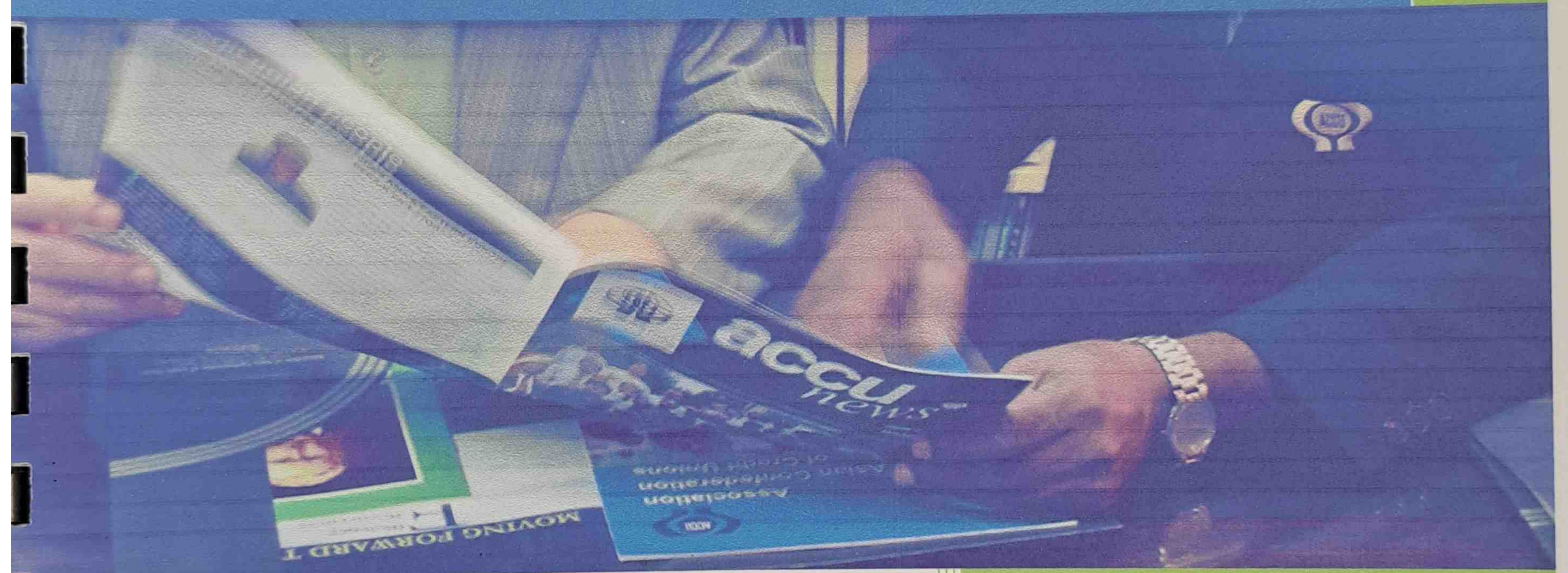


Credit Union Solution No. 14

Governance Framework for Credit Unions



ASSOCIATION
OF ASIAN CONFEDERATION
OF CREDIT UNIONS

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PREFACE

Credit union governance structure is very unique as compared with corporate enterprises. Credit union is a cooperative financial institution owned and controlled by its members and operates in a complex, dynamic, and highly competitive environment. Owners who are users also manage the affairs of credit unions. To strike a balance between the different dimensions of responsibilities have become a big challenge for credit unions.

The Association of Asian Confederation of Credit Unions (ACCU) recognizes the importance of good governance in credit unions. A credit union cannot claim fulfilling its mission if it does not practice good governance. Undoubtedly, good governance is a barometer in measuring and predicting credit union performance. Credit union scandals could be avoided if good governance is lived and actualized by directors, officers, managers and employees within and without the workplace.

As a community financial institution, the public and its members rely on the credit union board and employees for the safety and soundness of their savings. Public trust is earned and to earn that trust, a well defined policies and practices on good governance must be in place.

Currently, regulators are redefining and rewriting its rules and laws to enshrine the principles and values of good governance and mirror the world's best practices. Credit unions must also look at its current practices and start sweeping action to adopt good governance systems.

The Governance Framework for Credit Unions will serve as guides for individual credit unions and second level credit union organizations to assist its Board of Directors in the performance of its duties and the exercise of its responsibilities.

ACCU believes that good governance is a source of competitive advantage for credit unions. Good governance will serve to drive superior performance and maximize the effectiveness of the Board and the credit union's executive management team by efficiently bringing to bear the skills, experience and judgment of the Board.

These frameworks are compilation of what has been promoted by ACCU in its training programs and Credit Union Solutions 1-14. ACCU views these frameworks as guidelines — not rigid restraints—and believes they are evolutionary in nature. The Guidelines are neither intended to be, nor are they, rigid rules that govern the Board's activities. The Guidelines are subject to review and modification from time to time by the credit union Boards.

ACCU acknowledges the support of its member organizations particularly the Chief Executive Officers who provided valuable feedback in finalizing this document.

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