

**PRA RULEBOOK: NON-CRR FIRMS: CREDIT UNIONS INSTRUMENT 2023**

**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).
- 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 2023**

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

**Commencement**

- E. This instrument comes into force on 29 August 2023.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Non-CRR Firms: Credit Unions Instrument 2023.

**By order of the Prudential Regulation Committee**

18 July 2023

**Annex**  
**Amendments to the Credit Unions Part**

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

## **1 APPLICATION AND DEFINITIONS**

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1.2 In this Part, the following definitions shall apply:

*additional activity*

means:

- (1) an additional activity carried out or additional service provided by a *credit union* as described in 3.3, 3.5, Chapter 4, 6.4 or Chapter 7;
- (2) entering into a *conditional sale agreement*, as the seller, with a *member* of the *credit union* pursuant to section 11E of the Credit Unions Act 1979;
- (3) entering into a *hire purchase agreement*, as the *person* from whom goods are bailed or (in Scotland) hired, with a *member* of the *credit union* pursuant to section 11E of the Credit Unions Act 1979;
- (4) providing credit cards; or
- (5) lending to *corporate members*.

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*conditional sale agreement*

has the meaning given in section 31(1) of the Credit Unions Act 1979.

*corporate bond*

means a senior sterling-denominated bond issued by a company and traded on a regulated market in the UK that is not a bond issued by a *credit institution* or a bond issued by a *holding company* of a *credit institution*.

*corporate members*

has the meaning given:

- (1) in relation to a *Great Britain credit union*, in section 5A of the Credit Unions Act 1979;  
or
- (2) in relation to a *Northern Ireland credit union*, in article 14A of the Credit Unions (Northern Ireland) Order 1985.

*counterparty*

means:

- (1) an *undertaking*;
- (2) a *qualifying money market fund*;
- (3) the government of the *United Kingdom*, together with all the public bodies, local authorities or nationalised industries; or

(4) a supranational institution,

in which a credit union has made investments or against whom it has rights whether under a contract entered into by the credit union or otherwise. Where a counterparty is an undertaking, the definition also includes a group undertaking.

credit rating

has the meaning given in Article 3(1)(a) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

credit rating agency

has the meaning given in Article 3(1)(b) Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

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group undertaking

has the meaning given in section 1161(5) of the Companies Act 2006.

hire purchase agreement

has the meaning given in section 31(1) of the Credit Unions Act 1979.

holding company

has the meaning given in section 1159(1) of the Companies Act 2006.

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non-UK bank bond

means a senior sterling-denominated bond issued by a credit institution that has permission under Part 4A of FSMA to carry on the regulated activity of accepting deposits (excluding a UK bank) and traded on a regulated market in the UK.

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qualifying money market fund

has the meaning given in the Glossary to the FCA Handbook.

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supranational bond

means a sterling-denominated bond issued by a supranational institution.

supranational institution

means:

- (1) African Development Bank;
- (2) Asian Development Bank;
- (3) Bank for International Settlements;
- (4) Caribbean Development Bank;

- (5) Council of Europe Development Bank;
- (6) Development Bank of Latin America;
- (7) European Company for the Financing of Railroad Rolling Stock;
- (8) European Bank for Reconstruction and Development;
- (9) European Central Bank;
- (10) European Investment Bank;
- (11) European Investment Fund;
- (12) European Union;
- (13) Inter-American Development Bank;
- (14) International Bank for Reconstruction and Development;
- (15) International Finance Corporation;
- (16) International Finance Facility for Immunisation;
- (17) International Monetary Fund;
- (18) Islamic Development Bank; or
- (19) Nordic Investment Bank.

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UK bank bond

means a senior sterling-denominated bond issued by a UK bank and traded on a regulated market in the UK.

### 3 LENDING

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- 3.2 Subject to 3.3, a *credit union* must not make:
- (1) an *unsecured loan, a conditional sale agreement, or a hire purchase agreement* that is repayable within more than five years from the date of its provision; or
  - (2) a *secured loan, that is not a conditional sale agreement, or a hire purchase agreement,* that is repayable within more than ten years from the date of its provision.
- 3.3 If a *credit union* complies with 10.3, it may make:
- (1) an *unsecured loan, a conditional sale agreement, or a hire purchase agreement* that is repayable within ten years from the date of its provision; or
  - (2) a *secured loan, that is not a conditional sale agreement, or a hire purchase agreement,* that is repayable within 25 years from the date of its provision.
- 3.4 Subject to 3.5, 3.6 and 3.7 the outstanding balance of ~~a~~ loans by a credit union:
- ...
- 3.5 Subject to 3.6 and 3.7, the outstanding balance of ~~a~~ loans by a credit union that satisfies satisfy the requirements in 10.3:

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## 6 INVESTMENT

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6.2 ~~Surplus funds must be invested in capital-protected products~~ must be invested in accordance with this Chapter or held as cash in the custody of *officers* of a *credit union*.

6.3 A *credit union* must not hold *investments*, save that it may hold an *investment* that is:

- (1) a *deposit* placed with a *credit institution* or with a *credit union* which is authorised in the *UK* to *accept deposits* on terms that the *deposit* shall be repayable within at most twelve months from the date on which that *investment* is made;

6.4 If a *credit union* complies with 10.3, it may hold an *investment* that is:

- (4) a fixed-interest sterling-denominated security guaranteed by the government of the *UK*, with a *maturity* of up to five years from the date on which that *investment* is made, provided that such guarantee is unconditional in respect of the payment of both principal and interest on the security; ~~or~~
- (5) any ~~other capital-protected~~ product provided by a *credit institution* authorised in the *UK* to accept deposits, with a *maturity* of up to five years from the date on which that *investment* is made, ~~provided it satisfies the requirement in 6.2;~~
- (6) a *UK bank bond* which has a *maturity* that is up to five years from the date on which that *investment* is made;
- (7) a *corporate bond*, a *non-UK bank bond* or a *supranational bond* which:
- (a) has a *maturity* that is up to five years from the date on which that *investment* is made; and
- (b) has been assigned a *credit rating* of investment grade or higher by at least two *credit rating agencies* which are registered with the *FCA*; or
- (8) in a *qualifying money market fund* which:
- (a) is authorised by the *FCA*; and
- (b) has assets under management of at least £100 million.

6.4A A *credit union* shall not:

- (1) directly invest more than 5% of its *capital* in *non-UK bank bonds* or *corporate bonds* issued by a particular *counterparty*; or
- (2) invest more than 30% in total of its *capital* in *investments* permitted by 6.4(7)-(8).
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