

Module	Building Societies and Credit Unions
Jurisdictions	UK

Module Application

Does the building society obtain authorisation from the FCA before it can be established and continue regulated activities, and does it comply with the establishment requirements?

Does the organisation seeking to operate as building society, must register as a building society and obtain permission to accept deposits?

Does the organisation seeking to operate as a credit union obtain dual authorisation by registering as a credit union and obtaining the correct permissions for the necessary activities they wish to conduct?

Do organisations implement and maintain robust governance arrangements, including clear structures, effective risk management, internal controls, and active oversight by the governing body?

Does the organisation establish and maintain robust governance arrangements with clear organisational structures, effective risk management processes, and internal control mechanisms?

Do organisations conduct comprehensive stress testing and scenario analysis to assess their resilience under adverse conditions and ensure adequate financial resources are maintained across all major risk categories?

Do organisations comply with the relevant conduct of business requirements governing their operations?

Does the organisation engaging in consumer credit activities, comply with the relevant conduct of consumer credit requirements governing their operations?

Module Scope

Building Societies and Credit Unions, being mutual financial institutions serving communities across the UK, Building Societies and Credit Unions are held to high standards by regulators including the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA). These bodies require firms to demonstrate robust governance, clear lines of accountability, and a proactive approach to managing risk and ensuring consumer protection.

To meet these expectations, institutions must stay current with evolving regulatory requirements, operational resilience obligations, and conduct rules. Achieving and maintaining compliance in this environment requires not only internal diligence but also expert guidance to interpret regulatory changes, design effective frameworks, and foster a culture of accountability. The module focusses on all aspects from licensing to business continuity with the aim to ensure organisations can correctly adhere to a fast-changing world of regulation and compliance within building societies and credit unions.

The specific questions covered by the module are:

- Do organisations seeking to operate as building societies or credit unions obtain the relevant registration and regulatory authorisation to accept deposits?
- Do organisations maintain strong governance and operational frameworks to ensure sound management, regulatory compliance, and operational resilience?
- Do organisations maintain adequate capital and liquidity, supported by proportionate stress testing, sound governance, and robust risk management systems to ensure regulatory compliance, operational resilience, and financial stability?
- Do organisations conduct all regulated activities in a way that ensures fair treatment of customers, transparent communication, and responsible service delivery?
- Do organisations comply with comprehensive regulatory reporting frameworks to ensure transparency, uphold financial integrity, and support effective supervision of the sector?
- Do organisations implement robust financial crime controls and procedures to prevent money laundering and terrorist financing?
- Do organisations comply with GDPR, report serious data breaches promptly, and implement strong cybersecurity measures to protect personal data and manage risks?
- Do organisations implement comprehensive frameworks that collectively support operational resilience, financial crime prevention, effective governance, and regulatory accountability?

The key topics covered in this module are:

- Regulatory Licensing and Authorisation
- Governance and Risk Management
- Prudential Regulation and Financial Stability
- Conduct of Business and Consumer Protection
- Reporting and Regulatory Inspections
- Financial Crime Controls & Procedures
- Data Protection & Cybersecurity
- Business Continuity & Resilience

The module encompasses a range of legislative sources including:

- Building Societies Act 1986 (UK)
- Credit Unions Act 1979 (for Great Britain)
- Credit Unions (Northern Ireland) Order 1985
- Financial Services and Markets Act 2000 (FSMA)
- Co-operative and Community Benefit Societies Act 2014
- Money Laundering, Terrorist Financing & Transfer of Funds Regulations 2017
- Data Protection Act 2018

Relevant regulators include:

- Prudential Regulation Authority (PRA)
- Financial Conduct Authority (FCA)
- CBEST Framework – Bank of England

- Joint Money Laundering Steering Group (JMLSG) Guidance
- FCA Guide to SMCR for Solo-Regulated Firms
- Basel III Framework

In the UK, building societies and credit unions are subject to dual regulation by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

Non-compliance with regulatory requirements can result in serious consequences, affecting not only the institution's reputation and financial stability but also its ability to operate legally.

The UK BUILDING SOCIETY AND CREDIT UNIONS module covers specific consequences for each area of non-compliance in detail, in relation to:

- *Regulatory Licensing and Authorisation*
 - Building Societies Act 1986 (UK) Sch 2
 - Co-operative and Community Benefit Societies Act 2014 (UK)
 - Credit Union Act 1979 (UK) s 2
 - Co-operative and Community Benefit Societies Act 2014 (UK) ss 5
 - FSMA 2000 (UK), ss 55J, 55JA, 55L-N, 205–206A, 380, 383; Sch 6
- *Governance and Risk Management*
 - FSMA Handbook SYSC
 - PRA Rulebook – General Organisational Requirements
 - PRA Rulebook – Risk Control
 - FSMA 2000
- *Prudential Regulation and Financial Stability*
 - PRA Rulebook
 - Part 4A
 - Building Societies Act 1986 (UK)
 - FSMA 2000 (UK)
 - Bank of England: SS 2/23
 - FCA Handbook
- *Conduct of Business and Consumer Protection*
 - FCA Handbook, BCOBS
 - FCA – Fair Treatment of Customers
 - FCA Handbook - DISP 1,2 and 3
 - FCA Handbooks – CREDS 9
 - FSMA 2000 (UK)
- *Reporting and Regulatory Inspections*
 - Financial Services and Markets Act 2000 (UK) ss 55J, 55JA, 55L–N, 205–206A, 380, 383 and Schedule 6
 - FSMA 2000 (UK)
 - FCA Handbook SUP
 - FCA Handbooks – CREDS

- *Financial Crime Controls and Procedures*
 - Proceeds of Crime Act 2002 (UK)
 - Terrorism Act 2000 (UK)
 - Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (UK) regs 76
 - FCA Handbook
- *Data Protection and Cybersecurity*
 - Bank of England – CBEST Framework
 - FSMA 2000 (UK)
 - UK General Data Protection Regulation (UK) Art 83
 - Data Protection Act 2018 (UK)
- *Business Continuity and Resilience*
 - Financial Services and Markets Act 2000 (UK)
 - FCA Handbook
 - Credit Unions Act 1979 (UK)
 - Building Societies Act 1986 (UK)
 - FCA Handbook SYSC

The UK BUILDING SOCIETY AND CREDIT UNION module provides comprehensive coverage of their obligations, and in-depth guidance broken down into further details where required.

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