

Risk Management Oversight: What Makes an Effective Board?

Directors' Forum | 2025 Hybrid Conference: Governing Risk, Navigating Uncertainty



Financial Services Regulatory
Authority of Ontario

October 25, 2025

Mehrdad Rastan, Executive Vice President, Credit Union and Insurance Prudential, FSRA

David Maxwell, Head, Integrated Credit Union Supervision



- The board of directors is responsible for setting the strategy of the CU and setting limits on the risks that can be taken in pursuit of that strategy. It is also responsible for providing oversight in a manner that allows it to get assurances that operations are aligned with the approved strategy and appetite for risk.
- FSRA will issue requirements and recommendations directly to the Board and the Board is responsible for ensuring that identified issues are addressed. This responsibility cannot be delegated – directors must seek assurances that desired outcomes are being achieved.

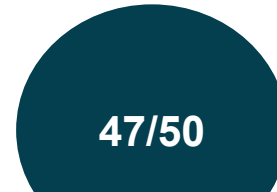
What does the board need to ask their management - what information do they need to be able to provide effective oversight?

Recall – Learnings from RBSF Assessments

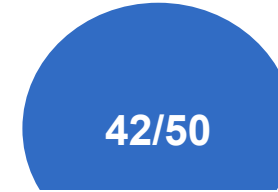
The following six themes were consolidated from RBSF assessments of all 50 CUs. Of the 50, requirements and recommendations were issued to most of the CUs for each of the six themes:



Enterprise-wide
Board Oversight



Risk
Management



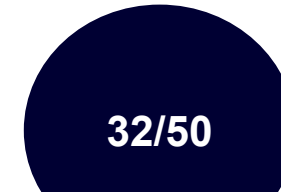
Internal
Audit



Operational Risk
Management and
Resilience



Treasury and Liquidity
Management



Capital Management and
Profitability

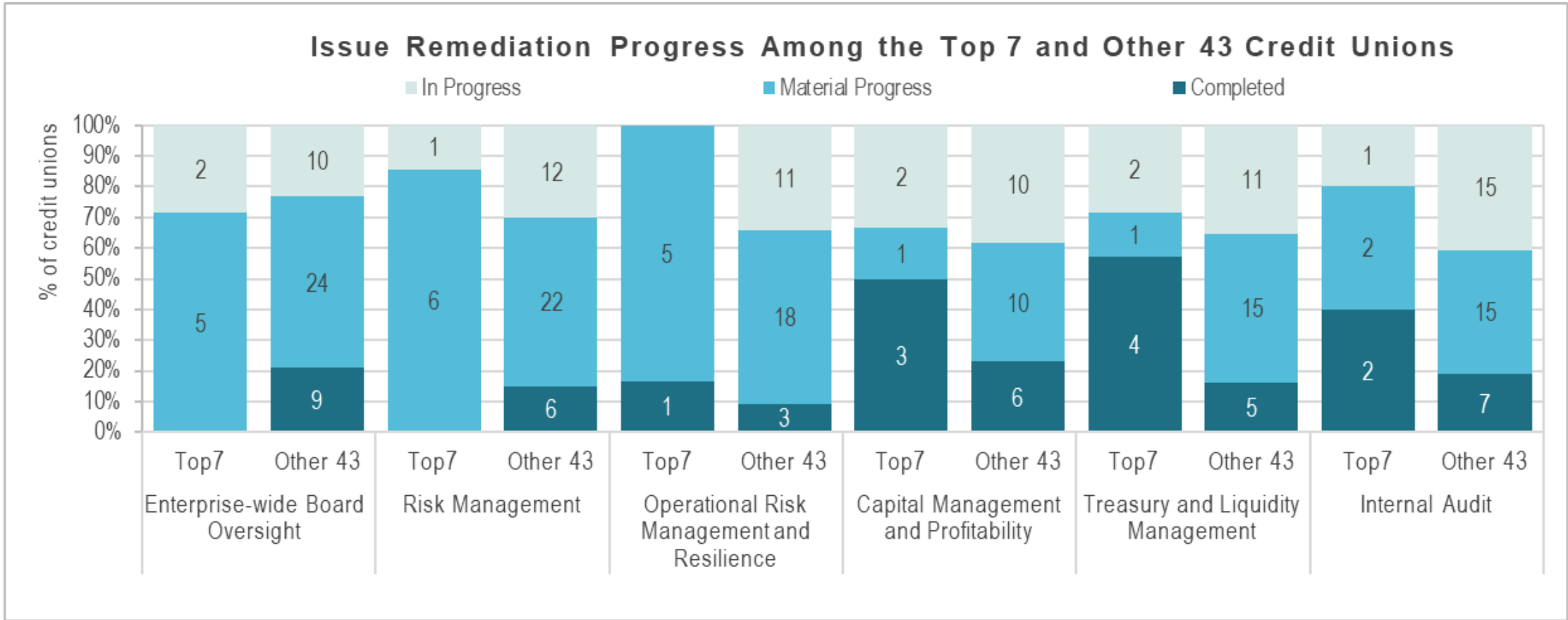
***79% of requirements and recommendations were issued to the Board.
These cannot be delegated to Senior Management.***

- **Enterprise-wide Board Oversight**
 - Board effectiveness (composition, skillsets, succession planning, performance)
 - Oversight of Senior Management
 - Strategic Plan & Implementation
 - Alignment of Remuneration Practices with Prudent Risk Taking
 - Market Conduct Assessment
- **Operational Risk Management and Resilience**
 - Operational Risk Management (including IT, 3rd party, and model risks)
 - Operational Resilience
- **Capital Management**
 - Capital planning

- **Risk Management**
 - Oversight of Risk Management/ Compliance Function (Risk Management Function independence, competency, independent CRO)
 - Risk Appetite Framework
 - ERM Framework
 - Oversight of Lines of Business
- **Treasuring and Liquidity Management**
 - ALM and Securitization
 - Liquidity
- **Oversight of Internal Audit**
 - Assessment of Effectiveness of the audit function

Progress since the last update

Relationship managers have been working collaboratively with CUs to track and assess progress made in addressing the issues that were identified.

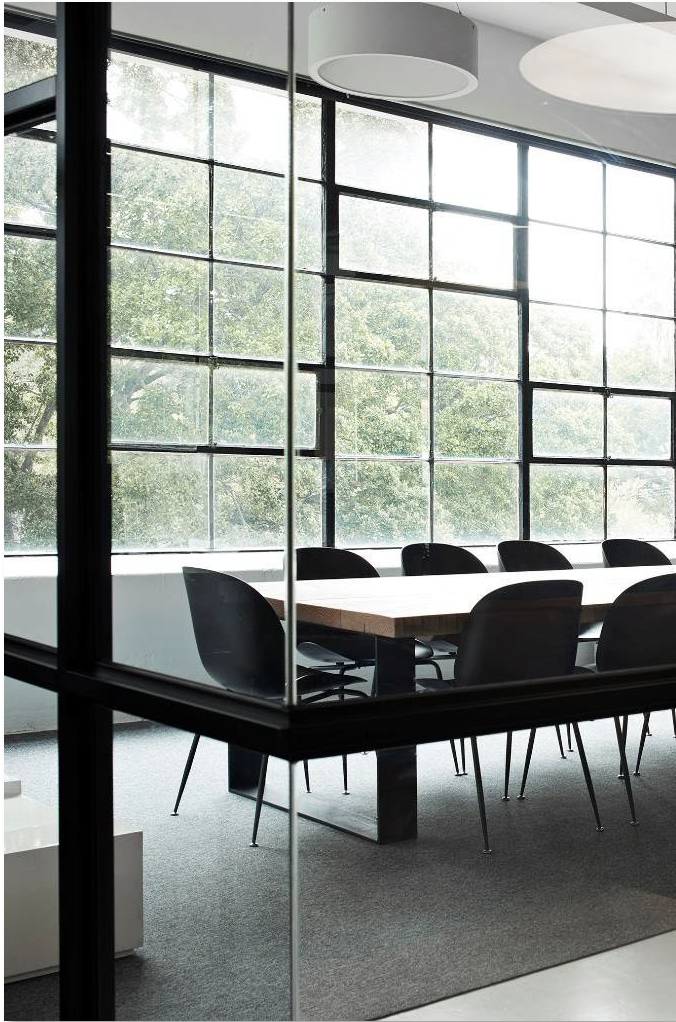


FSRA has observed substantial progress in:

- ✓ Oversight of Risk Management
- ✓ Resilience and Board oversight of recovery and resolution plans
- ✓ Oversight of Internal Audit
- ✓ Director succession planning

Areas where work is underway but effective implementation will take some time:

- Oversight of strategic plans, including integration with risk appetite and capital planning
- Oversight of asset liability management and structural interest rate risk
- Alignment of compensation practices with risk management expectations



Strategic Planning

Establish a long-term vision for the credit union and the enablers that will be required to get there. Charting a path for the next 3-5 years requires a common understanding of risk and capital implications, resourcing, and means of achieving or replicating sufficient scale.

Sustainable Growth

Not necessarily getting bigger but evolving to be able to serve membership in an increasingly complex and volatile environment. What does this look like given the strategic plan you have articulated as a Board?

Effective Information Flows

Setting expectations and ensuring that feedback mechanisms exist to provide the Board with assurances that desired outcomes are being achieved. What information do you need from management in order to achieve this?

Board oversight of credit unions addressing outstanding issues

- Board/FSRA Supervisor interaction

Monitoring financial performance

- Stress testing and scenario analysis

Foster collaboration

- Mergers, alliances, shared services, and joint ventures to support long-term viability
- FSRA Supervision and Approvals collaboration

Continuous supervision

- Biggest difference from previous regulatory regime
- High tech (data and analytics) as well as high touch (“always open”) supervision
- Thematic Reviews and Targeted Assessments

Continuous supervision requires frequent interaction between FSRA supervisors and the Board

Questions

