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Delivered Electronically

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To the Readers,

Libro Credit Union (Libro) is pleased to provide our response to the proposed Sound Business and Financial Practices Rule (Rule 2021-004). At Libro, we value good governance practice and the separation of Board and Senior Management responsibilities. We have concerns relating to the proposed rule including appropriate Board and Senior Management responsibilities, the need to make the rule more principles-based and less prescriptive, clarity of language, and general observations/questions.

Libro worked closely with several other large credit unions to formulate a consolidated response. That response is included in "Appendix A" and serves as a section by section review. Libro has added some additional comments to that document that highlight our primary concerns.

Additionally, we are supportive of CCUA's response to the consultation and note that the sector has varied concerns and challenges with the rule as it stands. This cover letter provides a summary of the primary challenges in the proposed rule that we wanted to emphasize.

Libro recommends that the rule should not be moved to the Minister for approval in its current state. We recognize and appreciate that FSRA has commented on some of the early concerns raised by the sector and is committing to revisions. We trust that FSRA will use the feedback provided in this public consultation to enhance the rule through greater clarity, flexibility, and consideration of potential impacts on the sector.

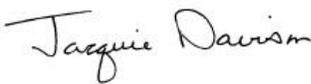
An internal team at Libro was created to review and comment on the proposed rule. This team included various subject matter experts, leaders from impacted areas, members of the Executive Leadership Team, and our Board Chair. General observations and themes of concerns from this review include (in no order):

- Consistent confusion throughout the rule in terms of broad definitions, prescriptive language, oversight functions, roles of Boards and Senior Management and potential conflicts within sections due to contradictions of language in other sections.

- Questions regarding the push for greater independence of oversight functions as a main objective of FSRA throughout the rule, even in cases where it may limit credit union culture, structure, function, and operations and where status and authority already exist. We have concerns that we are creating various layers of teams to our credit unions, which runs counter to a one team approach.
- The frequent use of the word “shall”, along with lists of requirements and expectations within a principles-based document. We expected more principles throughout the rule to support sound business practices and expectations, while creating greater flexibility.
- Governance language that is operational in nature, which is creating challenges in our interpretation relating to Board and Management separation. Words that are causing concern include “appoint, encourage, processes, procedures, carry out, develop, implement, etc.” This would also include the comments surrounding Boards and duties relating to overseeing and approving procedures and processes.
- Challenges that small and mid size credit unions will have in adhering to the requirements of the rule as it currently reads. There will be disproportionate pressure placed on these credit unions.
- Instances where the rule is more restrictive and prescriptive than OSFI’s Corporate Governance Guideline

We appreciate that FSRA has been open to conversations with individual credit unions throughout this period of public consultation. We look forward to connecting through a larger group of credit unions with FSRA’s policy team to share the concerns noted and work with FSRA to improve upon the rule. We trust that FSRA will bring an open mind to the conversation and welcome an open discussion to the issues and concerns raised in Appendix A. Through discussion and anticipated change, we expect that we can continue to build together a stronger and more resilient sector for our Owners.

Sincerely,



Jacquie Davison
Board Chair
Libro Credit Union



Stephen Bolton
Head Coach, CEO, President
Libro Credit Union

CC: Nick Best – Ontario Regional Director Canadian Credit Union Association

Appendix A

Section 1: Interpretation

General Themes of Concern Within This Section

- Principles Regulation vs Prescriptive Regulation
- Independence of Oversight Functions and Feasibility
- Confusion Surrounding Proposed Language

Section	Comments / Unintended Consequences and Impact
1(1) iii & iv	<p>Commentary</p> <ul style="list-style-type: none"> • Provided oversight functions limit how credit unions can set up their various teams and functions. Requirements for oversight leads to be fully independent (per 10(5)) will create culture, operational and feasibility challenges for sector. Is this a misinterpretation? • The listing of Senior Management roles feels prescriptive in nature and doesn't allow for flexibility within each credit union. Subsection 1(1) (iv) e) also suggests that the board will determine who will form part of senior management which encroaches on the role of the CEO. Does FSRA mean through management recommendation? • For internal audit to be truly independent from senior management they should not be classified within this group. This section links them to Senior Management requirements which potentially blurs third line of defence. Consideration should be given to strengthening independence of Audit function without touching other oversight functions. <p>Unintended Consequences and Operational Impact</p> <ul style="list-style-type: none"> • Confusion in operational capabilities may occur for oversight leads, teams, and functions, could pose challenge for some organizational structures. • Internal audit may not be fully independent from management and cause potential conflicts with rule and operations.
1(3)	<p>Commentary</p> <ul style="list-style-type: none"> • We would recommend the removal of the term “procedure” and “process” from this section and the entire document. We believe it is adding confusion towards governance practices and approach. • We note that the OSFI Corporate Governance guidance (Section II, Role of the Board) does not require Board Oversight and approval of procedures and process. The OSFI guidance requires that Board “provide challenge, advance and guidance on significant operational, business, risk and management policies.” We would recommend an adjustment in language to support governance clarity. <p>Unintended Consequences and Operational Impact</p> <ul style="list-style-type: none"> • This section will require a full gap analysis and review of internal policy and procedures, adding cost, resources.
1(5) i, ii, iii	<p>Commentary</p> <ul style="list-style-type: none"> • Concerns that we are creating barriers to strong first and second line practices. Heads of oversight functions (i.e. finance, risk management, and compliance), are not independent due to their involvement in business operations, strategy, and continuous improvement, which in turn serves to ensure a strong second line of defense. We believe FSRA needs to find a way to move from “independence” to “held to high standards and integrity” given professional certificates and

	<p>qualifications required to support and lead these functions. A conversation on how FSRA views independence may be helpful here.</p> <ul style="list-style-type: none"> Section 10 does not create independence per 1(5) iii, we believe this might be a contradiction to earlier language within the rule. <p>Unintended Consequences and Operational Impact</p> <ul style="list-style-type: none"> Will those within the teams of oversight functions be able to even be a member of the credit union, hold assets, investments, loans, and accounts? What is the expectation of reporting lines for the CFO and CRO, as these are not clear given the current language? We suspect it is a dotted line approach to the Board with unfettered access, but this requires clarification
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Section 2: Co-Operative Principles

General Themes of Concern Within This Section

- Ambiguous Language

Section	Comments / Unintended Consequences / Impact
2(1)	<p>Commentary</p> <ul style="list-style-type: none"> We are happy to see FSRA note several important principles of the credit union and co-operative movement. The language “Principles may be interpreted and defined from time to time by the Authority in writing” creates very ambiguous language and possible interpretation challenges in the future. Also unclear how FSRA may consult on principle changes to the rule. We recognize that FSRA needs flexibility, is there a better way to achieve this? <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> Uncertainty due to language and possible intervention of FSRA using ambiguous language.

Section 3: Governance Matters Related to Members

No comments on this section.

Section 4: Composition of the Board

General Themes of Concern Within This Section

- Democratic Principles and Process
- Good Governance

Section	Comments / Unintended Consequences / Impact
4(2)	<p>Commentary</p> <ul style="list-style-type: none"> This section contravenes the principle of “democratic member control” by suggesting that Senior Management can propose and appoint a Director to the Board. We feel clarity that this would be a duty of the Board only is necessary.

	<ul style="list-style-type: none"> • The term “appropriate skills, education and experience” is highly subjective. Additional clarity may be needed here if FSRA has specific expectations. Within a democratically run credit union any member who meets legal qualifications and is in good standing can run as a Director whether they meet any of the noted elements or not. Do individual by-laws still ensure this democratic principle remains, is FSRA seeking to phase this out of by-laws and other general governance policies? • When comparing this to OSFI Corporate Governance (Section 2, Board Composition), OSFI provides principles about the skills a Board should have the skill assessment practices that should be in place. It is more principles-based and does not use the word “shall”, suggesting an intervention process at the appointment stage which is not feasible in a Board elected through democratic processes. We worry that this rule will have unintended consequences from a membership standpoint. <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> • Unfair election of Directors and impacts on individual by-laws, possible legal challenges, and member concerns. • View from Directors that some candidates should be excluded based on skills, education, and experience, when this would contravene democratic member control. • Clarity of roles between Senior Management and Board may get blurred • Clarity around the definition of “appropriate” will occur and cause variations in governance interpretation within the sector.
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Section 5: Responsibilities of the Board of the Credit Union

General Themes of Concern Within This Section

- Good Governance
- Blurred Governance Lines
- Scope of Board Duties

Section	Comments / Unintended Consequences / Impact
5(1) ii	<p>Commentary</p> <ul style="list-style-type: none"> • Suggest changing the word “encourages” to “provide effective oversight”. • Suggest removal of the words “decisions and processes” to ensure Directors do not become operational in nature. We fear these words have unintended consequences. As mentioned previously, we note that the OSFI Corporate Governance guidance (Section II, Role of the Board) does not require Board Oversight and approval of procedures and process. The OSFI guidance requires that Board “provide challenge, advance and guidance on significant operational, business, risk and management policies.” We hope that FSRA will consider removing references to oversight of processes and procedures within the rule as a requirement of Board duties. <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> • Board lines between governance and operational become blurred. Having the board oversee all decisions and processes would not be an effective governance tool or use of resources and time.
5 (3) I, ii	<p>Commentary</p> <ul style="list-style-type: none"> • Wording is prescriptive in nature and contradicts FSRA’s goals of ensuring that Boards do not become operational in nature, as well as new CUCPA Sec 97(2). Certainly, Boards provide oversight, but supervision and formal direction to Management is not a governance best practice in our view.

- Additionally, “overseeing and approving” can also be misconstrued as operational in nature. Suggested changes could focus on “guidance, advice and constructive challenge” as a potentially more principles-based approach.
- The board should not be approving processes and procedures.
- 5(3) ii goes too far in its interpretations and its scope requires operational involvement of the Board. The only employee of the Board should be the CEO and the current wording of this section includes senior management and heads of oversight functions. It would read that the Board has final authority over all senior management roles, and this would not be a form of good governance as Directors would be involved in human resource decision making, performance management, and CEO team setting.
- 5(3) l) h) should be clarified- suggest “risk management framework” rather than risk management generically.
- 5(3) iii the board should not be approving senior management’s internal delegations of authority as this encroaches on management’s responsibilities.
- The oversight of a federally regulated financial institution by the parent’s board needs to be clarified so as not to infringe on the jurisdiction of the subsidiary’s regulator.
- As mentioned previously, we note that the OSFI Corporate Governance guidance (Section II, Role of the Board) does not require Board Oversight and approval of procedures and process. The OSFI guidance requires that Board “provide challenge, advance and guidance on significant operational, business, risk and management policies.”

Unintended Consequences and Impact

- Clarity of scope is needed on this messaging, as it dives into operational elements, thus creating blurring of governance lines between board and management.
- Board may believe they can set performance targets, compensation structures and payouts, as well as incentives and operationalize review for all senior management. We do not believe this is the intended scope, but this is our current perception which would further blur lines of governance and management duties/roles.
- Clarity around the term “appointment” is needed as current perception exists that this may refer to hiring and firing of specific roles and heads of oversight functions (such as CRO). Clarification would be helpful as this would have potentially many negative impacts on human resource decisions and organizational structure changes.
- Reviewing and approving processes and procedures would unduly monopolize board time on operational matters, drawing attention away from their governance duties. This also encroaches on the role of management.
- 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.

Section 6: Responsibilities of Senior Management of the Credit Union

General Themes of Concern Within This Section

- Clarity of Ethical Framework
- Disproportionality for Smaller Credit Unions

Section	Comments / Unintended Consequences / Impacts
6(1) (i) and (11)	<p>Commentary</p> <ul style="list-style-type: none"> • Can FSRA explain with more clarity what they expect within an “ethical framework for operational management”. If this section is about the Market Code or market conduct in general can we use that terminology or language for clarity? • The word “processes” should be removed from par 6(1) i). • OSFI’s summary of senior management in Corporate Governance (Section 2, The Board and Senior Management) provides a principles-based summary of management’s responsibility rather than a specific list of items. Is this an approach FSRA considered in drafting the response? <p>Unintended Consequences and Impacts</p> <ul style="list-style-type: none"> • We have seen potential ethical frameworks through other non-financial sectors and the workload can be daunting and resource heavy. It also adds additional complexity to every decision and role from an HR lens. Clarity is needed. • The requirement for the board to approve processes would unduly monopolize board time on operational matters, drawing attention away from their governance duties. This also encroaches on the role of management.

Section 7: Ethical and Responsible Action

No comments on this section.

Section 8: Integrity in Reporting and Disclosure

General Themes of Concern Within This Section

- Clarity of Board Roles
- Good Governance Practices

Section	Comments / Unintended Consequences / Impacts
8(1)	<p>Commentary</p> <ul style="list-style-type: none"> • Implementation of risk controls should be only the purview of Senior Management and not that of the Board. Board should provide oversight. • Further clarity of roles of Board and Senior Management would be helpful here. <p>Unintended Consequences and Impacts</p> <ul style="list-style-type: none"> • Blurred lines between Board and Management in terms of operational requirements
8(2)	<p>Commentary</p> <ul style="list-style-type: none"> • Requirements of reporting to members feels prescriptive. We are confused beyond what we provide today in terms of full financials and reports to members at the AGM would need to be reported on and disclosed. Viability and prospects are shared in various methods with members. What additional information is expected? <p>Unintended Consequences and Impacts</p> <ul style="list-style-type: none"> • Increased burden on reporting teams and Management to overcommunicate with members • Members receiving increased items from corporate communications and creating confusion beyond AGM requirements

	<ul style="list-style-type: none"> Additional requirements of AGMs and resources for the communications and reporting mechanisms during the event, pre and post.
8(3)	<p>Commentary</p> <ul style="list-style-type: none"> Please see comment regarding OSFI regulated subsidiary oversight under section 5(3). Determinations may be needed to understand various responsibilities and requirements for those engaging in subsidiary ownership or other ventures at a federal level. <p>Unintended Consequences and Impacts</p> <ul style="list-style-type: none"> Multiple layers of regulation from both a federal and provincial standpoint around subsidiary ownership and operations.

Section 9: Fair and Responsible Compensation

General Themes of Concern Within This Section

- Compensation Structures
- Independence and Oversight
- Remuneration Relating to Risk
- Good Governance
- Ambiguous Language

Section	Commentary / Unintended Consequences / Impact
9(1)	<p>Commentary</p> <ul style="list-style-type: none"> The Board should only set and implement compensation programs for the CEO, not the rest of the credit union. Would recommend a change in language from “create, develop, update and implement” to “oversee, challenge and approve” compensation plans. <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> Current language allows the Board to dictate and change compensation structures at any time for Senior Management. This is an important culture decision that should be made through HR functions and frameworks and aligned to strategic goals and performance, not purely at the discretion of the Board.
9(4)	<p>Commentary</p> <ul style="list-style-type: none"> What does “independent of the business areas they oversee” mean? The CFO and CRO contribute to business decisions that impact the entire credit union and that provides strong first and second line of defense. Does this mean those roles can’t have any variable compensation tied to business performance and the achievement of strategic goals as determined by the Board? This area is confusing and feels counteractive to strong culture and lines of defense. What does “remuneration is adjusted for all types of risk”, “symmetric with risk outcomes”, and “consistent with risk alignment” mean? This language is confusing and requires clarification. This section is highly complex, even for larger credit unions, and requires more clarity. In publicly traded banks, alignment of compensation with risk is usually meant to prevent short-term decisions that would influence share price. Since credit unions are not publicly traded, there is no share-based component to executive remuneration programs which removes this concern. When comparing to OSFI Corporate Governance, it appears the CRO would have limitations on performance-based pay in that it “should not be linked to the performance (e.g. revenue generation)

of specific business lines of the FRFI.” There does not appear to be limitations to the CFO and the limitations on the CRO relate to a particular business line. Is this what FSRA intended with their approach?

Unintended Consequences and Impact

- Senior Management needs to be cross functional in discussions and goal setting, as well as through project management and operations. Building silos will not create better functioning credit unions, nor will it decrease inherit risk.
- Certain leaders will be segregated in practice, this will create general confusion and new processes that will be time consuming and costly, while not creating greater lean productivity
- We may end up spending more time and resources around risk determination within salary and team structures, than focusing on decreasing actual risk across frameworks and environments.
- We are not sure how such a structure would work at a small to medium sized credit union where leaders where many hats.

Section 10: Status, Authority, and Independence of the Oversight Functions

General Themes of Concern Within This Section

- Credit Union Culture
- Prescriptive Structure
- Subsidiary Requirements
- Risk Management Barriers
- Increased Cost
- Disproportionate Challenges For Smaller Credit Unions

Section	Commentary / Unintended Consequences / Impact
10(1)	<p>Commentary</p> <ul style="list-style-type: none"> • We recognize the importance of the oversight functions. Is it necessary to create an entirely new level of leadership and framework for these functions? It feels prescriptive to push specific roles and requirements relating to organizational structure. Are credit unions able to have flexibility in required roles and are smaller credit unions able to combine roles appropriately without issue? We would like to ensure flexibility around organizational structure remains a key principle, as we believe this section will create challenges and impacts small and medium sized credit unions disproportionately. • OSFI Corporate Governance applies independence to the heads of the oversight functions, not the functions overall which is a very important distinction. Also, that the heads are independent of operational management. What consideration did FSRA give to this potential approach? • We recommend continued emphasis of independence of internal audit without limiting oversight function teams and heads via principles-based language where possible. • We would generally view these roles to already have proper authority and status within the sector, due to professional requirements, importance of work, ongoing training, specific certifications, and functions performed. Where the requirements of these roles considered as potentially strong enough status and authority? <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> • The rule creates two tiers of oversight functions and structural leadership (Senior Management and Oversight Management)

	<ul style="list-style-type: none"> • HR and finance issues could arise given the independent nature and requirements for independent resources and status.
10(3)	<p>Commentary</p> <ul style="list-style-type: none"> • The level of detail appears excessive to be principles based. This feels complex and already covered in Sections 10(1) and 10(2). • Please see comment regarding OSFI regulated subsidiary oversight under section 5(3). Note that federally regulated banks are required to maintain oversight functions with unfettered access to their board. <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> • Providing greater detail than required may inadvertently codify details and elements where more flexibility is intended or needed. • Possibility of more resources for each subsidiary relating to oversight functions
10(5)	<p>Commentary</p> <ul style="list-style-type: none"> • We are unclear how this would work in practice. • Decoupling specific Senior Management roles such as finance, risk, and compliance, from credit union operations is not feasible and does not make sense from a cultural standpoint. Additional related points are noted above in Section 9(4). • This change would be costly and is not functionally reasonable for most credit unions. Even within larger credit unions the heads of oversight functions have other duties and operational responsibilities. We believe emphasis should be that these other functions uphold integrity and professional requirements and have unfettered access to the Board, as opposed to independence. This is appropriately emphasized in Section 10(6). Impact on smaller credit unions will be felt disproportionately. • Suggest removing this paragraph. 10(1) already requires that oversight functions have sufficient independence. <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> • Confusion at operational levels • The need to run parallel risk and finance functions allow functions such as finance and risk to perform their operational duties (e.g. pricing, fraud resolution, management accounting support for strategic decisions) which will be costly and time consuming • Lack of feasibility for all credit unions from an operational standpoint due to requirements of staff • Providing greater detail than required may inadvertently codify details and elements where more flexibility is intended or needed.
10(7)	<p>Commentary</p> <ul style="list-style-type: none"> • IT will require additional resources to increase access to all areas of the business, activities, operations etc. This may also require changes to platforms. • Has FSRA consulted legislation that would be prohibited from access (Human Resource law, corporations Act, CRA/Tax Law, record keeping legislation, etc)? • Were less prescriptive approaches considered? • Suggest removing this paragraph. This is sufficiently addressed in sections 10(1) and 10(4). <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> • This level of access and change may in fact increase risk and legal liability in terms of unfettered access.

	<ul style="list-style-type: none"> • Additional cost and burden will occur to inquire into legal ramifications for each area of the business and subsidiaries around unfettered access. • Insurance premiums and licensing costs could potentially increase with more staff accessing files and platforms. • Not sure how all phone conversations, letters, etc would be recorded and reviewed within the context provided. Often workers use cell phones and recordings are not occurring with regulatory and government officials. Or if the meeting takes place in person how will a recording occur from an operational standpoint? • Providing greater detail than required may inadvertently codify details and elements where more flexibility is intended or needed.
10(8)	<p>Commentary</p> <ul style="list-style-type: none"> • Suggest removing this paragraph. This is sufficiently addressed in sections 10(1) and 10(4). • This section contradicts the definition of senior management as the heads of oversight functions are already members of senior management. This statement suggests that the heads of oversight functions, such as the credit union CFO or CRO, would attend a senior management meeting to “reasonably monitor and assess” activities and not to directly participate in operational and strategic decisions. Is that the intention? <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> • Providing greater detail than required may inadvertently codify details and elements where more flexibility is intended or needed.

Section 11: Internal Audit Function

General Themes of Concern Within This Section

- Internal Audit Independence and Oversight
- Subsidiary Risk Management
- Prescriptive Language

Section	Commentary / Unintended Consequences / Impact
11(1)	<p>Commentary</p> <ul style="list-style-type: none"> • Internal Audit should report to the Board and be independent as third line of defense, this is not clear within this section and we would request additional clarity. • Independence of internal audit should not preclude Internal Audit from being a member of the credit union and being able to access products, loans, coaching and service in anyway. This is unclear based on the current language. We suspect this not to be the goal of FSRA however, clarity would be appreciated on the subject. • If Internal Audit reports to the Audit Committee, must it also share and report to the entire Board at the same time in the same manner? <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> • Independence is critical to the role of internal audit.

	<ul style="list-style-type: none"> • Confusion currently around ability of Internal Audit to be members of the credit union based on current language • Inefficient governance due to duplication of internal audit reporting to both the audit committee and board.
11(3)	<p>Commentary</p> <ul style="list-style-type: none"> • Please see comments regarding OSFI regulated subsidiary oversight under section 5(3). Note that federally regulated banks are required to maintain oversight functions with unfettered access to their board. <p>Impact</p> <ul style="list-style-type: none"> • Confusion in relation to regulatory oversight and adherence • Two separate processes to regulate the same entity can create confusion, additional costs, burden and administrative requirements. What happens if one regulator views things differently?
11(5)	<p>Commentary</p> <ul style="list-style-type: none"> • This section feels prescriptive. • Internal Audit does not oversee the implementation of action plans; internal audit communicates and monitors implementation as the Board has authority to enforce implementation of any action plan, better language would be “communicate and monitor.” <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> • Internal Audit could be pulled into action planning and ongoing conversations on implementation, when not necessary or part of their role as third line of defense. • Confusion around regulatory oversight between federal and provincial regulators in relation to subsidiary risk • Providing greater detail than required may inadvertently codify details and elements where more flexibility is intended or needed.
11(6)	<p>Commentary</p> <ul style="list-style-type: none"> • Need to account for materiality of issues within this section. A low risk issue should not be treated in the same approach/manner as a high-risk issue. • Interjecting an escalation approach may be helpful, to ensure all potential risks don’t become burdensome. Senior Management should have the reasonable opportunity to discuss and implement change where needed. This discussion could also mean legal or second opinions from experts or FSRA, which may take longer than “reasonably period of time”. <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> • Inability to properly respond to Internal Audit items, risks and potential findings with a full review (where needed). • Unnecessary escalation of immaterial items leading to inefficient governance.

Section 12: Risk Management Function

General Themes of Concern Within This Section

- CRO Hiring and Functions
- Independence of Roles

Section	Commentary / Unintended Consequences / Impact
12(1) (2)	<p>Commentary</p> <ul style="list-style-type: none"> • Recommend removal of the word “approve” in Section 12(1). Guidance around Board approval is included in ERM policy and FSRA ERM-related guidance. • Recommend removal of the word “processes” in Section 12(1)(ii) as the Board should not approve processes. • Clarity around expectations for Board involvement in CRO appointment and performance management is required. • CRO function has direct involvement in day to day operations, clarity around ability to maintain these responsibilities is required. <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> • Confusion between CRO and Oversight Heads on an operational level • Boards getting involved within operational and human resource items as opposed to governance and oversight.

Section 13: Compliance Function

General Themes of Concern Within This Section

- Good Governance
- Compliance Oversight and Reporting

Section	Commentary / Unintended Consequences / Impact
13(2)	<p>Commentary</p> <ul style="list-style-type: none"> • Could Compliance function been kept under Risk umbrella and not be separated independently? Does Section 13(2) provide the flexibility needed? • Need to understand definition of “report to the board”. <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> • If the reporting structure is that of HR, performance management etc., then again, the Board will be involved in operations of the credit union. Is unfettered access to the Board sufficient to address the concern of FSRA?

Section 14: Finance Function

General Themes of Concern Within This Section

- Prescriptive Language
- Finance Team Duties
- Contradictions in Language

Section	Commentary / Unintended Consequences / Impact
14(1)	<p>Commentary</p> <ul style="list-style-type: none"> • Language in this section is more prescriptive than principles based • Finance’s involvement in budgeting, financial reporting, and analysis is not limited to oversight. The finance function is required to execute many of these functions for the credit union and participate in

	<p>the day-to-day operations of the credit union. The finance function is an integral part of managing the credit union to make informed decisions for sustainable operations.</p> <ul style="list-style-type: none"> Recommend removing the word “independent” <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> Inability to operate with ease across various teams and needs Providing greater detail than required may inadvertently codify details and elements where more flexibility is intended or needed.
14(2)	<p>Commentary</p> <ul style="list-style-type: none"> Clarity around “advise the CEO and Board” beyond items relating to 14(1). Does 14(2) ii contradict what is set out in S. 10(5) where it states, “individuals responsible for conducting activities of oversight functions shall be independent of the credit union and its subsidiaries operational activities and businesses”? We are confused with how these sections relate back to 10(5) in various manners. <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> Confusion in relation to CFO abilities to support various functions, duties and roles. Is the intention that a CFO’s role is limited to advisory and they are not able to make decisions? Language does not link well to actual operational duties of the Finance Team. Providing greater detail than required may inadvertently codify details and elements where more flexibility is intended or needed.

Section 15: Operational Management

General Themes of Concern Within This Section

- Prescriptive Language
- Independence of Senior Management
- Clarity on CFO Role

Section	Commentary / Unintended Consequences / Impact
15(1)	<p>Commentary</p> <ul style="list-style-type: none"> Feels prescriptive, suggest removing procedures and processes from Board requirement (ii). How can Senior Management, in particular the CFO and CRO, do the things listed here without violating independent oversight concepts throughout the rule? <p>Unintended Consequences and Impact</p> <ul style="list-style-type: none"> Contradictions between
15(2)	<p>Commentary</p> <ul style="list-style-type: none"> Sections feels overly detailed and prescriptive “Management” is not a defined term in the rule. CFO would be limited to an advisory role, based on current language, and then it notes they can advise but not make decisions outside scope. Not sure how that works when Senior Management would decide as a group/collective?

	<p>Unintended Consequences and Impact</p> <ul style="list-style-type: none">• Confusion within Executive Teams, especially CRO and CFO, around role clarity, participation in decision making (individual and group), and independence requirements.• Providing greater detail than required may inadvertently codify details and elements where more flexibility is intended or needed.
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