

# Guideline

## Addressing Potential Conflicts of Interest of Key People Employed within Credit Unions

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### INTRODUCTION

The purpose of this Guideline is to outline BC Financial Services Authority's ("BCFSA") expectations of how credit unions handle conflicts or potential conflicts of interest involving key persons, such as senior officers. Specifically, this Guideline is intended for those key persons who are engaged in employment or have contracts outside of their role with the credit union.

### BACKGROUND INFORMATION

Credit unions have a structure that relies on key persons (such as senior officers) to oversee the day-to-day operations of the credit union. "Key person(s)" for the purposes of this Guideline is broadly defined as senior officers or other persons who hold integral strategic and/or operational roles within the credit union.

Key persons may be engaged or seek to engage in additional employment opportunities or other contracts outside of their role with the credit union that may constitute a conflict of interest. BCFSA expects that these conflicts are disclosed to the Conduct Review Committee ("CRC") of the Board of Directors.

A conflict of interest includes, but is not limited to, any circumstances that have potential to:

- Influence a person's decisions or conduct;
- Have a non-trivial impact on the financial situation of a person or entity in which that person has a significant interest;
- Interfere with a key person's employment duties with the credit union;
- Create a situation where the interests (financial or non-financial) of a key person and those of the credit union are, or may be, inconsistent or divergent; or
- Influence key persons to put their (or competing) interests ahead of the credit union's.

### REGULATORY EXPECTATIONS

Under Section 112(2) of the *Financial Institutions Act*, the CRC must establish written procedures designed to identify, prevent, and resolve conflicts of interest.

It is BCFSa's expectation that in the circumstance where key persons are engaging in employment opportunities or other contracts outside of their role with the credit union that may constitute a conflict of interest, they must proactively disclose all relevant information relating to the conflict to the credit union's CRC. The CRC will then review the particulars of the conflict of interest such that real, perceived, or potential conflicts of interest may be assessed and appropriately addressed.

BCFSa expects that the procedures undertaken by the CRC include, at minimum, an in-depth review of contracts and other documents pertaining to all such engagements. The review of the particulars of all engagements should include, but not be limited to, a review of real or perceived conflicts of interest, scope of duties, time commitments, duration of engagement, and so forth. After its review, the CRC must either:

- Approve the engagement(s), and outline appropriate actions to reasonably mitigate any conflicts or potential conflicts of interests; or
- Deny the engagement(s).

The CRC may wish to seek input from the credit union's legal counsel during its review.

Under Section 75.1 of the *Credit Union Incorporation Act*, a committee of the credit union's directors must record minutes of all its meetings. It is BCFSa's expectation that the CRC properly documents the discussion and its decision to approve or deny each engagement in the committee meeting minutes.

If you have questions concerning this Guideline, please contact your Relationship Manager.