

# RISK MANAGEMENT AND COMPLIANCE

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## Version History

| Version | Date           | Amendments   |
|---------|----------------|--|
| 0.1     | July 2013      | Initial Version.   |
| 1.0     | September 2013 | Inserted text in Section 1.4.1 to include definitions of risk categories.  |
| 1.1     | March 2014     | Amended text in Section 2.1 and 4.1 to correct a typographical error in section 76C(3)(a) and section 76D(3)(a). |

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| 1.2 | November 2015  | Inserted regulations in Section 1.2   |
| 1.3 | January 2016   | Updated regulations in Section 1.2  |
| 1.4 | April 2024     | Amended text in section 76B(5) to reflect the commencement of the Credit Union (Amendment) Act 2023.  |
| 1.5 | September 2024 | <ul style="list-style-type: none"> <li>• Amended text in section 55(1)(o) of the 1997 Act to reflect the commencement of changes to section 55(1)(o) of the 1997 Act by the Credit Union (Amendment) Act 2023.</li> <li>• Amended text under Section 3.2 Guidance to reflect changes made to the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 by the Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2024.</li> </ul> |

# 1. Risk management system

## 1.1 Legislation

### **Section 76B – Risk management systems and systems and control\***

*(The entirety of section 76B is not reproduced here – please consult the Credit Union Act, 1997 for the full provision.)*

(1) In this section—

...

'risk management system', in relation to a credit union, means the sum of those components that provide the basis (including organisational arrangements) for designing, implementing, monitoring, reviewing and continually improving risk management processes throughout the credit union;

'systems and controls', in relation to a credit union, means a set of arrangements designed to provide reasonable assurance regarding the achievement of objectives in relation to the effectiveness and efficiency of operations, reliability of financial reporting and compliance with all legal and regulatory requirements.

(2) A credit union shall develop, implement, document and maintain a risk management system with such governance arrangements and systems and controls to allow it to identify, assess, measure, monitor, report and manage the risks which it is, or might reasonably be, exposed to.

(3) The risk management system—

(a) shall be clearly set out and documented, and

(b) shall clearly set out the related tasks and responsibilities within the credit union.

(4) A credit union shall develop, adopt, implement, monitor, document and maintain systems and controls to manage and mitigate the risks identified by the risk management system.

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### **Section 55 – Functions of board of directors\***

*(This Chapter has not reproduced the entirety of section 55 – please consult the Credit Union Act, 1997 for the full provision.)*

(1) Without prejudice to the generality of section 53(1), the functions of the board of directors of a credit union shall include the following:

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| <p>...</p> <p>(l) reviewing and approving all elements of the risk management system on a regular basis, but at least annually and, in particular-</p> <p>(i) assessing the appropriateness of the risk management system,</p> <p>(ii) taking account of any changes to the strategic plan including the credit union's resources or the external environment, and</p> <p>(iii) taking measures necessary to address any deficiencies identified in the risk management system;</p> <p>...</p> <p>(o) approving, reviewing and updating, where necessary, but at least every 3 years, all plans and policies of the credit union, including the following:</p> <p>...</p> <p>(xv) risk management policy;</p> <p>...</p> <p>(3) The board of directors shall implement a risk management process that ensures that all significant risks are identified and mitigated to a level consistent with the risk tolerance of the credit union.</p> <p>...</p> |
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## 1.2 Regulations

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| <p><b>CREDIT UNION ACT 1997 (REGULATORY REQUIREMENTS) REGULATIONS 2016</b><br/><b>(S.I. No. 1 of 2016)</b></p> |
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| <p><b>PART 8</b></p> |
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| <p><b>SYSTEMS, CONTROLS AND REPORTING ARRANGEMENTS</b></p> |
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|                             |
|-----------------------------|
| <p><b>Risk Register</b></p> |
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| <p>45. (1) A credit union shall establish and maintain a written risk register, maintained by a risk management officer, that documents the risks that the credit union is, or may be, exposed to and the systems and controls that the credit union has established to manage and mitigate those risks.</p> <p>(2) A credit union shall ensure that the board of directors of the credit union review and approve the risk register, at least annually, to ensure that the risks that the credit union is, or may be, exposed to are contained on the risk register and that the systems and controls are appropriate to manage and mitigate these risks.</p> |
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### **1.3 Guidance**

A credit union's risk management system should include policies, processes and controls that provide adequate, timely and continuous identification, assessment, measurement, monitoring, management and reporting of risks that the credit union is, or might reasonably be exposed to, through its current activities and the external environment.

A credit union should document its risk tolerance statement, setting out the quantified level of risk that the credit union is willing to accept in various risk areas in pursuit of its strategic objectives. There is an important link between a credit union's strategies or goals and its risk tolerance. A credit union's strategic goals should be aligned with its risk tolerance. Risks within a credit union's risk management system should be managed and mitigated to ensure that they are consistent with the credit union's risk tolerance and commensurate with its sound operation, financial strength and strategic objectives.

The board of directors should promote a strong risk management culture within the credit union, including the communication of the policies, roles and responsibilities relating to risk management to all officers of the credit union.

The risk management system, which shall be clearly set out and documented, should cover the following at a minimum:

- a risk management policy;
- a risk management process;
- a risk register;
- systems and controls; and
- review by the board of directors.

### **1.4 Risk management policy**

The risk management policy should cover the following at a minimum:

- the objectives of the risk management policy;
- organisational arrangements setting out the roles and responsibilities of officers involved in risk management including the board of directors, manager and risk management officer;
- the risk tolerance statement of the credit union;
- the risk management process including how risks are identified, assessed, measured, monitored, and managed and the nature and extent of reporting and oversight of this process;
- reporting arrangements, including the frequency, form and content of reporting of risks to the board of directors and the manager; and

- the process and timelines for the approval, review and update of the risk management policy by the board of directors.

The risk management officer should communicate any significant deviations from the risk management policy, the reasons for these deviations and proposed action to address the deviations to the board of directors (or the risk committee where one exists) and the manager where appropriate.

The board of directors should ensure that the risk management policy is communicated to all officers of the credit union.

## **1.5 Risk management process**

The key elements of a risk management process should include the following:

### **1.5.1 Identification**

Risk identification should provide a comprehensive 'credit union-wide' view of risk across all material risk types relevant to a credit union. It would be expected that areas of risk to be considered when identifying risk for each credit union would include the following at a minimum:

- **Capital risk:** capital is required to act as a cushion to absorb losses arising from business operations and to allow a credit union to remain solvent under challenging conditions. Capital risk arises mainly as a result of the quality or quantity of capital available, the sensitivity of a credit union's exposures to external shocks, the level of capital planning and the capital management process. Capital risk could potentially impair a credit union's ability to meet its obligations in an adverse situation;
- **Credit risk:** credit risk is the risk of financial loss arising from a borrower, issuer, guarantor or counterparty that may fail to meet its obligations in accordance with agreed terms. Credit risk arises anytime credit union funds are extended, committed or otherwise exposed;
- **Environmental risk:** environmental risk encompasses all risks to the credit union stemming from its external operating environment. This includes risks arising from the macro-economy and credit union sector specific risks;
- **Governance risk:** governance covers the overall oversight and control mechanisms which a credit union has in place to ensure that it is soundly and prudently managed. It refers in particular to the processes, structures and information flows which are used to allow the board of directors and management to satisfy themselves that effective control mechanisms are in place to protect all stakeholders. Governance risk may arise from factors including:

- failure to establish documented governance arrangements setting out clear organisational structures with well-defined transparent and consistent reporting lines and roles, responsibilities and accountabilities;
  - the quality of the board of directors, management and committees;
  - lack of transparency in decision making;
  - conflicts of interest; and
  - inadequate succession planning.
- **Liquidity risk:** liquidity risk is the risk that a credit union will not be able to fund its current and future expected and unexpected cash outflows as they fall due without incurring significant losses. This may occur even where the credit union is solvent. Examples of liquidity risk include loss of existing funding, new lending or investments and timing mismatches between asset maturities/realisation and liability cash flows;
  - **Market risk:** market risk is the risk that the value of an investment will decrease. This risk can arise from fluctuations in values of, or income from, assets or changes in interest rates;
  - **Operational risk:**<sup>1</sup> operational risk means the risk of loss (financial or otherwise) resulting from -
    - inadequate or failed internal processes or systems of the credit union;
    - any failure by persons connected with the credit union;
    - legal risk (including exposure to fines, penalties or damages as well as associated legal costs); or
    - external events;but does not include reputational risk. Examples of operational risks include hardware or software failures, inadequate business continuity plans, misuse of confidential information, data entry errors and natural disasters; and
  - **Strategy/business model risk:** strategy/business model risk refers to the risk which credit unions face if they cannot compete effectively or operate a viable business model. Strategy/business model risk also includes the inherent risk in the credit union's strategy. Risks in a credit union's strategy may include projections based on unrealistic assumptions, risks arising from transfers of engagements or amalgamations and/or risks arising from taking on significant additional business activities. Strategy/business model risk may also arise from ineffective implementation of strategies.

### **1.5.2 Assessment and measurement**

Risk assessment and measurement includes considering the likelihood of a risk occurring and the potential impact of the risk on the credit union. The product of likelihood and impact of a risk occurring provides the credit union with a risk rating, which indicates the

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<sup>1</sup> See the Chapter on "Operational Risk".

magnitude or severity of a risk. In assessing and measuring risks, consideration should be given to potential impact on the regulatory reserve position of the credit union.

When assessing and measuring risk, consideration should be given by the credit union to inherent risk and residual risk. Inherent risk represents the risk posed before the systems and controls which relate to the risk are considered. Residual risk represents the level of risk after consideration of the effectiveness of systems and controls that the credit union has put in place to manage and mitigate the risk.

The credit union should ensure that the risk information collected is appropriate, complete and in a standardised format that will facilitate a complete examination of risks across the credit union. A risk register provides a standardised format for the management of information relating to identified risks.

### ***1.5.3 Management***

In order to manage risk, the credit union should develop, adopt, implement, monitor, document and maintain systems and controls to manage inherent risk. This should be done by the manager with the assistance of the risk management officer. The credit union should analyse the effectiveness of the systems and controls that the credit union has put in place and assess the residual risks to ensure that these are consistent with the credit union's risk tolerance.

### ***1.5.4 Monitoring***

The credit union should monitor significant risks on an ongoing basis to ensure that risks are actively managed and should ensure that timely action is taken, where appropriate, to reduce risk to acceptable levels. This should include the identification of new and emerging risks and take account of any proposals in relation to new products and services, material modifications to existing products and services and major management initiatives. Changes in the external environment should also be monitored. This should also include an assessment of existing risks to ensure that risk ratings and systems and controls remain appropriate.

### ***1.5.5 Reporting***

The risk management officer should provide reports on a monthly basis to the board of directors (or risk committee where one exists). Copies of these reports should be provided to the manager.

Reports should cover the following at a minimum:

- significant risks and the effectiveness of systems and controls;



- any risk events that have occurred and the actions taken or proposed to mitigate the risk;
- likely or actual deviations from risk tolerance levels or established systems and controls and should include the timeframe and status of any activities that are proposed to address these;
- any negative trends in higher risk areas and any recommended changes to risk management activities;
- any new risks including their risk assessment, risk rating and systems and controls;
- any material emerging risks and recommended course of action;
- updates on risk management actions arising from previous reports that have been approved by the board of directors (or risk committee where one exists); and
- any recommended remedial action required.

Where a significant risk event occurs, the risk management officer should bring this to the attention of the board of directors (or risk committee where one exists) immediately. The board of directors should ensure that any risks arising from the risk event are managed and mitigated in a timely manner.

## **1.6 Risk register**

A risk register should cover the following at a minimum, for all risks identified:

- risk description;
- risk area;
- inherent impact of risk;
- inherent probability of risk;
- inherent risk rating;
- risk mitigating systems and controls;
- systems and controls owners;
- effectiveness of systems and controls;
- residual impact of risk;
- residual probability of risk; and
- residual risk rating.

## **1.7 Systems and controls**

In order to manage and mitigate the risks identified by the risk management system, systems and controls should be put in place by a credit union. Such systems and controls should, at a minimum, enable the credit union to:

- safeguard its assets and members' savings;
- ensure compliance with all applicable legal and regulatory requirements and guidance;

- protect against fraud, misstatement and error;
- provide assurance as to the reliability and completeness of financial and management information;
- counter any risk that the credit union might be used to further financial crime; and
- promote the efficient use of resources within the credit union.

Systems and controls should be an integral part of the daily activities of a credit union. An effective systems and controls structure should be established by the credit union, with systems and controls for every business area. At an operational level such systems and controls should include the following at a minimum:

- checking for compliance with limits and follow up on non-compliance;
- a system of approvals and authorisations;
- a system of verification and reconciliation;
- appropriate segregation of duties including ensuring that personnel are not assigned conflicting responsibilities;
- accurate, timely, accessible, consistent and comprehensive management information including internal financial, operational and compliance information and external market information about events and conditions that are relevant to decision making;
- secure, reliable information systems in place that cover all significant activities of the credit union and are supported by adequate contingency arrangements;
- approval processes in place where the credit union proposes to introduce new products or services; and
- effective channels of communication to ensure officers fully understand and adhere to policies and procedures affecting their duties and responsibilities.

### **1.8 Review by the board of directors**

In reviewing the risk management system the board of directors should review the following at a minimum:

- the risk management policy;
- the risk management process;
- the risk register; and
- systems and controls.

The review by the board of directors should be informed by the following at a minimum:

- risk events;
- changes in the financial position of the credit union;
- changes in the external environment; and

- any changes to the credit union’s strategic plan. This should include any proposals in relation to new products and services, material modifications to existing products and services, such as outsourcing to service providers and major management initiatives, such as transfers of engagements or amalgamations.

The board of directors should ensure that any steps necessary to address deficiencies identified in the risk management system are taken, including deficiencies identified in systems and controls.

## **2. Risk Management Officer**

### **2.1 Legislation**

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| <p><b>Section 55 – Functions of the board of directors*</b></p> <p><i>(The Handbook has not reproduced the entirety of section 55 – please consult the Credit Union Act, 1997 for the full provision.)</i></p> <p>(1) Without prejudice to the generality of section 53(1), the functions of the board of directors of a credit union shall include the following:</p> <p>...</p> <p>(e) the appointment of a manager, risk management officer and compliance officer and the approval of the appointment of any other member of the management team;</p> <p>...</p> <p>(h) ensuring that the performance of every other employee and voluntary assistant, is reviewed and monitored on an ongoing basis to ensure his or her continued appropriateness for his or her role in the credit union;</p> <p>...</p> |
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| <p><b>Section 76C – Risk management officer*</b></p> <p>(1) The board of directors of a credit union shall appoint a person (in this Act referred to as a ‘risk management officer’) with the necessary authority and resources to manage the risk management function within the credit union.</p> <p>(2) Except where subsection (3)(a) applies or where otherwise prescribed by the Bank under subsection (3)(b), nothing in this section shall be read as preventing the appointment of a person as risk management officer of a credit union who-</p> <p>(a) holds another position as an officer in the credit union, or</p> |
|--|

- (b) is the risk management officer for one or more than one other credit union.
- (3) The risk management officer of a credit union shall not-
- (a) be a director, a member of the board oversight committee or the auditor of the credit union, or
- (b) hold such other position (whether within the credit union or otherwise) that the Bank may prescribe as being inappropriate to hold while being a risk management officer.<sup>2</sup>
- (4) The risk management officer of a credit union shall be responsible for identifying, assessing, reporting and monitoring all internal and external risks that could affect the credit union to which the risk management system referred to in section 76B relates, including risks to its employees, members, reputation and assets, and assisting the manager with managing and mitigating those risks.
- (5) The board of directors of a credit union shall ensure that the risk management officer –
- (a) has clearly documented reporting lines to the board,
- (b) has access to the board,
- (c) is independent in the exercise of his or her functions and, subject to paragraph (d), shall be free from influence, and
- (d) is subject to internal oversight by the internal audit function.
- (6) The board of directors of a credit union shall ensure that the role and functions of the risk management officer are documented in writing and include any role or function that may be prescribed by the Bank or be otherwise duly provided for by the Bank under any other enactment.<sup>3</sup>

## 2.2 Guidance

### 2.2.1 Responsibilities of the board of directors

The board of directors should ensure that the risk management officer at a minimum:

- has adequate time and resources to carry out their functions having regard to the nature, scale, complexity and risk profile of the credit union;
- has the necessary authority to conduct their activities in an effective and independent manner;

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<sup>2</sup> The Central Bank has not yet prescribed Regulations under this subsection.

<sup>3</sup> The Central Bank has not yet prescribed Regulations under this subsection.

- is subject to a performance review to ensure their continued appropriateness for their role; and
- is not remunerated on the basis of the financial performance of the credit union, but on their performance in carrying out their functions.

In order to ensure the independence of the risk management officer, the board of directors should appoint the risk management officer at an appropriately senior level. The board of directors should ensure that where there are any potential conflicts of interest that these are managed.

The board of directors should ensure that it is available to the risk management officer and should hold regular meetings, at a minimum quarterly, with the risk management officer. These meetings may form part of a monthly meeting of the board of directors. The risk management officer is required to have a reporting line to the board of directors. The credit union may decide that additional reporting lines, such as reporting lines to the manager, are appropriate.

### **2.3 Responsibilities of the risk management officer**

The responsibilities of the risk management officer should cover the following at a minimum:

- ensuring each internal/external risk of the credit union is identified, assessed, reported and monitored and assisting the manager with managing and mitigating those risks;
- advising the board of directors on the risk management policy and process and any deviations from the risk management policy;
- reporting on any significant risk event to the board of directors in a timely manner;
- implementing the risk management system approved by the board of directors;
- maintaining the risk register;
- making monthly reports to the board of directors;
- communicating the risk management policy, process and roles and responsibilities relating to officers of the credit union;
- providing training and support in the area of risk management to officers of the credit union;
- making the necessary information available to the internal audit function to facilitate independent review of the risk management system; and
- supporting the board of directors in promoting a culture of risk awareness, identification and management at every level within the credit union.

### 3. Compliance Programme

#### 3.1 Legislation

**Section 55 – Functions of the board of directors\***

*(This Chapter has not reproduced the entirety of section 55 – please consult the Credit Union Act, 1997 for the full provision.)*

(1) Without prejudice to the generality of section 53(1), the functions of the board of directors of a credit union shall include the following:

...

(m) ensuring compliance with all requirements imposed on the credit union by or under the *Credit Union Acts 1997 to 2012* or any other financial services legislation;

...

(o) approving, reviewing, and updating, where necessary, but at least every 3 years, all plans and policies of the credit union, including the following:

...

(ix) compliance plan and policies;

...

**Section 63A – Manager of credit union\***

*(This Chapter has not reproduced the entirety of section 63A – please consult the Credit Union Act, 1997 for the full provision.)*

...

(2) The manager of a credit union shall be the chief executive officer of the credit union having responsibility for the day-to-day management of the credit union's operations, compliance and performance and shall be responsible to the board of directors for the performance of his or her functions.

...

**Section 66A - Governance arrangements in credit unions\***

*(This Chapter has not reproduced the entirety of section 66A – please consult the Credit Union Act, 1997 for the full provision.)*

...

(2) A credit union shall have in place the oversight, policies, procedures, practices, systems, controls, skills, expertise and reporting arrangements to ensure compliance with the requirements set out in this Part.

**Section 76B – Risk management systems and systems and control\***

*(This Chapter has not reproduced the entirety of section 76B – please consult the Credit Union Act, 1997 for the full provision.)*

(1) In this section—

'compliance programme', in relation to a credit union, means the policies, procedures, systems and plans the credit union puts in place to monitor compliance, on an ongoing basis, with its obligations including requirements under all legal and regulatory requirements;

...

(5) A credit union shall develop, implement, document and maintain a compliance programme that allows it to evaluate compliance with its obligations including compliance with all legal and regulatory requirements.

## **3.2 Guidance**

The key elements of a compliance programme should include:

- a compliance policy;
- a compliance plan; and
- a review of the compliance policy and of the compliance plan by the board of directors, at least every 3 years.

### **3.2.1 Compliance policy**

The compliance policy should cover the following at a minimum:

- the objectives of the compliance policy, including, at a minimum, adherence to credit union policies, procedures of the credit union and all legal and regulatory requirements and guidance that apply to credit unions;
- organisational arrangements setting out the roles and responsibilities of officers involved in compliance including the board of directors, the compliance officer and the manager;
- the processes, including monitoring and reporting mechanisms, that will be implemented to ensure the credit union adheres to its compliance objectives and to assist in identifying instances of non-compliance;
- the process to ensure that a culture of compliance is promoted at every level within the credit union;
- reporting arrangements, including the frequency, form and content of reporting to the board of directors; and
- the process and timelines for the approval, review and update of the compliance policy by the board of directors.

The compliance officer should communicate any significant deviations from the compliance policy, the reasons for these deviations and proposed action to address the deviations to the board of directors and the manager.

### **3.3 Compliance plan**

The compliance plan should cover the following at a minimum:

- objectives and scope of the compliance plan;
- organisational arrangements setting out the roles and responsibilities of officers involved in the compliance plan;
- a detailed work programme setting out how the credit union will implement the compliance policy;
- resources required to implement the compliance plan;
- reporting arrangements, including the frequency, form and content of reporting to the board of directors and the manager; and
- the process and timelines for the review, approval and update of the compliance plan by the board of directors.

The compliance plan should be dynamic and flexible to allow for changes throughout the year. Any significant deviations from the compliance plan, the reasons for these deviations and proposed action to address the deviations should be communicated to the board of directors by the compliance officer.

The compliance officer should ensure that the compliance plan is updated to take account of new or updated compliance requirements (including new or updated legal and regulatory requirements and guidance), new products and services, material modifications to existing products and services and major management initiatives.

### **3.4 Review by the board of directors**

In reviewing the compliance policy and the compliance plan, the board of directors should take account of any changes to the following at a minimum:

- compliance obligations, including all legal and regulatory requirements and guidance; and
- the credit union's strategic plan. This should include any proposals in relation to new products and services, material modifications to existing products and services, outsourcing to service providers and major management initiatives, such as transfers of engagements or amalgamations.

The board of directors should take any steps necessary to address any deficiencies identified in the compliance policy and the compliance plan.



## 4. Compliance Officer

### 4.1 Legislation

#### **Section 55 – Functions of the board of directors\***

*(This Chapter has not reproduced the entirety of section 55 – please consult the Credit Union Act, 1997 for the full provision.)*

(1) Without prejudice to the generality of section 53(1), the functions of the board of directors of a credit union shall include the following:

...

(e) the appointment of a manager, risk management officer and compliance officer and the approval of the appointment of any other member of the management team;

...

(h) ensuring that the performance of every other employee and voluntary assistant, is reviewed and monitored on an ongoing basis to ensure his or her continued appropriateness for his or her role in the credit union;

...

#### **Section 76D - Compliance officer\***

(1) The board of directors of a credit union shall appoint a person (in this Act referred to as a 'compliance officer') with the necessary authority and resources to manage the compliance programme, as provided for by section 76B, within the credit union.

(2) Except where subsection (3)(a) applies or where otherwise prescribed by the Bank under subsection (3)(b), nothing in this section shall be read as preventing the appointment of a person as compliance officer of a credit union who-

(a) holds another position as an officer in the credit union, or

(b) is the compliance officer for one or more than one other credit union.

(3) The compliance officer of a credit union shall not-

(a) be a director, a member of the board oversight committee or the auditor of the credit union, or

(b) hold such other position (whether within the credit union or otherwise) that the Bank may prescribe as being inappropriate to hold while being a compliance officer.<sup>4</sup>

<sup>4</sup> The Central Bank has not yet prescribed Regulations under this subsection.

- (4) The compliance officer of a credit union shall be responsible for managing compliance at all levels in the credit union including-
- (a) ensuring that the credit union complies with all statutory and regulatory requirements, and
  - (b) monitoring such compliance to ensure that no conflict of interest arises.
- (5) A credit union shall ensure that the compliance officer-
- (a) has clearly documented reporting lines to the board,
  - (b) has access to the board,
  - (c) is independent in the exercise of his or her functions and, subject to paragraph (d), shall be free from influence, and
  - (d) is subject to internal oversight by the internal audit function.
- (6) The board of directors of a credit union shall ensure that the role and functions of the compliance officer are documented in writing and include any role or function that may be prescribed by the Bank or be otherwise duly provided for by the Bank under any other enactment.<sup>5</sup>

## 4.2 Guidance

### 4.2.1 Responsibilities of the board of directors

The board of directors should ensure that the compliance officer at a minimum:

- has adequate time and resources to carry out their functions having regard to the nature, scale, complexity and risk profile of the credit union;
- has the necessary authority (including access to the records, personnel and physical properties of the credit union, where appropriate) to conduct their activities in an effective and independent manner;
- is subject to a performance review to ensure their continued appropriateness for their role; and
- is not remunerated based on the financial performance of the credit union, but on their performance in carrying out their functions.

In order to ensure the independence of the compliance officer, the board of directors should appoint the compliance officer at an appropriately senior level. The board of directors should ensure that where there are any potential conflicts of interest that these are managed.

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<sup>5</sup> The Central Bank has not yet prescribed Regulations under this subsection.

The board of directors should ensure it is available to the compliance officer and should hold regular meetings, at least quarterly, with the compliance officer. These meetings may form part of a monthly meeting of the board of directors.

### **4.3 Responsibilities of the compliance officer**

The responsibilities of the compliance officer should include the following at a minimum:

- fostering and encouraging a culture of compliance in the credit union;
- ensuring that they are familiar and up to date with all statutory and regulatory requirements and guidance;
- ensuring that they stay informed of emerging statutory and legal requirements which may impact directly upon the credit union and notify the relevant officers in a timely manner;
- advising the board of directors on new and impending statutory and regulatory requirements and guidance;
- developing and documenting the compliance policy;
- developing and implementing an annual compliance plan including systems and controls to ensure the credit union complies with statutory and regulatory requirements and guidance;
- monitoring the activities of the credit union under the compliance plan and reporting to the board of directors on a regular basis, at least quarterly;
- monitoring the systems and controls in place to ensure officers comply with any applicable individual legal and regulatory requirements and guidance (for example, the Minimum Competency Code 2011 and the Fitness and Probity regime for credit unions);
- monitoring the member complaints process;
- reporting compliance exceptions and breaches to the board of directors and the manager;
- reviewing proposals in relation to new products and services, material modifications to existing products and services and major management initiatives to ensure compliance with current and planned statutory and regulatory requirements and guidance;
- updating the compliance policy and plan to take account of new or updated compliance requirements (including new or updated legal and regulatory requirements and guidance), new products and services, material modifications to existing products and services and major management initiatives;
- ensuring that sufficient ongoing training is being undertaken to ensure that all officers have the necessary knowledge to comply with their statutory and regulatory requirements;

- supporting directors in meeting their compliance requirements under section 55(1)(m) of the 1997 Act; and
- supporting the manager in their compliance responsibilities under section 63A of the 1997 Act.

The compliance officer should provide reports on the compliance programme to the board of directors and the manager on a quarterly basis.

Reports on the compliance programme should cover the following at a minimum:

- any compliance activities undertaken by the compliance officer;
- any compliance breaches identified;
- recommendations to address identified breaches;
- action plans to implement recommendations; and
- an update on the implementation of previous action plans agreed by the board of directors.

Where a significant compliance breach occurs, the compliance officer should bring this to the attention of the board of directors and the manager immediately. The board of directors should ensure that any compliance breach is rectified in a timely manner.