

Financial Conduct Authority  
12 Endeavour Square,  
London E20 1JN

17<sup>th</sup> October 2024

To Whom it May Concern,

**Proposed amendments to FG17/6-Guidance on the treatment of politically exposed persons (PEPs)**

We welcome the opportunity to respond to this consultation. ABCUL is the primary trade association representing credit unions in England, Scotland and Wales with around two thirds of credit unions in mainland Great Britain affiliated to the Association.

Credit unions are co-operative societies who provide financial services – primarily savings and loans facilities – to their member-owners. They are registered as Co-operative Societies under the Co-operatives and Community Benefit Societies Act 2014 and the Credit Unions Act 1979. As deposit-takers they are dual-regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

Credit unions have since their inception in Britain in 1964 been closely associated with anti-poverty and financial inclusion. They tend to provide savings and loans facilities to those with limited or no access to financial services from mainstream providers, generally due to their low income and / or lack of a developed credit profile. They have been a central element of numerous government and philanthropic initiatives to extend financial inclusion and address the lack of adequate provision of affordable credit and secure savings facilities for large sections of the population. They are capped in the interest that they can charge at 42.6% APR under the Credit Union Act 1979 and provide credit in competition with high-cost lenders.

They are numerous, with over 230 credit unions active in Great Britain today with more than 1.5 million members and £2.7 billion in assets under management. They range from mid-sized businesses of up to 50 staff to small voluntary organisations.

## Consultation Response

**Question 1:** *Do you agree with our proposal and wording in Paragraph 2.16 to clarify that NEBMs of UK civil service departments are not PEPs? If you disagree, please provide reasons for this.*

ABCUL agrees with the proposal to clarify that NEBMs of UK civil service departments are not PEPs this provides a clearer definition for firms, and particularly MLROs, to adhere to and enables firms to clearly amend their own process and procedures. These changes will provide the FCA with more accurate data on the levels of PEP's within the financial services sector.

**Question 2:** *Do you agree with our proposal and the wording in Paragraph 2.15 to allow more flexibility in signing off PEP relationships? Are there other approaches to senior management signing off PEP relationships that we haven't included?*

ABCUL understands and broadly supports the proposed changes in relation to signing off PEP relationships. However, it does raise concerns about the lack of proportionality, credit unions range in size from mid-sized businesses employing up to 50 employees to small volunteer led organisations. We agree with the rationale behind the FCA's proposed changes and flexibility of sign off by an individual at a similar or higher level of authority than the MLRO, but this may not always be possible given in some firms the MLRO may hold the highest post within the firm, we would like to emphasise the importance of proportionality in this scenario and the need for some flexibility and clear guidance for those firms who fall within this scenario. However, within credit unions, the instances of PEPs and higher risk PEPs are significantly low.

**Question 3:** *Do you think our proposed wording in paragraphs 2.12, 2.15, 2.27, 2.29 and 2.35 is sufficient to reflect the changes to the MLRs in January 2024? If not, what additional wording is needed?*

ABCUL agree with this proposal and find the wording provides guidance on what checks and steps should be undertaken in relation to lower risk PEP's.

**Question 4:** *Do you agree with the minor amendments we propose to the Guidance? Are there other changes we should consider?*

ABCUL agrees with the minor amendments to the Guidance but would like consideration to be made in relation to the concerns we have raised in response to question 2. At this point, we do not see any other changes that should be considered.

**Question 5:** *Based on our PEPs Review and the MLRs, is there additional Guidance that you think should be reflected in the update to the Guidance? If so, what specific Guidance should we consider, and how do you think it should firms' risk-based approach to EDD?*

ABCUL does not have any further suggestions for additional guidance at this time.

Please contact us at [advocacy@abcuk.org](mailto:advocacy@abcuk.org) if you have any questions about our response to your consultation.

Kind regards,



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ABCUL