FINANCIAL SERVICES
COMMISSION

GUIDELINE No. 3

MANAGEMENT: SAFETY AND SOUNDNESS

This Guideline is issued by the Financial Services Commission ("the Commission") pursuant to section 53 of the Financial Services Commission Act 2010-21 ("Act") and comes into effect March 1, 2013.

This Guideline establishes the standards of the Commission with respect to corporate governance by the management[1] of credit unions with $10 million or more in assets. Effective oversight by management is considered an essential element in the safe and sound functioning of a credit union. Reference should be made to Part VI of the Co-operative Societies Act (CSA), and in particular the duty of care of officers contained in section 70 of the CSA. This Guideline should be considered together with Guideline No. 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15.

Each credit union is required to establish and implement a policy that addresses the following items

1. The development and implementation of appropriate and prudent risk management policies, procedures and controls relating to the following:

- Credit Risk
- Operational Risk
- Market Risk (investments)
- Liquidity Risk
- Capital Management

2. The development and implementation of appropriate and prudent business strategy and supporting business plans. These should include:

2.1 an annual business plan setting out the major priorities and objectives of the credit union for the year;

2.2 financial targets and action plans for:

- Profitability

[1] "Management" means the Chief Executive Officer, Chief Financial Officer and General Manager of a credit union, by whatever name they may be called and any other officers of the credit union of similar seniority.

- ➢ Capital
- ➢ Credit
- ➢ Investment
- ➢ Liquidity

2.3 an operational budget;

2.4 provision for monitoring actual performance against business strategy and business plans;

2.5 requirements for human resources, training and development necessary to support new initiatives.

3. Preparation and submission to the Board[2] of regular, relevant and accurate reports on the implementation of business strategy and business plans and on any material risk that may affect business objectives. These reports should be designed to:

3.1 help the Board determine whether the credit union is adhering to its risk management policies;

3.2 confirm that the credit union is in compliance with Legislation[3] and guidelines;

3.3 identify the manner in which material weaknesses or deficiencies in risk management practices are being addressed;

3.4 compare actual performance and business risk measurements relative to the business plan and the performance of the previous year to date;

3.5 identify material operating and financial variances of actual results to the business plan; and

3.6 outline initiatives to address material weaknesses.

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[2] "Board" means the Board of Directors of a credit union.

[3] "Legislation" means, the Financial Services Commission Act, the Co-operative Societies Act Cap 378A and the Co-operative Societies Regulations, 2008.