

Sound Practices

Risk Management and Resilience

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PURPOSE

These Sound Practices provide illustrative examples of how the principles in the Risk Management and Resilience Guideline (Guideline) may be applied in practice across B.C. credit unions.

This document is not binding and does not replace any legislative or regulatory requirement. Its purpose is to help Boards and Senior Management interpret and operationalize the principles proportionately according to each credit union's size, complexity, and risk profile.

Effective risk management and resilience reflect institutional context and organizational maturity. The practices described below are not checklists; they are examples of how sound practice can be demonstrated, tested, and strengthened over time.

APPLYING THE PRINCIPLES IN PRACTICE

Strong risk management depends on a combination of clear expectations, informed decision-making, and disciplined execution. Credit unions should view the Guideline as setting out BCFSA's expectations, while treating this document as a resource for ways to meet those expectations.

Credit unions are encouraged to:

- Assess current practices against each principle and identify proportionate improvements;

- Align frameworks, policies, and reporting so that risk insights inform strategic and operational decisions; and
- Use these examples to inform education, testing, assurance, and continuous-improvement cycles.

Principle 1 – Integration

Expectation

Risks are identified and managed holistically. Interdependencies are understood, and insights are integrated across business lines to inform decisions and resource allocation.

Practices (Illustrative)

- Maintain a risk taxonomy and an enterprise risk register that capture interrelated risks and shared drivers across the credit union;
- Convene a cross-functional risk forum (e.g., finance, operations, credit, technology, compliance) to synthesize insights and agree cross-cutting actions;
- Operate a single Key Risk Indicator (KRI) library with aligned definitions, thresholds, and owners, and link KRIs to risk appetite measures and business plans; and
- Use pre-mortems and “what-would-have-to-be-true” tests on major proposals to identify cross-risk vulnerabilities before approval.

Proportional Application (Illustrative)

Smaller credit unions may integrate enterprise risk reviews into monthly executive meetings and maintain a concise integrated risk report. Larger credit unions may maintain a formal integrated risk and performance dashboard; that is, an electronic or visual display of key risk indicators.

Principle 2 – Accountability

Expectation

The Board is ultimately accountable for the effectiveness of risk management, while Senior Management implements and operationalizes it. Roles, decision rights, and challenge mechanisms are clear and effective.

Practices (Illustrative)

- Approve and periodically review a Risk Appetite Framework (RAF) with measurable limits and cascade it into business-level limits and operating standards;
- Define roles and decision rights across the three lines (ownership, oversight, assurance) and keep them current in policy;
- Establish a CRO charter with direct, unfettered access to the Board and Risk Committee and with defined rights to escalate;
- Link performance objectives and incentives to operation within appetite and timely remediation of issues; and
- Document decisions that show how risk information was weighted, including assumptions, alternatives considered, and rationale for the chosen course.

Proportional Application (Illustrative)

Smaller credit unions may have a combined Risk, Investments and Loans Committee, part-time CRO, and/or shared services with clear escalation protocols. Larger credit unions typically have a dedicated Board Risk Committee and a full-time CRO with an independent budget and talent plan.

Principle 3 – Proportionality

Expectation

The scope and sophistication of risk management match the credit union's nature, scope, complexity, and risk profile.

Practices (Illustrative)

- Use materiality thresholds to focus analysis, documentation, and approval effort on higher-impact risks;
- Adopt fit-for-purpose methods—from qualitative assessments to models—consistent with data quality and decision needs; and
- Review proportionality annually and document the rationale for simplifications or enhancements.

Proportional Application (Illustrative)

Smaller credit unions may have qualitative assessments with targeted metrics and simplified stress scenarios. Larger credit unions often have quantitative models, multi-factor stress testing, and advanced analytics.

Principle 4 – Independence

Expectation

The risk management function operates with sufficient authority, status and objectivity, and is independent from day-to-day operations.

Practices (Illustrative)

- Ensure the CRO (or equivalent) has a functional reporting line to the Board and Risk Committee and can independently escalate issues;
- Define and monitor independence safeguards (e.g., no operational management of businesses assessed by the risk function);
- Require independent review of key risk analyses and frameworks at defined intervals (e.g., annual RAF review); and
- Coordinate with Internal Audit while maintaining clear separation of oversight and assurance roles.

Proportional Application (Illustrative)

Smaller credit unions may show independence through charters, minutes, and periodic external peer review. Larger credit unions may use standing independent review programs.

Principle 5 – Transparency

Expectation

Decision-makers receive timely, accurate, and integrated information with clear escalation pathways.

Practices (Illustrative)

- Maintain a Board risk report that aligns with the RAF, including current position vs. limits, forecast trajectory, breaches/near misses, and remediation status;
- Use early-warning indicators and triggers that prompt predefined actions and escalation;
- Implement incident and near-miss reporting with root-cause analysis; and
- Communicate significant risks to relevant staff with practical guidance on controls and behaviours.

Proportional Application (Illustrative)

Smaller credit unions may use concise monthly reporting with narrative analysis of key changes. Larger credit unions typically use layered reporting (operational, executive, Board) and drill-down dashboards.

Principle 6 – Resilience

Expectation

The credit union can absorb shocks, adapt, and recover, continuing to deliver critical operations within defined disruption tolerances.

Practices (Illustrative)

- Identify critical operations and map end-to-end dependencies (people, sites, technology, data, processes);
- Set disruption tolerances and recovery objectives (e.g., Maximum Tolerable Period of Disruption, Recovery Time Objective, Recovery Point Objective) for each critical operation;
- Maintain business continuity, crisis management, and incident response plans with clear roles and playbooks, and adaptable to the evolving business context;
- Conduct testing and exercising (e.g., tabletop, simulation, failover) against severe-but-plausible scenarios; and
- Maintain a lessons-learned register and update controls, plans, and training accordingly.

Proportional Application (Illustrative)

Smaller credit unions may do annual tabletop exercises and use formal, mutual aid/MOUs for alternate facilities or services. Larger credit unions often use multi-site failovers (or standby, redundant and back up systems), concurrent scenario exercises, and resilience metrics embedded in performance dashboards.

Principle 7 – Lifecycle Components of Risk and Resilience Practice

Expectation

Risk management follows a disciplined lifecycle to address new and evolving risks.

Practices (Illustrative)

- 7.1 Risk Identification
 - horizon scanning, environmental scanning, scenario workshops, member/employee feedback, incident/near-miss analysis.
- 7.2 Risk Assessment and Prioritization
 - qualitative scales (likelihood/impact), simple loss estimates, stress/scenario analysis.
- 7.3 Risk Mitigation and Control
 - control design aligned to drivers/causes; preventive vs. detective controls; remediation plans.

- 7.4 Monitoring and Reporting
 - KRI library with thresholds and triggers; variance analysis vs. appetite; incident/near-miss management.
- 7.5 Resilience Planning
 - identification of critical operations; dependency maps; disruption tolerances and recovery objectives; resource planning.
- 7.6 Response and Recovery
 - incident classification; crisis management protocols; internal and external communications.
- 7.7 Governance and Culture
 - roles and decision rights; incentive alignment; challenge and speak-up mechanisms.
- 7.8. Adaptability and Continuous Improvement
 - testing program; lessons-learned cycle; triggers for Risk Appetite Framework review.

Proportional Application (Illustrative)

Smaller credit unions may use a simplified risk register with basic categorization, conduct annual risk assessments using qualitative methods, and maintain a single continuity plan covering all critical operations. Testing may be limited to annual tabletop exercises with key staff.

Larger credit unions typically implement integrated risk management tools, conduct quarterly stress testing and scenario analysis, maintain detailed continuity and recovery plans for each critical function, and operate a formal resilience program with dedicated resources and performance metrics.

CONTINUOUS IMPROVEMENT AND REVIEW

Capability develops through repetition, testing, and feedback. Credit unions should treat these practices as living tools—adapting them to context, documenting what works, and sharing insights across teams. Strong risk cultures demonstrate curiosity: credit unions ask why controls and responses succeeded or failed, and translate those lessons into better processes, better oversight, and better service to members.

ALIGNMENT WITH SUPERVISION

BCFSA assesses outcomes rather than adherence to any specific risk management strategy or format. Supervisory dialogue will focus on how effectively credit unions demonstrate the expectations described in the Guideline—integration, accountability, proportionality, independence, transparency, and resilience—through their documented decisions, testing, and improvement activities. A credit union's risk profile is integrated into BCFSA's Supervisory Framework for credit unions, and composite risk ratings. More information is available on BCFSA's website and in additional BCFSA regulatory information.