

FIT AND PROPER POLICY

Purpose of this Policy

The purpose of this document is to establish and describe Maleny & District Community Credit Union's (the 'MCU') policies and procedures relating to the fitness and propriety of individuals who hold positions of responsibility with MCU.

MCU is an ADI regulated by APRA. APS 520 sets out the minimum requirements for an ADI in determining the fitness and propriety of individuals who hold positions of responsibility with MCU. This document has been prepared in compliance with the requirements of APS 520 (and other relevant legal requirements).

Implementation of this Fit and Proper Policy will assist MCU in managing the risk that individuals who hold positions of responsibility with MCU are not fit and proper. Accordingly, this Fit and Proper Policy will form part of MCU's risk management system.

Board Approval

The Board approved this Fit and Proper Policy on 20th September, 2006.

Effective Date

This Fit and Proper Policy has effect from 20th September, 2006.

Review of the Fit and Proper Policy

The Board must review this Fit and Proper Policy at least every 12 months or when necessary to ensure that the policy remains up to date and relevant.

Relationship to other policies and procedures

This Fit and Proper Policy forms part of MCU's risk management system and relies on a number of other policies and procedures to give it effect. Therefore this Fit and Proper Policy, where relevant should be read in conjunction with:

- Other policies and procedures on any other matters relating to its authority to carry on a banking business. For example, the declaration provided to APRA under APS 310.
- MCU's governance documents including its charters;
- MCU's board policies on specific governance issues;
- MCU's Code of conduct;
- MCU's Constitution;
- MCU's Conflicts Policy;
- MCU's Privacy Policy.

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Who must receive a copy

This Fit and Proper Policy must be given to:

- any candidate for election as a director of MCU as soon as possible after the candidate has been nominated for election as a director of MCU;
- any other person before an assessment of their fitness and propriety is conducted.

1. Definitions

In this Fit and Proper Policy:

ADI means authorised deposit-taking institution under the Banking Act

AFS Licence means the Australian financial services licence granted by ASIC to MCU under *Part 7.6* of the *Corporations Act*

Annual Information Statement means the form MCU will provide to its responsible persons each year for them to make a declaration about their fitness and propriety

APG 520 means APRA's Prudential Practice Guide APG 520 – Fit and Proper

APS 310 means APRA's Prudential Standard APS 310 "Audit and Related Arrangements for Prudential Reporting"

APS 510 means APRA's draft Prudential Standard APS 510 "Governance"

APS 520 means APRA's Prudential Standard APS 520 "Fit and Proper"

APRA means the Australian Prudential Regulation Authority

ASIC means the Australian Securities & Investments Commission

Banking Act means the *Banking Act 1959 (Cth)*

Board means the board of directors of MCU

Board Audit and Risk Management Committee means the Board committee established by the Board in accordance with APS 510 to generally review the effectiveness of MCU's financial reporting and risk management framework.

Board Nomination Committee means the Board committee established by the Board to manage and oversee the process for assessing the fitness and propriety of directors of MCU.

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General Manager means the General Manager of MCU.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Fit and Proper Declaration means the form MCU will provide to candidates for responsible person positions and responsible persons for them to make a declaration to MCU about their fitness and propriety.

Fit and Proper Officer means the person appointed to that position by the Board.

Personal information Statement means the form MCU will provide to candidates for responsible person positions and responsible persons for them to provide information to MCU as part of a fit and proper assessment.

PS 146 means ASIC Policy Statement 146 Licensing: Training of financial product advisors.

PS 164 means ASIC Policy Statement 164 Licensing: Organisational capacities.

Risk Register means a list of all the identified risks to which MCU is exposed.

Skills Audit means the annual review of MCU's job descriptions for responsible persons against the Skills Inventory.

Skills Inventory means the list of skills, qualifications and experience for each responsible person position within MCU.

Training Officer means the person appointed to that position by the Board.

2. Fit and Proper Requirements

2.1 The Fit and Proper Policy

The policies and procedures for making fit and proper assessments under this Fit and Proper Policy are to apply to:

- each person who is a responsible person of MCU under APS 520;
- each person who is a responsible officer for the purposes of MCU's AFS Licence;
- each person who is a candidate for a responsible person position with MCU;
- any other person who, in the opinion of the Board or General Manager, holds a responsible person position;

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- any other person who APRA determines is a responsible person of MCU.

2.2 Definition of a ‘responsible person’

- (i) APS 520 defines a ‘responsible person’ of an ADI as
- a director of MCU;
 - a Senior Manager of MCU;
 - an auditor who provides any report in relation to MCU that is required to be prepared by an auditor under the Banking Act (including Prudential Standards) or Reporting Standards under the *Financial Sector (Collection of Data) Act 2001* (**responsible auditor**); and
 - any other person APRA may determine is a responsible person.
- (ii) In addition APS 520 provides that a **responsible person position** means the responsibilities or activities of a responsible person that would lead to the person being a responsible person. In respect of this requirement APG 520 provides that:
- the responsible persons of an ADI are those persons whose conduct is most likely to have a significant impact on its sound and prudent management;
 - under APS 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.

2.3 Definition of a Senior Manager

APS 520 provides that a Senior Manager of an ADI means a person (other than a director of that ADI) who:

- makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of MCU; or
- has the capacity to affect significantly MCU’s financial standing; or
- may materially affect the whole, or a substantial part, of the business of MCU or its financial standing through their responsibility for: enforcing policies and implementing strategies approved by the board of MCU; or
 - the development and implementation of systems that identify, assess, manage or monitor risks in relation to the business of MCU; or
 - monitoring the appropriateness, adequacy and effectiveness of risk management systems.

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APG 520 provides that APRA envisages that Senior Managers will include managers reporting directly to the General Manager and those responsible for key aspects of risk management.

2.4 List of responsible person positions

A list of MCU's responsible person positions (including each person who a responsible officer for the purposes of MCU's AFS Licence) is set out in MCU's document entitled "MCU's Responsible Person Positions".

3. Board commitment

The Board is committed to ensuring that MCU's responsible persons are fit and proper. This Fit and Proper Policy has been developed to assist the Board assess whether a person is fit and proper for a responsible person position. Accordingly, this Fit and Proper Policy establishes processes for:

- completing an assessment of a person's fitness and propriety for a responsible person position in compliance with APS 520:
 - for each existing responsible person position by 28 October 2006; or
 - before the person becomes a holder of a responsible person position; or
 - within 28 days of a person becoming the holder of a responsible person position if they hold the position:
 - (i) because of a resolution of members of MCU; or
 - (ii) because APRA has determined that the person is a responsible person; or
 - within a period of 90 days (or longer with APRA's agreement) of a person becoming the holder of a responsible person position if:
 - (i) the person holds the position as an interim appointment; and
 - (ii) prior to the appointment the steps were taken to assess the fitness and propriety of the person; and
 - (iii) a full, fit and proper assessment is completed prior the appointment of the person to the responsible person position on a permanent basis; or annually for each of the MCU's responsible person positions.
 - for MCU Board members that are re-elected as part of the three year Director rotation an update of information is required similar to the annual fit and proper assessments not a full initial assessment . In addition an Australian federal police criminal history check and a bankruptcy search is to be performed as part of the three year Director rotation.

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- MCU to take all steps it prudently can to ensure that a person is not appointed to, or for a person already holding a responsible person position, does not continue to hold the responsible person position for which they are not fit and proper;
- MCU to take all reasonable steps to ensure that each of its responsible persons is aware of, and understands, the provisions of this Fit and Proper Policy;
- MCU to report to APRA on the fitness and propriety of its responsible persons as required under APS 520.

4. **Responsibilities for the Fit and Proper Policy**

The following individuals and committees will have responsibilities under this Fit and Proper Policy:

4.1 **The Board**

The Board will be responsible for

- reviewing this Fit and Proper Policy;
- appointing both the Fit and Proper Officer and Training Officer;
- determining whether to outsource any of the responsibilities under this Fit and Proper Policy;
- conducting assessment of the skills and expertise required by MCU to carry on its business.

4.2 **Board Nomination Committee**

The Board Nomination Committee will be responsible for conducting fit and proper assessments of the MCU's directors and the General Manager. In this regard the Board Nomination Committee will be responsible for:

- ensuring that only persons who meet the fit and proper criteria set out in this Fit and proper Policy are selected to become candidates for election to the Board;
- ensuring that only a person who meets the fit and proper criteria set out in this Fit and proper Policy is appointed as the General Manager;
- annual fit and proper assessments of the directors and the General Manager are completed;
- determining, from time to time, the matters that will be considered before determining if a person is fit and proper to be a director or General Manager of MCU.

4.3 **General Manager**

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The General Manager will be responsible for conducting fit and proper assessments of MCU's Senior Managers. In this regard the General Manager will be responsible for:

- ensuring MCU's Senior Managers meet the fit and proper criteria set out in this Fit and proper Policy;
- determining, from time to time, the matters that will be considered before determining if a person is fit and proper to be a Senior Manager of MCU;
- ensuring APRA and other relevant regulators are notified in accordance with the requirements of this Fit and Proper Policy;
- ensuring a report on MCU's management of fitness and propriety risk is included in the Annual Declaration provided to APRA regarding compliance with APS 310; and
- making a copy of this Fit and Proper Policy is available to APRA on request.

4.4 Board Audit and Risk Management Committee

The Board Audit and Risk Management Committee will be responsible for conducting fit and proper assessments of MCU's auditor who are responsible persons. In this regard the Board Audit and Risk Management Committee will be responsible for ensuring:

- MCU's auditors meet the fit and proper criteria set out in this Fit and proper Policy;
- determining, from time to time, the matters that will be considered before determining if a person is fit and proper to be an auditor of MCU;
- ensuring that all individuals and committees who have responsibility under this Fit and Proper Policy fulfil their responsibilities in a timely and diligent manner;
- ensuring that the fitness and propriety of responsible persons are included in MCU's Risk Register;
- ensuring that from time to time, MCU's Internal auditors test the controls established by this Fit and Proper Policy and implemented by MCU;
- (where relevant) reporting to the Board Audit and Risk Management Committee on a monthly basis on MCU compliance with this Fit and Proper Policy.

4.5 Fit and Proper Officer

The Fit and Proper Officer at the direction of the General Manager or the relevant Committee is responsible for:

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- ensuring that the appropriate checks are carried out by MCU for each responsible person position;
- making submissions about any matters that are relevant to a particular Fit and Proper assessment including consideration of whether the responsible person is properly trained and continues to be properly trained;
- collecting information with respect to the matters that will be considered before determining if a person is fit and proper to hold a responsible person position;
- providing information to the General Manager or relevant Committee in relation to a fit and proper assessment for a responsible person position;
- reporting to the General Manager or relevant Committee on matters concerning the procedures for fit and proper assessments;
- ensuring that MCU takes reasonable steps to protect the information and documents collected for each fit and proper assessment are protected from misuse and from unauthorised access, modification or disclosure.

4.6 Training Officer

The Training Officer at the direction of the General Manager or relevant Committee is responsible for:

- checking material qualifications and making submissions about any matters that relevant to a particular Fit and Proper assessment;
- the process for ensuring that MCU' s responsible persons are properly trained and continue to be properly trained;
- reporting to the General Manager or relevant Committee on matters concerning the training related procedures of this Fit and Proper Policy;
- maintaining training records for each responsible person of MCU.

5. Criteria to determine if a person is fit and proper

5.1 Generally

APS 520 provides that the criteria that must be met for a person to be fit and proper to hold a responsible person position are whether:

- it would be prudent for MCU to conclude that the person possesses the competence, character, diligence, honesty, integrity and judgment to perform the duties of the responsible person position;
- the person is not disqualified under the Banking Act from holding the responsible person position; and
- the person either

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- has no conflict of interest in performing the duties of the responsible person; or
- has a conflict of interest but it would be prudent to conclude that the conflict will not create a material risk that the person will fail to properly perform the duties of the responsible person position.

In addition to the APS 520 requirements responsible persons must also, where relevant, have satisfied the criteria if any in:

- the Corporations Act;
- APS 510;
- MCU's Constitution;
- the job specification, job description and/or job statement for a particular responsible person's position.

5.2 Additional criteria for auditors

In addition to the criteria set out above a responsible person who is an auditor must also be:

- registered as an auditor under the *Corporations Act 2001* (for external auditors only);
- ordinarily resident in Australia;
- a member of a recognised professional body; and
- have a minimum of 5 years relevant experience in the audit of ADIs and it would be prudent to conclude that the person is familiar with current issues in the audit of ADIs.

6. Matters to be considered in making an assessment

6.1 Propriety Assessment

In making a determination about the propriety of a responsible person, or a candidate for a responsible person position, the General Manager or relevant Committee will give consideration to the following:

- the person's character in relation to their proposed and/or existing role, including whether there are reasonable grounds to believe that the person has demonstrated in their existing role appropriate professional conduct, sound judgement and diligence for the responsible person position;
- an assessment of the responses provided in the Personal Information Statement and the Fit and Proper Declaration;
- references;
- the Federal Police check and bankruptcy check; and
- Baycorp Advantage check.

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In determining whether the criteria for the propriety requirement have been met for a responsible person, or a candidate for a responsible person position, the General Manager or relevant Committee will have regard to the:

- information and submissions from the Fit & Proper Officer and the Training Officer, taking into account the Fit and Proper Assessment Form;
- Personal Information Statement;
- Fit and Proper Declaration;
- information and documentation provided by the Fit & Proper Officer and the Training Officer, including an evaluation of all of the established criteria for assessing propriety;
- responsible person's (or person proposed to be a responsible person) current curriculum vitae with appropriate detail on the person's qualifications and work experience; and
- any other information about the person's propriety that MCU should reasonably be aware of.

6.2 Fitness Assessment

In making a determination about the fitness of a responsible person or a candidate for a responsible person position, the General Manager or relevant Committee will give consideration to the following:

- the person's competence and experience for the particular responsible person position, including whether there are reasonable grounds to believe that the person possesses the necessary skills and expertise for the responsible person position;
- whether the person is able to demonstrate they are competent for the position, by reference to attributes such as educational and technical qualifications, completion of any training or induction processes required for the position, knowledge, skills and experience as well as their performance in positions with MCU or otherwise relevant to the position in question;
- whether MCU has information available to it which indicates that the person has been involved in a breach of law, policy, or professional standards or any other activity which is relevant to the fitness of the person for the responsible person position; and
- an assessment of the responses provided in the Personal Information Statement and the Fit and Proper Declaration.

In determining whether the criteria for the fitness requirement have been met for a responsible person position, or a person proposed to be a responsible person, the General Manager or relevant Committee will have regard to the:

- information and submissions from the Fit & Proper Officer and the Training Officer;
- Personal Information Statement;
- Fit and Proper Declaration;
- information and documentation provided by the Fit & Proper Officer and the Training Officer, including an evaluation of all of the established criteria for assessing fitness;
- responsible person's (or person proposed to be a responsible person) current curriculum vitae with appropriate detail on the person's qualifications and work experience;
- whether the responsible person is properly trained and continues to be properly trained;
- confirmation that the Training Officer has verified (to their satisfaction) that the person has the skills and experience for the responsible person position and the person is maintaining an appropriate training development plan; and
- any other information about the person's fitness or competency that MCU should reasonably be aware of.

6.3 Disqualified persons

The Board will not allow a 'disqualified person' to act in a responsible person position. In determining whether a person has been disqualified, the Fit & Proper Officer will have regard to:

- the Personal Information Statement; and
- the Fit and Proper Declaration; and
- any information the Fit & Proper Officer receives as result of checks they completed under this Fit and Proper Policy.

6.4 Conflicts of interest

Each responsible person must comply with MCU's Conflicts of Interest Policy.

A person who has a conflict of interest that will create a material risk that the person will fail to properly perform the duties of the responsible person position may not be or become a responsible person. In determining whether a person has a material conflict of interest, the Fit and Proper Officer will have regard to:

- the Personal Information Statement; and
- the Fit and Proper Declaration; and
- any information the Fit & Proper Officer receives as result of checks they completed under this Fit and Proper Policy.

7. **What Information will be obtained and how will it be obtained - Initial assessment**

7.1 **The Information to be obtained**

MCU will obtain when relevant the following information for each initial fit and proper assessment of a responsible person or a candidate for a responsible person position, namely:

- identification information;
- whether the person possesses the necessary skills, knowledge, expertise, diligence and soundness of judgement to undertake and fulfil the particular duties and responsibilities of the role in question; and
- whether the person has demonstrated the appropriate competence and integrity in fulfilling occupational, managerial or professional responsibilities previously and/or in the conduct of his or her current duties; and
- whether the person has demonstrated a lack of willingness to comply with legal obligations, regulatory requirements or professional standards, or been obstructive, misleading or untruthful in dealing with regulatory bodies or a court;
- whether the person has breached a fiduciary obligation;
- whether the person has perpetrated or participated in negligent, deceitful, or otherwise discreditable business or professional practices;
- whether the person has been reprimanded, or disqualified, or removed, by a professional or regulatory body in relation to matters relating to the person's honesty, integrity or business conduct;
- whether the person has seriously or persistently failed to manage personal debts or financial affairs satisfactorily in circumstances where such failure caused loss to others;
- whether the person has been substantially involved in the management of a business or company which has failed, where that failure has been occasioned in part by deficiencies in that management;
- whether the person is of bad repute in any business or financial community or any market; or
- whether the person was the subject of civil or criminal proceedings or enforcement action, in relation to the management of an entity, or commercial or professional activities, which were determined adversely to the person (including by the person consenting to an order or direction, or giving an undertaking, not to engage in unlawful or improper conduct) and which reflected adversely on the person's competence, diligence, judgement, honesty or integrity;

- whether the person has a conflict of interest.

7.2 How the Information will be obtained

MCU will obtain this information by making the following enquiries:

- require the person the subject of the assessment to provide the Fit & Proper Officer with:
 - a Personal Information Statement, to be completed by the responsible person prior to the initial assessment of the fitness and propriety of that person for a responsible person position, in addition to authorisation to complete a Federal Police check and a bankruptcy check; and
 - a Fit and Proper Declaration, to be completed by the responsible person prior to the initial assessment of the fitness and propriety of that person for a responsible person position and encouraging the person to disclose any other information which may be relevant to their fitness and propriety.
- Check with APRA whether they are disqualified;
- Check with ASIC whether they are disqualified;
- Obtain from the applicant a signed Australian Federal Police Criminal History Check Application Form and review the results of that search when received;
- Conduct a bankruptcy search;
- Check drivers licence, passport or birth certificate;
- Sight evidence of any qualifications which are material to an assessment of competency for the responsible person position;
- Obtain two references (written or verbally by phone);
- Conduct an historical directorship search;
- Verify material qualifications by obtaining a certified copy of qualification or by sighting the original;
- Verify recent, relevant and material employment by obtaining employment reference (written or verbally by phone);
- Verify relevant and material professional or industry bodies;
- Check other matters disclosed in the Fit and Proper Declaration to the extent relevant and material to an assessment of fitness and propriety;
- Fit and Proper Officer submission (including the Training Officer's submission);
- Review any appraisal of the person conducted by MCU.

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8. Decision making process

The Fit & Proper Officer will collect all information required under this Fit and Proper Policy, including submissions from the Fit and Proper Officer and from the Training Officer. The General Manager or relevant Committee conducting the assessment will evaluate the information.

The General Manager or relevant Committee will provide a candidate or responsible person with any information that has been collected that might lead to an assessment that the person is not fit and proper. The General Manager or relevant Committee must allow the candidate or responsible person a fair opportunity to be appraised of all information assessed by the General Manager or relevant Committee.

The General Manager or relevant Committee conducting the assessment may invite a candidate or responsible person to attend an interview with the General Manager or relevant Committee if applicable. After the interview process is completed the General Manager or relevant Committee will then assess the fitness and propriety of the responsible person, or proposed responsible persons, and consult with the Board on any persons considered not to be fit and proper.

All of the criteria in APS 520 for determining a person is fit and proper must be satisfied for that person and position. In addition to the requirements set out above a candidate will be rejected or a responsible person removed from a responsible person position if:

- they fail to provide within a reasonable time when requested any information relevant to their fitness and propriety for a particular responsible person position;
- they fail to provide within a reasonable time when requested the Personal Information Statement or the Fit and Proper Declaration;
- they fail to make themselves available for an interview by the General Manager or relevant Committee.

9. What information will be obtained and how it will be obtained - interim appointments

MCU may on occasion appoint a person to a Senior Manager's position without a fit and proper assessment for a period of 90 days (or longer with APRA's agreement). Prior to MCU making such an appointment it must obtain when relevant the following information in respect of the person it wishes to appoint to the Senior Manager's position:

- identification information;
- whether the person has demonstrated a lack of willingness to comply with legal obligations, regulatory requirements or professional standards, or been obstructive, misleading or untruthful in dealing with regulatory bodies or a court;

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- whether the person has breached a fiduciary obligation;
- has perpetrated or participated in negligent, deceitful, or otherwise discreditable business or professional practices;
- whether the person has been reprimanded, or disqualified, or removed, by a professional or regulatory body in relation to matters relating to the person's honesty, integrity or business conduct;
- whether the person has seriously or persistently failed to manage personal debts or financial affairs satisfactorily in circumstances where such failure caused loss to others;
- whether the person has been substantially involved in the management of a business or company which has failed, where that failure has been occasioned in part by deficiencies in that management;
- whether the person is of bad repute in any business or financial community or any market; or
- whether the person was the subject of civil or criminal proceedings or enforcement action, in relation to the management of an entity, or commercial or professional activities, which were determined adversely against the person (including by the person consenting to an order or direction, or giving an undertaking, not to engage in unlawful or improper conduct) and which reflected adversely on the person's competence, diligence, judgement, honesty or integrity;
- whether the person has a conflict of interest.

MCU will obtain this information by making the following enquiries:

- require the person to provide the Fit & Proper Officer with a Personal Information Statement, to be completed by the person prior to their appointment to the Senior Manager position, in addition to authorisation to complete a Federal Police check and a bankruptcy check; and
- require the person to provide the Fit & Proper Officer with a Fit and Proper Declaration, to be completed by the person prior to their appointment to the Senior Manager position and encouraging that person to disclose any other information which may be relevant to their fitness and propriety.
- Investigate any matter disclosed in the Fit and Proper Declaration that may be relevant to an assessment of a person's fitness and propriety;
- Check with APRA whether the responsible person is disqualified;
- Check with ASIC whether the responsible person is disqualified;
- Review any interview or appraisal of the person conducted by MCU;

- Review any other information obtained by MCU.

10. When a person is assessed as not fit and proper

10.1 Directors

If the responsible person position is that of director and the person;

- who is a candidate for that position is found by the Board Nomination Committee to be not fit and proper to be and act as the director of MCU, where there is:

- **Election by members:**

The MCU's constitution provides that such a person can not be a candidate for election as a director:

- **Appointment by the Board:**

The Board will not appoint a person as a director if the person is not fit and proper.

- holding that position is found by the Board Nomination Committee to be not fit and proper to be and act as the director of MCU, MCU's Constitution provides that such a person automatically vacates their office of director. MCU's policy is to:

- immediately notify the director that their office is vacated under the constitution;

- inform the director that they will be in breach MCU's constitution if they:

- (a) make, or participate in making, decisions that affect the whole, or a substantial part, of the business of MCU; or

- (b) exercise the capacity to affect significantly MCU's financial standing; or

- (c) communicate instructions or wishes (other than advice given by the person in the proper performance of functions attaching to the person's professional capacity or their business relationship with the directors of MCU) to the directors of MCU:

- (i) knowing that the directors are accustomed to act in accordance with the person's instructions or wishes; or

- (ii) Intending that the directors will act in accordance with those instructions or wishes;

- notify APRA within 10 business days of the assessment;
- if necessary notify APRA that the person remains in the position and that MCU where relevant:
 - (a) notify APRA that the director will be re-appointed when they have taken remedial action to satisfy the Board Nomination Committee that they are fit and proper;
 - (b) ask APRA to make an assessment of the director's fitness and propriety to be and act as a director of MCU because they are disputing the Board Nomination Committee's determination.

10.2 Auditors

If the responsible person position is that of auditor and a person holding that position is not fit and proper:

- **Appointment by the Board Audit and Risk Management Committee:**

The Board Audit and Risk Management Committee will not appoint a person as an auditor if the person is not fit and proper.

- **Existing auditor:**

In relation to removal of the auditor, the Board Audit and Risk Management Committee'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 Board Audit and Risk Management Committee forms the belief that the auditor is not fit and proper, MCU policy is to:

- arrange for the removal of the auditor in accordance with Corporations Act;
- notify APRA within 10 business days of the assessment that the auditor:
 - (a) Is not fit and proper;
 - (b) remains in the position; and
 - (c) that MCU is arranging a meeting of members in accordance with the Corporations Act to vote on a resolution for the removal of the auditor.

10.3 Senior Managers

If the responsible person position is that of a Senior Manager and a person is not fit and proper:

- **Appointment by General Manager:**

The General Manager will not appoint a person as a Senior Manager if the person is not fit and proper;

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- **Existing Senior Manager:**

The General Manager will rely on the terms and conditions of the service agreement with the Senior Manager and will either:

- redeploy the employee or consultant to a position for which they are fit and proper; or
- terminate the employment or consultancy.

11. Procedure for Annual Fit and Proper Assessments

MCU will conduct an annual fit and proper assessment of each of its responsible persons in accordance with the requirements of APS 520.

11.1 What Information will be obtained and how will it be obtained - Annual Assessments

MCU will obtain or verify, when relevant, the information it obtained when conducting the initial fit and proper assessment of the responsible person. MCU will obtain this information by making the following enquiries:

- require the person the subject of the assessment to provide the Fit & Proper Officer with an Annual Personal Information Statement, to be completed by the responsible person prior to the annual assessment of their fitness and propriety and encouraging that person to disclose any other information which may be relevant to their fitness and propriety;
- Investigate any matter disclosed in the Annual Personal Information Statement that may be relevant to an assessment of a person's fitness and propriety which was not known at the time of the last fit and proper assessment of the person;
- Check with APRA whether the responsible person is disqualified;
- Check with ASIC whether the responsible person is disqualified;
- Reviewing any performance appraisal of responsible person conducted by MCU;
- Review the training requirements for the responsible person position.

12. Ongoing Assessments

MCU applies the fit and proper requirements on an ongoing basis to its responsible persons.

To this end, if MCU becomes aware of information that:

- may be relevant to an assessment of a responsible person's fitness and propriety; and

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- was not known at the time of the last fit and proper assessment of the responsible person.

The General Manager or relevant Committee promptly undertake enquiries to determine if a fitness or propriety concern exists in accordance with the requirements of APS 520.

To this end, depending on the nature and extent of the information, the General Manager or relevant Committee may:

- require a responsible person to complete a declaration in the form of a Fit and Proper Declaration and provide it to the Fit and Proper Officer;
- require a responsible person to undergo a complete fit and proper assessment in accordance with this Fit and Proper Policy;
- require a responsible person to attend an interview with the General Manager or relevant Committee;
- provide a responsible person with a fair opportunity to put matters to MCU that relate to any information that could lead to an assessment that the person is not fit and proper.

13. Training

The Board must ensure all of MCU's responsible persons are properly trained and competent to perform their duties of their responsible person position. For this purpose the Board will appoint a Training Officer.

13.1 The Training Officer's responsibilities include:

- maintain and develop processes to ensure responsible persons are properly trained and continue to be properly trained to fulfil the particular duties and responsibilities of a responsible person position; and
- ensure the responsible persons remain competent to undertake their roles;
- providing the Fit & Proper Officer with a written report for the annual fit and proper assessment detailing any deficiencies in skill or knowledge of a particular responsible person, after conferring with the responsible person.

13.2 The Training Officer must also establish and maintain the following records:

- **Responsible person – Qualifications, skills & knowledge register:**

Skills and knowledge information will be available from information supplied by the responsible person in the Personal Information Statement and the Fit and Proper Declaration;

- **Skills Inventory:**

For each of MCU's responsible person positions;

- **Responsible person – Training register:**

The Training Officer will record details of training undertaken and keep written verifiable evidence;

- **Responsible person – Training plan:**

The training plan will be determined annually by the responsible person with the General Manager or relevant Committee in consultation with the Training Officer having regard to the duties to be performed by the responsible person and the annual Skills Audit.

Factors taken into account will include past training, work experience, present studies, role objectives and responsibilities, the overall competency requirements of MCU and potential regulatory changes.

- **Competencies for each responsible person:**

APS 520 requires that competencies must be clearly defined and documented for each responsible person. The competencies are usually documented in a job specification, job description or job statement for the particular responsible person position.

Competencies will be determined annually by the Board in consultation with the General Manager and relevant Committee having regard to the Skills Inventory and Skills Audit of MCU and the particular duties to be performed by the responsible person.

14. Induction training

Every new responsible person is required to undergo and satisfactorily complete MCU's induction training within 3 months of their appointment to the responsible person position or such other timeframe as determined by the Board.

14.1 Induction Programme

MCU's induction training will be facilitated by the Training Officer and will generally cover at a minimum:

- the duties to be performed by the responsible person;
- working knowledge of the Banking Act and Corporations Act and other prudential requirements including an overview of APS 520;

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- basic financial services knowledge;
- basic knowledge of the elements and application of the authorisation to carry on a banking business and Australian financial service licence.

14.2 Directors

In addition to the induction program for responsible persons, Directors of MCU, must participate in a Director induction program on appointment. Directors will receive an Induction Kit which includes, as a minimum, the following items:

- a copy of the Board Charter and Code of Conduct;
- terms of reference of all Board committees;
- Board and Management policies;
- a list of Board members and senior management;
- an outline of the time involved with Directors' activities, e.g. attendance at Annual General Meeting and other relevant MCU events;
- the latest Budget and Business Plan;
- the latest Annual Report; and
- the latest Management/Statutory Accounts.

An induction session for directors includes, as a minimum, the following:

- a one day visit to the MCU head office; and
- presentations by senior management, i.e. explaining their businesses.

In addition to the Induction Kit and visit, the Senior Managers of MCU are available to respond to any enquiries from directors.

14.3 Senior managers

In addition to the induction program for responsible persons, Senior Managers must participate in MCU's employees' induction program for Senior Managers.

Senior Managers must receive on appointment a letter detailing their responsibilities and terms of employment in addition to an Induction Kit that includes the following items:

- a list of Board members and senior management;
- Board and management policies, including Board Governance policies;
- the latest Budget, Business Plan and Strategic Plan;
- the latest Annual Report; and

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- the latest Management / Statutory Accounts.

15. Whistle blowing

15.1 Responsible persons not fit and proper

If a person believes that a responsible person does not meet the fit and proper criteria of MCU that person may notify the relevant Board Committee, the General Manager or the Fit & Proper Officer of their belief.

MCU encourages and consents to any person notifying the General Manager, the relevant Committee or the Fit & Proper Officer of their belief that a responsible person does not meet the MCU fit and proper criteria.

15.2 ADI not complying with APS 520

If a person believes that MCU has not or will not comply with APS 520 that person may notify APRA of their belief and their reasons for it.

15.3 Notifying APRA

MCU will comply with its Whistle Blowing Policy and consents to any person who held a responsible person position disclosing information or providing documents to APRA relating to their reasons for resignation, retirement or removal.

15.3 Communication to employees and directors

MCU must ensure that the provisions for whistle blowing in this Fit and Proper Policy are communicated to its directors and employees whom it considers are to have information relevant to an assessment of the fitness and propriety of a responsible person.

15.4 Must not impede

MCU will not constrain, impede, restrict or discourage by any means, any person with the belief that APS 520 is not being complied with from contacting the Fit & Proper Officer or APRA.

15.5 Suffer no detriment

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MCU will take all reasonable steps to ensure that no person making the disclosures referred to above, is threatened with a detriment because of any notification, unless the disclosure or notification was not made in good faith.

15.6 MCU Whistle blowing policy

The whistle blowing requirements in this Fit and Proper Policy should be read in conjunction with MCU's whistle blowing protections provided for in the Corporations Act and its Whistle Blowing Policy. The protections contained in the Corporations Act will apply to persons acting in accordance with whistle blowing provisions contained in this Fit and Proper Policy.

16. Providing information to APRA

MCU must:

- within 28 days of the commencement of APS 520 provide APRA with the following information (in the form required by APRA) for each responsible person:
 - the person's full name;
 - the person's date of birth;
 - the person's position and main responsibilities;
 - a statement of whether the person has been assessed under this Fit and Proper Policy;
- if there is a change to the information set out above or if there is a new appointment to a responsible person position advise APRA of the revised information (in the form required by APRA) within 28 days of the change or new appointment;
- notify APRA, (in the form required by APRA) within 10 business days if MCU assesses that a responsible person is not fit and proper;
- 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.

17. Document retention

MCU must:

- document all information considered in initially assessing and annually re-assessing the fitness and propriety of a person for a particular responsible person position;
- retain all 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

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responsible person position or another responsible person position with MCU;

- immediately destroy documentation relating to the initial assessment of an unsuccessful candidate for a particular responsible person position;
- retain documentation relating to the initial assessment or annual re-assessment of a person for a particular responsible person for a period of 7 years following the person ceasing to hold any responsible person position with MCU.

18 Collecting Information

18.1 Responsible person must provide information

Each candidate for a responsible person position and existing responsible persons must provide the General Manager or relevant Committee with all information and documentation that the General Manager or relevant Committee reasonably requests for the purposes of determining whether the person is fit and proper.

18.2 How to contact us

If a person who is the subject of a fit and proper assessment under this Fit and Proper Policy wishes to contact the MCU they can contact:

The Board Secretary
MCU
28 Maple Street, or (P O Box 1009)
Maleny, Qld., 4552)

Phone (07) 54942144 Email: info@malenycu.com.au

18.3 Collecting personal information

In carrying out a fit and proper assessment MCU may collect personal information (including sensitive information) about a candidate for a responsible person position or a responsible person. If MCU does collect such information the person to whom the information applies may in accordance with the *Privacy Act 1988 (Cth)* gain access to the information by contacting MCU at the address provided.

If MCU does collect and hold personal information (including sensitive information) it will collect, hold and use the personal information (including sensitive information) to:

- assess a person's fitness and propriety;
- comply with legislative and regulatory requirements;
- perform administrative functions including risk management, record keeping, archiving, staff training; and
- managing MCU rights and obligations under its licences.

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The collection of personal information (including sensitive information) for the purposes of a fit and proper assessment is where relevant required by APS 52.

18.4 To whom will the information be provided

Any personal information (including sensitive information) for the purposes of a fit and proper assessment collected by MCU will be disclosed as required under this Fit and Proper Policy, APS 520 and the law.

18.5 Failure to provide information

If a person the subject of a fit and proper assessment fails to provide information to MCU that person will be rejected as a candidate for a responsible person position or removed from a responsible person position. In certain circumstances this will mean their employment will be terminated.