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ACE Conference goes down well with delegates

The ACE 2015 Conference and AGM was held this year at the Park Royal Hotel in Warrington. There was a total of 40 delegates in attendance from 14 ACE credit unions over the two days of this year's ACE Conference representing around 40% of all ACE credit unions. There were a total of 11 presentations/workshops during the two days and the completed evaluation forms showed that the conference itself was rated very highly with most of the credit unions marking speakers as either "good" or "very good".

The Friday afternoon session was started by Brenda Spencer from the Chartered Institute of Payroll Professionals (CIPP) in which she spoke about the CIPP's commitment to "making a difference" by encouraging members to promote the savings habit through membership of credit unions. CIPP is encouraging its members to engage with credit unions and to provide a free payroll deduction service to credit unions.

Gareth Evans from the Financial Inclusion Centre (FIC) then spoke about some research that had undertaken with London Mutual Credit Union (LMCU) in 2012/2013. LMCU had undertaken to provide its members with a Pay Day Loan product to compete with the extortionate products that were being offered by the then unregulated Pay Day Lenders (PDL). Although the PDL product was launched as a "loss-leader" the FIC research indicated that credit unions can compete with pay day lenders but that regulatory constraints make this a difficult challenge.

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Barbara Hann is awarded CBE in The Queen's Birthday Honours List for services to the financially excluded

Founding member of ACE Credit Union Services, Barbara Hann, has been awarded with a CBE in the Queen's Birthday Honours list. This high level award, which is known fully as Commander of the Most Excellent Order of the British Empire, is given to those who have played a prominent role at a national level in their field. Barbara was the Chief Executive Officer of ACE Credit Union Services until October 2014, when she decided to take a well-earned break from her long-term involvement with the British credit union movement. Barbara has an impressive past record for working in the best interests of those who often feel excluded and isolated in society and her past job roles have included being a Head Teacher, a Social Worker and



a Trade Union Branch Secretary. She has a reputation for standing up for the rights of those who often feel that they have no voice and her work with credit unions over the past twenty years has been exemplary. Barbara, who lives in Newcastle, is a well-known figure in the credit union movement and is well respected by all key stakeholders in the field at all levels. She was a founder member of Moneywise Credit Union in Newcastle, where she worked as Chief Executive Officer (CEO) for a number of years before taking on the role as CEO of ACE Credit Union Services, of which she was also a founder member in 2001. Barbara lost her husband Stan in 2012, a Second World War veteran who served as a glider pilot and who took part in the invasion of Normandy on 1944 on his 24th birthday. Barbara and Stan had a very similar work ethic as evidenced by Stan's decision to volunteer to work for a new cancer charity in Newcastle at the age of 91. Stan would have been extremely proud of Barbara's award as are her two son Paul and Trevor. Bill Hudson, who took over from Barbara as CEO in 2014 said: "All those involved with ACE are extremely pleased and proud to hear the news that Barbara has been awarded the honour of receiving a CBE from the Queen. It is a much deserved recognition of Barbara's contribution to the development of the credit union movement over the years and her dedication to representing and speaking on behalf of some of the most disadvantaged members of our society." In receiving this award Barbara joins a talented list of British women including Glenda Jackson, Vanessa Redgrave, Sheila Hancock and Julie Walters.

ACE Conference goes down well with delegates

(Continued from page 1)



(Continued from page 1) Meghan Edwards from Barclays Bank then gave an overview of the Barclays Community Investment commitments, which includes the “5 million Young Futures” initiative which comes under the umbrella of the Barclays Citizenship strategy. Meghan then spoke about the Barclays Credit Union programme which will last for four years and will support around 40 credit unions with Capacity Building training for directors and directors and Financial Guidance training for dis-advantaged credit union members. Meghan told delegates that ACE and UKCU had been chosen to deliver the Capacity Building training element, working closely with fellow partners Toynbee Hall and the Financial Inclusion Centre who will monitor and evaluate the programme.

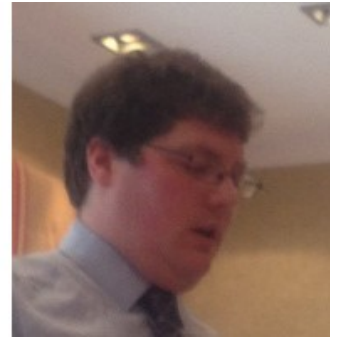
The Friday afternoon session was ended by Paul Manning from the DWP who told delegates that the CUEP project, which has been extended until April 2016, is now working with 35 credit unions who have signed up to be part of the transformation back office contract with the Fiserv system. He also said that the DWP was working across Governmental departments to raise awareness of credit unions and to promote payroll deduction to credit union accounts for civil servants.

On the Saturday morning Paul Williams, Manager in Mortgages and Mutuels, Financial Conduct Authority, informed delegates that there had been a positive response to the regulator’s Credit Unions Pillar 1 supervisory assessment questionnaire and roadshows. On a positive note the assessment revealed that of the 487 credit unions had completed the questionnaire and that 99% said that regulatory developments had been discussed at Board meetings. However only 67% of respondents had a growth strategy in place. More worryingly a number of rule breaches declared with 41% declaring that do not have a process for identifying conflicts of interests and 21% saying that they did not have a business plan.

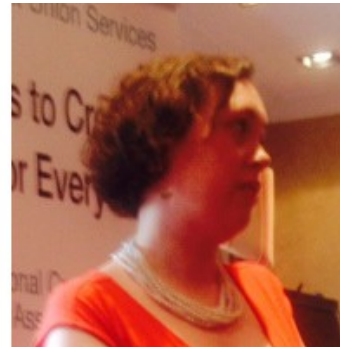
Chris Donald from the Prudential Regulation Authority (PRA) then spoke about the importance of the Single



Customer View and the need for credit unions to ensure data quality and to run the file effectively, with the support of the credit unions software providers. Chris then defended the PRA’s decision to remove credit unions’ own deposits from the protection of the Financial Services Compensation Scheme which he said had been forced on them by a European Directive. Delegates questioned the PRA’s capital:assets ratio rules for those credit unions that reach 5,000 members saying that the level of risk did not merit the rise from 3% to 5%.



Chloe Templeton, Head of Building Societies and Mutuels, at HM Treasury Chloe reported that the responses to the call for evidence on credit unions at 50 were very wide-ranging, reflecting, in part the high level of diversity in the credit union sector. The Call for Evidence report identified a number of areas where potential for change was considered including a less restrictive common bond definition; changes to the basic credit union objects; PRA powers to direct mergers; giving credit unions the ability to make ancillary charges; the ability for credit unions to establish subsidiary bodies and clarification on purchase and use of property. Chloe explained that the Government also committed to working with the Prudential Regulatory Authority and the Financial Conduct Authority as they consider the feedback on the regulatory approach from the Call for Evidence as input into their reviews of the current Credit Union Sourcebook (CREDS).



Mandy Bygrave, from the Coventry & Warwickshire Co-operative Development Agency then delivered an interactive session on Fraud prevention, defining the differences between fraud and theft and the different types of fraudulent activity that credit unions could be victims of, including Corporate crime, Cyber crime, Cheque cloning and Identity theft. Staff fraud was one of the most common ways that credit unions had been attacked in the past. To help prevent fraudulent activity Mandy suggested that all credit unions should be vigilant and undertake good pre-employment checks which verify clients details; regular supervision and staff appraisals and ensuring that staff members feel valued and appreciated by the Board.

There were three workshops in the afternoon that debated CUEP from a participating credit unions perspective, led by Andrew Breese. This was followed by Melwyn De Noronha, from the Financial Ombudsman Service, who spoke about the delicate matter of credit unions dealing with members with mental health issues. Conference was ended by Fiona Brownsell who updated delegates on the progress of the development of banking platforms and payments platforms for UK credit unions.

2015 AGM Motions

Two motions were put to members at the AGM on the Saturday morning of Conference both of which were accepted unanimously:

Motion 1 – Submitted by Moneywise CU – Seconded by North Tyneside Employees CU

That this AGM instructs the ACE Board of Directors to consider and research the potential to merge with similar trade associations and report on the findings along with a cost benefit analysis with recommendations to the 2016 AGM.

Motion 2 - Submitted by W. Lothian CU – Seconded by Falkirk & District CU

That this AGM instructs the ACE Board of Directors to change Rule 3.1 of the ACE Rulebook, changing the month for payment of Membership fees by affiliated credit unions from January to October, commencing from October 2016.

ACE Credit Unions to benefit from Barclays Credit Union Fund

ACE affiliates West Lothian Credit Union, Whitehaven Egremont & District Credit Union and Citysave Credit Union are among eleven credit unions that have been selected to take part in the first round of the £1m, four year Barclays Credit Union Programme, which will see them receive bespoke Capacity Building training from a team of experienced ACE and UKCU training associates. The eleven credit unions were selected from over thirty applications, with the training schedule due to start in July 2015. In addition to the capacity Building training successful bidders will also receive training on Financial Guidance from our programme partners at Toynbee Hall. Applications for the second year of this four year funding programme will be invited early in 2016.

The eleven credit unions that will benefit from the first round of Barclays funding are:

- Bradford Credit Union
- Citysave Credit Union
- City of Plymouth Credit Union
- Gloucester Credit Union
- Hoot Credit Union
- Hope Credit Union
- London Community Credit Union
- Unify Credit Union
- West Sussex Credit Union
- West Lothian Credit Union
- Whitehaven Egremont & District Credit Union

Meeting with the Regulators - 25th June 2015

This was the first joint meeting between the Regulators and the credit union trade associations since December 2014, during which time we had been through a General Election and a number of Consultation Papers which have had significant implications for UK credit unions. The latest of these papers was the **CP22/15 - Reform of the legacy Credit Unions sourcebook**, which was released the day before our meeting with the Regulators. The PRA suggested that the majority of UK credit unions would not be materially affected by the new sourcebook that will replace the existing CREDS. The major changes that the Consultation Paper proposes are:

- **The shelving of the existing Version 2 category of credit unions** - to be replaced with four categories to reflect differing business models. The new categories will be applicable to those credit unions wishing to undertake additional activities including mortgages but also more common activities such as payment services, which would include the receipt of member's Welfare Benefits. If this proposal is accepted such activities will only be permissible if the credit union achieves a number of mandatory financial ratios including levels of bad debt, liquidity and the performance of the loan book. Failure to achieve just one of the prescribed ratios will exclude credit unions from providing additional services. Some specified additional activities will require credit unions to maintain a 10% capital requirement although this does not include payment services.
- **Boards of Directors to report to their members annually** - at an AGM about any specified additional activities that it is undertaking and additional information will be required in Regulatory returns. Boards must also report on whether the credit union has complied with Single Customer View requirements for depositor protection and on whether it has maintained the required insurance against fraud and dishonesty A financial risk management policy statement - must be maintained by any credit union carrying on any of the specified activities including mortgages, additional lending, additional investments or payment services. Policy statements on liquidity management and lending must still be produced by all credit unions .
- **New limit on maximum Shareholding** - under this proposal no credit union will be permitted to allow a member to be exposed to the risk of a loss of deposits which means that the current FSCS protection limit of £85,000 could not be exceeded by members. This proposal is likely to impact on large credit unions only.
- **Increase in the Capital ratio of large credit unions** - credit unions with more than 10,000 members or £10million in assets will be expected to achieve a 10% capital ratio instead of the current level of 8%. This ratio will not apply until 1 October 2018. The ratio will rise to 9% on 1 October 2017. For all other credit unions the ratio remains at 3%, rising to 5% once they have reached either 5,000 members or £5million in assets
- **Credit unions will not be able to make a sub-ordinated loan** - (repayable on liquidation after other debts have been paid) unless it is to another credit union and forms part of that credit unions capital. Restrictions will apply to amounts over £15,000 .

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Meeting with the Regulators - 25th June 2015 (Continued from page 3)

- **General provision for bad debts will be abolished** – due to the fact that this provision served no meaningful purpose .
- **Current guidance to make a specific of 60% when a loan is more than 6 months in arrears and 80% when more than 9 months in arrears will become a rule** - ensuring a consistent approach to provisioning.
- **Increase in range and duration of investments** - currently only available to Version 2 credit unions will be available to all credit unions providing that they fulfil the additional requirements, including having a capital to total assets ratio in excess of 10% .
- **Payment services to members restricted** - to credit unions achieving additional requirements aimed at insuring that Boards fully understand the implications of offering such a service to members .
- **Credit unions must have to maintain a liquidity ratio of at least 10% at all times** - replacing the current ratio of 5% .

The Consultation Paper and Matrix pages relating to additional service requirements can be downloaded through: <http://www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp2215.aspx>

The Consultation period ends on 30/09/2015 .

Senior Managers Regime + Certification

The trade association delegates were reassured by the Regulators that the new Senior Managers Regime was intended to be “inherently proportionate” for credit unions with aims to ensure that Senior Managers were “fit and proper” people to perform their role and that credit union Boards would take primary responsibility for the fitness and propriety of staff.

The Regulators informed us that a Policy Statement will be released soon given more details of the new regime. Senior Managers for credit unions will apply only through SMF8 meaning that all other selections will be irrelevant to credit unions. Once approved Senior Managers will be responsible for the Certification Regime that will apply to all Material Risk Takers in the credit union. Annual certification will then be required to ensure that certificated individuals are still “fit and proper”. Credit unions will be expected to produce and maintain a “Responsibilities Map” setting out your overall framework for the allocation of responsibilities to individuals and their governance and management arrangements. The Regulator will be publishing a “Responsibilities Map” template for small firms in the forthcoming Policy Statement. It was stated that the Senior Managers Regime would commence in March 2016 with the Certification process being completed by March 2017.

New manager of the PRA's Credit Union Team

It was announced that Roger Marsh would be standing down as the PRA's Credit Union Team Manager to be replaced by Chris Donald who has been a Credit Union Supervisor with the PRA since April 2013.

Welcome on Board

The ACE Trustees would like to welcome John Richards onto the ACE Board of Directors following his election at this year's AGM, held in Warrington. Until recently John had been Manager of Gateway Credit Union based in Pontypool, where he started in 2004. He retired from his managerial role in 2004 but retains his close connection with the movement through being a director of Newport Credit Union. The full list of current ACE directors is as follows:

Jane Jewitt – Carlisle Credit Union
Dorothy Brown – Clivey Credit Union
Malcolm Richards – Falkirk & District Credit Union
Wyndham Conniff – Newport Credit Union
John Richards – Newport Credit Union
Alan Robson – North Tyneside Employees Credit Union
Jeff Hopkins - Saveeasy Credit Union
Peter Williams - Saveeasy Credit Union
Nancy MacGillivray – West Lothian Credit Union
Bill Hudson – Chief Executive Officer

ACE web-site members' area

Just a quick reminder that the new ACE website has a Members' Area which is an ideal way to share information, resources and best practice with each other; to ask or answer questions; or to seek or offer help in other ways. Please check on a regular basis to see what's going on with your colleagues.

If you do not already have a login account, or if any of your credit union colleagues would benefit from having a login account, please use the contact form at www.acecus.org/contact selecting “web site” from the drop-down list and entering “login account request” or similar in the subject box.

Please note: Any volunteer or employee of an ACE credit union is eligible for a login account.

ACE Credit Union Services contact details:

Office: **2 Ocean Way, Cardiff, Wales, CF24 5TG**
Phone: **02920 674851**

Mobile: **07814 165691**
Email: **bill.hudson@acecus.org**
Web-site: **www.acecus.org**