Title: **Impact Assessment of proposals for Credit Unions in Northern Ireland**	Impact Assessment (IA)
Lead department or agency: HM Treasury	**IA No:**
Other departments or agencies: - Department for Enterprise, Trade and Investment Northern Ireland (DETI) - Financial Services Authority	**Date:** 13/06/2011
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Secondary legislation
	Contact for enquiries: Ben Crosland (020 7270 6620) Ben.Crosland@hmtreasury.gsi.gov.uk

Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

Credit unions are much more widely used in Northern Ireland than they are in the rest of UK. Currently, the credit union legislation Northern Ireland is not aligned with the rest of the United Kingdom and the credit union sector considers certain aspects require alignment in the interests of consumer confidence and stability. Northern Ireland Credit Unions (NICUs) are not regulated by the FSA, and members have no recourse to the Financial Services Compensation Scheme (FSCS) or the Financial Ombudsman Service (FOS). Government intervention will ensure that all consumers are protected, which was not the case in a recent Northern Ireland failure (Presbyterian Mutual Society). The subsequent ex gratia compensation scheme for deposits cost the Government and NI Executive £50m.

What are the policy objectives and the intended effects?

The regulation of NICUs will not only ensure that consumers are protected by the FSCS cover, but will allow NICUs to offer the wider range of services and products currently offered in the rest of the United Kingdom. Broadly, the intended effects are to support the NICU sector through stronger regulation and bring them in line with credit unions in Great Britain.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

The policy options being considered are:
1. Amend the legistlation to bring the regulation and registration of NICUs to the FSA (or future bodies);
2. No change.

Option 1 is the preferred option. This will provide consumers with enhanced consumer protection and legal clarity, and should prevent any issues arising between a separate regulation and registration function. Option 2 exposes risks to NICU members in Northern Ireland and is not preferred. The 2010 consultation also disussed an Option 3, involving transferring the regulation only. It became evident that separating the functions was inefficient and no longer compatable with DETI budgets, leading to an agreement between the Financial Secretary to the Treasury and Minister for DETI to transfer registration alongside regulation.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 4/2016
What is the basis for this review? PIR. **If applicable, set sunset clause date:** Month/Year

Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	Yes

SELECT SIGNATORY Sign-off For final proposal stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.

Signed by the responsible SELECT SIGNATORY: A I Th Date: 31.8.2011

URN 10/1268 Ver. 2.0 12/10

Summary: Analysis and Evidence

Policy Option 1

Description:

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -0.786	High: -0.806	Best Estimate: -0.796

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.7		0.10	**1.560**
High	0.72	1	0.12	**1.753**
Best Estimate	0.71		0.11	**1.657**

Description and scale of key monetised costs by 'main affected groups'

Mainly relate to: Treasury, DETI and FSA costs in consulting and publishing documentation; annual costs of regulation and registration for FSA ; and management and administrative costs of FSCS and FOS engagement. A breakdown of these costs is set out in the evidence base below.

Other key non-monetised costs by 'main affected groups'

N/A

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0		0.09	**0.775**
High	0		0.11	**0.947**
Best Estimate	0		0.1	**0.861**

Description and scale of key monetised benefits by 'main affected groups'

DETINI will make a saving from transferring the current registration function over to the FSA, largely through a saving in staff and equipment costs. Details are set out in the evidence base below.

Other key non-monetised benefits by 'main affected groups'

Membership of the FSCS will make credit unions attractive to new members with the assurance of FSCS protection and access to FOS; consumer confidence in the sector will increase which may increase deposits over time. Government will reduce its potential liability for future failures - the Presbyterian Mutual Society, for example, cost the UK taxpayer £50m plus a £175m loan facility following its administration in 2008. The increased product offering (e.g. ISAs) will also be a boost to business.

Key assumptions/sensitivities/risks | **Discount rate (%)** | 3.5

FSA will provide training to NICUs on any regulation process and requirements.

The benefits to the Government of avoiding any future deposit protection liabilities is not added to the benefits (deposits at NICUs total c.£800m), nor is it possible to monetise the increased business FSA regulation will bring the NICU sector given a lack of comparable data. However, the evidence base provides illustrations of how Option 1 would provide benefits

Direct impact on business (Equivalent Annual) £m):			In scope of OIOO?	Measure qualifies as
Costs: £0.096m	**Benefits:** unquantif	**Net:** -£0.096m	No	NA

Enforcement, Implementation and Wider Impacts

<table>
<tr><td colspan="2">What is the geographic coverage of the policy/option?</td><td colspan="3">Other</td></tr>
<tr><td colspan="2">From what date will the policy be implemented?</td><td colspan="3">01/10/2011</td></tr>
<tr><td colspan="2">Which organisation(s) will enforce the policy?</td><td colspan="3">FSA</td></tr>
<tr><td colspan="2">What is the annual change in enforcement cost (£m)?</td><td colspan="3">negligible</td></tr>
<tr><td colspan="2">Does enforcement comply with Hampton principles?</td><td colspan="3">Yes</td></tr>
<tr><td colspan="2">Does implementation go beyond minimum EU requirements?</td><td colspan="3">N/A</td></tr>
<tr><td colspan="2">What is the CO_2 equivalent change in greenhouse gas emissions?
(Million tonnes CO_2 equivalent)</td><td colspan="2">Traded:
N/A</td><td>Non-traded:
N/A</td></tr>
<tr><td colspan="2">Does the proposal have an impact on competition?</td><td colspan="3">No</td></tr>
<tr><td colspan="2">What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?</td><td colspan="2">Costs:
N/A</td><td>Benefits:
N/A</td></tr>
</table>

	Micro	< 20	Small	Medium	Large
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	c.95%	c.5%	-	-	-
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties[1] Statutory Equality Duties Impact Test guidance	No	
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	
Small firms Small Firms Impact Test guidance	Yes	9
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	No	
Rural proofing Rural Proofing Impact Test guidance	No	
Sustainable development Sustainable Development Impact Test guidance	No	

[1] Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessments of earlier stages (e.g. Consultation, Final, Enactment) and those of the matching IN or OUTs measures.

No.	Legislation or publication
1	ETI Committee report on role of Credit Unions in Northern Ireland
2	E-communications for Mutuals Consultation
3	
4	

+ Add another row

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y_0	Y_1	Y_2	Y_3	Y_4	Y_5	Y_6	Y_7	Y_8	Y_9
Transition costs	0.71	0	0	0	0	0	0	0	0	0
Annual recurring cost	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11
Total annual costs	0.82	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11
Transition benefits	0	0	0	0	0	0	0	0	0	0
Annual recurring benefits	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total annual benefits	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

* For non-monetised benefits please see summary pages and main evidence base section

Microsoft Office
Excel Worksheet

Evidence Base (for summary sheets)

1. **Background and Consultation**

HM Treasury and DETI NI held a joint consultation published in March 2010 on proposals for a transfer of NICU regulation and registration from DETI NI over to the FSA in order to bring NICUs under the Financial Services and Markets Act 2000 (FSMA). During the course of consultation, HM Treasury, DETI NI and the FSA held discussions with the industry to assess these proposals and have received comprehensive advice on the impact of various aspects of the transfer.

The majority of respondents to the consultation were in favour of transferring the regulation and registration of NICUs to the FSA (Option 1). There was recognition that there would be some costs to the sector (as set out in this evidence base) but respondents confirmed that the long term benefits of consumer confidence, stability and increased product offering will be an overwhelming benefit to NICUs.

Alongside the work carried out by HM Treasury, the FSA have also conducted consultations with NICUs and software providers in Northern Ireland. A sample of 80 NICUs were asked to take part, to represent an overall sector of 180 NICUs. The results of these consultations have been used to feed into the costs to business as a result of the transfer.

2. **Objective**

NICUs will be brought into line with credit unions in the rest of Great Britain with regards to registration and regulation. This will create a level playing field with respect to the treatment of GB credit unions and their members, and those in Northern Ireland.

3. **Proposal**

3.1 That the FSA regulates (and subsequently registers) NICUs;
3.2 NICUs have access to FSCS and FOS;
3.3 NICUs are subsequently allowed access to HM Government initiatives, such as ISAs;
3.4 To support and enable CUs to undertake re-investment of assets into community development and community enterprises.

4. **Option 1 - Transfer of registration and regulation to FSA (and future bodies)**

4.1 Summary Table

Costs	Benefits
<u>**Costs to Government organisations**</u> There are three sets of transitional costs: i) FSA will need to update internal systems to accommodate NICUs into GB regulation. One-off project management costs of **£170,000** have been included for this purpose following consultation with the FSA. ii) Cost of FSA Regulatory Roadshows to train relavant NICU staff in new regulatory regime has been estimated as a **£20,000** transition cost, which should provide for 250 NICU staff	<u>**Benefits to Government organisations**</u> There is one annual benefit: i) DETINI will benefit from the transfer of the regulation and registration function over to the FSA, by saving money from their budget. Following consultation with DETI this saving has been calculated at **£100,000** annually.

members being trained on the new regime. iii) HMT and DETI costs of policy work involved in consultation and drafting document add a full-time-equivalent (FTE) cost of **£60,000**. There is one annual cost: i) The FSA have additional annual costs of **£70,000** included to represent the increase in full-time-equivalent (FTE).	
Costs to Business There are two sets of transitional costs: i) A transition cost of **£300,000** has been incorporated to cover notifying NICU members of FSCS changes and altering current NICU literature ii) There are transition costs associated with upgrading some IT systems within the sector. This has been calculated as **£160,000** There are three sets of annual costs: i) FSCS Levies have been consulted on with the FSA and the cost for the sector will equate to approximately **£4,000** annually. ii) NICUs will also incur a £50 annual charge for each of the 180 credit unions (equating to **£9000** annually for the sector) for FOS membership. iii) The FSA fees for the entire sector can be calculated as **c.£26,000** annually. **Therefore, the total cost to business of this proposal is estimated at £460,000 up front and £39,000 annually.**	**Benefits to Business** Unquantifiable; qualitative analysis of impact on sector provided in '8. Benefits to Business' of the evidence base, and 'Annex A'.
TOTAL Transitional = £0.71m **TOTAL recurring after Y0 = £0.11m**	**TOTAL Transitional = £0** **TOTAL recurring after Y0 = £0.10m**

4.2 Costs to Government organisations

FSA will need to update internal systems to accommodate NICUs into GB regulation. One-off project management costs of £170,000 have been included for this purpose following consultation with the FSA.

FSA will be able to absorb the new registration oversight within the current mutuals regulatory team as new registrations of credit unions are extremely rare and activity will be limited to the receipt of annual returns, and related activity. In consultation, additional annual costs of £70,000 have been included for this purpose to represent the increase in full-time-equivalent (FTE).

It was initially assumed NICUs would incur costs of training staff on any regulatory changes, but this is not now the case. Having further discussed the issue of training with NICUs, the FSA have decided to run 'Regulatory Roadshows' in Northern Ireland to aid the transition to the new regulatory regime. The roadshows will train relevant staff in any small changes as a result of the transfer. It is estimated the roadshows will cost £20,000 as a transition cost, which has been quoted by the internal FSA Communications and Events team.

HMT and DETI costs of policy work involved in consultation and drafting document add a full-time-equivalent (FTE) cost of £60,000.

4.3 Costs to Business

The day to day running of a NICU will remain the same, with no significant impact on the business procedures. There are however some quantifiable costs associated with joining certain consumer protection and Government schemes, and the need to initially inform members of these changes.

FSCS Levies have been consulted on with the FSA and the cost for the sector will equate to approximately £4,000 annually. This is calculated using the FSCS levy ratio for credit unions of c.£5 to every £1m in deposits, and then multiplied by the sector deposits of c.£800m. It has been agreed that the NICUs joining the scheme should not be burdened with the significantly raised costs of the past banking failures, as are incurred by those already in the scheme (known as Specified Deposit-takers Defaults (SDD) costs).

There are other costs for each Credit Union for joining the FSCS, largely due to the increased need for alteration and publication of NICU literature to inform members of changes (and the administrative work behind this). The costs per credit union vary depending on the size of the credit union, its marketing strategy and business activity. The current spend on communications, advertising and literature is c.£2.50 per credit union member in Northern Ireland. This can be seen from various credit union accounts (for information, this is in line with the average spend by Great Britain Credit Unions of c.£2.25 per member). It is expected that NICUs will need to initially increase the budget for communications in order to inform members of changes, which will present an upfront cost calculated at £0.75 per member (400,000 members) across the entire sector (the £0.75 figure is taken from recent consultation by trade bodies on the costs of individual communications with members and potential savings from using electronic communications). **This has been provided for in Year 0 and equates to a transition cost of £300,000**. However, there are not expected to be additional annual costs as credit unions expect to incorporate such communications into their current mailings and advertising in subsequent years.

NICUs will also incur a £50 annual charge for each of the 180 credit unions (equating **to £9,000 annually for the sector**) for FOS membership. Individual cases cost £500 after a credit union has used its allocation of free cases (three per institution). However, the latest statistics show that only 14 cases were brought to the FOS for the entire Great Britain Credit Union sector (500 credit unions) in 2010, which indicates the three case limit per institution should not be breached, and the need to factor in any further costs in relation to the FOS is unnecessary.

The registration function costs for businesses will remain the same, with no added cost to submitting annual returns to the FSA instead of DETI (given that both are UK-based). There are also fees associated with the functions the FSA carry out, which can vary year on year depending on risk and activity of institutions. Using the FSA fee calculator and the individual data from each credit union, **the FSA fees for the entire sector can be calculated as c.£26,000 annually.**

As a result of consulting NICU software providers, it is evident that a portion of the sector would need to update their IT systems (c.35%). The majority of the systems NICUs currently have in place are capable of meeting the requirements of the new regulatory regime, and so would not require updating. This is the case for the remaining 65% of NICUs. The costs provided by software providers equate to £2500 per credit union requiring updates, which presents an approximate **cost of £160,000 of transitional cost for the sector.** Within responses, software providers noted that any future changes would be carried out routinely, as part of the annual maintenance carried out by providers, and included within the Annual Maintenance fee.

Based on the evidence set out above, the total cost to business of this proposal is estimated at £460,000 up front and £39,000 annually.

4.4 Benefits to Government organisations

Having NICUs regulated by the FSA and within scope of the FSCS **would reduce the cost to Government of future failures.** While it is not possible to quantify the costs of hypothetical failures, it may be useful to look at the recent case of the Presbyterian Mutual Society of Northern Ireland (PMS) which failed in 2008. The Government announced in 2010 that it would contribute £25 million to a Mutual Access Fund and increase the Northern Ireland Executive's existing facility under the Reinvestment and Reform Initiative, to facilitate a loan to PMS of £175 million from within NIE's budget. This ultimately entails costs to the taxpayer. There are £800m of deposits held at NICUs. **Having access to the FSCS would mitigate potentially significant costs to the taxpayer were failures to occur in the future.**

DETI (NI) will benefit from the transfer of the regulation and registration function over to the FSA, by saving money from their budget. **Following consultation with DETI this saving has been calculated at £100,000 annually.** DETI have calculated a 50% reduction in the current £200,000 resource budget for the department in DETI NI that carries out registration functions.

4.5 Benefits to Business

The benefits for the sector are very difficult to quantify, and depend largely on credit union member behaviour and broader economic factors that determine the propensity for members to save. However NICUs believe the increased regulation, availability of the FSCS and recourse to the FOS alongside the increased product offering they could offer, will boost consumer confidence and will eventually result in increased deposits and business for the sector. While the figures are not directly comparable between the GBCU and NICU sectors, the level of compensation paid by the FSCS for failed GBCUs does provide an example of the benefits members have received from protection under FSMA 2000. The compensation that members benefitted from over that period was £3.7m, which does demonstrate the level of protection members of NICUs could receive.

In their consultation response ABCUL noted that
"Credit unions in Northern Ireland, despite their relative strength and scale, are put at a distinct disadvantage by their lack of regulation by the FSA. As credit unions in Britain have found since their move to FSA regulation in 2002, approval under Part IV of the Financial Services and Markets Act 2000 provides high assurances as to the quality and reliability of their operations – in addition to the safeguards of the Financial Services Compensation Scheme and the Financial Ombudsman Service – and has become a prerequisite to much of the activity that credit unions in Britain have been able to engage in over the last 8 years."

The Financial Services Consumer Panel noted that: *"The FSCP welcomes the proposals to offer customers of credit unions in Northern Ireland access to the Financial Ombudsman Service and the Financial Services Compensation Scheme; however it recognises that these changes may incur costs for individual credit unions. Despite these additional costs, the longer term benefits to consumers make these proposals welcomed."*

The data for the growth of Great Britain Credit Unions since the sector became regulated by the FSA in 2002 provides some insight to how increased consumer confidence can be to the benefit of the NICU sector. However, as FSA regulation cannot be cited as the sole cause for growth of the sector (and the data is not available beyond 2007) it should not be monetized as a benefit. From the latest figures provided from the sector, it can been seen that **between 2002 and 2007 the number of GB Credit Union members increased by c.50% (from 400,000 to 600,000) and the level of assets has increased by c.70% (c.£320m to c£550m).** This was alongside some sector consolidation and the number of credit unions actually decreasing, which is deemed to have strengthened the sector further. Full statistics available in **Annex A.** If similar growth could be seen in the NICUs sector as a result of increased consumer confidence in the sector and increased product offerings (e.g. ISAs), this would undoubtedly be a benefit for the sector, from an increase in deposits and therefore ability to lend. However, to arrive at a monetized figure, this depends heavily on predicting the future commercial behaviour of the sector.

4.6 Direct impact on business

This was calculated by taking the costs which only impact on the NICUs sector – which are allocated and explained in the previous sections.

Transitional Cost (£)	460,000
Annual Cost (£)	39,000
Total cost over 10 years given annual 3.5% discount rate (£)	**795700**
Eq Annual Cost to Business given 8.31% annuity rate (£)	**95,676**

4.7 Equity and fairness

The Government considers that the changes proposed by this transfer will not bring disproportionate benefits or have disproportionate effects on particular groups. In fact, the transfer will increase equity in the credit union sector by enabling NICUs to offer the range of services GBCUs offer and bring their members under the same regulatory regime.

Northern Ireland members of NICUs (approximately 50% of the adult population) will now be treated in the same way as those in the rest of the UK with regards access to the FOS and FSCS.

4.8 Economic Impact

NICUs are predominantly small firms and the extra services they will be able to offer once under FSA regulation will present opportunities for them to expand and to better serve their community.
The extra safeguards provided by membership of the FSCS will also mitigate the adverse impact that a failure could have were funds not protected by the FSCS.

4.9 Social Impact

CUs mainly serve communities who are less well off than average. The additional services NICUs would be able to offer under this proposal, accompanied by access to the FOS and FSCS protection could benefit those communities and help bring them further into mainstream society.

4.10 Impact on Smaller and Micro Businesses

The vast majority of the sector is comprised of micro-businesses (c.95%). There will therefore be a significant impact on micro businesses as a result of this measure. However, it is in the interests of these micro businesses and their members to ensure their regulatory treatment is on an even footing with the Great Britain credit unions.

There will be individual cost of having registration and regulation brought under the purview of the FSA (or future bodies) – as highlighted in the costing evidence base, but the costs are considered to be far outweighed by the consequential benefits this transfer would offer.

There would be concern if the smaller NICUs were subject to the higher bracket of FSCS levies, but the FSA has determined that all NICUs will be levied excluding the SDD-related (Specified Deposits-takers Defaults) costs of bank failures.

5. **Option 2 – Take No Action**

This option is not recommended. Taking no action would bear no direct cost to business. However, there would be the unquantifiable opportunity cost of not achieving a level playing field with regards to Great Britain credit unions. Effectively this would prevent NICUs from having the ability to offer products such as ISAs and prevent any uplift in business the sector could potentially see from increased consumer confidence. There would also be no transitional or annual costs (as set out in the evidence base for Option 1) to the FSA.

There would be significant risks and potential costs in pursuing this option. The current lack of protection for members and the size of the sector pose financial stability concerns that are further explained under Section 7 when discussing the stability exemption from One In One Out. Therefore, while Option 1 presents some costs to business and Government, the risks of Option 2 in terms of preventing credit union growth and financial stability means that the costs of taking no action outweigh any benefits.

6. **Option 3 – transfer of regulation only**

The 2010 consultation: Proposals for the regulatory reform of credit unions in Northern Ireland, discussed an option to transfer the regulation of credit unions to the FSA while maintaining the registration function in Northern Ireland. The consultation responses were neutral between this option and Option 1, as it would not make much practical impact on the day to day running of NICUs. For completeness, this option was considered in parallel with Option 1, but subsequently discarded following efficiency drives across Government. In the lead up to the Spending Review 2010, it became clear that there would be a substantial efficiency saving in transferring the registration function to the FSA alongside the regulation function. This was subsequently agreed by the Financial Secretary to the Treasury and the Minister for DETI, making this third option no longer viable. The Impact Assessment does not therefore consider this option in any detail.

7. **One-in, One-out**

This proposal is covered by the systemic financial exemption to One In One Out, as agreed with the Better Regulation Executive, and is therefore exempt.

8. **Enforcement and Sanctions**

The FSA will be responsible for the enforcement of their regulatory regime on NICUs.

9. **Summary and Recommendations**

The benefit of the transfer is impossible to precisely quantify as it will depend on market forces and the commercial decisions NICUs take to benefit from the increased security and commercial offerings the transfer of regulation would enable. However, as the sector have noted, the benefits of increased financial stability for the NICUs sector would be significant, especially given the large market share and significant role that credit unions play in Northern Ireland.

The recommendation is that the authorities continue to work towards Option 1.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. If the policy is subject to a sunset clause, the review should be carried out sufficiently early that any renewal or amendment to legislation can be enacted before the expiry date. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review: [The basis of the review could be statutory (forming part of the legislation), i.e. a sunset clause or a duty to review , or there could be a political commitment to review (PIR)]; Within 5 years of the measure coming into force the Treasury will review the implementing regulations.
Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?] To ensure the transition has worked as intended for the sector.
Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach] Treasury officials will seek views from NICUs as the main affected party.
Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured] The change will be measured against the current position for NICUs
Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives] The Treasury and the mutual sector consider that the implementing legislation can satisfactorily deliver increased stability and confidence in NICUs.
Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review] Treasury officials are in regular contact with affected stakeholders and will seek a range of views prior to the review.
Reasons for not planning a review: [If there is no plan to do a PIR please provide reasons here] N/A

ANNEX A – Table to show GB Credit Union sector statistics pre and post FSA regulation

Year	No. of GBCUs	No. of Members	Shares (£000)	Loans (£000)	Assets (£000)
2000	687	325058	182771	174667	214977
2001	698	365934	223847	205046	263404
2002	686	406564	272491	246138	318877
2003	665	451819	338006	284905	388872
2004	594	482828	352039	301227	413993
2005	569	514261	404566	336701	460310
2006	557	546459	429928	364701	507462
2007	501	607400	449318	393096	559460