



BANK OF ENGLAND

News release

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Prudential Regulation Authority announces new framework to reflect the wider role credit unions now play in financial services

The Prudential Regulation Authority (PRA) is today publishing proposals to reform the way that credit unions are regulated. The proposed rules reflect the broader range of financial services now offered by credit unions.

The PRA's approach to supervision reflects the nature of the firms, whether a bank, building society, investment firm or credit union. The PRA recognises the unique structure and important role credit unions play in their local communities and it is for this reason that the PRA is proposing to reform the rules; to better reflect their evolving but distinctive business model.

Andrew Bailey, Deputy Governor, Prudential Regulation, Bank of England and CEO of the Prudential Regulation Authority said:

"We support a diverse system enabling competition. These changes will introduce a more risk-based and flexible regime for credit unions, with prudential standards that reflect the diverse business models they now operate. The new rules will raise standards where required".

Credit unions are typically set up for the benefit of a particular group or community. The new rules seek to reduce any disruption caused due to the failure of a credit union, with a particular emphasis on their ability to pay out to depositors. The new rules will mean that depositors cannot hold shares or money with a credit union above the FSCS compensation limit.

In addition, the new rules will give credit unions more flexibility when managing their businesses. Rules around investments, capital levels and reporting requirements will be determined by looking at the risk profile and business model of the credit union; existing rigid restrictions will be removed, giving credit union boards more freedom to decide how their businesses are to be run. The proposed rules would introduce enhanced prudential standards where credit unions are engaged in riskier lines of business.

ENDS

Note to Editors

[Credit union consultation paper](#)