



CREDIT UNION

Cayman Islands Civil Service Association
Co-operative Credit Union Limited

Terms of Reference for Board and Committees

May 2023

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1. BACKGROUND

- 1.1. The roles of the Board and Credit and Supervisory Committees are set out in the Credit Union Rules and governed by the Cooperative Societies Act.
- 1.2. The Rules were last revised in 2012, are prescriptive, and do not reflect the current operations and planned future state of the Credit Union.
- 1.3. In 2019, during an inspection of the Credit Union, the Cayman Islands Monetary Authority ("**CIMA**") required that the Rules be updated to reflect current operations and terms of reference for the Board and Committees of the Credit Union. As such the Board reviewed the current Rules and planned for a Special General Meeting in April 2020.
- 1.4. Due to the COVID-19 Pandemic, this Meeting was not held; however, the review of the Rules by the Board, Credit Committee, and Supervisory Committee resulted in the following proposed Roles and Functions of Members, Board and Committees of the Credit Union, which were approved by members at the 2020 Annual General Meeting.

2. ROLE AND FUNCTIONS OF MEMBERS OF THE CREDIT UNION

- 2.1. Members of Credit Unions place the successful operation of their Credit Union squarely on the shoulders of the Board of Directors and, to a lesser extent, on the Credit and Supervisory Committees. They very often fail to realize that the successful operation of their Credit Union starts with them, the members in Annual General Meetings. If members fail to perform their functions effectively, then their Credit Union may not be successful.
- 2.2. Members have eight (8) major functions to perform at Annual General Meetings. These are as follows:
 - a) Electing the Board of Directors, Credit and Supervisory Committees and representatives to other organisations;
 - b) Receiving reports on operations for the previous financial year, from the Board of Directors, the Treasurer and Auditor and the Supervisory and Credit Committees;
 - c) Amending the Rules;
 - d) Deciding on the maximum liability;
 - e) Deciding on the appropriation of surplus;
 - f) Expelling members;
 - g) Calling Special General Meetings, if necessary; and
 - h) Deciding/voting on special resolutions.
- 2.3. Special emphasis must be placed on the responsibility to elect Board and Committee members. If members fail to elect suitable persons to the Board and Committees, the organization may fail to operate as a viable entity.

- 2.4. The Board of Directors exercises strategic leadership and is the planning and policy-making arm of the Credit Union, therefore the long-run viability, growth, and development of the Credit Union hinges, to a very large extent, on the Board of Directors.
- 2.5. The Nominating Committee, in the execution of its functions, acts on behalf of the members and should see itself as assuming the responsibility of the membership.

3. FIDUCIARY FUNCTIONS OF THE BOARD OF DIRECTORS

- 3.1. The functions of the Board of Directors are wide and diverse. For the purpose of this Manual, the major functions are as follows:
 - a) Overall leadership, direction, and control of the affairs of the Credit Union;
 - b) Development of policies to guide the successful operations of the organization;
 - c) To set the **risk** appetite of the Credit Union and then to ensure it has a **risk management** framework to identify and **manage risk** on an ongoing basis;
 - d) Entering contracts on behalf of the Credit Union;
 - e) Receiving reports from the Chief Executive Officer;
 - f) Reporting to members at Annual General Meetings;
 - g) Calling Annual and Special General Meetings;
 - h) Ensuring that the Credit Union's Rules, the Co-operative Societies Act and Regulations, and other relevant legislation are complied with;
 - i) Recommending amendments to Rules;
 - j) Approving acquisition and disposal of fixed assets;
 - k) Ensuring on-going education and training of members, volunteers and staff;
 - l) Maintaining good public relations;
 - m) Ensuring the provision of competent and adequate personnel and facilities for efficient operation of the Credit Union, which are adequate for the Credit Union's size, complexity, structure, and risk profile;
 - n) Monitoring and evaluating the performance of the Credit Union;
 - o) Filling vacancies on the Board and Credit Committee between Annual General Meetings;
 - p) Ensuring that members' funds and the assets of the Credit Union are adequately protected;
 - q) Appointing relevant committees to assist the Board's functioning;
 - r) Equipping themselves with the requisite skills and knowledge to effectively perform their functions; and
 - s) Attending the requisite courses for certification as Credit Union Professionals.

4. DUTIES OF THE EXECUTIVE OFFICERS OF THE BOARD

4.1. Chairman

- a) The Chairman is the leader of the Board of Directors. It is the responsibility of the Chairman to guide the meetings of the Board, to ensure that the objectives of meetings are met and that every participant is given a fair chance to articulate his/her views.
- b) The duties of the Chairman are as follows:
 - (1) To preside over all meetings of the Board and of the members, except Special General Meetings called by the Supervisory Committee.
 - (2) To sign, with the Secretary, the minutes of meetings of the Board of Directors and Annual General Meetings.
 - (3) To countersign contracts and other legal documents on behalf of the Credit Union.
 - (4) To call Special Meetings of the Board and members when necessary or upon proper request.
 - (5) To report on behalf of the Board, to the members at the Annual General Meetings, on the affairs and performance of the Credit Union.
 - (6) To act as the Public Relations Officer of the Board of Directors.
 - (7) To lead and guide the Board in its deliberations and oversight of the Credit Union.
- c) All duties to be performed by the Chairman are to be consistent with the Credit Union's Rules, the Co-operative Societies Act, regulations and CIMA's regulatory measures, when enacted. An active Chairman will prevent the Credit Union from coming under the dominant influence of any one person or group of persons.

4.2. Vice Chairman

- a) The Board of Directors may elect one or more Vice Chairmen. If more than one is elected, distinction must be given in descending order, such as first and second.

4.3. Duties of the Vice Chairman are as follows:

- a) To act in the absence of the Chairman;
- b) To perform any other duties assigned by the Board of Directors; and
- c) To assist the Chairman as he presides over Annual General and other meetings.

4.4. The Secretary

- a) The Secretary is the administrative officer of the Board, responsible for recording the minutes of the Board and the Annual General Meeting accurately and completely, as well as notifying the officers and members of meetings of the Credit Union.

4.5. Duties of the Secretary

- a) To prepare and maintain full and correct records of all meetings of the members and of the Board.
- b) To sign, with the Chairman, the minutes of meetings of the Board of Directors and Annual General Meetings.
- c) To authenticate documents or signatures which bind the Credit Union and certify that resolutions are correct.
- d) To safeguard the corporate seal of the Credit Union.
- e) To issue or cause to be issued proper notice of all meetings in accordance with the Rules and the Co-operative Societies Act.
- f) To ensure that original minutes and the relevant reports are on file at the Credit Union's office.
- g) To oversee preparation of correspondence for the Board of Directors.
- h) To keep track of Directors' and Committee Members attendance at Board meetings and inform the Chairman of excessive absence.
- i) To ensure that files of contracts and corporate level correspondence are properly maintained.

4.6. The Treasurer

- a) The Treasurer is responsible for the Board Oversight of financial matters such as monthly financial reports, annual budget, annual audit, internal audits, and material risks.

4.7. Duties of the Treasurer

- a) To provide the Board with knowledge, assessments and insight into the financial plans, controls, and results of the Credit Union.
- b) To ensure that the operations of the Credit Union comply with the Co-operative Societies Act, regulations and regulatory measures issued by CIMA and other relevant operating standards and legislation.
- c) To present the Treasurer's and other financial reports of the Credit Union to the members at Annual General Meetings.
- d) Ensure that the annual audited accounts are forwarded to the Registrar of Cooperatives and CIMA within the prescribed period.

5. EXPERTISE AND KNOWLEDGE COLLECTIVELY REQUIRED BY MEMBERS OF THE BOARD

5.1. The Board of Directors should comprise a diversity of skills in:

- a) Strategic business management and planning;
- b) Internal control;

- c) Financial management and accounting;
- d) Human resource management;
- e) Management of legal matters;
- f) Marketing;
- g) Information Technology;
- h) Public speaking;
- i) Credit administration;
- j) Governance;
- k) Risk management;
- l) Leadership;
- m) Change management;
- n) Applicable legislation in relation to the Credit Union's operations; and
- o) Cybersecurity.

6. DUTIES OF INDIVIDUAL MEMBERS OF THE BOARD

- 6.1. All members of the Board should be Credit Union members in good standing, unselfish, sincerely interested in the good of the organisation and its members, behave ethically, avoid partisan politics, be objective, possess good social values and have courage to make unpopular decisions for the good of the Credit Union and its members.
- 6.2. Board members must act in the best interests of the Credit Union and relevant stakeholders and put their interests ahead of the Board members' own interests.
- 6.3. Each member of the Board shall devote sufficient time to the role in support of effectively and efficiently executing associated responsibilities. To assist, the Credit Union will provide non-executive board members, on an annual basis, a letter outlining the time commitment expected to fulfil the role of member of the Board.
- 6.4. Each individual member of the Board must act in good faith, honestly and reasonably, and exercise due care and diligence. They should exercise independent mind and judgment in decision making.
- 6.5. Each individual member of the Board must maintain knowledge and understanding of the Credit Union's business and update their knowledge periodically, consistent with changes in the industry, regulatory landscape, or Credit Union's business.
- 6.6. Where complaints or issues are raised, each member of the Board must make inquiries to satisfy themselves that an appropriate and timely course of action is taken to address the concern. Concerns raised and related corrective action should be documented.

7. ROLE AND FUNCTION OF THE CREDIT COMMITTEE

7.1. The Credit Committee has overall responsibility for the Loan Portfolio and Credit Administration of the organisation, guided by the Credit Policy laid down by the Board of Directors. However, the Credit Committee may delegate some of its responsibilities to appointed Loans Officers employed by the Credit Union. The Credit Committee is also responsible for the promotion of thrift and the encouragement of wise use of credit.

7.2. The functions of the Credit Committee are as follows:

- a) Studying and implementing the Credit Policy of the organization;
- b) Recommending amendments to the Credit Policy, where necessary;
- c) Require that loan applications and agreements are properly completed with all required information prior to submission to the committee;
- d) Evaluation and decision making on member loan requests;
- e) Conducting interviews with loan applicants where required;
- f) Determining the adequacy of security for loans;
- g) Financial counseling to members where required;
- h) Ensuring that delinquency is effectively controlled through the committee's evaluation and approval of loans; and
- i) Submitting monthly reports to the Board of Directors and an Annual Report to the members at Annual General Meeting.

7.3. Duties of the Credit Committee's Chairperson

- a) The Chairperson is responsible for calling meetings of the Committee, developing the agenda for meetings along with the Secretary. This person should have good leadership skills, be knowledgeable in credit administration, loan underwriting and evaluation and have a very good understanding of the Credit Union's Credit Policy, rules, delinquency control policy and applicable legislation.
- b) The Chairperson is also responsible for presenting the committee reports to the Board and the Annual General Meeting.

7.4. Duties of the Credit Committee Secretary

- a) The Secretary prepares and maintains the records of all actions taken by the Committee. Since these records serve as significant internal control material, importance must be placed on their accuracy and detail.
- b) The records of meetings should be prepared during or immediately after a meeting and should be signed by the Chairperson and Secretary. The Secretary should also have good recording skills.
- c) The Secretary also prepares committee reports for presentation to the Board and the Annual General Meeting.

8. EXPERTISE AND KNOWLEDGE REQUIRED BY MEMBERS OF THE CREDIT COMMITTEE

8.1. The Credit Committee should be comprised with a diversity of skills in:

- a) Business loan granting;
- b) Credit administration including loan analysis and granting;
- c) Project appraisal, monitoring and implementation;
- d) Delinquency Control and Collections;
- e) Securities evaluation and execution;
- f) Financial counseling;
- g) Cash flow projection; and
- h) Knowledge of applicable legislation.

8.2. In addition, members of the Credit Committee should keep up to date with economic conditions, investment options, interest rate trends and general financial information. They should have good interpersonal and analytical skills. Members should also be tactful, have excellent listening skills and the ability to handle confidential matters in a businesslike manner.

9. ROLE AND FUNCTION OF THE SUPERVISORY COMMITTEE

9.1. The Supervisory Committee is charged with the responsibility of being the Internal Audit Committee of the Credit Union for and on behalf of the members. The primary purpose of the **audit committee** is to provide oversight of the financial reporting process, the **audit** process, the company's system of internal controls and compliance with laws and regulations. This includes:

- a) Playing the lead role in the engagement and supervision of the full time Internal Auditor.
- b) Review of risk management through reports of the Chief Risk and Compliance Manager and audit of the Risk Management & Compliance function.
- c) Arranging for and supervising the internal audits and receiving reports of these audits.
- d) Requiring the adequacy of internal control systems and procedures and adequate management of risks.
- e) To make recommendations to the Board on the appointment, re-appointment, or replacement of the Credit Union's external auditor.
- f) Liaising with the Credit Union's external auditor in the conduct of this audit.
- g) Authority to engage advisors on financial and internal control matters.
- h) Dealing with member complaints.

9.2. The **primary objectives** of this Committee are:

- a) Requiring that the Board of Directors provides oversight of the Credit Union as a safe and sound financial institution.
- b) Ensuring that the interests of the members are protected,
- c) Requiring that the Board of Directors, Credit Committee, and staff comply with the laws, rules, and policies of the Credit Union and
- d) Requiring that every transaction that is carried out in the Credit Union conforms to prudent and transparent business practices.

9.3. The main functions of the Supervisory Committee are as follows:

- a) Determining compliance with the Rules of the Credit Union, the Co-operative Societies Act, regulations, and regulatory measures issued by CIMA, and other relevant laws in the Cayman Islands.
- b) Review the adequacy and effectiveness of risk management.
- c) Anti-fraud policy-Ensuring that no irregular or unauthorized transactions are carried out by either employees or volunteers, or any parties connected to these persons
- d) Determining the reliability and integrity of financial and operating systems and information.
- e) Checking on the Credit Union's Credit Administration to ensure that delinquency is kept under control and that securities are adequately endorsed in the Credit Union's favour.
- f) Ensuring that meetings of the Supervisory Committee are properly arranged and conducted and that proper records of same are kept.
- g) Evaluating whether the policies and procedures established by the Board of Directors are documented and adhered to.
- h) Evaluating the adequacy of the Internal Control systems and making recommendations to the Board of Directors for improvement where necessary.
- i) Ascertaining whether the established systems of internal control provide reasonable assurance to the members that the assets of the Credit Union are adequately protected to ensure safeguards against errors, carelessness and fraud.
- j) Ensuring that the selection of the external auditors is done in a transparent manner and in conformity with all relevant rules/regulations.
- k) Ensuring that external auditors maintain independence and objectivity in carrying out audits.
- l) Evaluating the Credit Union's compliance with applicable legislation and making recommendations to the Board of Directors where necessary.
- m) Receive and investigate any complaint made by any member affecting the proper running of the Credit Union in accordance with the Member Feedback Policy approved by the Board.
- n) By a majority of its members, call a Special General Meeting of the members to consider any violation of the rules of the Credit Union or any practice of the Credit Union, which in the opinion of the Committee is unsafe and unauthorized.

9.4. Duties of the Supervisory Committee Chairperson

- a) The Chairperson is the leader of the Committee and is responsible for:
 - (1) Calling meetings of the Committee and presiding over these meetings.
 - (2) Carrying out the directives of the Committee and ensuring that a copy of the report of the Committee is forwarded to the Board on a timely basis.
 - (3) Presenting the Committee's report to the Annual General Meeting

9.5. Duties of the Secretary of the Supervisory Committee

- a) The main duties of the Secretary of the Supervisory Committee are:
 - (1) Recording accurately the minutes of meetings of the Committee and documenting of the findings from audits.
 - (2) Informing members of the Committee of meetings and producing the report of the Committee for the Board and for the Annual General Meeting.

10. EXPERTISE AND KNOWLEDGE REQUIRED BY MEMBERS OF THE SUPERVISORY COMMITTEE

10.1. The Nominating Committee should ensure that nominees to this Committee have knowledge and experience in:

- a) Auditing, Accounting and Financial Management
- b) Business Administration
- c) Internal Control
- d) Computing
- e) Risk Management

10.2. In addition to the skills mentioned above, members of the Supervisory Committee should also:

- a) Possess good inter-personal skills;
- b) Be scrupulous;
- c) Maintain high ethical standards;
- d) Have strong leadership skills;
- e) Be good communicators; and
- f) Not be afraid of opposition.