



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem



# The Role of Compliance Officers in Credit Unions

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- Overview of the new regulatory framework for credit unions
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## New regulatory framework for credit unions - background

- On 31 March 2012 the Commission on Credit Unions made recommendations to strengthen the regulatory framework for credit unions including:
    - More effective governance and regulatory requirements
    - Introduction of Fitness and Probity for credit unions
  - On 24 September 2012, the Minister for Finance commenced Part 3 of the Central Bank Reform Act 2010 for credit unions
  - On 19 December 2012 the Credit Union and Co-operation with Overseas Regulators Act 2012 (“2012 Act”) was enacted – reflected many of the recommendations of the Commission on Credit Unions
  - Support the ***introduction of a strengthened regulatory framework*** for credit unions to:
    - ***protect the financial stability of individual credit unions; and***
    - ***allow prudent development of the credit union sector***
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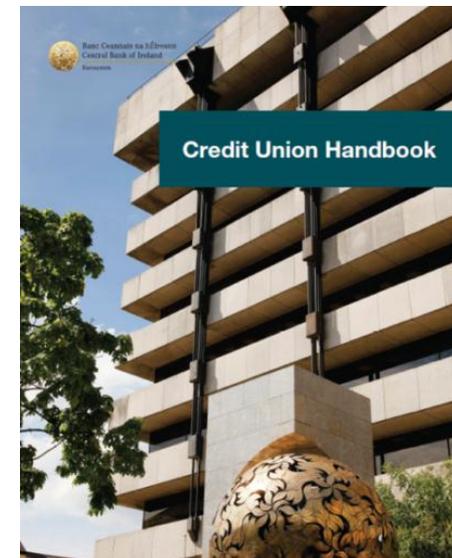
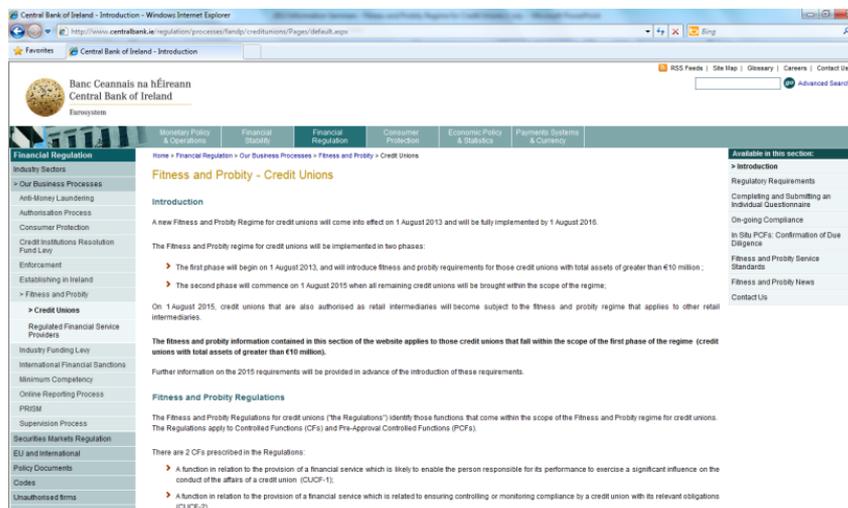
# New Regulatory Framework for credit unions

1 August 2013	<ul style="list-style-type: none"><li>• <b>Tailored Fitness &amp; Probity regime for credit unions –(credit unions with assets &gt; €10m)</b></li><li>• <b>Administrative Sanctions Procedure</b> - Part IIIC of the Central Bank Act, 1942 to be applied to credit unions from 1 August 2013. Applies the administrative sanctions procedure to credit unions</li><li>• <b>Appeals to IFSAT</b> - Part VIIA of the Central Bank Act 1942 applied to credit unions. Appealable decisions can be appealed to IFSAT</li></ul>
11 October 2013	<ul style="list-style-type: none"><li>• <b>New governance and prudential requirements</b> - majority of the new and governance and prudential requirements inserted into the 1997 Act by the 2012 Act commenced</li><li>• <b>Revised ‘Section 35 Regulatory Requirements for Credit Unions’</b> (previously issued in 2010)</li></ul>
3 March 2014	<ul style="list-style-type: none"><li>• <b>Small number of provisions related to governance requirements</b> (reduction in board size, reporting requirements)</li></ul>
TBC	<ul style="list-style-type: none"><li>• <b>Provisions to support introduction of a Tiered Regulatory Approach</b> (consultation paper issued December 2013)</li></ul>



# New Regulatory Framework for credit unions

- The Central Bank has provided supporting materials to assist credit unions:
- **'Fitness and Probity - Credit Unions'** section on Central Bank Website
- **Credit Union Handbook** – available on Central Bank Website





# New Regulatory Framework for credit unions

## ➤ Fitness & Probity – who does it apply to?

## ➤ CFs - Controlled Functions

**CUCF-1 :** Significant influence function

**CUCF-2 :** Ensuring, controlling or monitoring compliance function

### CUCF-1 Examples

- Board of directors
- Chair
- Manager and Management Team
- Risk management officer
- Committees: Credit, Credit Control, Membership, Nomination
- Other significant influence functions

### CUCF-2 Examples

- Board oversight committee
- Compliance officer
- Money laundering reporting officer
- Internal audit function
- Other functions involved in compliance

## ➤ Credit union identifies CF roles





# New Regulatory Framework for credit unions

## ➤ PCFs - Pre-Approval Controlled Functions

**CUPCF-1:** Chair of the board of the credit union

**CUPCF-2:** Manager of the credit union

➤ Subset of Controlled Functions (CFs)

➤ Cannot be appointed to role without pre approval by Central Bank

➤ Individual Questionnaire – Regulatory Transactions Division





## 2012 Act - New Prudential Framework

- Amends existing sections 1997 Act

Savings

Borrowing

Lending

Investments

Reserves

Liquidity

Governance

- Introduces additional sections into 1997 Act – **11 October 2013**

Strategic  
Plan

Risk  
Management  
Systems

Systems and  
Controls

Risk  
Management  
Officer

Compliance  
Officer

Internal  
Audit  
Function

Operational  
Risk

Records  
Management

Information  
Systems

Management  
Information

Business  
Continuity  
Plan

Outsourcing

Provisions remain to be commenced – existing requirements apply



## **11 Oct 2013 - New Governance Requirements**

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- New governance framework introduced in Part IV of the 1997 Act
  - Governance arrangements to ensure effective oversight of the credit union
  - Board remains responsible for the general control, direction & management of the credit union
  - Separation of responsibilities for oversight and execution
  - Clear organisational structure - documented roles & responsibilities
  - Sets out the governance structure for the credit union including the functions & operation of specific roles
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## Key Roles within the new regulatory framework

- New regulatory framework refers to specific roles within credit unions
    - Members of board of directors
    - Chair of the board of directors
    - Board committees
    - Board oversight committee
    - Manager
    - Internal audit function
    - Risk management officer
    - Compliance officer
  - All important elements of the governance structures for credit unions
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# Risk management

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- In relation to risk management credit unions are required to have:
    - Risk management system
      - Risk management policy
      - Risk management process
      - Risk register
      - Systems and controls
    - Risk management officer
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# Compliance

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- In relation to compliance credit unions are required to have:
    - Compliance programme
      - Compliance policy
      - Compliance plan
    - Compliance officer
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## Responsibilities of the compliance officer

- Under section 76D(4) of the Credit Union Act, 1997
  - “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 conflicts of interest arises.”*



## Responsibilities of the compliance officer

- Central Bank has issued guidance on the responsibilities of the compliance officer – these include:
    - Fostering and encouraging a culture of compliance
    - Ensuring they are familiar and up to date with all statutory and regulatory requirements and guidance
    - Ensuring they stay informed of emerging statutory and legal requirements - notify relevant officers
    - Advising the board on new and impending statutory and regulatory requirements and guidance
    - Developing and implementing an annual compliance plan
    - Monitoring the activities of the credit union under the compliance plan
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## Responsibilities of the compliance officer cont'd

- Monitoring systems and controls
  - Monitoring member complaints process
  - Reporting compliance exceptions and breaches to the board and the manager
  - Reviewing proposals
  - Updating compliance policy and plan
  - Ensuring sufficient ongoing training is being undertaken
  - Supporting directors and the manager in meeting their compliance requirements
  - The compliance officer should provide reports on the compliance programme to the board and the manager on a quarterly basis
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# Compliance Programme

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- Key elements of a compliance programme should include:
    - Compliance policy
    - Compliance plan
    - A review of the compliance policy and plan by the board at least annually
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## Compliance policy

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- **The compliance policy should include:**
    - Objectives of the compliance policy
    - Organisational arrangements
    - Processes – including monitoring and reporting mechanisms
    - Process to ensure culture of compliance is promoted
    - Reporting arrangements
    - Process and timelines for the approval, review and update of the compliance policy by the board
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# Compliance plan

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- **The compliance plan should include:**
    - Objectives and scope of the compliance plan
    - Organisational arrangements
    - Detailed work programme – how credit union will implement compliance policy
    - Resources required to implement plan
    - Reporting arrangements
    - Process and timelines for the review, approval and update of the compliance plan by the board
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## **Review of compliance policy and plan by the board of directors**

- The functions of the board include approving ,reviewing and updating the compliance plan and policies
  - In reviewing the compliance policy and plan board should take account of changes to:
    - Compliance obligations
    - Credit unions strategic plan
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## Conclusion

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- Since 11 October 2013 all credit unions are required to have a compliance officer
  - Fitness & Probity - the compliance officer is a CF role (CUCF-2)
  - Key role in credit unions' governance framework - responsibilities include:
    - Fostering and encouraging a culture of compliance
    - Staying informed and up to date – notify relevant officers
    - Monitoring and reporting
  - Compliance officer should have:
    - adequate time and resources to carry out their functions
    - necessary authority to conduct their activities in an effective and independent manner
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# Questions

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