

## MEMBERS' NEWSLETTER December 2014

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**ACE web-site re-designed**

One of the priorities set at the ACE Board meeting in September 2014 was to undertake an update and re-design the ACE website, the old site having been inactive for more than a year.

The replacement site is already live at [www.acecus.org](http://www.acecus.org) but a number of features remain to be implemented or activated over the next few weeks, including:

- members' **discussion forum** - a peer-to-peer network through which ACE credit unions can share ideas and provide each other with support
- a fully indexed members' **documents area** - guidance notes, other reference material and document templates

Each member credit union will be provided with a login account through which to access these facilities, so please ensure that we have an up to date email address for you.

**Strengthening accountability in banking****ACE works with UKCU in joint response**

Working in partnership with fellow Trade Association UKCU, ACE has submitted a joint response to the Regulators consultation paper on “Strengthening Accountability in Banking”. The consultation paper introduces a new framework to encourage individuals in the banking sector to take greater responsibility for their actions, making it easier for both firms and regulators to hold individuals to account when things go wrong. As registered deposit takers credit unions will be included in the regime but with a stated intention from the Regulators that the impact on credit unions will be proportionate and tailored.

The full response from ACE/UKCU can be found in the ACE Dropbox under “Consultation Reports PRA + FCA”.

The joint response urges the Regulators to reiterate the need to take a proportionate approach to credit unions and to emphasise that the ultimate responsibility for decision making and accountability will continue to rest with the duly elected Board of Directors. Concerns were also expressed about the cost implications for the expected delivery of induction, training and professional development of all persons performing the Senior Management Function on behalf of credit unions and all members of the management body. Whilst we agreed that appropriate training for senior managers is essential for all credit unions, we argue that there will be those credit unions that may still be developing, with limited reserves and resources and any additional training that the new regime creates a need for could impact negatively on sustainability.

In response to the question on how long it should take to implement the new Senior Management Regime rules, we asked for a minimum transitional period of 12 months to allow for the necessary training that will need to be implemented within the whole credit union movement.

A further Consultation paper on the “Strengthening Accountability in Banking” (forms, consequential and transitional aspects - CP28/14) was issued by the Regulators on the 19<sup>th</sup> December 2014.

[www.bankofengland.co.uk/pr/Pages/publications/cp/2014/cp2814.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2014/cp2814.aspx)

**ACE Conference & AGM 2015**

The 2015 ACE Conference & AGM will be held at the Park Royal Hotel in Warrington on the 15<sup>th</sup> - 16<sup>th</sup> May 2015. Although the suggested venue for the Conference at the 2014 event in Newport was Carlisle, we were unable to find any suitable premises to host the event there. At the September 2014 Board meeting it was decided to return to Warrington where the event was last held in 2012.

We shall be working on the Conference programme early in the New Year and would welcome any thoughts that you might have on possible speakers or workshop topics. We will continue to keep the cost of attending this important event as low as possible and will be sending out booking details in the New Year. The current plan is that we have an afternoon of workshops on the Friday afternoon and a mix of key note speakers and workshops on the Saturday.

# Depositors' Protection - consultation paper

This consultation paper (CP) sets out proposed changes to the Prudential Regulation Authority's (PRA) rules in order to implement the recast Deposit Guarantee Schemes Directive (2014/49/EU) (DGSD). It also proposes new rules to ensure that depositors protected by the Financial Services Compensation Scheme (FSCS) can have continuity of access to their accounts during the course of a resolution, as well as changes to the single customer view (SCV) requirements on firms.

## Summary of the main proposals impacting upon credit unions

### Deposit Guarantee Scheme Directive

- **Eligibility:** Most large corporate depositors will now be eligible for deposit protection.
- **Removal of FSCS protection for credit union deposits** – The PRA is proposing that the current FSCS protection of a credit union's funds deposited with banks and building societies be removed
- **Disclosure:** There are new disclosure requirements for firms to inform depositors about the compensation arrangements, including use of a prescribed information sheet. FSCS posters and stickers will be amended to take into account THB coverage.
- **Speed of FSCS payout:** This is reduced from 20 to 7 working days for most depositors, with full compliance by 2023. The UK currently has a seven calendar day target for most depositors.

### Single Customer View (SCV)

- **Removing the opt-out:** Firms with fewer than 5,000 eligible accounts can no longer opt out from electronic SCV requirements.
- **Standardisation of SCV:** All data fields must be standardised to aid efficiency of payout.
- **Time to produce the SCV file:** This will be reduced from 72 to 24 hours.
- **In-flight transactions:** Compensation will be based on the customer's balance at a fixed point in time.

### Continuity of access

- **Separation of accounts:** Firms will have to create and maintain systems that can separate eligible covered and uncovered balances and place the uncovered balances into a separate account.

The closing date for responses to this Consultation paper is Tuesday 6<sup>th</sup> January 2015, so please let me have any thoughts that you may have on the proposals as soon as possible. ACE will argue that the proposal to remove FSCS protection from credit union bank deposits could have severe implications for credit unions that might be forced to close in the event of a repeat of the type of financial crisis experienced in 2008. Credit unions deposits should remain within the protective shield of the FSCS for the contribution that they make to providing financial services to disadvantaged communities. We will also make a case for allowing credit unions that do not have electronic accounting systems to continue to opt out of the electronic SCV requirement and for the time to produce the SCV file to be 48 hours instead of the proposed 24 hours. To make it clear to the PRA that the removal of the FSCS would be universally unpopular, it would help get this message across if all ACE credit unions could respond individually as well.

## Scottish Parliament support for Credit Unions

Mr Fergus Ewing, Minister for Enterprise, Energy and Tourism, established a working group which he chairs comprising representatives from credit unions, trade bodies, *Citizens Advice Scotland*, *Stepchange* and *Money Advice Scotland* to ensure that we have a secure, thriving and sustainable credit union sector in Scotland; that credit unions have a wide and varied customer base; and that the financially vulnerable in society are supported by having access to an alternative to high cost lending.

In addition Scottish Government has through the Accountant in Bankruptcy developed a *Financial Health Service* website [www.scotlandfinancialhealthservice.gov.uk](http://www.scotlandfinancialhealthservice.gov.uk) which gives information about debt, savings, credit unions and financial education. A Scotland-wide advertising campaign will begin on 2<sup>nd</sup> January with television advertising, *The Daily Record* will be publishing case studies and giving publicity to credit unions, and other newspapers will be running adverts at other times. Nancy McGillvray is the ACE representative on the Scottish working group.

### ACE Affiliation Fees 2015

At the Special General Meeting held in Manchester on the 17<sup>th</sup> September 2014, members unanimously decided to raise the ACE affiliation fees from 50p to 60p. This is still about half the costs of other trade bodies. The fee for Group 2 credit unions with 8,000+ adult members is capped at £4,800. Invoices will be sent to you early in the New Year. Affiliation fees for 2015 should be sent to the Cardiff office by the 31<sup>st</sup> January 2015.

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# Trade Associations' Meeting with PRA/FCA

Canary Wharf - 2<sup>nd</sup> December 2014

## FCA Issues

### Access to Banking Services for Credit Unions

The FCA announced that they were engaging with the British Bankers' Association (BBA) to address the recently identified problem of banks refusing to open deposit accounts for credit unions possibly caused by new Anti-Money Laundering requirements. The FCA said that they are planning to organise a roundtable discussion session between the BBA and the credit union Trade Associations.

### Credit Unions and Consumer Credit Regulation

The FCA gave a presentation on the issue of credit unions and the need, or not to have a Consumer Credit Licence which is now the responsibility of the FCA. The presentation referred to FCA Factsheet 032 which lays out the conditions for when credit unions might need to have additional regulatory permission such as the granting of loans to finance the purchase of goods by their members from third-party suppliers (e.g. "White Goods" such as refrigerators and cookers). For a concise list of when credit unions may need to be authorised please see Factsheet 032.

<http://www.fca.org.uk/static/documents/factsheets/factsheet-032-regulating-consumer-credit-for-credit-unions.pdf>

### Secondment Opportunity

The FCA announced that they were looking for someone from the credit union movement for the opportunity of a 12 month secondment to work with the FCA's Mutuals Sector Team, based at Canary Wharf. This is an exciting new opportunity and, if successful, may lead to similar initiatives on the future. Although there are no travel expenses on offer, the post will be paid at a London rate regardless of where the successful applicant comes from and they were keen for the post to be open to all. The job description can be found on the ACE Dropbox under FCA.

## PRA Issues

### Strengthening Accountability in Banking

The FCA announced that the Consultation period for the "Strengthening Accountability in Banking" paper had now closed and that responses were now being analysed. The possibility of negotiating an exemption to the Senior Management Regime was discussed briefly but the general view was that this would be unlikely to be accepted.

### Deposit Guarantee Scheme and FSCS arrangements

The trade bodies made clear that they were unanimously opposed to the proposal to remove the current FSCS protection of a credit union's funds deposited with banks and building societies.

### Emerging Structural Risk

The PRA would like all credit union Boards to have a plan of how they intend to cope with and deal with key structural risks to their business such as those linked to the continuation of a low interest rate environment, high levels of liquidity and the PRA's proposed changes to the investment rules.

## Meeting the Regulators from a Trustee's Perspective

Jane Jewitt, ACE Trustee

As a recent addition to the ACE Trustees I accompanied Bill to the December regulators meetings at Canary Wharf on the 2<sup>nd</sup> December 2014. I found both the FCA and PRA meetings fascinating. It was very good to put human faces to what can sometimes seem impersonal and slightly scary organisations. As well as discussion around the current consultation papers I was pleasantly surprised that there was a real interest in what issues are currently affecting credit unions on a day to day basis. It is really important that we take these opportunities to highlight our problems and concerns directly at this level and I would encourage all of our credit unions to share ongoing issues and concerns with Bill and the Trustees so that these can be passed on.

The meetings also demonstrated that even though the trade bodies may have different priorities it is also important for us to work together and present a united front where necessary.

Finally, we had the opportunity, over lunch, to meet with individuals from the Contact Centre and the Approved Persons departments who deal with Credit Union queries and business on every day. It was heartening to hear that on the whole they find speaking to individuals from our credit unions enjoyable in that they very much represent the human face of credit union business.



## Clarence House Event

### International Credit Union Day

### Thursday 16<sup>th</sup> October 2014

To show her support for the UK credit union movement the Duchess of Cornwall hosted a reception at Clarence House on International Credit Union Day to celebrate and raise awareness of the work of credit unions. Credit union activists were joined by representatives from the worlds of business, banking, politics, music and television. The event was attended by several influential guests including television presenters Eamonn Holmes, Ruth Langsford, Paul Lewis from the BBC's *Money Box* programme and *MoneySavingExpert* ([www.moneysavingexpert.com](http://www.moneysavingexpert.com)) Martin Lewis. Also in attendance was popular Irish singer/song-writer Imelda May, who is the current celebrity face of credit unions in Ireland.

Nancy MacGillvray, who attended the event along with fellow trustee Wyndham Conniff said: "HRH was knowledgeable about credit unions and during our conversation was interested to learn what was happening locally and to let me know about her experience of credit unions. It was an enjoyable couple of hours which HRH's staff assured us The Duchess wished to repeat.

"Yes, it is champagne in the glass and it was very agreeable! I would love to have stayed and viewed the



Nancy MacGillvray, ACE Treasurer, meeting the Duchess of Cornwall at Clarence House on International Credit Union Day

many paintings and artefacts displayed with family photos interspersed but unfortunately that was not allowed."

The Duchess, who opened a credit union account last year, told her guests: "Credit unions serve people, not profit. They provide a friendly financial community where members mutually benefit from advice, as well as savings accounts and loans." The Duchess concluded: "I do believe credit unions could be a real force for change in the financial landscape and are truly a cause worth championing.



Bill on a visit to Cloughfern Community Credit Union, Belfast, in 2012

## Happy New Year to you all

Following on with tradition I have great pleasure in sending you the first ACE Newsletter following my appointment as Chief Executive Officer of ACE in October 2014. I have already met or spoken to many of you since this time but for those I have not yet communicated with I look forward to meeting with you in the weeks and months to come. I would like to take this opportunity to thank my predecessor Barbara Hann for all of her help and support over the past few months and for her invaluable commitment to ACE over a period of 14 years. I know from comments that members have made to me that Barbara was a highly respected and valued leader who would go out of her way to assist and support ACE members. I am sure that you will all join me in wishing Barbara well for her future ventures which start, in January 2015, with an 8 week trip to the Carribean islands on a French cargo ship. Always up for a challenge.

Finally I would like to take the opportunity to wish you all a very Happy New Year (and to hope that you all had a very Merry Christmas). From my own personal experience I know how busy the lead up to Christmas can be in the credit union world, so I hope that you will all take the opportunity to have a much needed break from your hectic work schedules.

The Cardiff office has been closed since Tuesday 23<sup>rd</sup> December 2014 and will re-open on Monday 5<sup>th</sup> January 2015, but I will be able to receive email messages during the holiday period.

Best wishes

Bill