

September 14, 2015

FIA & CUIA Review
Policy & Legislation Division
B.C. Ministry of Finance
Victoria BC, Canada
By email: fiareview@gov.bc.ca

Re: June 2015 Initial Public Consultation Paper

Thank you for your work on reviewing this legislation. I appreciate the open multistage process of public consultation.

On May 10, 2013, I submitted comments to FICOM on their March 2013 Draft Governance Guideline for B.C. Credit Unions. Those comments focused on how to ensure credit union boards' accountability to members, which is also the main issue I would like to address for this review of legislation. So my May 2013 comments are included by reference here: via [this link](#), and attached to my email with this comment letter.

Summary -- My Main Comments:

- Yes, changes to the credit union governance framework are needed.
- The most urgent need is to improve **board accountability to members**.
- I think the most effective way to achieve that is to require credit unions to have a year-round **online member forum**, where members can create discussions on any topic of shared interest.
- To reduce the bias from board control of voter information, the board's voting recommendations should only be made in member forums, where other opinions can also be shared.
- The right of members to propose a special resolution signed by the lesser of 300 members or 5% of the membership should be maintained, as in the existing [Credit Union Incorporation Act, Section 77](#).
- No member should be disqualified from running for election to the board by subjective assessment of their competence. That is for voters to decide. The objective criteria in existing legislation are a sufficient hurdle for candidacy, as in [Credit Union Incorporation Act, Section 84.12](#).

References to my May 2013 comment letter to FICOM:

As explained in my 2013 comments, section "Lack of accountability opens the door to corruption", losing board accountability to members increases the risks of malfeasance and mismanagement. So to fulfill the goals of maintaining stability and confidence in the financial services sector, reducing the risk of failures and providing consumer protection, clearly we should safeguard and improve accountability.

These two sections of my 2013 comments speak for themselves, and fit at this point:

- Accountability requires competition in board elections;
- Board control of information can bias elections.

Note that the information control issue applies to votes on resolutions as well as on elections.

My advice for FICOM's 2013 Credit Union Governance Guideline was to add two points:

1. Board recommendations on election candidates should not appear on the ballot, and only be presented to members in forums where any member can make candidate recommendations.

2. Let members choose by vote among all eligible candidates; i.e. no candidates are disqualified from nomination based on the evaluation process.

I've included those two recommendations in this comment letter also, in the summary above. Next I will add some points that go beyond my 2013 comments.

Why Require an Online Member Forum:

While I referred to member forums in my 2013 comments, I didn't explicitly call for creating them. Now I am recommending that each BC credit union be required to create one.

Online forums have become a well established and understood tool for group discussion. Most people now use online tools. Even those who are not online would benefit from the accountability brought about by those who are.

Credit unions boards have shown a tendency to control information that members see before voting in elections and on resolutions. Forums would enable us members to share information with each other, bringing in more info sources to compete with what we learn from our boards. Information is power, especially in the hands of voters. This would help us learn when boards are not advising us in our best interests.

Having member forums would help solve several problems mentioned in these FIA-CUIA review Consultation Paper's questions on Credit Union Governance:

"2) Are changes needed to foster member engagement and/or deter frivolous proposals? If so, what changes are needed? How can member engagement be increased?

3) Do CUIA rules on mergers and acquisitions provide appropriate disclosure and approval mechanisms?

4) Are changes to the voting process for election of directors and other special resolutions needed? Should there be more clarity around endorsement of nominees or proposals by a credit union? Should member thresholds and other voting processes be in legislation or credit union rules?"

Member forums would enhance the information and decision processes for election of directors, mergers and acquisitions, and other special resolutions. **Endorsement of nominees or proposals by a credit union board doesn't need "more clarity". It needs more competition.** Enabling members to discuss relevant issues before voting, and to share other sources of information, would counteract the bias of insider-controlled information, which now contributes to entrenchment of incumbent cliques and reduces accountability.

Fortunately, our B.C. government has built a reputation as a leader in empowering voters with discussion forums that are independent of insider control. The 2004 [Citizens' Assembly on Electoral Reform](#) was carefully designed to enable citizens to deliberate an important issue without government control of their information and discussion process. The citizens invited input from experts of their own choosing. We can see the power of information sharing among voters, and the importance of reducing the biased influence of incumbent insiders.

By making boards more accountable to members, forums would shift power from boards to members. That may explain why boards have not already created online forums for members, since it would reduce their information control. So a push from government seems necessary. It would serve the public interest and further the goals of BC's financial regulatory framework.

Of course, BC credit unions already use some online tools for member engagement. But they are nowhere near as empowering and informative to members as online forums would be. For example, a credit union's Facebook page usually welcomes and publishes comments from members (and often from non-members too). But those comments are not organized in topic threads, nor archived and linkable for future reference the way online forums usually are.

Another example of current online engagement is Vancity Credit Union's "My2cents" system for member feedback. Note that its [web page title](#) says "My2cents Vancity member forum". But calling something a forum

doesn't make it a forum. An [Internet forum](#) "is an online discussion site where people can hold conversations in the form of posted messages." My2cents only lets members send feedback to Vancity. Members can not see the messages sent by other members in the same "forum". There is no conversation among members, so it lacks the member empowerment that a true forum would bring.

Member Resolutions at Coast Capital:

The recent experience with member resolutions at Coast Capital Savings Credit Union showed the value of member-to-member communications. Members were unaware that the board had raised its own pay beyond what members considered reasonable, to a level more than double the board pay at Vancity Credit Union. A few members dug up this information and reached out to the others in 2013 by putting forward this resolution signed by more than the required three hundred:

"Be it resolved that, the members of Coast Capital Savings Credit Union establish the remuneration for the Directors of the credit union and that the amount paid to each Director is published in the Annual Report."

In spite of the board's arguments against it, the resolution was passed by over 79% of voting members -- more votes than had elected any of the incumbent directors. This was clearly not a resolution that only advanced "the interests of very few members"¹. Rather, this illustrates that member resolutions are functioning exactly as intended, to ensure that members' interests can not be ignored. So the enabling legislation ([Credit Union Incorporation Act, Section 77](#)) should be maintained as is.

Yet in 2014 the board continued to oppose reasonable democratic reforms and pay levels proposed by members, countering with confusingly similar resolutions that ended in a stalemate -- see votermedia.blogspot.ca/2014/03/vote-for-member-democracy-coastcapital.html.

A member forum could have enhanced this process with more give-and-take among members, directors and member engagement staff. The ongoing stalemate on director pay could have been resolved much sooner.

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I would appreciate an opportunity to meet with Ministry of Finance staff to discuss these comments. Please contact me by email (mark[at]votermedia.org) or phone (604-806-0652). Thank you again for your attention to this important part of our financial system.

Sincerely,



Mark Latham
Founder, Votermedia.org

¹ Quote from [Consultation Paper](#), page 22.