



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

Lught-Reill Shirveishyn Argidoil Ellan Vannin

Consultation Response

CREDIT UNIONS

PROPOSED INCREASE TO

SAVINGS LIMIT

(MEMBERS' HOLDINGS OF ORDINARY SHARES)

CR20-07/T03

Issue Date: 8 December 2020

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Glossary

Authority	Isle of Man Financial Services Authority
CUAct	Credit Unions Act 1993 ¹
FSA08	Financial Services Act 2008 ²
IoM	Isle of Man

¹ https://www.legislation.gov.im/cms/images/LEGISLATION/PRINCIPAL/1993/1993-0019/CreditUnionsAct1993_5.pdf

² https://www.legislation.gov.im/cms/images/LEGISLATION/PRINCIPAL/2008/2008-0008/FinancialServicesAct2008_15.pdf

1. Background

This Consultation Response is issued by the Isle of Man Financial Services Authority following Consultation Paper CP20-02/T03³.

The purpose of the consultation was to obtain views on a draft Order to raise the maximum limit of savings (ordinary shares) per member, in a credit union from £5,000 per member to the greater of: £15,000, or an amount that represents 1.5% of the total ordinary shares of the credit union.

2. Summary of Responses

The consultation was published via the Authority's website and notified to various relevant parties. It was open from 3 August to 13 September 2020 and received 20 responses as follows:

Category	No. of responses
Credit union	1
Credit union trade body	1
Members of credit union ⁴	8
Other	10
TOTAL	20

Of the 20 responses, 18 were wholly supportive, one raised no objection and another was neutral.

Some respondents queried why credit unions are not protected by the Depositors' Compensation Scheme ('DCS') and what alternative protection is provided for savers in credit unions. The answer is that savings in a credit union are not deposits. Banks are the only members of the DCS and there is currently no statutory compensation scheme for credit unions. However, section 16(3) of the CUAct requires that, where there is no statutory scheme, credit unions are obliged to have in place alternative arrangements for compensating their savers which are approved for that purpose by the Authority.

3. Changes to the Proposals

There were no changes to the proposals as a result of the consultation.

4. Next Steps

The Credit Unions (Ordinary Shares) Order 2020 was made on 3 December 2020 and, subject to approval by Tynwald, will come into effect on 22 January 2021.

³ https://consult.gov.im/financial-services-authority/credit-unions-savings-limit-change/consult_view/

⁴ Where stated as such.

In case of any query, please contact —

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APPENDIX – DRAFT LEGISLATION

Statutory Document No. 2020/0435

C

Credit Unions Act 1993

CREDIT UNIONS (ORDINARY SHARES) ORDER 2020

Approved by Tynwald:

Coming into Operation:

20 January 2021

The Isle of Man Financial Services Authority makes the following Order under section 5(4) of the Credit Unions Act 1993, after consultation as required by section 28(3) of that Act.

1 Title

This Order is the Credit Unions (Ordinary Shares) Order 2020.

2 Commencement

If approved by Tynwald, this Order comes into operation on 22 January 2021.

3 Increase in ordinary shares

In section 5(3) of the Credit Unions Act 1993, for “£5,000” substitute «the greater of —

(a) £15,000; or

(b) 1.5% of the total ordinary shares of the credit union».

MADE 3 DECEMBER 2020

Member of the Isle of Man Financial Services Authority

Member of the Isle of Man Financial Services Authority

EXPLANATORY NOTE
(This note is not part of the Order)

This Order increases the maximum amount of ordinary shares that may be held by a member of a credit union. The increase is from a maximum of £5,000 to the greater of £15,000 or an amount that represents 1.5% of the total ordinary shares of the credit union.