

# Fit & Proper Policy

## **Regulatory Requirements**

- APRA Prudential Standards
  - CPS 520 Fit and Proper
  - CPS 510 Corporate Governance

## **Related Documents/Legislation**

Orange Credit Union Corporate Governance Policy

Orange Credit Union Whistle-blowing Policy.

Banking Executive Accountability Regime (BEAR)

## **Board Authority – Full Review**

28 July 2021

## **Effective Date – Full Review**

28 July 2021

## **Board Authority – Interim Amendment**

N/A

## **Effective Date – Interim Amendment**

N/A

**Review Date**

The Board will review and amend this policy annually.

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## 1. Context

The Credit Union is a licensed Australian Deposit-taking Institution ('ADI') regulated by the Australian Prudential Regulation Authority ('APRA').

The Credit Union is required to comply with APRA CPS 520 Fit and Proper (the Prudential Standard). The Prudential Standard:

- (1) Requires the Credit union to prudently manage the risk to its business or financial standing that responsible persons are not fit and proper
- (2) specifies that the Credit Union's Fit and Proper Policy must be appropriate to the circumstances of the Credit Union as part of the Credit Union's risk management system required by APS 310: Audit and Related Arrangements for Prudential Reporting
- (3) specifies that the Credit Union's Fit and Proper Policy must, as a minimum, address the following matters in a way that prudently minimises the risks from persons who are not fit and proper holding responsible person positions:
  - the competencies required for each responsible person position
  - the processes to be undertaken by the Credit Union in assessing whether a person is fit and proper for a responsible person position
  - the actions the Credit Union will take if it is not satisfied that a person is fit and proper for a responsible person position
  - the steps that the Credit Union will take to ensure that each of its responsible persons is aware of, and understands, its Fit & Proper Policy
  - adequate provision to allow whistleblowing if a person believes that a responsible person is not fit and proper
- (4) makes it the responsibility of the Credit Union's Board to approve the Credit Union's Fit and Proper Policy.
- (5) requires the Credit Union to implement its Fit and Proper Policy at all times in accordance with the requirements of CPS 520.

APRA's Fit and Proper Practice Guide APG 520 emphasises that, subject to the requirements of the Prudential Standard, the Credit Union should configure its Fit & Proper Policy in the way most suited to achieving its business objectives and taking into account its size, complexity and risk profile.

APRA has released a new version of CPS 520, which is to apply from 1 July 2017

It is the policy of the Credit Union to comply strictly with the requirements of the Prudential Standard and it is the objective of this Policy to ensure such compliance and, in particular, to ensure that the Credit Union's responsible persons are:

- (1) proper for an ADI
- (2) fit for the circumstances of the Credit Union.

This Fit and Proper Policy is part of the Credit Union's Risk Management Framework.

## 2. Circumstances of the Credit Union

The circumstances of the Credit Union relevant to an assessment of the fitness of its responsible persons are:

### *Mutuality*

The Credit Union is a financial cooperative owned by its members who are also its customers. The Credit Union:

- (1) conducts its business for the benefit of its members;
- (2) encourages the involvement of its members in the affairs of the Credit Union;
- (3) draws its directors from the membership; and
- (4) is organised on the basis of the Principles of Mutuality contained in the preamble to its Constitution.

Mutuality is evidenced in these ways:

- (1) each member holds one share in the Credit Union;
- (2) an individual cannot hold more than one share in the Credit Union; and
- (3) as a general rule, the Credit Union raises capital through retained earnings and, for this reason, does not pay dividends to members.

### *Management Infrastructure*

The Credit Union has a fulltime Chief Executive Officer responsible for the day-to-day management of the business of the Credit Union. The Chief Executive Officer is supported by a management team as detailed in the Credit Union's organisational chart.

### *Nature of the Credit Union's Business – Size Complexity and Risk*

The Credit Union's business comprises 3 parts:

- (1) a banking business involving the operation of deposit accounts – transaction, cash management and term deposit accounts – and non-cash payment facilities;
- (2) a lending business involving the provision of loans;
- (3) a general insurance and consumer credit insurance agency business.

The Credit Union's business can best be described as involving the provision of simple, easily understood and relatively risk-free financial services.

The Credit Union does not operate any subsidiary companies.

### *Regulatory Environment*

The Credit Union is highly regulated:

- (1) as an ADI by APRA;
- (2) as an AFS licence holder by ASIC; and
- (3) as a credit provider to consumers, by ASIC under National Consumer Credit Protection Act.

Since breach by the Credit Union in any of these three areas potentially threatens the capacity of the Credit Union to carry on business, the Credit Union is committed to complying with all of its regulatory obligations and effectively managing its regulatory risk.

In addition, as a financial services provider, the Credit Union's executives are "responsible officers" for FSR purposes and are accredited as such.

#### *Key Financial Indicators*

- Capital Adequacy ratio
- Liquidity ratio
- Operating Surplus as a Percentage of Average Assets
- Interest Rate Margin
- Loan Arrears as a Percentage of Total Loans

### **3. Identification of responsible person positions**

The Prudential Standard defines 'responsible person' for the Credit Union as:

- (1) Directors of the Credit Union
- (2) Senior Managers of the Credit Union
- (3) consultants and contractors performing the functions and duties of a Senior Manager
- (4) the external auditor
- (5) a person who performs activities for a subsidiary where those activities may affect the whole, or a substantial part, of the business of the Credit Union
- (6) persons determined in writing by APRA to be a responsible person upon it being satisfied that they play a significant role in the management or control of the Credit Union. or that the person's activities may materially impact on prudential matters.

The Prudential Standard defines 'senior manager' as a person other than a Director who has:

- (1) participation in decision-making that affects the whole or a substantial part of the Credit Union's business
- (2) has the capacity to significantly affect the Credit Union's financial standing
- (3) may materially affect the whole, or a substantial part of, the Credit Union's business or financial standing through their responsibility for:
  - enforcing policies and implementing strategies approved by the Board
  - developing and implementing processes or systems that identify, assess, manage or monitor risks in relation to business activities and operations
  - monitoring the appropriateness, adequacy or effectiveness of risk management systems.

The Practice Guide explains that:

- (1) the nature of the role and functions of a person, rather than the person's title, will determine whether the person holds a responsible person position
- (2) 'senior managers' will include, and generally not extend greatly beyond, managers reporting directly to the Chief Executive Officer as well as the managers responsible for key aspects of risk management

By applying these definitions to the Credit Union, the Board has identified the responsible person positions of the Credit Union listed in Annexure B.

APRA, under the Prudential Standard, may determine in writing that a person is not a responsible person if it is satisfied that the person does not play a significant role in the management or control of the Credit Union or that the person's activities do not materially impact on prudential matters. It is the Credit Union's policy to apply to APRA for such determinations in appropriate cases.

#### 4. (4.1) Criteria for assessing fitness and propriety

The Prudential Standard requires this Policy to address the matters the Credit Union will consider in determining if a person is fit and proper for a particular responsible person position. In particular, this Policy must:

- (1) document the competencies that are required for each responsible person position, including any training or induction processes required for the position for commencement and on a continuing basis
- (2) ensure that all of the criteria for assessing fitness and propriety are satisfied before a person can be assessed as fit and proper for a responsible person

The Prudential Standard provides that the criteria for assessing fitness and propriety for a responsible person position are whether for that person and position:

- (1) it would be prudent for the Credit Union to conclude that the person possesses the competence, character, diligence, honesty, integrity and judgment to properly perform the responsible person position
- (2) the person is not disqualified from holding the position
- (3) the person either:
  - has no conflict of interest in performing the duties of the position; or
  - if the person has a conflict, it would be prudent for the Credit Union to conclude that the conflict will not create a material risk that the person will fail to properly perform the duties of the position.

The Prudential Standard provides additional requirements for auditors including that the auditor:

- (4) is registered as an auditor under the *Corporations Act*
- (5) has five years of recent, relevant experience
- (6) is not the CEO or a director of the Credit Union, and not the CEO or director of a related body corporate
- (7) is a member of a recognised professional body
- (8) is ordinarily resident in Australia.

Although the Prudential Standard contemplates that the additional requirements for auditors will not apply in certain circumstances with the approval of APRA or in exceptional cases, it is the Credit Union's policy not to seek such an exemption.

The Practice Guide explains that:

- (1) the skills and experience required by each responsible person will depend on that person's role and this will be affected by the role undertaken by other responsible persons
- (2) where a person is found not to be fit and proper due to a lack of character, diligence, honesty, integrity or judgment, that person will not normally be suitable for any responsible person position
- (3) an assessment of fitness and propriety should address the matters in paragraph 13 of the Practice Guide to the extent relevant.

## 4.2 Interactions with Banking Executive Accountability Regime (BEAR) ‘accountable person’

The BEAR is an enhanced accountability framework established by amendments to the Banking Act 1959 for ADIs and persons in director and senior executive roles in 2018.

The BEAR sits alongside, rather than replaces or changes the existing CPS 520 Fit and Proper prudential framework. It imposes a heightened accountability regime on ADIs and people with significant influence over conduct and behaviour in an ADI.

It does this by creating a new definition of ‘accountable person’. An accountable person is a board member with oversight over the ADI or a senior executive with responsibility for management or control of significant or substantial parts or aspects of the ADI group, who has significant influence over the conduct of the ADI, such that the person’s behaviour or conduct could pose prudential risks to the ADI.

Accountable persons have ‘accountability obligations’ which require them to

- conduct themselves with honesty and integrity and
- take reasonable steps in conducting their responsibilities to prevent matters arising that would adversely affect the prudential standing or prudential reputation of the ADI.

### ***Who is an ‘accountable person’?***

Accountable persons are defined by adopting a combination of principle and prescription, so as to encompass individuals who, regardless of their position or title, are sufficiently senior to create a prudential impact as a result of their decisions.

An accountable person is defined as ***either***:

- (a) (i) in the case of an ADI an individual who holds a position in the ADI or in another body corporate of which the ADI is a subsidiary; or
- (ii) in the case of a subsidiary of the ADI an individual who holds a position in the subsidiary; and
- (b) because of that position, has actual or effective senior executive responsibility:
  - (i) for management or control of the ADI; or
  - (ii) for management or control of a significant or substantial part or aspect of the operations of the ADI or the relevant group of bodies corporate that is constituted by the ADI and its subsidiaries.

An individual is also an accountable person of an ADI if he or she:

- (a) holds a position in, or relating to, the ADI; and
  - (b) because of that position, has a prescribed function relating to the ADI.
- Prescribed functions include both oversight functions (such as Chair, Chair of the Risk Committee, Chair of the Audit Committee, and Chair of the Remuneration Committee) and executive functions (such as Chief Executive, Chief Finance, Chief Risk, Chief Information and Head of Internal Audit, Head of Compliance, Anti-Money Laundering Officer), as more fully set out in section 37 BA (2) and (3) of the *Banking Act 1959*.

Both the principles-based and prescriptive elements of the definition are intended to capture all individuals, irrespective of their position titles who whose actions could pose prudential risks to the ADI.

### ***Determining the suitability of an accountable person***

An ADI must ensure that when it registers an accountable person under the BEAR framework a registration is accompanied by a signed declaration that the ADI is satisfied the person is ‘suitable’ to be an accountable person. It is the responsibility of an ADI to determine the suitability of an accountable person and the BEAR



framework provides some minimum matters to take into account in making that determination:

- Has the accountable person been in breach of any of his or her accountability obligations?
- Has the accountable person previously been removed suspended or disqualified as an accountable person?

***Overlap with CPS 520 'senior manager' and 'responsible persons'***

The BEAR definition of accountable person builds on existing concepts of accountability and responsibility, including 'responsible person', 'director' and 'senior manager' defined in CPS 520.

An 'accountable person' under the BEAR will also be a 'responsible person' for the purposes of CPS 520: that is an individual whose conduct is most likely to have a significant impact on an ADI's sound and prudent management. As with the BEAR accountability framework, under CPS 520 consideration of whether a particular individual is a responsible person takes into account the person's functions and duties and not simply their position title. In the case of a regulated institution with subsidiaries, consideration also takes into account whether the conduct of persons in the subsidiaries could materially damage the regulated institution.

***Commencing with Annexure G: Protocol for Directors are Protocols for each of the Credit Union's responsible person positions. Part 1 of each Protocol identifies the competencies required for that responsible person position.***

## **5. Process for assessing fitness and propriety**

The Prudential Standard requires this Policy to document the processes that the Credit Union will undertake in assessing whether a person is fit and proper for a responsible person position and, in particular:

- (1) who will conduct the fit and proper assessments for each responsible person position
- (2) what information will be obtained by the Credit Union and how it will be obtained
- (3) the matters that will be considered before determining if a person is fit and proper for a responsible person position
- (4) what decision-making processes will be followed for the assessment.

The assessment of a person's fitness and propriety to be a responsible person must generally be conducted prior to a person's appointment. The exceptions are:

- (1) elected directors where the Prudential Standard requires the assessment to be conducted within 28 days of election: the Credit Union's policy is to conduct an assessment of the fitness and propriety of nominees for director prior to their election
- (2) notification by APRA that a person is deemed to be a responsible person where the Prudential Standard requires the assessment to be conducted within 28 days of APRA giving the Credit Union such a notification: the Credit Union's policy is to comply with this requirement
- (3) Interim appointments which are dealt with in Policy Section 8 Interim appointment of responsible persons

The Prudential Standard also requires the Credit Union to annually re-assess the fitness and propriety of all of the Credit Union's responsible persons.

The Prudential Standard requires that the Credit Union make all reasonable enquiries to obtain information when conducting a fit and proper assessment. This includes collecting sensitive information as under the *Privacy Act* where the Credit Union believes it may be relevant to the fitness and propriety assessment.

The Practice Guide explains that:

- (1) to the extent relevant and material, the matters listed in paragraph 13 of the Practice Guide should be considered
- (2) in deciding what enquiries to make, the Credit Union should weigh the burden of documenting information and the risk of unnecessary disclosure against the possibility that the enquiries will uncover material information
- (3) a statutory declaration covering all of the matters in paragraph 13 of the Practice Guide about which enquiry is prudent may be sufficient in the case of an annual re-assessment or in the case of an interim appointment
- (4) the minimum requirements for the initial assessment of fitness and propriety include an Australian criminal record check and appropriate evidence of qualifications that are material to an assessment of competency
- (5) where a person is found not to be fit and proper due to a lack of character, diligence, honesty, integrity or judgment, the person will not normally be fit and proper for any responsible person position.

Refer to the annexed Protocols for each of the Credit Union's responsible person positions:

- (1) Part 2 of each Protocol specifies who will conduct the fit and proper assessment for that responsible person position ('the Assessor')
- (2) Part 3 of each Protocol specifies what information the Credit Union will obtain and how it will obtain that information. In that regard:
  - Annexure C is the Declaration to be obtained prior to the initial assessment of the fitness and propriety of a person for a particular responsible person position with the Credit Union
  - Annexure D details the standard enquiries to be undertaken prior the initial assessment of the fitness and propriety of a person for a particular responsible person position with the Credit Union. Part 1 details the enquiries to be conducted for interim appointments (except where the appointee is already a responsible person of the Credit Union) and Part 2 details the enquiries to be conducted for permanent appointments
  - Annexure E is the Declaration to be obtained as part of the annual re-assessment of the fitness and propriety for a responsible person
  - Annexure F details the standard enquiries to be undertaken as part of the annual re-assessment of fitness and propriety of a responsible person
  - Annexure C and Annexure D will be completed when an existing Director wishes to stand for re-election at the expiry of their term of office and also when the external audit partner rotates on a 5 year basis (as is the current practice at Orange Credit Union). These situations will be treated as a new assessment.
- (3) Part 4 of each Protocol specifies the decision-making processes to be followed for the assessment of fitness and propriety for the responsible person position and the matters that will be considered in determining whether a person is fit and proper for the position.

## 6. Dealing with Subsequently Received Information

If, after completing the assessment of a responsible person's fitness and propriety, the Assessor becomes aware of additional information that may lead to the person being assessed as not fit and proper – all reasonable steps (including gathering sensitive information) must be taken to ensure that the Assessor can prudently conclude that there is no material fitness and propriety concern. Where a concern does exist, the Assessor must:

- (1) give the responsible person the opportunity to respond to the additional information
- (2) repeat the initial assessment of fitness and propriety in accordance with Part 4 of the Protocol for the relevant responsible person position.

## 7. Dealing with persons who are not fit and proper

The Prudential Standard requires the Credit Union, and it is the Credit Union's policy, to take all prudent steps to ensure that:

- (1) a person who is not fit and proper for a responsible person position, is not appointed to that position
- (2) a person occupying a responsible person position does not continue to hold that position if subsequently found not to be fit and proper for that position.

In relation to the election of directors, the Credit Union's constitution provides that a person is not eligible to stand for election as a director of the Credit Union if the Director Nominations Committee has determined, by reference to this Policy, that the person does not have the appropriate fitness and propriety to be a director.

In relation to the appointment of directors, the Credit Union's policy, except in urgent cases, is to assess the fitness and propriety of the proposed appointee to be a director of the Credit Union prior to appointment.

In relation to the removal of directors, the Credit Union's ability to take action following a finding that a director is not fit and proper is limited by the *Corporations Act*. Accordingly, whenever the Credit Union assesses that a director is not fit and proper, its policy is to notify APRA within 10 business days of that assessment of:

- (1) the fact of the assessment
- (2) the basis for the assessment
- (3) whether the director remains in office
- (4) if the director remains in office – the reason for this, and what action the credit union is taking
- (5) whether there is the need for a direction by APRA under the *Banking Act* to enable the Credit Union to promptly remove the director.

In relation to removal of the auditor, the Credit Union's ability to take action following a finding that the auditor is not fit and proper is limited by the *Corporations Act*. Accordingly, whenever the Credit Union assesses that the auditor is not fit and proper, its policy is to notify APRA within 10 business days of that assessment of:

- (1) the fact of the assessment
- (2) the basis for the assessment
- (3) whether the auditor remains in office
- (4) if the auditor remains in office – the reason for this, and what action the credit union is taking
- (5) whether there is the need for a direction by APRA under the *Banking Act* to enable the Credit Union to promptly remove the auditor.

In relation to other responsible person positions, and in conformity with the Prudential Standard, it is the Credit Union's policy that all employment contracts with senior managers, and all contracts and arrangements with consultants involving the discharge of 'senior management responsibilities', include:

- (1) obligations on the employee or consultant to:
  - be fit and proper for the responsible person position being occupied
  - comply with this Policy at all times
  - provide reasonable assistance to the Credit Union in encouraging disclosures in accordance with this Policy
- (2) in the event that the employee or consultant is found not to be fit and proper for the responsible person position being occupied, the right of the Credit Union to:
  - redeploy the employee or consultant to a position for which they are fit and proper, or
  - terminate the employment or consultancy
- (3) an agreement that the Credit Union will not be liable for damages to the employee or consultant from implementing this Policy in good faith.
- (4) consent by the employee or consultant to the Credit Union conducting all reasonable enquiries relevant to an assessment of the fitness and propriety of the employee or consultant to be a responsible person of the Credit Union
- (5) consent by the employee or consultant to the Credit Union disclosing information and providing documents to APRA relating to the reasons for their resignation, retirement or removal.

It is the Credit Union's policy that all employment contracts and all contracts with consultants include a term that the Credit Union will not take action against the employee or consultant as a consequence of the employee or consultant making a disclosure, in good faith, to APRA or in accordance with this Policy.

## **8. Interim appointment of responsible persons**

The Prudential Standard permits the Credit Union to conduct more limited checks on the fitness and propriety of a person for a particular responsible person position if the person holds the position on an interim basis for no more than 90 days or such longer period as APRA agrees in writing

The Credit Union's policy in such cases is as follows:

- (1) if the person has already been assessed as fit and proper for another responsible person position with the Credit Union, nothing further is required prior to the interim appointment
- (2) in any other case:
  - the person must submit a Declaration, Information Statement and Questionnaire in the form of Annexure C
  - the Assessor for the particular responsible person position must conduct the enquiries specified in Part 1 of Annexure D.

A person appointed on an interim basis to a responsible person position of the Credit Union may subsequently be confirmed in that position if, following a full initial assessment in accordance with the relevant Protocol and Annexure D, the person is found to be fit and proper for the particular responsible person position.

## 9. Publicising this Policy

The Prudential Standard requires the Credit Union to ensure that all responsible persons are aware of and understand this Policy. It is the Credit Union's policy to comply with this requirement by:

- (1) providing a copy of this Policy to all candidates for election as director as soon as possible after the candidate is nominated, and to all other responsible persons prior to the initial assessment of their fitness and propriety
- (2) providing a copy of this Policy to all responsible persons as part of their annual re-assessments of fitness and propriety
- (3) incorporating declarations of receipt, reading and understanding of this Policy in Annexures C and E.
- (4) ensuring that all provisions in this Policy encouraging whistleblowing and procedures related to whistleblowing are explained adequately to the Credit Union's directors and employees who are likely to have information which is relevant to fit and proper assessments.

## 10. Whistleblowers

If an employee, director or consultant of the Credit Union has information that a responsible person does not meet the Credit Union's fit and proper criteria, the policy of the Credit Union is to encourage the employee, director or consultant who has information that the Credit Union has not complied with the Prudential Standard to provide the information to either the Assessor for the particular responsible person position or to APRA.

The Credit Union's policy is not to constrain, impede, restrict or discourage persons from providing information to APRA, and this extends to current and former employees, directors and consultants of the Credit Union.

Please refer to the Credit Union's separate Whistle-blowing Policy for full details regarding this matter.

For details of how the Credit Union communicates this Policy including its attitude to whistleblowers, see: 9. Publicising this Policy.

## 11. Dealings with APRA

In conformity with the Prudential Standard, it is the policy of the Credit Union to:

- (1) provide a copy of this Policy to APRA on request
- (2) notify APRA in writing and on APRA's form, the following details in relation to each of the Credit Union's responsible persons within 28 days of any change or new appointment:
  - title of the responsible person's position
  - full name
  - date of birth
  - position and responsibilities
  - a statement whether the person has been assessed under this policy
- (3) notify APRA within 10 business days where it assesses that a responsible person is not fit and proper for the responsible person position that they hold including:
  - the fact of the assessment
  - the basis for the assessment

- whether the person remains in the position
  - if the person remains in the position, the reason for this, and what action the Credit Union is taking
- (4) upon request by APRA, take all reasonable steps to provide information and documentation to assist APRA in assessing the fitness and propriety of a person.

## 12. Retention of Documents

The Prudential Standard requires the Credit Union to document any information considered in assessing fitness and propriety, and to retain that information for a reasonable time. It is the Credit Union's policy to comply with this requirement by:

- (1) documenting all information considered in initially assessing and annually re-assessing the fitness and propriety of a person for a particular responsible person position
- (2) retaining documentation relating to the initial assessment or annual re-assessment of a person for a particular responsible person position for as long as the person remains in that responsible person position or another responsible person position with the Credit Union
- (3) immediately destroying documentation relating to the initial assessment of an unsuccessful candidate for a particular responsible person position
- (4) destroying documentation relating to the initial assessment or annual re-assessment of a person for a particular responsible person one year after that person ceasing to hold any responsible person position with the Credit Union.

It is the Credit Union's policy, in conformity with the Australian Privacy Principles, to give each applicant for a responsible person position a Privacy Notification setting how the Credit Union will deal with the applicant's person information, as above.

It is also the Credit Union's policy, in conformity with the Prudential Standard, to obtain consent from each applicant for the collection and use of information by the Credit Union to comply with this Policy and the Prudential Standard and by APRA for its functions and powers under Prudential Acts.

Both the information statement to applicants and the consent from applicants are incorporated in the Declarations at Annexures C and E. It is the Credit Union's policy to provide an applicant with copies of any such Declarations made by the applicant to the Credit Union.

## 13. Review of this Policy

The Board must review this Fit and Proper Policy:

- (1) every 12 months to ensure that the Policy remains accurate and relevant.

## **Annexure B: List of Responsible Person Positions**

- (1) Directors
- (2) Chief Executive Officer
- (3) Senior Managers - Head of Growth Initiatives and Credit Risk
- (4) External Auditor
- (5) Persons notified in writing by APRA to be responsible persons
- (6) Accountable Persons as determined under the Banking Executive Accountability Regime (BEAR).

## **Annexure C: Declaration – Initial Assessment**

Refer to page 1 “Declaration by Applicant” for Responsible Person Position - Initial Assessment.



## **Annexure D: Standard Enquiries – Initial Assessment**

### **All Cases**

- (1) Obtain a Declaration in the form of Annexure C
- (2) Check with APRA whether disqualified
- (3) Check with ASIC whether disqualified
- (4) Obtain from the applicant a signed Australian Federal Police Criminal History Check Application Form and review the results of that search when received
- (5) Conduct a bankruptcy search
- (6) Sight evidence of any qualifications which are material to an assessment of competency for the responsible person position
- (7) Obtain at least two character references
- (8) Verify material qualifications by checking with the conferring institution
- (9) Verify recent employment history to the extent relevant and material
- (10) Check with relevant professional or industry bodies for matters relevant and material to an assessment of propriety
- (11) Check other matters disclosed in the Declaration to the extent relevant and material to an assessment of fitness and propriety
- (12) Conduct a Banking Executive Accountability Regime (BEAR) “Accountable Person” Assessment.

## **Annexure E: Declaration – Annual Reassessment**

Refer to page 1 “Declaration by Responsible Person” – Annual Reassessment

## **Annexure F: Standard Enquiries – Annual Reassessment**

- (1) Obtain a Declaration in the form of Annexure E
- (2) Investigate additional matters disclosed in the Declaration to the extent relevant and material to an assessment of the responsible person's ongoing fitness and propriety
- (3) Check with APRA whether disqualified
- (4) Check with ASIC whether disqualified
- (5) Conduct a bankruptcy search
- (6) For Senior Managers Only – every 3 years:-  
Obtain from the applicant a signed Australian Federal Police Criminal History Check Application Form and review the results of that search when received.
- (7) Conduct a Banking Executive Accountability Regime (BEAR) "Accountable Person" Assessment.

## Annexure G: Protocol for Directors

### Required Competencies

- The capacity, either upon appointment or after completing an induction program, to make an effective contribution to the Board, including:
  - an understanding of the role of a director of the Credit Union
  - knowledge of the Credit Union, its business and its regulatory environment;
  - the ability to evaluate, form conclusions and make good judgments.
- The capacity and willingness to undertake continuous professional development and learning consistently with the Credit Union's Board Renewal Policy.
- The capacity, in combination with the other directors of the Credit Union to perform the functions of the Board in a way appropriate to the circumstances of the Credit Union.
- Has no material conflict of interest

### Who will assess fitness and propriety?

#### For new applications, or existing Directors standing for re-election

The Director Nominations Committee, based on Fit and Proper criteria as designated by the Board.

#### For annual reassessment of existing Directors

The Board.

### What information will be obtained and how?

Initial Assessment	Annual Reassessment
Conduct the Standard Enquiries in Annexure D	Conduct the Standard Enquiries at Annexure F.

### Timetable for Assessment Process

Date Required	Action Required
Annual General Meeting Date	When this date is settled (must be prior to 30 <sup>th</sup> Nov) calculate dates by working backwards.
21 days (3 weeks) prior to AGM	Advertise candidates eligible for election to the Board
At least 10 weeks prior to ad for AGM (allows time for police checks and other assessments to be done)	Closing date for nominations for Directors
4 weeks prior to close of nominations	Call for nominations for new Directors, and also existing Directors who wish to stand for re-election

### Process for deciding fitness and propriety

Initial Assessment, and Existing Directors Standing for Re-Election	Annual Reassessment
<ol style="list-style-type: none"> <li>1. Provide the applicant with copies of: <ul style="list-style-type: none"> <li>• the Credit Union's Fit and Proper Policy</li> <li>• CPS 520 Fit and Proper Requirements</li> <li>• APG 520 Fit and Proper Requirements</li> <li>• Annexure C for completion.</li> </ul> </li> <li>2. Collect information as detailed in the previous section.</li> <li>3. Conduct a preliminary assessment of fitness and propriety with particular reference to: <ul style="list-style-type: none"> <li>• whether the applicant has the required competencies for the position</li> <li>• the matters in paragraph 13 of APG 520</li> <li>• the circumstances of the Credit Union.</li> </ul> </li> <li>4. Refer to the Assessment Checklist in the next section.</li> <li>5. Give the Applicant the opportunity to respond to any matters of concern.</li> <li>6. Complete the assessment of fitness and propriety.</li> <li>7. If not fit and proper, destroy documents.</li> </ol>	<ol style="list-style-type: none"> <li>1. Provide the applicant with copies of: <ul style="list-style-type: none"> <li>• the Credit Union's Fit and Proper Policy</li> <li>• CPS 520 Fit and Proper Requirements</li> <li>• APG 520 Fit and Proper Requirements</li> <li>• Annexure E for completion.</li> </ul> </li> <li>2. Collect information as detailed in the previous section.</li> <li>3. Conduct a preliminary assessment of fitness and propriety with particular reference to: <ul style="list-style-type: none"> <li>• whether the applicant has the required competencies for the position</li> <li>• the matters in paragraph 13 of APG 520</li> <li>• the circumstances of the Credit Union.</li> </ul> </li> <li>4. Give the Applicant the opportunity to respond to any matters of concern.</li> <li>5. Complete the assessment of fitness and propriety.</li> <li>6. If not fit and proper, refer to sections <b>7 Dealing with persons who are not fit and proper</b> and <b>11 Dealings with APRA</b> of the Policy and action accordingly.</li> </ol>

### Assessment Checklist

<b>Section A – Essential Attributes</b>	<b>Section B – Knowledge, Experience, Skills and Competence</b> (to demonstrate capacity to understand and contribute to the role of Director)	<b>Section C – Specialist Qualifications</b> (the Board will determine when this category is to be applied)
<ul style="list-style-type: none"> <li>• Not listed by ASIC as disqualified</li> <li>• Not listed by APRA as disqualified</li> <li>• Not listed on Bankruptcy search</li> <li>• Clear Police Check – “A Criminal Record that does not include, in the Board’s opinion, any item that would not be considered Fit and Proper for a Credit Union Director”</li> <li>• Member of OCU longer than 3 years – if seeking election by OCU members</li> <li>• Honesty</li> <li>• Integrity</li> <li>• Good Reputation</li> <li>• Have the capacity and willingness to undertake continuous professional development and learning to acquire and update skills, and knowledge relevant to the role of director of the credit union”.</li> <li>• Have the ability to meet the minimum standard required for “Accountable Person” – including acceptance by APRA – under the Banking Executive Accountability Regime (BEAR).</li> </ul>	<ul style="list-style-type: none"> <li>• Post Secondary School qualification by an accredited provider to the minimum level of Diploma (or equivalent)</li> <li>• Demonstrated ability to understand Financial Information to a minimum level of Balance Sheet, Profit and Loss Statement, and Annual Financial Statements. Candidate must satisfy the Deloitte’s Financial Literacy checklist.</li> <li>• Business Management experience:- <ul style="list-style-type: none"> <li>- Demonstrated Capacity must be <b>relevant</b> to role of Orange Credit Union Director.</li> <li>- Demonstrated Capacity must be of comparable <b>complexity</b> to that of a Orange Credit Union Director.</li> </ul> </li> <li>• Credit Union Board of Director experience or other Board of Director experience, completion of the Orange Credit Union Associate Director Program</li> </ul>	<p>Examples may include:</p> <ul style="list-style-type: none"> <li>• Accountant</li> <li>• Lawyer</li> <li>• IT</li> <li>• Banking</li> <li>• CEO Large Business</li> <li>• HR Marketing</li> <li>• Risk Analysis</li> </ul>
<b>Minimum Score Required: 10</b>	<b>Minimum Score Required: 3</b>	

## Annexure H: Protocol for Chief Executive Officer

### Required Competencies

Refer to the Job Description for the position

### Who will assess fitness and propriety?

The Board

### What information will be obtained and how?

Initial Assessment	Annual Reassessment
Conduct the Standard Enquiries in Annexure D	Conduct the Standard Enquiries at Annexure F.

### Process for deciding fitness and propriety

Initial Assessment	Annual Reassessment ( at time of annual performance appraisal)
<ol style="list-style-type: none"> <li>1. Provide the applicant with copies of: <ul style="list-style-type: none"> <li>• the Credit Union's Fit and Proper Policy</li> <li>• CPS 520 Fit and Proper Requirements</li> <li>• APG 520 Fit and Proper Requirements</li> <li>• Annexure C for completion.</li> </ul> </li> <li>2. Collect information as detailed in the previous section.</li> <li>3. Conduct a preliminary assessment of fitness and propriety with particular reference to: <ul style="list-style-type: none"> <li>• whether the applicant has the required competencies for the position</li> <li>• the matters in paragraph 13 of APG 520</li> <li>• the circumstances of the Credit Union.</li> </ul> </li> <li>4. Give the Applicant the opportunity to respond to any matters of concern.</li> <li>5. Complete the assessment of fitness and propriety.</li> <li>6. If not fit and proper, destroy documents.</li> </ol>	<ol style="list-style-type: none"> <li>1. Provide the applicant with copies of: <ul style="list-style-type: none"> <li>• the Credit Union's Fit and Proper Policy</li> <li>• CPS 520 Fit and Proper Requirements</li> <li>• APG 520 Fit and Proper Requirements</li> <li>• Annexure E for completion.</li> </ul> </li> <li>2. Collect information as detailed in the previous section.</li> <li>3. Conduct a preliminary assessment of fitness and propriety with particular reference to: <ul style="list-style-type: none"> <li>• whether the applicant has the required competencies for the position</li> <li>• the matters in paragraph 13 of APG 520</li> <li>• the circumstances of the Credit Union.</li> </ul> </li> <li>4. Give the Applicant the opportunity to respond to any matters of concern.</li> <li>5. Complete the assessment of fitness and propriety.</li> <li>6. If not fit and proper, refer to sections <b>7 Dealing with persons who are not fit and proper</b> and <b>11 Dealings with APRA</b> of the Policy and action accordingly.</li> </ol>



## Annexure I: Protocol for External Auditor

### Required Competencies

- is registered as an auditor under the *Corporations Act, for external auditors only*
- has five years of recent experience relevant to the circumstances of the Credit Union
- is not the CEO or a director of the Credit Union, or of a related body corporate
- has appropriate formal qualifications
- is a member of a recognised professional body
- is ordinarily resident in Australia
- has no material conflict of interest
- an understanding of the regulatory environment of the Credit Union, particularly in relation to the Credit Union's three key licensing authorities – APRA, ASIC and Fair Trading; and the experience of working in similar regulatory environments.

### Who will assess fitness and propriety?

The Audit Committee of the Board.

### What information will be obtained and how?

Initial Assessment	Annual Reassessment
<ul style="list-style-type: none"> <li>○ Conduct the Standard Enquiries in Annexure D</li> <li>○ Obtain written representations from the auditor personally and from the auditor's firm that the auditor satisfies the additional requirements for auditors specified in paragraph 32 of CPS 520: see 4 <b>(4.1) Criteria for assessing fitness</b> and propriety</li> <li>○ Check that the external auditor is registered under the Corporations Act, (for External Auditor only)</li> </ul>	<ul style="list-style-type: none"> <li>○ Conduct the Standard Enquiries in Annexure F</li> <li>○ Obtain written representations from the auditor personally and from the auditor's firm that the auditor satisfies the additional requirements for auditors specified in paragraph 32 of CPS 520: see 4 <b>(4.1) Criteria for assessing fitness</b> and propriety</li> <li>○ Check that the auditor is registered under the Corporations Act, (for External Auditor only).</li> </ul>

### Process for deciding fitness and propriety

Initial Assessment	Annual Reassessment (to be done at the time of annual contract revision or renewal)
<ol style="list-style-type: none"> <li>1. Provide the applicant with copies of: <ul style="list-style-type: none"> <li>• the Credit Union's Fit and Proper Policy</li> <li>• CPS 520 Fit and Proper Requirements</li> <li>• APG 520 Fit and Proper Requirements</li> <li>• Annexure C for completion.</li> </ul> </li> <li>2. Collect information as detailed in the previous section.</li> <li>3. Conduct a preliminary assessment of fitness and propriety with particular reference to: <ul style="list-style-type: none"> <li>• whether the applicant has the required competencies for the position</li> <li>• the matters in paragraph 13 of APG 520</li> <li>• the circumstances of the Credit Union.</li> </ul> </li> <li>4. Give the Applicant the opportunity to respond to any matters of concern.</li> <li>5. Complete the assessment of fitness and propriety.</li> <li>6. If not fit and proper, destroy documents.</li> </ol>	<ol style="list-style-type: none"> <li>1. Provide the applicant with copies of: <ul style="list-style-type: none"> <li>• the Credit Union's Fit and Proper Policy</li> <li>• CPS 520 Fit and Proper Requirements</li> <li>• APG 520 Fit and Proper Requirements</li> <li>• Annexure E for completion.</li> </ul> </li> <li>2. Collect information as detailed in the previous section.</li> <li>3. Conduct a preliminary assessment of fitness and propriety with particular reference to: <ul style="list-style-type: none"> <li>• whether the applicant has the required competencies for the position</li> <li>• the matters in paragraph 13 of APG 520</li> <li>• the circumstances of the Credit Union.</li> </ul> </li> <li>4. Give the Applicant the opportunity to respond to any matters of concern.</li> <li>5. Complete the assessment of fitness and propriety.</li> <li>6. If not fit and proper, refer to sections <b>7 Dealing with persons who are not fit and proper</b> and <b>11 Dealings with APRA</b> of the Policy and action accordingly.</li> </ol>

## Annexure J: Protocol for Other Senior Managers

**Applicable to:** Head of Growth Initiatives and Credit Risk.

### Required Competencies

Refer to the Job Description for each position.

### Who will assess fitness and propriety?

The Chief Executive Officer

### What information will be obtained and how?

<b>Initial Assessment</b>	<b>Annual Reassessment (at time of annual performance review)</b>
○ Conduct the Standard Enquiries in Annexure D]	Conduct the Standard Enquiries at Annexure F.

### Process for deciding fitness and propriety

Initial Assessment	Annual Reassessment (at time of annual performance review)
<ol style="list-style-type: none"> <li>1. Provide the applicant with copies of: <ul style="list-style-type: none"> <li>• the Credit Union's Fit and Proper Policy</li> <li>• CPS 520 Fit and Proper Requirements</li> <li>• APG 520 Fit and Proper Requirements</li> <li>• Annexure C for completion.</li> </ul> </li> <li>2. Collect information as detailed in the previous section.</li> <li>3. Conduct a preliminary assessment of fitness and propriety with particular reference to: <ul style="list-style-type: none"> <li>• whether the applicant has the required competencies for the position</li> <li>• the matters in paragraph 13 of APG 520</li> <li>• the circumstances of the Credit Union.</li> </ul> </li> <li>4. Give the Applicant the opportunity to respond to any matters of concern.</li> <li>5. Complete the assessment of fitness and propriety.</li> <li>6. If not fit and proper, destroy documents.</li> </ol>	<ol style="list-style-type: none"> <li>1. Provide the applicant with copies of: <ul style="list-style-type: none"> <li>• the Credit Union's Fit and Proper Policy</li> <li>• CPS 520 Fit and Proper Requirements</li> <li>• APG 520 Fit and Proper Requirements</li> <li>• Annexure E for completion.</li> </ul> </li> <li>2. Collect information as detailed in the previous section.</li> <li>3. Conduct a preliminary assessment of fitness and propriety with particular reference to: <ul style="list-style-type: none"> <li>• whether the applicant has the required competencies for the position</li> <li>• the matters in paragraph 13 of APG 520</li> <li>• the circumstances of the Credit Union.</li> </ul> </li> <li>4. Give the Applicant the opportunity to respond to any matters of concern.</li> <li>5. Complete the assessment of fitness and propriety.</li> <li>6. If not fit and proper, refer to sections <b>7 Dealing with persons who are not fit and proper</b> and <b>11 Dealings with APRA</b> of the Policy and action accordingly.</li> </ol>

**APPENDIX – CHANGES TO POLICY****Policy Name: Fit and Proper**

<b>Date of Board Approval</b>	<b>Reference / Clause / Section</b>	<b>Description</b>
22.3.2006	Initial Adoption of Policy	
26.4.2006	Annexure G, Assessment checklist, Section A	Delete Personal Add Essential
26.4.2006	Annexure G, Assessment checklist, Section A	Change 8 to 9
26.4.2006	Annexure G, Assessment checklist, Section B	Add post secondary school qualification by an accredited provider
26.4.2006	Annexure G, Assessment checklist, Section B	including management of own business or staff
26.4.2006	Annexure G, Assessment checklist, Section B	or Board of Director Experience
2.5.2007		Policy Review
2.5.2007	Page 10	Delete: "on commencement of APS 520: Fit and Proper Requirements to ensure that the Policy complies with that prudential standard".
2.5.2007	Page 11& 23	Delete Loans Manager.
2.5.2007	Page 18	<p><b>Section B – Knowledge, Experience, Skills and Competence,</b></p> <p>delete dot points:</p> <ul style="list-style-type: none"> <li>• Tertiary Qualifications, post secondary school qualification by an accredited provider</li> <li>• Financial Industry Experience</li> <li>• Management Experience, including management of own business or staff</li> <li>• Credit Union Director Experience or Board of Director Experience</li> </ul> <p>And replace with:</p> <ul style="list-style-type: none"> <li>• Post Secondary School qualification by an accredited provider</li> <li>• Demonstrated ability to understand Financial Information</li> <li>• Business or Committee experience</li> </ul>

		<ul style="list-style-type: none"> <li>Credit Union Board of Director experience or other Board of Director experience</li> </ul>
25.7.07	Page 21	<p>Update Annexure I: Protocol for Auditor to include:</p> <ul style="list-style-type: none"> <li>An understanding of the regulatory environment of the Credit Union, particularly in relation to the Credit Union's three key licensing authorities – APRA, ASIC and Fair Trading; and the experience of working in similar regulatory environments.</li> </ul>
26.3.08		Update Board Authority & Effective dates.
26.3.08	Page 18	<p>Amend <u>Section A – Essential Attributes</u> to include further detail on the dot point “Clear Police Check” as follows:-</p> <p>“A Criminal Record that does not include, in the Board’s opinion, any item that would not be considered Fit and Proper for a Credit Union Director”</p>
29.7.09	Front page	Amend review date
29.7.09	Page 21	Add for External Auditor Only to the first dot point and at the end of the initial and annual assessment.
26.11.09	Assessment Checklist Section B	<p>Replace “Post secondary school qualification by an accredited provider with “Post Secondary School qualification by an accredited provider to the minimum level of Diploma (or equivalent)”</p> <p>Replace “Demonstrated ability to understand Financial Information” with “Demonstrated ability to understand Financial Information to a minimum level of Balance Sheet, Profit and Loss Statement, and Annual Financial Statements”.</p>
16.12.10	Annexure I: Protocol for External & Internal Auditor	Remove the requirement to assess the Fitness & Propriety of the Internal Auditor in accordance with APS520.
17.8.10	Front page	Change Board Authority and Review date the 28 July 2010.
17.8.10	Page 2	Regulatory Environment, (3) delete <i>by the department of fair trading in each state and territory in which the credit union operates.</i> And add <i>by ASIC under National Credit Code.</i>
25.05.11	Page 20	Update the Assessment Checklist, Section B to include in dot point 4 – “completion of the OCU Associate Director Program”.

		Update the Assessment Checklist, Section B, Minimum Score required to "3".
27.07.2011	Front page	Update board authority and effective dates to 29 July 2011
27.07.2011	Page 2	Update "Consumer Credit Code to National Consumer Credit Protection act to reflect new ASIC legislation
27.07.2011	Pg 2 & Annexure b	Remove Internal Auditor
25.7.2012	Page 1  Page 2   Page 3     Page 20 Section B	<p>Policy review</p> <p>Update authority dates to 25.7.2012.</p> <p>Add any reference from APS to CPS</p> <p>Delete On 2 March 2006, APRA released APS 520: Fit and Proper Requirements ('the Prudential Standard') to apply from 1 October 2006. The Prudential Standard:</p> <p>Add The Credit Union is required to comply with APRA CPS520 Fit and Proper (the Prudential Standard). The Prudential Standard:</p> <p>Point 5</p> <p>Delete APRA also released APG 520: Fit and Proper ("the Practice Guide") on 2 March 2006 to apply from 1 October 2006. The</p> <p>Add APRA's Fit and Proper Practice Guide APG520</p> <p>Add Candidate must satisfy the Deloitte's Financial Literacy checklist).</p>
31.7.13	Annual Policy review	<p>Cover Page - Update Board review and Authority dates.</p> <p>Page 9 Update "National Privacy Principles" to "Australian Privacy Principles" - which will take effect from 2014.</p>
23.07.14	Annual Policy review	<p><u>GENERAL POLICY MAINTENANCE:</u></p> <p>Cover page – Update Board Authority and Effective Dates.</p> <p>Cover Page – Add reference to Orange CU Whistleblowing Policy.</p> <p>Page 9 – Delete reference to the previous National Privacy Principles. This reference is now unnecessary.</p>
23.07.14	Annual Policy review	<u>APRA Recommendations:</u>

		Page 8 – Whistleblowing. Add reference to OCU Whistleblowing Policy as per APRA 2014 Inspection Recommendation.
17.06.15	Annual Policy Review APRA Recommendations General Policy Maintenance	<p>Cover page – Update Board Authority and Effective Dates.</p> <p>Page 1 – Replace Urgent with Interim.</p> <p>Page 1 – Replace CPS 310 with APS 310. Remove ‘in writing’ as this is not required.</p> <p>Page 8 – Add for to paragraph 9.1 and replace the with their within the same paragraph.</p> <p>Page 12 – Remove 11 and add 1. Replace to with for, change responsible Manager to Responsible Person and replace Application with Assessment.</p> <p>Page 14 – Remove 6 and add 1.</p> <p>Pages 17, 20, 22 and 24 – capital letters changed to lower case for whether and the within the dot points.</p> <p>Page 21 – Replace audtors with auditors.</p> <p>Minor formatting and alignment throughout.</p>
27.07.16	Full Policy Review	<p>Cover Page – Update Board authority and effective dates.</p> <p>Page 3 – delete “Realised Reserves as a percentage of Assets”. This Financial indicator is nor longer a main Financial KPI for Orange CU.</p> <p>Page 16 – Annual General Meeting Date – Delete “(usually last Thursday in October)” and replace with “(must be prior to 30th November)”.</p>
31.08.16	Interim Policy Review	<p>CPS520 Fit and Proper requires Orange CU to ensure that its Responsible Persons (Directors, External Auditor, and Senior Managers) are Fit and Proper persons both at inception and on an ongoing basis.</p> <p>Policy updates are recommended to Section 5, and to Annexure F, to enhance the ongoing F&amp;P review of Orange CU’s Responsible Mangers.</p>
26.07.17	Full Policy Review	<p>Cover page – update Board Authority &amp; Effective dates</p> <p>Changes to CPS 520 effective 1 July 2017, refer Daniels Bengtsson Practice Note (Issue: 15_2017, Date: 15 May 2017)</p>
25.07.18	Full Policy Review	Cover page – update Board Authority & Effective dates



April 2019		Change General Manager to Chief Executive Officer
June 2019	Full Policy Review	Update Board Authority dates Update the below sections for the BEAR (Banking Executive Accountability Regime) 1 <sup>st</sup> July 2019: <ul style="list-style-type: none"><li>- Sec 4.2</li><li>- Annex B</li><li>- Annex D</li><li>- Annex F</li><li>- Annex G (Assessment Checklist).</li></ul>
July 2020	Full Policy Review	Update Board Authority dates
July 2021	Full Policy Review	Update Board Authority dates Update Senior Manager Position Titles