



Credit Union Presentation

Governance



The benefits of good governance

- An organisation structure and clear reporting lines means that individuals know what they are responsible for and who they should report to
- A business plan and strategy document will provide direction, purpose and clear milestones; allowing you to measure success
- Documented policies and procedures ensure everyone knows what they need to do and when, including the consequences of failing to do so
- Committees with plainly defined roles and appropriate membership
- Minuted meetings provide an overview to those who didn't attend and captures why decisions were made

Key aspects of governance

- A structure with clear lines of responsibility which is compliant with the senior managers regime.
- Effective processes to identify, manage, monitor and report the risks to the credit union Board.
- Internal controls should include robust administrative and accounting procedures.
- Information systems should be controlled and secure.
- These factors should be proportionate to the size of the credit union and the activities it undertakes.

What do we expect ?

- A well run credit union, with clear policies and procedures in place
- Run by people with appropriate skills, where members are protected and treated fairly
- A reduced risk of financial crime
- Compliance with FCA rules and legislation

This will help to ensure that consumers are protected, which is one of the FCA's statutory objectives.



What do you think the key risks from poor governance are?



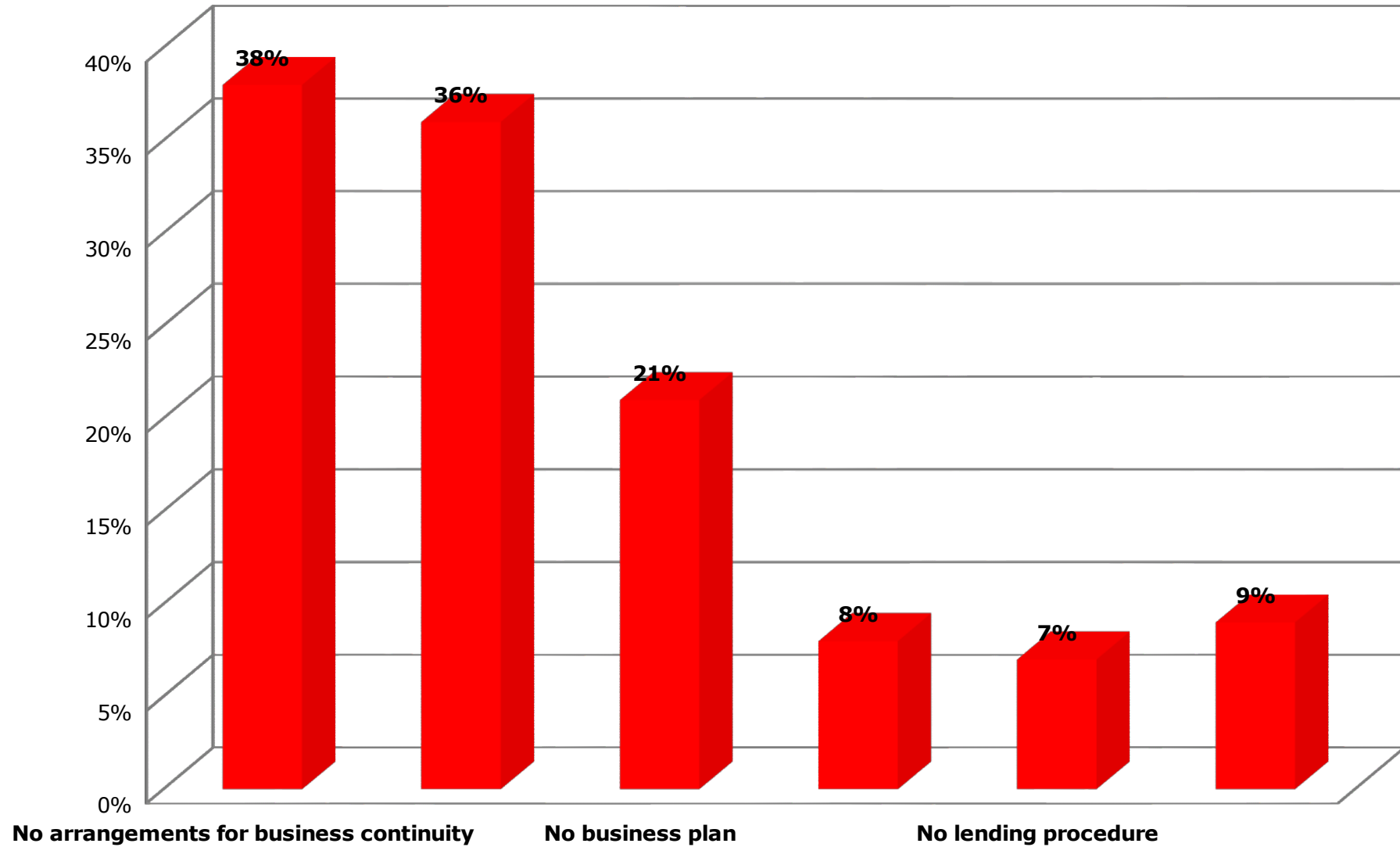
What are the risks

- Lack of policies and procedures - may lead to member detriment
- Not having a Board structure / lines of responsibility - could lead to operational issues taking priority and nobody 'steering the ship'
- Future plans and viability aren't considered because there is no clear strategy in place
- Being unaware / not reviewing relevant rules means credit unions could fail to evolve with legislation and regulatory changes
- Not acting on FCA / Joint Money Laundering Steering Group guidance could put the credit union at risk of being used to facilitate financial crime
- The credit union is exposed to possible regulatory action

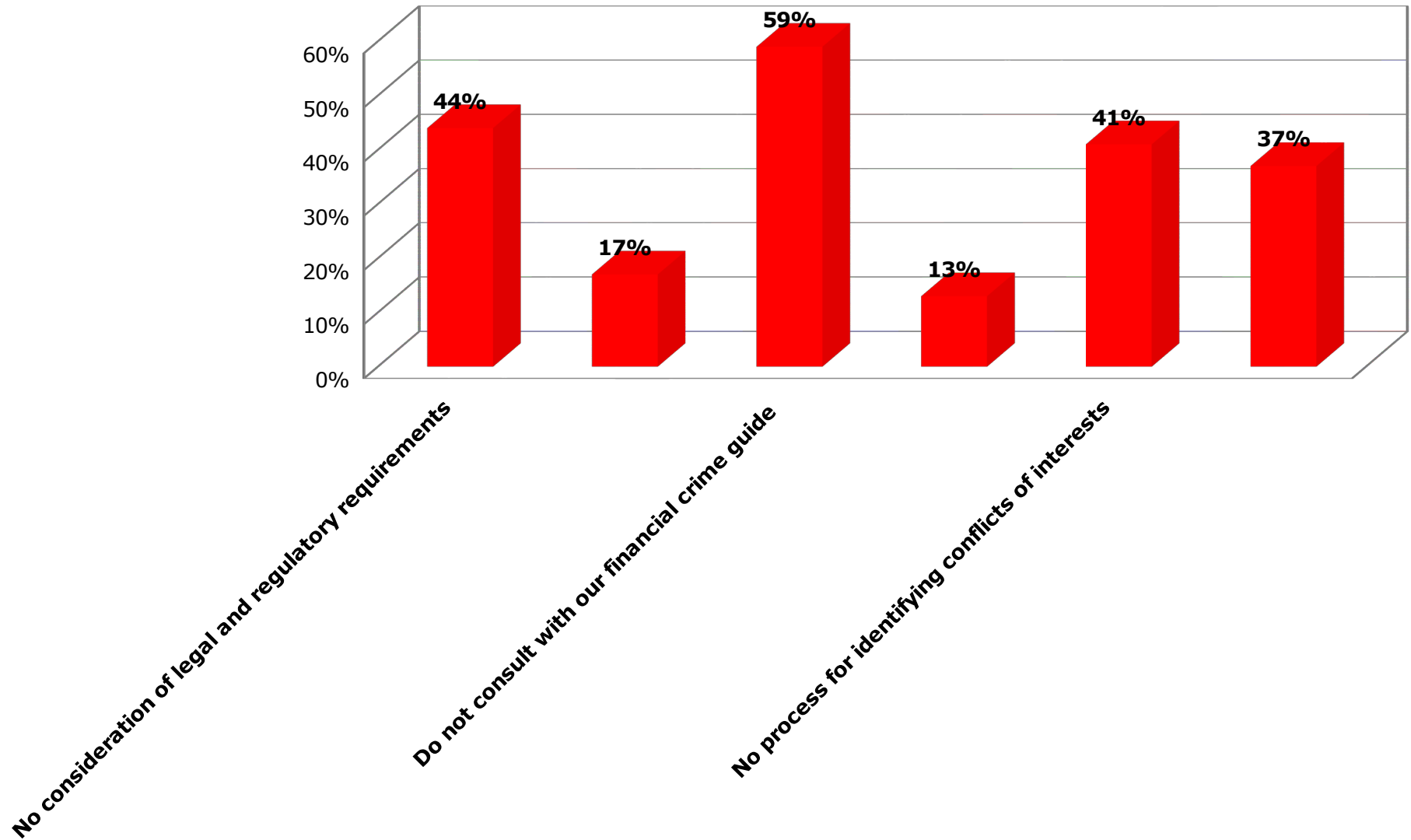
Common governance issues

- A lack of understanding of CREDS, such as the need to have a documented system of control, a policies & procedures manual and to regularly review business plans
- Supervisory committees not understanding how the credit union works and failing to feed back to the Board
- Unclear roles & responsibilities
- No set procedures, e.g. lending, complaints, conflicts of interest, or segregation of duties
- Boards generally more prudentially focussed
- Difficulty in recruiting and retaining people with appropriate skills to the Board

FCA Credit Union Survey findings 2014/15



FCA Credit Union Survey findings 2014/15



Unrestricted

Succession planning - Identification of new board members

Examples of things we have seen - 1

- A lack of direction with no clear leadership
- Board members not reacting to new regulatory requirements / not engaged with current issues or risks
- Board too involved with the day to day running of the CU
- Conflicts – for example; a member of the supervisory committee also working on the credit committee
- Policies not in place or not reviewed since inception but informally evolving over time
- Members at risk of detriment due to system failures (access of funds)
- No vetting procedures for new directors / staff
- Risks not fully considered – access to faster payments by using personal accounts

Examples of things we have seen

- 2

- CUs able to demonstrate effective leadership and committees through a clear structure and lines of reporting
- Regular review of structured decision making processes and controls
- Effective, timely and documented meetings that capture discussion, challenge and decisions
- Considering the future and putting a strategy in place
- Succession planning to identify key areas to improve and diversify the board

Some questions to consider

- Do you have a documented system of control?
- Do you have a policies and procedures manual and when did you last review it?
- Have you reviewed your business plan and what is your strategy?
- What skills would you like on the board?
- How do you ensure there is effective challenge to decisions made within the credit union?
- Have you thought about succession planning - what could you do to prepare for changes on the board?



Questions



Useful links

- Credit Unions sourcebook (CREDS) <http://fshandbook.info/FS/html/FCA/CREDS>
 - FCA website https://www.the-fca.org.uk/credit-unions?field_fcasf_sector=221&field_fcasf_page_category=unset
 - Business plans – one minute guide https://www.the-fca.org.uk/credit-unions/write-business-plan?field_fcasf_sector=221&field_fcasf_page_category=unset
 - Key person risk – one minute guide https://www.the-fca.org.uk/credit-unions/recruit-key-staff-and-manage-risk-losing-them?field_fcasf_sector=221&field_fcasf_page_category=unset
 - Financial Ombudsman service <http://www.fca.org.uk/firms/being-regulated/meeting-your-obligations/firm-guides/organisations/fo>
 - Contact Centre - 0300 500 0597 or firm.queries@fca.org.uk
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