

Governance Principles

External Governance

All financial institutions, regardless of type, are expected to comply with these basic standards of transparency, auditing and financial reporting. Credit unions should comply with the International Credit Union Safety and Soundness Principles and their national legal and regulatory frameworks.

Internal Governance

Unlike for-profit entities, credit unions exist to serve their members. Thus, credit unions must address this additional layer of governance related to their democratic, member-driven nature. This includes a commitment to “one member, one vote,” as well as adherence to the International Credit Union Operating Principles and the role of the general assembly as the highest governing body.

Individual Governance

In order to perform their collective duties, the individual board members and managers have an obligation to maintain ethical conduct and professionalism and to speak with a single voice once board decisions have been made. Board members are also expected to possess the skills and technical capacity necessary to fulfill their duties.



Governance is the system designed to control and distribute power within an organization. The International Credit Union Governance Principles are ideals to be achieved and are intended to apply to credit unions, not to credit union associations. These Principles address the challenges of organizational power within credit unions at three separate levels. The board and managers, as a cohesive unit, ensure the credit union’s compliance with issues related to external and internal governance. In order to achieve this goal, each board member has a duty to adhere to the principles of individual governance.



External Governance

Transparency

- The board should commit to regular, honest communication of its activities with members, regulators and the general public in the spirit of full disclosure.
- Financial statements, compliant with generally accepted accounting principles and local regulatory standards, should be made available to members and the public.

Compliance

- The board is expected to comply with both the letter and spirit of regulation, to cooperate fully with its regulatory body and to comply with national laws.
- The board should ensure that the credit union meets or exceeds the International Credit Union Safety and Soundness Principles as well as any other relevant standards for financial institutions.
- The credit union should undergo annual external audits within 90 days of the end of each fiscal year.
- The audit relationship should be reexamined frequently and consideration be given to changing the auditor at least every 3-5 years in a competitive bidding process.

Public Accountability

- The board of directors and management must be constantly cognizant of responsibilities to governmental structures, including but not limited to regulators, legislative bodies, the media, the community and the public.



Internal Governance

Structure

- The board of directors should be composed of an odd number, no less than five and no greater than nine.
- Consideration should be given to the rotation of directors.
- Interested general members who comply with the standards of individual governance can stand for nomination.
- The board should encourage dialogue with general members at the annual general meeting.
- The annual general meeting of the general assembly of members should be adequately promoted to ensure sufficient member participation.

Continuity

- The board should create strategies to maintain the competitiveness and sustainability of the credit union.
- The board should create succession plans for both directors and management that ensure the continued existence of the credit union.
- The board should approve a disaster management and recovery plan.

Balance

- The composition of the board should aim to adequately reflect the demographic makeup of its members and balance the financial service demands of members.
- The board should seek to balance diversity and experience, but all directors must meet the standards of individual governance.

Accountability

- The board is formally accountable to the general assembly of members, which is the highest governing body.
- The roles and responsibilities of the board, committees and managers should be established clearly in the bylaws or other policies.
- It is the duty of the board to establish strategic direction, approve policies and monitor management's implementation of these policies and achievement of targets.
- It is the duty of management to prepare the plan and budget, undertake operations, implement the policies approved by the board and achieve the targets set forth.



Individual Governance

Integrity

- The credit union should adopt a standardized code of conduct clearly explaining proper behavior.
- Directors or managers must not have criminal backgrounds, recent bankruptcies or penal backgrounds.
- Immediate family members should not serve on the board or in management at the same time.
- Board members must excuse themselves from participating in discussions and voting on matters from which they or their family have a potential conflict of interest.
- The board must approve loans to directors or management. All such insider loans must be made within the approved credit policy parameters and reported on a regular basis to the full board.
- Directors with loans more than three months delinquent will be removed from their position.

Competence

- All members of the board should have basic financial literacy, including the ability to interpret financial statements and standards, or commit to acquiring these skills through education or training within the first year of service.
- Individual members should have specialized financial or business skills and/or a member-focused viewpoint.

Commitment

- Directors should be willing and able to commit the necessary time to the credit union. Failure to attend board meetings may result in dismissal.
- Directors must respect the decisions of the board, adhering to all policies that have been adopted, regardless of personal opinion.