial year. The amount entered here should be transferred from 2N on CY.</u>
42B	<u>Other reserves</u>	<u>The total amount of money held by the <i>Great Britain credit union</i> in other reserves at the end of the financial year. This amount should not include deferred share reserves or revaluation reserves. The amount entered here should be transferred from 2P on CY.</u>
42C	<u>Revaluation reserves</u>	<u>The amount of revaluation reserves held by the <i>Great Britain credit union</i>, arising from the differences between current market values and the book values of the property fixed assets.</u>
42D	<u>Deferred share reserves</u>	<u>The total amount held by the <i>Great Britain credit union</i> in the deferred share reserves. Under section 7(6) of the Act, where subscribed for in full, <i>Great Britain credit unions</i> must transfer a sum equal to the amount paid for <i>deferred shares</i> to its reserves.</u>
42E	<u>Adjusted reserves</u>	<p><u>The total amount of money held by the <i>Great Britain credit union</i> in reserves (including revaluation reserves and deferred share reserves), so that:</u></p> <p><u>42E = 42A + 42B + 42C + 42D</u></p> <p><u>This amount will be used to determine whether a <i>Great Britain credit union</i> meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act.</u></p>

Adjusted reserves - percentage

43A	<u>Adjusted reserves as % of re-valued total assets</u>	To determine this ratio the <i>Great Britain credit union</i> should use the following formula: $\frac{\text{Adjusted reserves (42E)}}{100} \times \text{Re-valued total assets (41E)}$ <p>This amount will be used to determine whether a <i>Great Britain credit union</i> meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act.</p>
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Revaluation reserves – CREDS capital element

44A	<u>Total capital</u>	<u>The total amount held by the <i>credit union</i> as capital in the form of general reserves, other reserves and subordinated debt. This amount should not include deferred share reserves or revaluation reserves. The amount entered here should be transferred from 2S on CY.</u>
44B	<u>Deferred share reserves</u>	<u>The total amount held by the <i>credit union</i> in the deferred share reserves. Under section 7(6) of the Act, where subscribed for in full, <i>Great Britain credit unions</i> must transfer a sum equal to the amount paid for <i>deferred shares</i> to its reserves. For <i>Northern Ireland credit unions</i>, the amount entered here will be nil.</u>
44C	<u>Total capital and deferred share reserves</u>	<u>The total amount held by the <i>credit union</i> in total capital and deferred share reserves so that:</u> 44C = 44A + 44B

44D	<u>1/3 of (Total capital and deferred share reserves)</u>	<u>To determine this amount the <i>credit union</i> should use the following formula:</u>
		1
		<u>X</u>
		<u>Total capital and deferred share reserves (44C)</u>
		/
		<u>3</u>
44E	<u>Revaluation reserves</u>	<u>The amount of revaluation reserves held by the <i>credit union</i> that meets the requirements in <i>CREDS</i> 5.2.1R(6) to (7), arising from the differences between current market values and the book values of the property fixed assets.</u>
44F	<u>Revaluation reserves – CREDS capital element</u>	<u>The amount of revaluation reserves that meets the limits in <i>CREDS</i> 5.2.1(6) to (8) and so can be included in capital.</u>
		<u><i>CREDS</i> 5.2.1R(8) states that the amount of revaluation reserves included in the calculation of capital must not be more than 25% of the total of audited reserves, interim net profits, <i>deferred shares</i>, subordinated debt, initial capital and revaluation reserves.</u>
		<u>The simplest way of reporting this amount accurately is to calculate an equivalent amount. An equivalent amount is a third of the sum of audited reserves, interim net profits, <i>deferred shares</i>, subordinated debt and initial capital, but excluding revaluation reserves. This is equivalent to a third of the sum of total capital and <i>deferred shares</i>, which is the amount at 44D.</u>
		<u>So the amount that can be included in capital for the purpose of meeting the <i>CREDS</i> capital requirements will be equal to either 44D or 44E above, whichever is the lower.</u>
Adjusted capital – total		
45A	<u>Total capital and deferred share reserves</u>	<u>The total amount held by the <i>credit union</i> in total capital and deferred share reserves. This amount should be equal to 44C above.</u>
45B	<u>Revaluation reserves – CREDS capital element</u>	<u>The amount of revaluation reserves that can be included in capital for the purpose of meeting the <i>CREDS</i> capital requirements. This amount should be equal to 44F above.</u>

<u>45C</u>	<u>Adjusted capital</u>	<p><u>The sum of total capital, deferred share reserves and the CREDS capital element of revaluation reserves so that:</u></p> <p><u>45C = 45A + 45B</u></p> <p><u>This amount will be used to determine whether a <i>credit union</i> meets the CREDS capital requirements.</u></p>
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Adjusted capital – percentage

<u>46B</u>	<u>Adjusted capital as % of re-valued fixed assets</u>	<p><u>To determine this ratio the <i>credit union</i> should use the following formula:</u></p> <p><u>Adjusted capital (45C)</u></p> <p><u>X</u></p> <p><u>100</u></p> <p><u>/</u></p> <p><u>Re-valued fixed assets (41E)</u></p> <p><u>This amount will be used to determine whether a <i>credit union</i> meets the CREDS capital requirements.</u></p>
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Annex B**Amendments to the Compensation sourcebook (COMP)**

In this Annex, underlining indicates new text.

- 5.3.1 R A *deposit* is a *protected deposit* only if:
- ...
- (2) the *deposit* is not:
- (a) a bond issued by a *credit institution* which is part of the institution's capital, as set out in the Consolidated Banking Directive (Directive 2000/12/EC); or
- (aa) subordinated debt issued by a *credit union* meeting the requirements set out at *CREDS 5.2.1R(4)*; or
- ...

Annex C

Amendments to the Credit Unions New sourcebook (CREDS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

Amend the following as shown.

- 2.2.16 G (1) As the *credit union's governing body*, the committee of management has responsibility for ensuring that the *credit union* complies with the requirements of SYSC 4.1.1R (see *CREDS 2.2.1G* and *CREDS 2.2.2G*). So, the committee of management has overall responsibility for:
- (a) establishing objectives and formulating a business plan;
 - (b) monitoring the financial position of the *credit union*;
 - (c) determining and documenting policies and procedures;
 - (d) directing and coordinating the work of all *employees* and volunteers, and ensuring that they are capable and properly trained;
 - (e) maintaining adequate reserves;
 - (f) making provision for bad and doubtful debts;
 - (g) recommending a dividend on shares to members subject to the *credit union's* financial position;
 - (h) ensuring that the *credit union* complies with all statutory and regulatory requirements; and
 - (i) ensuring that the *credit union* complies with the requirements of its registered rules.
- (2) ~~Where a committee of management has responsibility for these matters on a day-to-day basis (that is, they are not delegated to a chief executive or manager) it seems highly likely that each member of the committee would be performing the apportionment and oversight function, and would therefore require individual approval. [deleted]~~
- ...
- 4.2.1 R (1) A ~~Great Britain~~ *credit union* must not permit a member to have or claim any interest in the shares total non-deferred shares of the ~~Great Britain~~ *credit union*, ~~other than deferred shares~~, exceeding the greater of:

- (a) ~~£10,000~~ 15,000; or
- (b) 1.5 per cent of the *total non-deferred shares* in the *Great Britain credit union*.
- (2) ~~A Northern Ireland credit union must not permit a member to have or claim any interest in the shares of the Northern Ireland credit union exceeding the greater of:~~
- (a) ~~£15,000; or~~
- (b) 1.5 per cent of the *total shares* in the *Northern Ireland credit union*. ~~[deleted]~~
- ...
- 4.2.4 R ~~Shares in a *Great Britain credit union* must not be held in the joint names of more than two members. There is no restriction on the number of members who may jointly hold shares in a *credit union*.~~
G
- 4.2.4A G ~~There is no restriction on the number of members who may jointly hold shares in a *Northern Ireland credit union*. [deleted]~~
- 4.2.5 R (1) ~~For the purpose only of the ~~limit~~ limits in *CREDS 4.2.1R(1)*, *CREDS 7.3.2R* and *CREDS 7.3.6R* the interest of a member in a joint account must be treated as ~~50 per cent of the shareholding in that account~~ the percentage represented by that individual member as a percentage of the total number of members holding an interest in the joint account.~~
- (2) ~~For the purpose only of the limit in *CREDS 4.2.1R(2)*, the interest of a member in a joint account must be treated as the percentage represented by that individual member as a percentage of the total number of members holding an interest in the joint account. [deleted]~~
- ...
- 5.1.6 G In addition to the capital requirements set out in this chapter, section 7A of the Credit Unions Act 1979 provides that a *Great Britain credit union* may issue interest-bearing shares only if, among other things, its most recent year end balance sheet shows that it holds reserves of at least £50,000 or 5% of its total assets, whichever is greater, and subject to compliance with any conditions specified by the *FSA* in a direction for the purposes of section 7A(1)(e) of the Credit Unions Act 1979.
- ...
- 5.2.1 R ...
- (8) The amount of revaluation reserve included in the calculation of

capital must not represent more than 25 per cent of the total of capital resources in (1)(a) to ~~(e)~~ (f).

5.2.1A R The written agreement or instrument referred to in *CREDS 5.2.1R(4)(g)* must contain a prominent statement that the subordinated debt is not covered by the *compensation scheme*.

...

8.3.5 G *SUP 10.7: the required functions:*

(1) ~~*SUP 10.7.1R: the apportionment and oversight function. This is the function of dealing with apportionment of responsibilities under SYSC 4.4.3R, and of overseeing the establishment and maintenance of systems and controls under SYSC 4.1.1R. [deleted]*~~

(2) *SUP 10.7.13R: the money laundering reporting function. This is the function of acting in the capacity of the money laundering reporting officer of a credit union.*

...

9.2.10 R A report under this section must be given or addressed, and delivered, in the way set out in *SUP 16.3.6R* to *SUP 16.3.16G* (General provisions on reporting), except that, instead of the *credit union's* usual supervisory contact, the report must be given to or addressed for the attention of the ~~Central Analysis and Reporting department~~ Data Monitoring team of the *FSA*.

...

continued

Sch 2 Notification requirements

Sch 2.1 G The aim of the *guidance* in the following table is to give the reader a quick overall view of the relevant ~~record-keeping~~ notification requirements.

It is not a complete statement of those requirements and should not be relied on as if it were.

Sch 2.2 G

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
...
<i>CREDS</i> 7.4.6G	Large exposures	Limits on large exposures to avoid concentration of risk	Upon request	As soon as reasonably practical
<i>CREDS</i> 7.4.3R	Large exposures	The aggregate total of all large exposures will exceed <u>300% of capital.</u>	Prior to the <u>aggregate total of all large exposures exceeding 300% of capital.</u>	<u>As soon as reasonably practicable.</u>
...				