



ISLE OF MAN  
FINANCIAL SERVICES AUTHORITY

*Lught-Reill Shirveishyn Argidoil Ellan Vannin*

# CREDIT UNIONS

## DEFERRED SHARES

CONSULTATION RESPONSE

CR19-07/T03

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## GLOSSARY OF TERMS

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Term	Meaning in this document
Act	<a href="#">Credit Unions Act 1993</a> <sup>1</sup>
Authority	<a href="#">Isle of Man Financial Services Authority</a>
Consultation	<a href="https://consult.gov.im/financial-services-authority/credit-unions-deferred-shares/">https://consult.gov.im/financial-services-authority/credit-unions-deferred-shares/</a>
FSA08	<a href="#">Financial Services Act 2008</a> <sup>2</sup>

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<sup>1</sup> [https://www.legislation.gov.im/cms/images/LEGISLATION/PRINCIPAL/1993/1993-0019/CreditUnionsAct1993\\_5.pdf](https://www.legislation.gov.im/cms/images/LEGISLATION/PRINCIPAL/1993/1993-0019/CreditUnionsAct1993_5.pdf)

<sup>2</sup> [https://www.legislation.gov.im/cms/images/LEGISLATION/PRINCIPAL/2008/2008-0008/FinancialServicesAct2008\\_15.pdf](https://www.legislation.gov.im/cms/images/LEGISLATION/PRINCIPAL/2008/2008-0008/FinancialServicesAct2008_15.pdf)

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## 1 BACKGROUND

In April 2019 the Credit Unions Act 1993 (**'the Act'**) was amended and supervision and licensing of credit unions was transferred to the Financial Services Act 2008 (**'FSA08'**).

A new provision in the Act enabled the Isle of Man Financial Services Authority (**'the Authority'**) to make an Order under section 7(1A) to permit credit unions to issue deferred shares in addition to ordinary shares.

The [consultation paper](#) invited interested parties and their advisers to consider the proposal and the draft legislation that would permit credit unions to issue deferred shares and to submit comments to the Authority. It was considered that the proposals would affect the existing credit union in the Isle of Man and its members, as well as any parties that may be interested in setting up, or offering services to, a credit union.

## 2 SUMMARY OF RESPONSES

The consultation was published on the Authority's website and notified to various relevant parties. It was open from 29 April to 27 May 2019 and received 10 responses:

Category	No. of responses
Credit union	1
Credit union trade body	1
Members of credit union	4
Unidentifiable <sup>3</sup>	4
<b>TOTAL</b>	<b>10</b>

Of the ten responses, none disagreed with the proposal, but the risks to holders of deferred shares was mentioned twice. This risk is acknowledged in the legislative requirement to ensure that adequate warning is provided to prospective purchasers.

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<sup>3</sup> Four responses were received by an online mechanism that did not record the senders.

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### 3 OUTCOMES

No changes were made to the draft legislation as a result of the consultation.

The [Credit Unions \(Deferred Shares\) Order 2019<sup>4</sup>](#) was approved by Tynwald on 17 July 2019 and came into operation on 1 August 2019. It provides that “*A credit union may issue deferred shares subject to the issue documents described in section 29(3) of the Act being provided at least 10 working days in advance of any purchase.*”

A copy of this document has been sent or notified to all identifiable consultation respondents.

In case of any query, please contact —

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<sup>4</sup> <http://www.tynwald.org.im/links/tls/SD/2019/2019-SD-0268.pdf>