Viewing Model Policy: "Board of Director's Duties" (1100.12)

1100.12: Board of Director's Duties

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The Board of Directors of a Credit Union is charged with the general direction and control of the institution. [[CUname]] (Credit Union) recognizes the importance of the fiduciary duties of a director of the Credit Union and will support directors with needed support and training to meet their duties.

1. **GENERAL DUTIES OF DIRECTORS.**

   A. The Board of Directors is responsible for the general direction and control of the Credit Union. The Board may delegate operational functions to management, but not the responsibility for the Credit Union’s direction.

   B. A director must carry out his or her duties in good faith, in a manner reasonably believed to be in the best interests of the membership, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

   C. A director must administer the affairs of the Credit Union fairly and impartially and without discrimination in favor of or against any particular member.

   D. A director must have at least a working familiarity with basic finance and accounting practices, including the ability to read and understand the Credit Union’s balance sheet and income statement and the ability to ask, as appropriate, substantive questions of management and auditors.

   E. A director must direct the operations of the Credit Union in conformity with the [Federal or State] Credit Union Act, NCUA’s Rules and Regulations, other applicable laws, and sound business practices.

   F. A director may rely on information prepared or presented by employees or consultants the director reasonably believes to be reliable and competent and who merit confidence in the particular functions performed.

   G. The Board of Directors will promote a culture of compliance within the Credit Union based on FinCEN’s requirements in correlation with the Bank Secrecy Act (see Policy 2110 – Bank Secrecy Act/Anti Money Laundering Policy).

2. **FIDUCIARY DUTY.** The key measures of the Credit Union’s success or failure are represented in the Credit Union's financial statements. As such, a director must understand these financial statements to participate in a meaningful manner in the direction and control of the institution.

   A. At a minimum, a director should be able to examine the Credit Union’s balance sheet, income statement and be able to answer the following questions:

    i. What does this line item mean?

    ii. Why is it important to the Credit Union?

    iii. Is the value of the line item changing over time? If so, what does that change (either positive or negative) mean?

    iv. Is the change important to the Credit Union?

  B. Board members, at the time of election or appointment, or within a reasonable time thereafter (not to exceed six months), must have at least a working familiarity with basic finance and accounting practices, including the ability to read and understand the Credit Union's balance sheet and income statement and to ask, as appropriate, substantive questions of management and the internal and external auditors.

    i. Board members who were elected or appointed who do not possess the requisite financial skills have six months from election or appointment date to obtain them.

    ii. Board members who already understand their Credit Union's financial statements and risk controls will not have to do anything further to meet the financial requirements of NCUA's Directors' Duties Rule.

3. **RISK DUTY.** A Credit Union director must understand the specific activities in which his or her Credit Union engages. In particular, a director must understand not only how these activities generate revenue for the Credit Union but also the various risks associated with these activities that could lead to financial loss.

  A. To do their job in a meaningful manner, it is essential that directors understand the risks found in depository institutions:

    i. Credit,

    ii. Liquidity,

    iii. Interest rate,

    iv. Compliance,

    v. Strategic,

    vi. Transaction, and

    vii. Reputation risk.

  B. Directors must understand the internal control structures at the Credit Union that limit and control these risks.

4. **MANAGEMENT DUTIES.**

  A. The Board must directly exercise its authority to hire, fire, determine duties, set compensation, and discipline senior management.

  B. The Board must ensure that appropriate policies are in place to guide senior management in the execution of their duties.

C. The Board may delegate other management functions to senior management.

D. Directors must ensure they are properly informed about what is happening in the Credit Union based on the input, information and reports of senior management, the supervisory committee and internal and external auditors. Where necessary, the Board may also request Credit Union employees provide information directly to the Board, and not through senior management.

i. The Board may hire consultants that report directly to the Board, and not to senior management.

5. **GOOD FAITH DUTY**. A director must carry out his or her duties in good faith, in a manner reasonably believed to be in the best interests of the membership of the Credit Union, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

A. Directors should take care not to violate the law, and not to be involved in decisions that benefit the director personally.

B. Directors should focus on the best interests of the membership as a whole.