



## Credit union reporting – clarifications

Since the Bank of England's Electronic Data Submission (BEEDS) portal went live on 3 January 2017, the PRA has received feedback from credit unions and trade bodies, both informally and via the feedback questionnaire sent to all credit unions at the beginning of February, in three main areas: i) validation and plausibility; ii) completing the return itself (as opposed to uploading or entering the figures onto the system); and iii) who to contact with queries.

This document provides information on these matters, split into the three sections outlined above. Nothing in this document represents a change in policy from the reporting regime set out in PS31/16 'Credit union regulatory reporting'.<sup>1</sup> The PRA will be adding material to the existing guidance notes for the completion of these returns in due course.

### i) Validation and plausibility

When a credit union submits a return, the PRA carries out two checks on the data it submits.

The first check is called *validation*. This check is done at the point the credit union submits the data. The purpose of validation is to identify errors in the return. If there are errors, the system will inform the credit union immediately and until the credit union addresses these errors, it will not be able to submit its data. Some examples are submissions where certain figures do not total correctly or illogical data is entered (for example the sum of a credit union's corporate members and individual members not equalling the total number of members). The spreadsheet templates<sup>2</sup> have inbuilt validation allowing credit unions using the templates to see if they have entered invalid data prior to submission.

The second check is called *plausibility*. This check is done after a credit union submits the data. The purpose of plausibility is to identify figures in a credit union's return that might be incorrect. It is a check that is carried out partly by the system itself, but also partly by staff members at the PRA. As the process needs human input, it cannot be undertaken immediately at the point of submission. The PRA aims to undertake these checks within five working days.

It is important to note that should credit unions submit a valid return to the PRA, they can assume they have fulfilled their regulatory reporting obligations. The PRA's plausibility check is a separate stream of work – it does not affect a credit union's submission deadline.

With respect to plausibility, the PRA will only contact a credit union if it has a query. It is important to note that when the PRA does query the plausibility of a credit union's figures, it is doing so for clarification – it is not suggesting the credit union has made an error. Should a credit union receive a plausibility email query, it should consider the question(s) it raises against its figures and respond.

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<sup>1</sup> November 2016: [www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps3116.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps3116.aspx).

<sup>2</sup> Available at: [www.bankofengland.co.uk/pr/Pages/regulatorydata/creditunions.aspx](http://www.bankofengland.co.uk/pr/Pages/regulatorydata/creditunions.aspx).



## ii) Completing the returns– feedback and frequently asked questions

### *The templates*

The PRA expects credit unions to use the spreadsheet templates provided on its website.<sup>3</sup> Completing the templates and then uploading them to the BEEDS portal will for most credit unions be the most efficient way of reporting to the PRA.

Alongside this document the PRA has published updated templates<sup>4</sup> which include several technical improvements (for example, corrections to the inbuilt validation and formulae in the spreadsheet). If a credit union has already submitted its returns using the templates issued via BEEDS in mid-January, they are not required to resubmit their returns. For clarity, if a credit union or group of credit unions did need to resubmit, the PRA would email a request to the credit union's Principal contact for BEEDS. The PRA would not introduce any changes which create extra obligations for credit unions without due consultation.

Please do not amend the template – creating new columns or entering formulae into the template may mean it fails to upload to the BEEDS portal.

When submitting quarterly or annual returns, please only use the returns generated by the system. Please do not use the 'Additional return' function to upload a quarterly or annual return as the data will not reach the PRA in an accessible format and the PRA will ask the credit union to resubmit.

### *Completing the returns*

The responsibility for the accuracy of the returns and their timely submission ultimately lies with the board of the credit union. Credit unions are obliged to provide the PRA with accurate data in a timely fashion.

It is also important to acknowledge that a credit union needs to be monitoring key financial indicators not just to meet regulatory obligations, but to be satisfied it is acting in the best interests of its members.

The PRA has received feedback from credit unions requesting further guidance on the completion of the returns. This has ranged from feedback on specific sections of the return to requests for guidance through every box of the return. In a number of cases, the information requested is either straightforward and/or uncontroversial, or the definitions can be found elsewhere, usually within the PRA Credit Union Rulebook Part, with which credit unions should be familiar.

The PRA has set out below clarifications on potential areas of uncertainty identified as a result of common questions and queries received from credit unions. These are set out below with section headings as per the return.

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<sup>3</sup> [www.bankofengland.co.uk/pru/Pages/regulatorydata/creditunions.aspx](http://www.bankofengland.co.uk/pru/Pages/regulatorydata/creditunions.aspx).

<sup>4</sup> This updates templates first issued via BEEDS in mid-January.



### *Section A- Additional activities (items A12-A16)*

This section asks credit unions to record whether or not they are undertaking additional activities. Credit unions should refer to the definition of *additional activity* set out in the Credit Unions Part when completing this section.

The PRA also refers firms to the definition of *transactional account* in Credit Unions 1.2, which is defined as ‘an account at a credit union that is regularly used by a member of that credit union for the receipt of funds from, and disbursement of funds to, third parties’. Credit unions should note that the operation of transactional accounts brings with it additional regulatory requirements that a credit union should be aware of, for example in Credit Unions 7.1. Where a credit union does not operate such accounts, it follows that in item A16 (number of transactional accounts), it should enter a zero.

### *Section F*

The total of capital items F1 to F8 should be entered manually by the credit union in F9, ‘Regulatory Capital’, and the capital-to-assets ratio (F9 / C16) entered in F10.

Neither the templates nor the system will do this automatically. This is intentional – given the importance of this ratio, it is beneficial for credit unions to be responsible for its calculation.

### *Section G*

Great Britain and Northern Ireland legislation<sup>5</sup> allows credit unions to admit different classes of member and to issue different types of share, for example deferred shares in Great Britain.

Deferred shares are shares which can count towards a credit union’s capital. In order to issue them, a credit union must make changes to its registered rules. Deferred shares can only be withdrawn under certain circumstances – either the wind-up or dissolution of the credit union where all other creditors are first paid up in full; or with the permission of the PRA.

Most credit unions do not offer deferred shares (G3), admit corporate members (G5, G7), or pay interest on members’ shares (G9). The PRA therefore expects that many credit unions will enter zeros for these items.

### *Section H*

Item H2 (‘Total net liabilities’) should include the total number of net liabilities (not, for example, just loans in arrears by more than three months).

### *Section K*

Item K1 (‘Admin expenses’) includes the total amount spent on administration – this might include:

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<sup>5</sup> Links to the legislation can be found here:

<http://www.bankofengland.co.uk/pru/Pages/supervision/creditunions/ruleslegislation.aspx>.



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- occupancy costs;
- printing, stationery and advertising costs;
- staff remuneration;
- insurance costs (excluding fidelity bond and SP/LP insurance); and
- legal fees.

Item K4 ('Management expenses') should reflect the total payable for management expenses, for example officer expenses or honoraria paid to officers.

Item K15 ('Interest expenditure') is the amount a credit union that offers interest-bearing shares has paid out and/or accrued in interest on those shares during the reporting period. The majority of credit unions will therefore be reporting a zero as it is relatively rare for a credit union to offer interest-bearing shares.

Expenses that do not fit into any of the categories of expenses listed in section K should be included in item K16 ('other expenditure').

*Section L (Annual return only)*

For item L4 ('dividend') a credit union should report the amount it has paid to all members in dividend as a cash sum. Similarly, item L6 ('rebate of interest') should be reported as a cash sum reflecting the total amount rebated to members.

Item L8 ('donations') refers to donations made (ie not received) by the credit union to other credit unions or charitable organisations.

*Section N*

Credit unions should report their largest net liability (N1) even if it does not qualify as a large exposure, and enter in N2 the percentage this represents of capital (F9).

Most credit unions will not have large exposures (a net liability that exceeds both £7,500 and 10% of the credit union's capital), and would therefore report zeros in N3 and N4, the sections that require credit unions to report the total of all their large exposures.

*Section P*

Juvenile deposits should be reported in item P3 ('liabilities (less than three months)').

Item P4 ('authorised overdraft') should include the amount of any authorised overdraft (including unused but committed overdraft facilities).

Item P7 ('liquid assets: cash') should contain the amount of physical cash held by the credit union.

All credit unions should complete items P9 to P12 inclusive. Credit unions should report all holdings with counterparties even if the credit union is not using them for liquidity purposes. This includes current accounts, instant access accounts, term accounts and other investments.



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Where credit unions have more than one holding with same counterparty on different terms, they should report these as separate items.

In order to complete item P11 (amount recoverable within eight days) a credit union will need to consider how much of each of their holdings they can access within eight days. It may be that due to contractual restrictions or penalty, it can only access a part of its holding or indeed none of it. The entry for each holding in item P11 should reflect this.

For item P12 ('term'), credit unions should set out the original term of the holding in months. For current or instant access accounts, this will be a zero.

### **iii) Who to contact**

Following feedback on who credit unions should contact with particular queries, the PRA has identified the three main areas for which it receives queries, and set out below who to contact in each instance:

- i) BEEDS portal - for enquiries relating to the BEEDS portal, for example problems logging in or changing the principal user, please contact the Firm Enquiries team via [PRA.FirmEnquiries@bankofengland.co.uk](mailto:PRA.FirmEnquiries@bankofengland.co.uk) or 020 3461 7000.
- ii) Returns, rules and guidance - for enquiries on the returns themselves and the underlying rules and guidance, please contact the Supervision team via [prudential\\_creditunions@bankofengland.co.uk](mailto:prudential_creditunions@bankofengland.co.uk).
- iii) Validation and plausibility – for queries on validation or plausibility following submission of a return, please contact the Regulatory Data Group via [CreditUnionReporting@bankofengland.co.uk](mailto:CreditUnionReporting@bankofengland.co.uk).

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