



Meridian Credit Union Limited
75 Corporate Park Drive
St. Catharines, Ontario
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September 14, 2021

Financial Services Regulatory Authority of Ontario
5160 Yonge Street, 16th Floor
Toronto, Ontario
M2N 6L9

Re: FSRA Consultation on Rule 2021 – 001 Sound Business and Financial Practices (June 14, 2021)

Meridian Credit Union Limited (“**Meridian**”) welcomes this opportunity to participate in the above-noted consultation and to comment on FSRA’s proposed Rule on Sound Business and Financial Practices (“**Rule**”).

With more than 75 years of banking history, Meridian is Ontario's largest credit union and the second largest in Canada, helping to grow the lives of 375,000 Members and customers. Meridian has \$27.2 billion in assets under management (as at June 30, 2021) and delivers a full range of financial services online, by phone, by mobile and through a network of 89 branches across Ontario, and business banking services in 15 locations.

GENERAL COMMENTS

Meridian supports FSRA’s modernization of the current By-Law No.5 framework by adopting principles-based, outcomes-focused regulation that, along with the new Risk-Based Supervisory Framework (“**RBSF**”) being developed, will replace not only By-Law No.5 but more importantly, the highly prescriptive reference manuals, self-assessment workbooks and guidance inherited by FSRA from DICO.

Our specific comments set forth below are being shared subject to our review of the new RBSF that we understand will be published for comments later this year. We recommend that FSRA consider flexibility and a potential transition period for credit unions to achieve full compliance with the Rule.

We are providing in **Appendix A** hereto a *blacklined* copy of the proposed Rule with our recommended changes, as further explained below.

SPECIFIC COMMENTS

Meridian is providing the following specific comments on the proposed Rule:

1. Section 1(1): We recommend that the proposed Rule be amended to incorporate the **definition of “Board”** as set forth in FSRA’s Proposed Market Conduct Framework Approach and Interpretation Guidance dated June 28, 2021: *“The term “Board” refers to either the entire Board of the credit union or a committee of the Board that has been delegated an element of Board oversight.”*

2. Section 1(1)(v): The definition of “senior management”, as drafted, would include *each individual who is responsible for each line of business and each function of each material subsidiary*. We strongly recommend that FSRA amend this definition to reduce its scope and clarify that the Senior Management of a credit union includes *each individual who has overall responsibility for a material subsidiary* (similarly to a material line of business).
3. Section 1(3): We would recommend the **removal of the term “procedure” and “process”** from this section and throughout the proposed Rule in order to align with good governance practices.
4. Section 1(5): There is a total of 9 references to independence throughout the Rule: independence in the context of cooperative principles, Board oversight, Board members and heads of oversight functions. We recommend that **the definition of “independent” be deleted** for two reasons: (1) the definition is confusing in its application to the 9 references throughout the Rule and (2) as per the definition, independence is a “question of fact” which aligns with outcomes-based regulation whereby each credit union has the flexibility to demonstrate how it complies with the independence requirements of the Rule.
5. Section 2(1): In providing that “*Principles may be interpreted and defined from time to time by the Authority in writing*”, FSRA is creating **uncertainty** and possible interpretation questions in the future. We believe that FSRA should not reserve the right to interpret these principles as this may **introduce future requirements**.
6. Section 4(2): We recommend that the proposed Rule be amended to remove any reference to the appointment of credit union Board members *by senior management*. We recommend that FSRA clarify that credit union Board members can only be appointed by the Board or by credit union members. We understand that Senior Management can recommend candidates for nomination to a credit union Board. However, the scope of this provision should be limited to Board appointments only.
7. Sections 4(3) and (4): We recommend changes to streamline and remove duplication.
8. Section 5(1)(ii): We recommend that the words “*permits and encourages directors to*” be removed as being too prescriptive. We believe that the revised provision is more principles-based: “*The board of the credit union shall discharge its responsibilities in a manner which provides effective oversight of the decisions, plans and policies proposed by the credit union’s senior management and implemented by its management*”.
9. Section 5(3)(i): We recommend changes as follows:
 - a. We recommend that FSRA give further consideration to the oversight of subsidiaries by the credit union board:
 - i. We recommend that the responsibilities of the board be limited to the credit union in order to respect the fiduciary duty of the subsidiary boards.
 - ii. We recommend that there be no duplication of responsibilities of the parent board and subsidiary board as this may entail liability issues.

- iii. The oversight of a federally regulated financial institution subsidiary by the credit union's board needs to be clarified so as not to infringe on the jurisdiction of the subsidiary's regulator. There currently doesn't exist a reciprocity agreement between FRSA and OSFI to share cross-jurisdictional information. As a result, credit unions owning federally (OSFI) regulated banks may not be able to comply with FSRA expectations for subsidiary oversight.
 - b. We recommend that a clearer distinction be made between the role of the Board of Directors and the role of Senior Management with regards to oversight of "policies" "processes" and "procedures". We believe that the Board's responsibility is to oversee corporate "policies", while Senior Management is responsible for developing and implementing "processes" and "procedures".
 - c. We recommend that, in line with requirements for federally regulated financial institutions and public companies, the Board of Directors of a credit union be required to approve a Code of Ethics.
10. Section 5(3) (iii): We recommend that in reference to the respective responsibilities of the board and senior management, **the board should not be approving management's internal delegations of authority** as this encroaches on management's responsibilities.
 11. Section 6(1)(ii)(b): We believe the reference to "*ethical framework*" is too broad and creates confusion in light of the Board approved Market Code of Conduct and Code of Ethics. We therefore recommend that the wording of this provision be revised to: "the credit union's short-term and long-term business plans, budgets and strategies, referred to in subsection 5(3)(i)(a) which shall:
 - (b) *align with the Code of Market Conduct and Code of Ethics as approved by the board for implementation by the credit union's operational management.*
 12. Section 7(1): We recommend that this provision be amended to **remove wording that is covered specifically under Section 5(3)(i)**, as amended hereinabove, whereby the Board of Directors of a credit union is required to adopt a Code of Ethics and a code of market conduct.
 13. Section 8(1)(i): We recommend that this provision be amended to clarify that the disclosure of information should not be based on what stakeholders feel they are "entitled to" but rather on what credit unions are "**required to disclose under applicable law and regulation.**"
 14. Section 8(2) – We recommend replacing words "*viability and prospects*" with "**risks and outlook**" based on prevailing disclosure standards. We recommend that FSRA develop formal guidelines on sustainability/ESG and not introduce any disclosure related thereto based on the interpretation of a word such as "viability".
 15. Section 9(4): We recommend that this provision be amended to **remove prescriptive wording** by removing (ii) through (v) and replacing with "*remuneration practices are commensurate with long-term outcomes rather than short term gains*".

16. Section 10(7): We recommend that this provision be **streamlined to remove prescriptive wording** that is not aligned with FSRA's principles-based approach.
17. Section 11(8): We recommend that the head of the Internal Audit function have a functional reporting line to the Board.
18. We also suggest a number of **minor housekeeping changes that are blacklined** in the attached Appendix A.

Lastly, we recommend that FSRA adopt OSFI's practice of streamlining all corporate governance requirements under its Corporate Governance Guideline. As you may be aware, as part of its process to review its 2013 Corporate Governance Guideline, OSFI met with industry stakeholders who requested that corporate governance requirements be streamlined under one guideline. OSFI listened and in its September 18, 2018 letter on the publication of its revised Corporate Governance Guideline, OSFI confirmed that *"The revised CGG contains clear principles **that replace OSFI's Board expectations contained in risk management and capital guidelines and advisories**. As a result, OSFI is reissuing these other guidance documents **with their respective Board requirements removed**."*

As such, we recommend that FSRA clarify that corporate governance requirements for credit unions are **only** those set forth under the new Rule and the new RBSF, which together form a streamlined corporate governance framework.

We hope our above comments will assist you in finalizing the Rule. Please let us know if you wish to discuss them further.

Sincerely,



Brigitte Catellier
Vice-President, Corporate Governance

Cc Gary Genik, Interim Chief Executive Officer
Sunny Sodhi, Chief Strategy & Corporate Affairs Officer

Appendix A - Proposed Rule

Draft Rule

Sound Business and Financial Practices

1. Interpretation

1(1) In this Rule,

(i) “Act” means the *Credit Unions and Caisses Populaires Act*, SO 2020, c 36, sch 7, and the regulations and rules promulgated thereunder,

~~(i)~~(ii) “board” means either the entire Board of the credit union or a committee of the Board that has been delegated an element of Board oversight,

~~(ii)~~(iii) “management” means individuals who are responsible for planning, directing, controlling, overseeing and executing the day-to-day operations of a credit union.

~~(iii)~~(iv) “oversight function” means a credit union’s:

- (a) internal audit function,
- (b) risk management function,
- (c) compliance function, and
- (d) finance function,

~~(iv)~~(v) “senior management” means the following members of management:

- (a) the chief executive officer of a credit union,
- (b) individuals who are responsible for the overall management of a material business, subsidiary or function of a credit union, ~~including that of a subsidiary,~~
- (c) the heads of the oversight functions of a credit union,
- (d) other executives who have a functional reporting line directly to the board or chief executive officer of a credit union, and
- (e) any other individuals that the board of a credit union ~~designates to be part of that~~ appoints as a member of the credit union’s senior management.

1(2) In addition to subsection 1(1), if a term or phrase used in this Rule is defined in the Act, that definition shall apply for the purposes of this Rule.

1(3) Any policy, ~~procedure or process~~ referred to in this Rule shall be required to be set out in writing.

1(4) All references in this Rule to an employee or employees of a credit union shall include any individuals who are:

- (i) employed by the credit union,
- (ii) a member of the senior management of the credit union, or
- (iii) retained by the credit union to perform all or part of an oversight function.

1(5) ~~For the purposes of this Rule,~~

~~whether an individual or entity is independent is exclusively a question of fact,~~

~~an independent individual is free from influences that compromise judgment, allowing an individual to act with integrity, and exercise objectivity and professional skepticism, and~~

~~an individual is independent of a credit union if the individual, or a related person of the individual, does not have a direct or indirect material or pecuniary relationship with a credit union, including a subsidiary, other than ordinary remuneration provided to an individual who is a director of the credit union or a subsidiary or as a member of the credit union, and has not been an officer of the credit union for at least twelve months.~~

2. Co-operative Principles

2(1) The board and senior management of a credit union are responsible for **ensuring overseeing** that the credit union is operated, managed and governed in a manner consistent with the following co-operative principles:

- (i) voluntary and open membership,
- (ii) democratic member control,
- (iii) member economic participation,
- (iv) autonomy and independence,
- (v) education, training and information,
- (vi) co-operation amongst co-operatives, and
- (vii) concern for community,

as such principles may be interpreted and defined from time to time by the Authority in writing.

3. Governance Matters Related to Members

3(1) All communications sent to the members of a credit union related to its governance, including but not limited to, annual reports, notices of meetings and proxy solicitations, shall clearly and transparently identify the democratic rights of the members, including but not limited to the rights of members to be notified of, participate in and, if applicable, vote at meetings of the members.

3(2) A credit union shall take reasonable precautions to ensure that all of its activities and communications related to members' meetings and voting, including but not limited to

the voting process itself, are fair and transparent, and free from misrepresentation, fraud and undue influence.

4. Composition of the Board

4(1) Subject to subsection 4(6), a credit union shall have a board with an appropriate size and structure, composed of directors who have appropriate skills, education, experience and commitment to enable them to discharge their duties and responsibilities effectively, having regard to the nature, size, complexity, operations and risk profile of the credit union.

4(2) The board ~~or senior management~~ of the credit union, ~~as applicable~~, shall only,

(i) appoint ~~an individual or~~ individuals ~~as members to become a director or directors~~ of the board of the credit union, or

(ii) propose or nominate ~~an individual or~~ individuals to be elected by the members as ~~a director or directors~~ members of the board of the credit union,

who have appropriate skills, education, experience and a commitment to discharge their duties and responsibilities effectively, having regard to the nature, size, complexity, operations and risk profile of the credit union.

~~4(3) — No individual, other than the chief executive officer of the credit union, may serve as a member of the board of the credit union unless such an individual is independent of senior management of the credit union.~~

4(4) Except for the chief executive officer of the credit union, no individual who is, or during the last twelve months was, an employee of the credit union, or a related person of an employee of the credit union, may ~~serve~~ be appointed as a member of the board of the credit union.

4(5) The chief executive officer of the credit union shall not ~~serve~~ be appointed as the chairperson of the credit union's board or any board committee.

4(6) The board of the credit union shall not have less than five directors or more than seventeen directors.

5. Responsibilities of the Board of the Credit Union

5(1) The board of the credit union shall discharge its responsibilities in a manner which:

(i) results in independent oversight of the credit union's management, and

(ii) ~~permits and encourages directors to~~ provides effective oversight of the decisions, plans, ~~processes~~ and policies proposed by the credit union's senior management and implemented by its management.

5(2) The board of the credit union shall establish and maintain a clear division between the roles and responsibilities of the board and those of senior management, to ensure the

board complies with the Act's prohibition on the board directly managing, or being involved in, the day to day activities of the credit union.

5(3) The board of the credit union is responsible for providing oversight, supervision and direction to management, and shall oversee and approve:

(i) the credit union's ~~and its subsidiaries'~~:

(a) short-term and long-term business plan and strategy,

(b) material decisions made outside of the normal course of the credit union's operations,

(c) significant strategic initiatives,

(d) policies, ~~processes and procedures~~ as required by the Act, its regulations and rules,

(d)(e) code of ethics,

(e)(f) code of market conduct,

(f)(g) plans related to capital and liquidity management,

(g)(h) mandates and budgets for the oversight functions, and

(h)(i) risk management,

(ii) the appointment, setting of performance objectives, compensation, incentives, succession plans and reviews of the credit union's chief executive officer and other members of its senior management including the heads of the oversight functions, in accordance with subsection 9(1) of this Rule,

(iii) delegations of authority by the board ~~and by the credit union's senior management,~~ and

(iv) the establishment and use mandates of committees to assist the board in discharging its responsibilities.

5(4) The board of the credit union is responsible for overseeing the adequacy of the credit union's and its subsidiaries' resources to conduct business, carry out its financial and risk management activities, and protect members, depositors and other stakeholders.

5(5) The board of the credit union shall approve a policy which defines the thresholds for what constitutes a material decision made outside of the normal course of the credit union's operations, having regard to the nature, size, complexity, operations and risk profile of the credit union.

6. Responsibilities of Senior Management of the Credit Union

6(1) Senior management of the credit union shall create, develop, update and implement, and the board of the credit union shall oversee and approve:

- (i) policies ~~and processes~~ establishing and governing the respective roles and responsibilities necessary to effectively manage, control and oversee all businesses, operations and activities of the credit union, and
- (ii) the credit union's short-term and long-term business plans, budgets and strategies, referred to in subsection 5(3)(i)(a) which shall:

- (a) identify strategic objectives, with measurable outcomes,

- (b) ~~identify an ethical framework align with the Code of Market Conduct and Code of Ethics as approved by the board for implementation by~~ the credit union's operational management, and

- (c) reflect the co-operative principles referred to in subsection 2(1).

6(2) The responsibilities of senior management of the credit union include,

- (i) providing recommendations, developing reports and analysis and making proposals to or for the board of the credit union,
- (ii) recommending the policies, ~~procedures and processes~~ referred to in subsection 5(3)(i)(d) to or for the board of the credit union,
- (iii) implementing the board of the credit union's directions and decisions, and
- (iv) the day-to-day management and operation of the credit union within the parameters set by the board of the credit union.

7. Ethical and Responsible Action

7(1) The board and senior management of the credit union shall ensure the credit union's: ~~policies, procedures and processes are consistent with its values, ethics and code of market conduct, and~~

members, employees and other stakeholders are able and encouraged to raise any matters of concern pertaining to the credit union to the appropriate person in the circumstances.

7(2) The credit union shall adopt, communicate internally, and ensure compliance with a whistleblower policy which:

- (i) identifies the protections offered to whistleblowers, including protection from reprisals, and
- (ii) sets out procedures and processes for providing information regarding misconduct or fraud on a confidential basis to the auditor of the credit union and, if applicable, any other individuals identified in the credit union's whistleblower policy as appropriate recipients of information from whistleblowers.

8. Integrity in Reporting and Disclosure

- 8(1) The board and senior management of the credit union shall implement appropriate reporting processes and controls, such that:
- (i) Members, regulators and other stakeholders of the credit union have timely access to information as required by the Act, its regulations and rules to which they are entitled respecting its business and operations, and
 - (ii) members of the credit union are able to exercise their membership rights on an informed basis.
- 8(2) The board and senior management of the credit union shall present a fair, balanced and understandable assessment and disclosure of the credit union's financial position, viability and prospects risks and outlook, and communicate that to members and other stakeholders in a timely, effective and transparent manner.
- 8(3) The credit union shall at all times maintain financial and operational management reporting systems and controls which provide timely, accurate and reliable information on both a consolidated and unconsolidated basis, including but not limited to material risk residing in its subsidiaries.

9. Fair and Responsible Remuneration

- 9(1) The board of the credit union shall ~~create, develop, update and~~ implement, approve and oversee remuneration ~~programs, policies and practices~~ for the members of the board, including board committees, and senior management of the credit union, and which is structured appropriately to attract, retain and motivate high-quality directors and members of senior management, proportionate to the credit union's nature, size, complexity, operations and risk profile.
- 9(2) Senior management of the credit union shall create, develop, update and implement, and the board of the credit union shall oversee and approve, remuneration programs, policies and practices for all other employees of the credit union, and structured appropriately to attract, retain and motivate high-quality senior executives and employees, proportionate to the credit union's nature, size, complexity, operations and risk profile.
- 9(3) The credit union shall disclose to its members its policies ~~and procedures~~ regarding directors' and senior management's remuneration, including any bonuses, incentives or other forms of compensation.
- 9(4) The credit union shall ensure that its remuneration ~~programs, policies and practices~~ referred to in subsections 9(1) and 9(2) of this Rule, are consistent with the following:
- (i) employees engaged in the oversight functions are remunerated in a manner that is independent of the business areas they oversee and commensurate with their key role in the credit union, and
 - (ii) remuneration practices are commensurate with long-term outcomes rather than short term gains. is adjusted for all types of risk,
 - (ii) ~~remuneration is symmetric with risk outcomes,~~

~~(iii) remuneration payout schedules are sensitive to the time horizon of risks, and forms of remuneration are to be consistent with risk alignment.~~

10. Status, Authority and Independence of the Oversight Functions

- 10(1) The credit union shall establish and maintain oversight functions within its organizational structure, or through an outsourcing arrangement approved by the board of the credit union and documented in writing, such that these functions have sufficient resources, status, authority and independence to perform their roles and satisfy responsibilities.
- 10(2) The head of an oversight function of the credit union may be an individual employed by a third party to whom the credit union has outsourced that oversight function, so long as a member of the credit union's senior management remains accountable for the performance of such individual and oversight functions and such an arrangement has been approved by, and is overseen by, the board of the credit union.
- 10(3) The senior management of the credit union shall create, develop, update and implement, and the board of the credit union shall oversee and approve, a policy which,
- (i) defines the nature, roles and responsibilities of the credit union's oversight functions, and
 - (ii) mandates sufficient and reasonable coordination and co-operation between the credit union's oversight function and all management, employees, activities, operations, business units, short-term and long-term business plans and strategies, and objectives of the credit union and its subsidiaries.
- 10(4) The policy referred to in subsection 10(3) of this Rule shall specify all rights, duties and obligations of the credit union's oversight functions.
- 10(5) Individuals primarily responsible for conducting the activities of the credit union's oversight functions shall be independent of the credit union's and its subsidiaries' operational activities and businesses.
- 10(6) Individuals working for one of the oversight functions shall, having regard to the nature, size, complexity, operations and risk profile of the credit union and its subsidiaries, possess relevant professional competency and an appropriate level of experience relating to an individual's role in the oversight function or functions.
- 10(7) The heads of the oversight functions of the credit union shall at all times have direct and unrestricted access to all individuals, facilities and information in respect of the credit union's and its subsidiaries' activities, operations and businesses, in order to perform their roles and satisfy their responsibilities, ~~including access to all credit union or subsidiary:~~
- ~~(i) computer systems, including any back-up systems,~~
 - ~~(ii) documents, including the credit union's governing documents,~~
 - ~~(iii) physical property,~~

~~(iv) employees of the credit union and its subsidiaries, including management, and~~

~~(v) documentation, emails, letters, recordings of telephone calls and any other form of communication with a governmental or regulatory body.~~

- 10(8) The heads of the oversight functions of the credit union shall be entitled to participate in all internal meetings, including those of senior management, of the credit union and its subsidiaries, on a reasonable basis, in order to reasonably monitor and assess the credit union's and its subsidiaries' activities.
- 10(9) The oversight functions of the credit union shall have, use and apply a reasonable range of resources to collect, possess, analyze and disseminate material information, in order to accurately, objectively and comprehensively understand, evaluate and report risks.

11. Internal Audit Function

- 11(1) The internal audit function of the credit union shall provide senior management, the board of the credit union and the audit committee of the board with its evaluation and recommendations respecting the design, framework, implementation, and effectiveness of the credit union's and its subsidiaries' activities, processes, policies and procedures in its businesses, operations and activities and in its other oversight functions.
- 11(2) The internal audit function shall provide accurate, reliable and risk-based audits and support to those responsible for the corporate governance and ~~other~~ oversight functions of the credit union.
- 11(3) The head of the internal audit function of the credit union shall, on at least an annual basis, create and deliver to the board of the credit union ~~and the audit committee of the board, upon recommendation by the audit committee of the board,~~ a risk-based audit plan ~~in written form~~, which takes into account the credit union's and its subsidiaries':
- (i) nature, size, complexity, operations and risk profile, and
 - (ii) strategies, operations, business objectives, activities and risk management processes.
- 11(4) The audit plan referred to in subsection 11(3) shall define the internal audit function's priorities and work.
- 11(5) The head of the internal audit function of the credit union shall:
- (i) review, amend and update the audit plan in response to any material changes in the credit union's or its subsidiaries' activities, risk operations, programs, systems and controls,
 - (ii) on at least an annual basis or upon request, report to the board, ~~the audit committee of the board~~ and senior management of the credit union on the internal audit function's mandate, authority, roles and responsibilities, taking into account the objectives of the internal audit plan and applicable professional standards and ethics, and
 - (iii) create, develop, update and implement processes, policies and procedures to:

- (a) monitor audit reports and directly report all results and opinions in connection with an audit report to senior management and the board of the credit union, and
 - (b) oversee and monitor that reasonable actions have been implemented by senior management of the credit union in response to any risk identified in an audit report.
- 11(6) Any failure to respond to an issue identified in an audit report within a reasonable period of time, or any decision to assume the risk of not responding to an issue identified in an audit report, shall be brought to the attention of the board of the credit union at the earliest reasonable opportunity and documented in the meeting minutes of the board.
- 11(7) The head of the internal audit function of the credit union and internal auditors who are part of the internal audit function of the credit union shall not have any management responsibilities outside of the oversight functions.
- 11(8) The head of the internal audit function of the credit union shall have a functional reporting line to the board of the credit union.

12. Risk Management Function

- 12(1) The head of the risk management function of the credit union shall create, develop, update and implement, and the board of the credit union shall oversee and approve:
- (i) an enterprise wide risk management program, which facilitates and protects the credit union's stability and viability, through the identification, assessment, mitigation and management of all risks and unforeseeable events which may arise from the business and operations of the credit union and its subsidiaries and have a potentially material impact on the credit union's financial performance, capital, liquidity, members, other stakeholders, reputation, operations or viability, and includes an enterprise-wide risk appetite framework which is appropriate relative to the risk profile of the credit union on an enterprise-wide basis, its long-term strategic plan and its operating environment, and
 - (ii) procedures, policies and processes to understand and evaluate all such risks, and to facilitate direct reporting to the board and senior management of the credit union by the head of its risk management function.
- 12(2) The head of the risk management function of the credit union shall be appointed by and ~~report~~have a functional reporting line to the board of the credit union.

13. Compliance Function

- 13(1) The compliance function of the credit union shall provide systematic, comprehensive and timely oversight of compliance risks through the identification, measurement, monitoring and reporting of compliance risks across the credit union as a whole and within its specific business lines and units and subsidiaries.
- 13(2) The head of the compliance function of the credit union shall have a functional reporting line~~report~~ to the board of the credit union or report to the head of another oversight function that has a functional reporting line~~reports~~ to the board.

14. Finance Function

14(1) The credit union's finance function shall:

- (i) provide systematic, comprehensive and timely oversight of all of the credit union's governance and operational requirements in respect of budgeting, planning, financial reporting and analysis,
- (ii) provide accurate, reasonable, independent, reliable and risk-based financial reporting and analysis to the senior management and board of the credit union,
- (iii) provide accurate, reasonable and reliable corporate financial services to the credit union, and
- (iv) ensure that all financial analysis, reporting and communication on financial matters is timely, reasonable, impartial, independent and suitable, in order to assist the senior management, board and oversight functions of the credit union.

14(2) The head of the finance function of the credit union shall:

- (i) advise the chief executive officer and board of the credit union, including in relation to the matters described in subsection 14(1), and
- (ii) have reasonable knowledge of and opportunity to participate in all material functions of the credit union's and its subsidiaries' businesses and operations.

15. Operational Management

15(1) The senior management of the credit union shall create, develop, update and implement, and the board of the credit union shall oversee and approve:

- (i) a reasonable and suitable management and control system and framework for the credit union's businesses, operations and activities and its management and employees, and
- (ii) policies, procedures and processes designed to ensure that senior management is sufficiently informed to monitor and be accountable for the credit union's and its subsidiaries' businesses, operations, activities, management and employees.

15(2) Management of the credit union shall:

- (i) perform and execute on, and ensure the credit union's employees understand and execute on, the credit union's approved business plans and strategies,
- (ii) create, develop, update and implement policies, procedures and processes providing for appropriate controls for the credit union and its subsidiaries and their businesses, operations and activities,
- (iii) comply with, and oversee the credit union's employees in compliance with, the credit union's approved policies, procedures, processes and controls,
- (iv) understand and manage, and ensure that the credit union's employees understand and manage, the risks for the areas in which they operate or provide services,

- (v) ensure that employees have sufficient resources, status and authority necessary to perform any roles and responsibilities related to risk management and compliance, and
- (vi) act, and ensure employees of the credit union act, in the best interests of the credit union and its members and in compliance with all laws and regulatory requirements.

16. Subsidiary Governance

- 16(1) The senior management of the credit union shall create, develop, update and implement, and the board of the credit union shall oversee and approve, all policies, procedures and processes necessary to provide for effective oversight of any credit union subsidiary, including any board or management thereof.
- 16(2) If the credit union outsources a material business, strategic or operational function or activity to its subsidiary, then senior management of the credit union shall create, develop, update and implement, and the board of the credit union shall oversee and approve, policies, procedures and processes respecting the function or activity outsourced to the subsidiary.

17. Coming into force

- 17(1) This Rule comes into force on the date that clause 1 of subsection 285(1) of the Act comes into force.