

UPDATE: HM TREASURY REVIEW OF THE LEGISLATIVE FRAMEWORK FOR THE CREDIT UNIONS AND INDUSTRIAL & PROVIDENT SOCIETIES IN NI

BRIEFING FOR MEETING OF THE ETI COMMITTEE ON 15 OCTOBER 2009

1. The Treasury announced in its 2008 pre-Budget Report that it would review the legislative framework for credit unions (CUs) and industrial and provident societies (IPSs) in NI, working closely with the relevant NI authorities.
2. The Report, published in July 2009, included a number of options for joint consideration by HMT and DETI. The main conclusions are summarised in Annex 1 and, in respect of credit unions, broadly endorse the recommendations of the ETI Committee Report (February 2009) of its Inquiry into the Role and Potential of Credit Unions in NI.
3. A joint project team drawing representation from HM Treasury, Financial Services Authority (FSA) and DETI has been established to take forward the legislative and non-legislative recommendations included in the two Reports. Input has also been invited from the Department of Finance and Personnel as well as the Northern Ireland Office. An initial meeting has been held and a preliminary work programme agreed.
4. The main priority is to progress matters on the credit union side. Preparation of a joint consultation document by DETI and HMT for issue later in the year and in advance of any final decisions on the legislative route in respect of credit unions, is underway. The inclusion of this joint consultation exercise is seen by the team as an essential part of the process, in advance of determining an appropriate legislative route.
5. Change to the I&PS sector is an equally important matter, but it is not anticipated that this will require input on a similar scale, either on the legislative or non-legislative side, to the changes proposed to the credit union sector.

6. A further separate DETI/HMT consultation document, planned for issue by Spring of 2010, should ensure that IPS reforms can be introduced on a broadly similar timescale to credit unions.

12 October 2009

HM Treasury Review of the Legislative Framework for the Credit Unions and Industrial & Provident Societies in NI – Summary of Recommendations

Credit Unions

The Review recommended that the Government and NI Assembly should consult on bringing NI credit unions within the scope of the Financial Services and Markets Act 2000 (FSMA), while leaving the legislative and registration functions with the Northern Ireland Assembly and DETI.

Industrial and Provident Societies

NI administration should consider measures to improve transparency and governance arrangements for industrial and provident societies and in particular the possible application of:

- a. The Prospectus and Money Laundering Directives
 - b. The Financial Services and Market Act 2000 (Financial Promotion) Order 2005
- HM Treasury should consult with Northern Ireland administration to identify an appropriate UK-wide regime to ensure that members receive accurate and timely information when placing funds with a society
 - Financial Services Authority, as registrar for GB industrial and provident societies, should identify an appropriate approach to minimise risk of money laundering and improve transparency between societies and their members
 - HM Treasury, Financial Services Authority and the Northern Ireland administration should aim to develop a unified regime and integrated approach across the UK.