

PRA RULEBOOK: NON CRR FIRMS: CREDIT UNIONS INSTRUMENT 2020

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (1) section 137G (The PRA’s general rules); and
 - (2) section 137T (General supplementary powers); and
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: Non CRR Firms: Credit Unions Instrument 2020

- D. The PRA makes the rules in the Annex to this instrument.

Commencement

- E. This instrument comes into force on 16 March 2020.

Citation

- F. This instrument may be cited as the PRA Rulebook: Non CRR Firms: Credit Unions Instrument 2020.

By order of the Prudential Regulation Committee

24 February 2020

Annex A

Amendments to the Credit Unions Part

In this Annex new text is underlined and deleted text is struck through.

...

2 SHARES AND DEPOSITS

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2.5 A credit union must not:

- (1) pay different dividends on different accounts unless:
 - (a) at the time of the payment of any dividends it has a *capital-to-total assets* ratio of at least 5%; and
 - (b) the payment of any of those dividends does not reduce the *capital-to-total assets* ratio to below 5%; or
- (2) pay dividends out of interim profits more than once a year unless it has *capital* of at least 8% of *total assets*, ~~and, other than in a stress scenario in which case such buffer may be employed to absorb losses, a capital buffer at least equal to a further 2% of total assets.~~

...

8 CAPITAL

...

8.5 A credit union must have:

- (1) subject to ~~(2)~~8.5A, *capital* of at least 3% of *total assets*;
- (2) subject to (3), *capital* of at least 5% of *total assets*, if that *credit union* has *total assets* of more than £5 million or more than 5,000 *members*~~[deleted]~~;
- (3) *capital* of at least 8% of *total assets* and a *capital* buffer at least equal to a further 2% of *total assets*, save in the event of a stress scenario in which case such buffer may be employed to absorb losses, if that *credit union* has *total assets* of more than £10 million, more than 15,000 *members* or undertakes an *additional activity* other than the *additional activity* of providing *transactional accounts*~~[deleted]~~.

8.5A A credit union that has *total assets* of more than £5 million must have:

- (1) *capital* of at least 5% of *total assets* up to and including £10 million; and

- (2) capital of at least 8% of total assets above £10 million up to and including £50 million;
and
- (3) capital of at least 10% of total assets above £50 million.

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8.7 ~~In the event that a credit union employs its capital buffer in a stress scenario it must plan for the restoration of its capital buffer to the level stipulated in 8.5 within a reasonable period. [Deleted.]~~

...

10 GOVERNANCE

10.1 A credit union must ensure that the governing body reports to the members at the annual general meeting of the credit union on the following matters.

...

- (2) whether the credit union has maintained at all times a policy of insurance complying with 2.10; ~~and~~
- (3) any additional activities the credit union is carrying out and whether or not it is in compliance with any requirement in this Part applicable to those additional activities; ~~and~~
- (4) if the credit union has more than 15,000 members, whether or not it is in compliance with any requirement in this Part applicable to a credit union with more than 15,000 members.

...

10.3 A credit union that is carrying out any additional activity or has more than 15,000 members must:

...

- (3) ensure that its governing body monitors and assesses the risks associated with the carrying on of such activities or with having more than 15,000 members on at least a monthly basis.