



Credit Unions- Conduct Regulation

Presentation to ACE Credit Union Services

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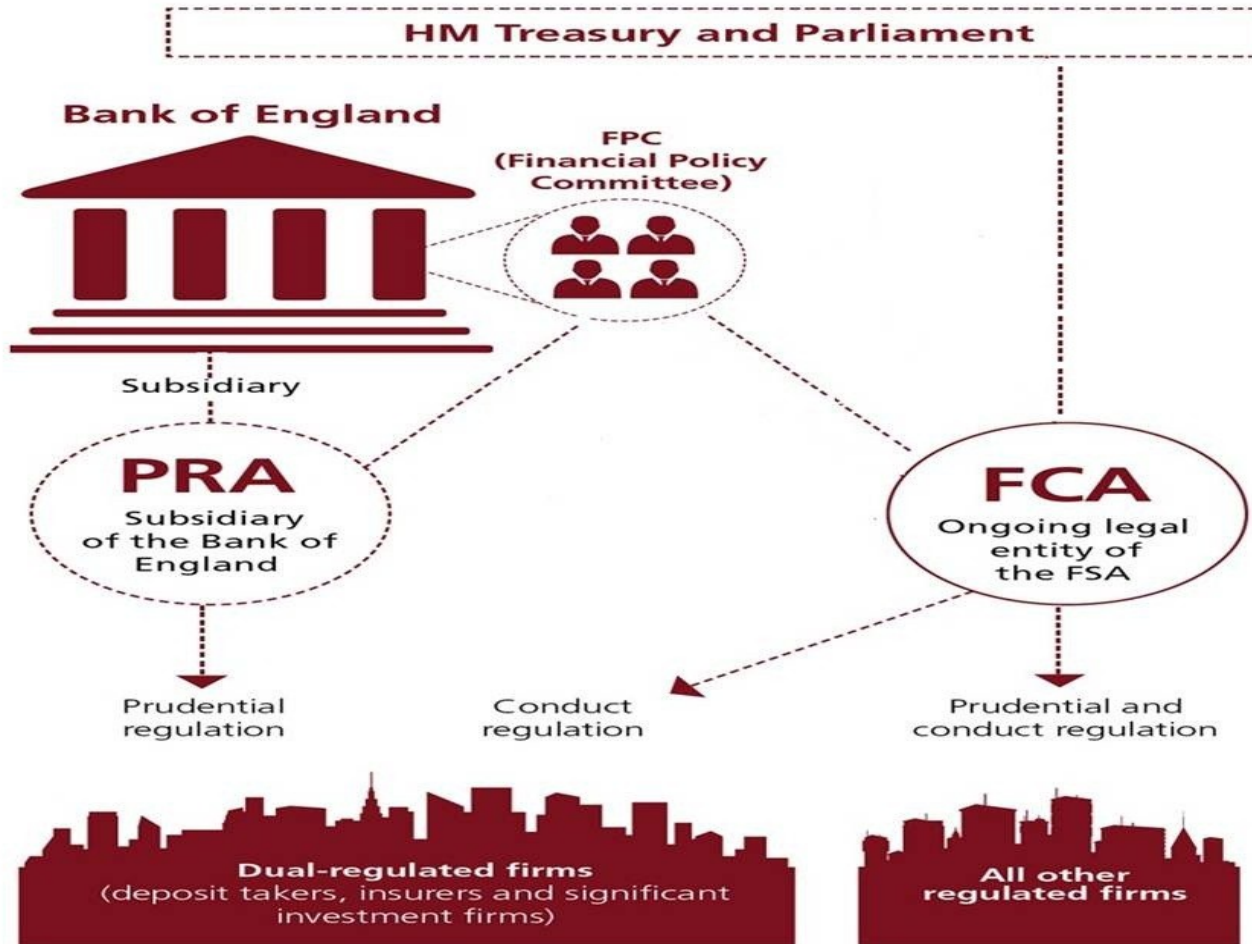
May 2014

Conduct Regulation for Credit Unions

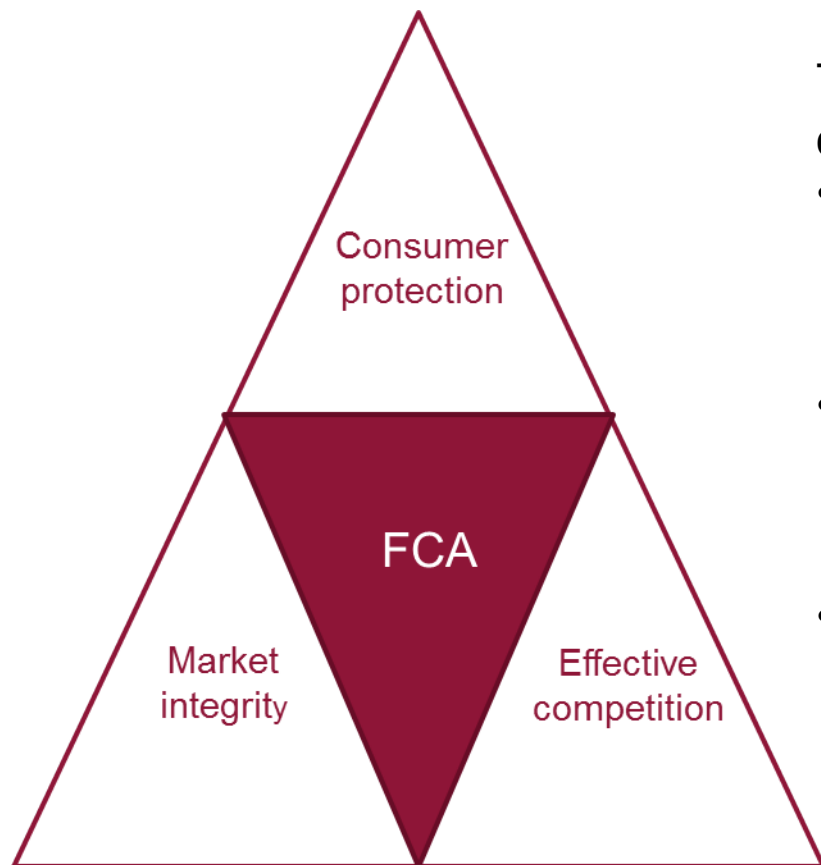
This presentation will touch on:

- Who we are and how we regulate
- The FCA's supervisory approach for credit unions
- Forthcoming regulatory changes
- Current FCA priorities

Regulatory Landscape



The Financial Conduct Authority (FCA)



The FCA is pursuing the following outcomes:

- Consumers get financial services and products that meet their needs from firms they can **trust**;
- Markets are **sound, stable and resilient** with transparent and fair price information; and
- Firms compete effectively, with the interests of their **customers** and the **integrity** of the market at the heart of how they run their business.

The FCA aims to be a judgement based and pre-emptive regulator

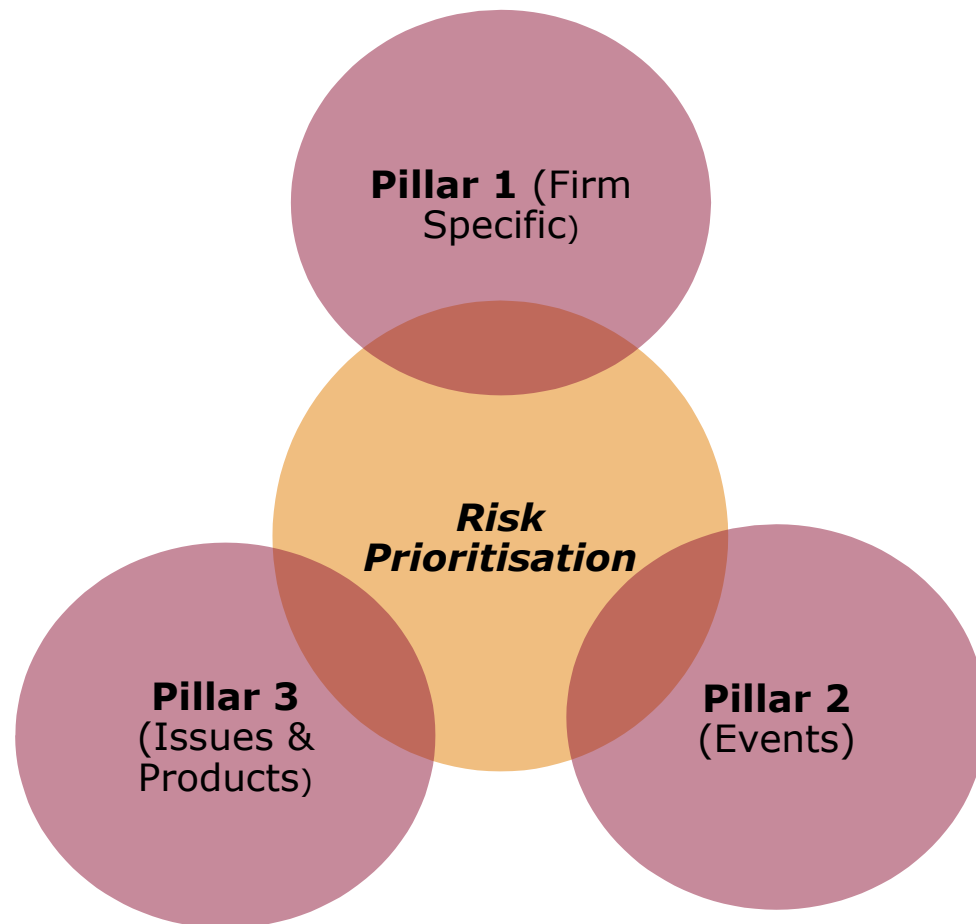
- forward-looking;
- intervene earlier;
- tackle underlying causes;
- secure redress; and
- take meaningful action.

How will we achieve our objectives?

Supervision of firms

To ensure firms have the interests of their customers and the integrity of the market at the heart of how they run their business.

Aim of Supervision



How we go about an assessment

Does the firm have the interests of its customers and the integrity of the market at the heart of how the business is run?

C3 Firms

Letter & Information Requests

Desk Based Analysis
Business model and strategy

Visit and Case Study

Individual Feedback and Required
Actions

C4 Firms

Assessment Questionnaire
Bespoke generic feedback provided at this
stage

Free Regional Education Workshops

Verification Interviews with Representative
Sample

Results of Pillar 1 assessment to Northern Ireland Credit Unions

Trade Bodies and Credit Union feedback -

- Positive feedback received on both the questionnaire and roadshows
- CUs can see the benefits of the assessments and how this will improve either their business model, management, governance or culture

Key findings -

- Consideration of risk internal/external
- Lack of documented system of control
- Conflicts of Interest
- Segregation
- Loan Policy & arrears

Regular returns required by FCA

All credit unions

Complaints – annually within one month of end reporting date (periods 1 April – 31 March)

As relevant (specific to additional business activities)

Examples include: MLAR, RMAR and PSD

Late submission penalties - £250

FCA Regulatory Change in 2014

Regulatory changes for FCA this Spring

INTEREST RATE CAP
RAISED FOR GB CREDIT
UNIONS

1 APRIL

CONSUMER CREDIT
MOVED TO FCA

1 APRIL

MORTGAGE MARKET
REVIEW

26 APRIL

Credit union interest rate cap raised

- HM Treasury's decision to raise interest rate ceiling on GB credit union loans
- The cap has increased from 2% to 3%
- The new, higher cap came into effect on 1 April 2014
- Only GB Credit Unions have the choice to increase the rate they charge

Consumer Credit – Action Required

Credit Union has CCA Licence



Is it still required?



Apply for Full Permission to FCA timetable

Mortgage Market Review

- Deliver a sustainable mortgage market that works better for consumers
- Continued access to the market for the great majority of borrowers who can afford it
- Moving to an advised market

- Affects a handful of Credit Unions
- Has been CU specific engagement on issues for the sector
- More information on FCA webpage

Other regulatory/legislative changes

Senior persons regime

- Replacing the existing Approved Persons regime with a Senior Persons regime
- 'Licensing' arrangements based on a set of conduct rules
- Consultation with the proposed new regulatory regime to take place in 2014

Expectations on Credit Unions in relation to financial crime

- FCA legal duty
- Financial crime: money laundering, terrorist financing, bribery & corruption, data security, sanctions & fraud
- Adequacy of controls and resources
- Board and senior management engagement – but with individual accountability
- Key risk areas- segregation of duties and conflicts of interests
- FCA Handbook – SYSC 6.3.1 & 6.3.3
- Money Laundering Regulations 2007

Current FCA Priorities

- Roll out the supervisory model for Credit Unions
- Build our trade body relationships & sector engagement
- Identification of the key risks in the sector and feed into our supervisory approach
- In the event of a credit union failure, depositors receive a speedy pay out
- Promote compliance with regulatory and legislative requirements, providing support where necessary

Conduct Risk Outlook 2014

- 2014 Conduct Risk Outlook and Business plan published on 31 March 2014
- [Link to the documents available on our website](#)



Questions?

