



Stabilization Central

— CREDIT UNION —

**CREDIT UNION SUPPORT
FRAMEWORK**



CREDIT UNION SUPPORT FRAMEWORK

Structure

Stabilization Central Credit Union of British Columbia (Stabilization Central) is established in legislation under Section 282 of the Financial Institutions Act of British Columbia to perform specified supervision functions by delegation from the Minister of Finance and/or the Financial Institutions Commission (“FICOM”). Stabilization Central is a central credit union, owned and controlled by the credit unions of British Columbia with governance and oversight provided by a combination of Credit Union Directors, Officers and a limited number of independent Directors. Directors are voted in by B.C. Credit Unions on a one-member, one-vote structure.

Mandate

Stabilization Central Credit Union provides its owner-members with stabilization or support services, as well as related functions including monitoring and preventative services. In addition, Stabilization Central is authorized as the stabilization authority under Section 282 of the **Financial Institutions Act** (British Columbia) to perform specified supervision functions by delegation from the Financial Institutions Commission (“FICOM”) or the Minister of Finance.

Purpose

The provision of supervision, stabilization and support services to British Columbia credit unions is the fundamental accountability of Stabilization Central. Management of supervisory, stabilization and support activities therefore require an independent framework for oversight and guidance.

It is the objective of this framework that; regardless if the engagement is initiated by a regulatory body or by the credit union independently, the processes, procedures and format are systematic and predictable. This framework is designed to ensure that each stabilization assignment or undertaking has well defined objectives, accountability measurements, meet eligibility criteria, are adequately planned and resourced, both financially and with subject matter expertise, and are managed within scope.

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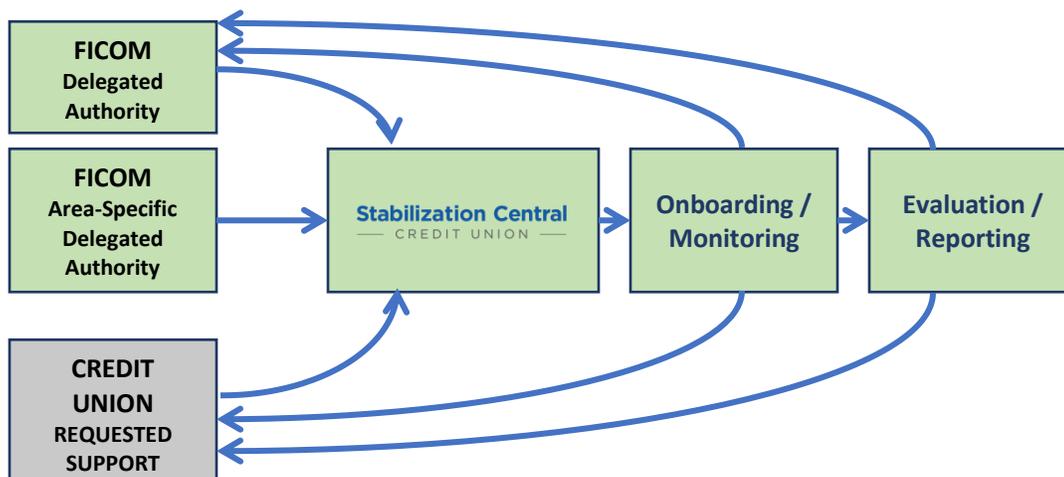
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General Approach

The engagement of Stabilization Central Credit Union by British Columbia credit unions varies by the nature, size, complexity and risk profile of the credit union and the level of delegated authority granted by regulatory authorities. Although the engagements delegated by regulatory authorities utilize the majority of the services of Stabilization Central, the vast majority of engagements are project-specific and initiated by credit unions seeking support and resources.

OVERVIEW OF CREDIT UNION SUPPORT FRAMEWORK



This framework applies to all engagements delegated by FICOM under Section 285 of the Financial Institutions Act (British Columbia) and independent engagements with an approved budget exceeding \$10,000 regardless if the work is funded by Stabilization Central Credit Union or the individual credit union. (See *Financial Services Policy*)

The arrows in the above graphic represent delegation or requests for support; process mapping and feedback loops to confirm appropriate reporting back to the Regulator and/or Credit Union.

All FICOM delegated engagements will be reported to the Stabilization Advisory Committee of the Stabilization Central Board of Directors on a quarterly basis, in accordance with the framework guideline.

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Principles

Following are the key principles which this framework is based upon and are core to the engagement work that Stabilization Central Credit Union undertakes for all work.

Principle #1 – Committed to Improving Credit Union Risk Profile

Stabilization Central Credit Union is committed to improving the credit union risk profile through the work that is undertaken. It is paramount that this commitment be pursued throughout the engagement via the resource or contractor assigned to the work.

Principle #2 – Dedicated to Credit Union Leadership Development

Stabilization Central Credit Union is dedicated to shared learning and supporting the credit union leadership in growing and strengthening the credit union knowledge. This includes the Boards of Directors and Senior Management of all levels. Although bound by confidentiality in the work that Stabilization Central conducts, we are committed to sharing with all credit unions to the limit of our ability.

Principle #3 – Forward-Looking Early Support

A key principle is to strive to be proactive and seek ways to identify early warning risk factors or trends that are relevant and can be mitigated by work that Stabilization Central Credit Union can deliver or support.

Principle #4 – Understanding the Credit Union History and Philosophies

It is paramount that Stabilization Central Credit Union understand and support the credit union mission, values and philosophies in working with the credit union to improve the processes or profile of the organization. The credit union members are the primary focus of any engagement; ensuring that they are considered in all work that is undertaken.

Principle #5 – Dynamic Adjustment

During engagement work that is undertaken by Stabilization Central directly or through contractors, it is important that the engagement is fluid and can be adjusted to meet criteria of the regulatory body and/or the credit union.

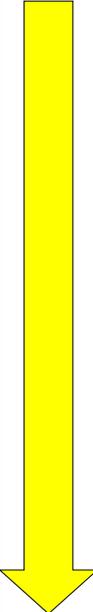
Principle #6 – Seek Additional Value-Added Initiatives

It is the commitment of Stabilization Central Credit Union to constantly be seeking ways to add value and strengthen the British Columbia credit unions. This includes seeking ways to enhance or improve operations for credit unions in building value.



Credit Union Support Framework

Steps of Engagement	Regulator Delegated Supervision (Staged 1 – 4)	Regulator Directed Engagement (High Risk Issues)	Pro-active or Credit Union-Initiated Support						
			Governance Oversight	Capital / Liquidity	Credit	Operational Efficiency	Other		
Assessment	✓	✓	✓	✓	✓	✓	✓	✓	✓
Structured On-Boarding	✓	✓	✓	✓	✓	✓	✓	✓	✓
Assist & Monitor	✓	✓	✓	✓	✓	✓	✓	✓	✓
Evaluation	✓	✓	✓	✓	✓	✓	✓	✓	✓
Regulatory Sign-Off	✓	✓							
Post Engagement Effectiveness Evaluation/ Survey	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lessons Learned	✓	✓	✓	✓	✓	✓	✓	✓	✓



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Requirements

Each assignment or engagement will have:

- A Stabilization Central Relationship Manager responsible for the project, responsible for the project planning, management and validation of the project outcomes. The Relationship Manager is accountable for delivery of the project objectives, interfacing with the regulator and project communications.
- All engagements must follow the established policies, guidelines and practices in force at Stabilization Central. This includes ensuring third party contractors adhere to Stabilization Central policies and procedures. (Refer to *Policy for On-Boarding Contractors*)
- All authorities must be clearly defined with each engagement. Adequate resources must be allocated to the engagement, appropriate to the scope, complexity and risk of the engagement.
- Project scope must be clearly defined, aligned with the delegated assignment for oversight from FICOM or as defined by Stabilization Central. The project scope must describe the engagement objectives, bench marks if any, and timelines.
- The Stabilization Central Relationship Manager will establish an adequate plan for each engagement. The plan, depending on the defined scope of the project, will range from single-purpose to complex multi-faceted.
- The Relationship Manager must assess the risk and complexity of the engagement to enable the appropriate budgeting and sourcing of expertise to ensure successful completion of the engagement to achieve required outcomes.
- The Relationship Manager will provide, at a minimum, comprehensive quarterly reporting to the Stabilization Advisory Committee and external stakeholders as required and agreed upon. This is in addition to reporting to the credit union management and/or board of directors.
- Formal close-out procedures must be followed at the termination of an engagement. The close-out procedures will include a final financial report, performance evaluation related to established outcomes and credit union evaluation of the engagement.

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Engagement Activities

Each ‘*Step of Engagement*’ shown above in the ‘*Credit Union Support Framework*’ has defined processes to follow for each step of the engagement. The framework processes are dependent upon several variables in each engagement. For example; the availability of resources at the credit union or through stakeholders is a determinant in the ‘Assessment’, ‘Structured On-Boarding’ and ‘Assist and Monitor’ phases of the framework. As a result, each engagement will have unique requirements.

Details of each step in the framework are found in the individual agreements, guidelines and documents found in the appendices, if attached, or within the framework structure. A brief description of each step is shown below:

Assessment

The initial phase is ‘Assessment’, which will be undertaken to define the scope, anticipated outcomes, estimated timelines, budget and resources needed to complete the engagement. A Relationship Manager will be assigned to the engagement; typically with a Relationship Manager who has an established relationship with the leadership and/or board executive from other work that has been completed.

The assessment will be undertaken with interviews with the CEO/General Manager and/or the Board Chair, in addition to any other stakeholders who may contribute to the activities of the engagement.

The scope must be approved by the credit union leadership and board of directors prior to proceeding with the assigned work. The budget and resources allocated would only be approved by the credit union if the organization is funding the work directly. Alternatively, Stabilization Central would manage the budget and resourcing if the work was delegated or assigned by the regulatory body.

Structured On-Boarding

A project plan will be approved as part of the assessment approval of the credit union and provincial regulator, where applicable. The plan will be followed throughout the engagement and the on-boarding process aligned to comply with the approved plan.

On-boarding would include initial meetings with credit union leaders on the plan and allocation of resources required to undertake the work assigned.

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Assist and Monitor

Assist and monitor is the engagement work. This work may be through contractors; reporting directly to the Stabilization Central Credit Union Relationship Manager (“SCCU RM”), or directly by the SCCU RM; dependent upon the scope and magnitude of the engagement.

Monitoring requires regular reporting to the Board and/or to the provincial regulator as appropriate for the engagement. Frequency of reporting will be determined during the ‘Structured On-Boarding’ stage.

Evaluation

At regular intervals throughout the engagement an evaluation will be conducted on the progress and status of the work. The file will be evaluated against established parameters, budget and anticipated outcomes to the point of evaluation. This report is then distributed to stakeholders as determined by the credit union and/or the provincial regulator for those assignments under regulatory direction and oversight.

Regulatory Sign-Off

For those engagements that are under delegated authority or directed by FICOM, the regulator must sign-off completion of the work prior to closing of the file and work.

Post Engagement Effectiveness Evaluation/Survey

Upon completion of the engagement, as agreed upon by the credit union and Stabilization Central Credit Union, an evaluation is conducted with the credit union leadership/board of directors to provide feedback on the completed work and any areas for enhancing the outcomes. If the engagement is at the delegated authority or at the direction of FICOM, an evaluation will also be solicited from the regulator on the work and outcomes similar to the information gathered from the credit union evaluation.

Lessons Learned

Following the post engagement effectiveness evaluation and survey, a summary of lessons learned will be reviewed and shared with stakeholders as appropriate.

Close Out Procedures

Formal close-out procedures are defined and contained in the procedures appended to this framework. A checklist is also included for reference and confirmation that the procedures are followed.

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Responsibilities

The Relationship Manager is responsible for all aspects of the engagement. This includes, but is not limited to, ensuring sufficient financial and subject matter expertise is assigned to the engagement, appropriate timelines have been determined and desired outcomes are clearly defined with measurable objectives documented.

Stabilization Central utilizes a contractor model to ensure specific expertise is available for engagements. This is deemed the most practical, effective and efficient model for the broad scope stabilization activities engaged in. To support this, a broad directory of available, qualified, subject matter experts is actively maintained. (Refer to *The Contractor Matrix*)

Contractors are responsible for all duties and deliverables as detailed in their engagement contract. Contractors will be selected with consideration of specific required skills, experience and documented performance. Contractors must provide monthly written performance reports including; the current status of risks and issues, benchmarks achieved, work to be performed in the next period, forecasted estimate to completion or alignment with established timelines and additional relevant information.

Contracting Authority

The policy authority is the *Stabilization Central Credit Union Delegation and Procurement Policy*.

Monitoring

The Relationship Manager is responsible, on delegated authority from the Chief Executive Officer, for the day to day monitoring and general oversight of stabilization engagements. This responsibility includes managing the budget, timelines and effective delivery of required outcomes.

Framework Policies, Procedures and Directories

- Terms of Reference, Stabilization Advisory Committee
- Stabilization Central Credit Union Delegation and Procurement Policy
- Procedures for the On-Boarding of Contract Workers
- Contractor Expense Guidelines
- Contractor Matrix
- Close Out Procedures & Checklist