

Coast Capital Savings Democracy Checklist



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Based on: Coast Capital Savings Credit Union Rules (April 24, 2012)
Credit Union Incorporation Act (as amended, to September 3, 2014)

The Democracy Checklist gauges the health of the organization’s democracy based on the official rules that it has adopted.

The practices of a good democracy must be mandatory. Otherwise, a future administration might be tempted to adopt a new, less democratic style. This is why each item in the Democracy Checklist must be satisfied explicitly by the organization’s official rules. It’s not good enough to say that the organization “currently does this.”

- Key:  *Coast Capital’s rules satisfy this requirement.*
-  *Coast Capital’s rules are contrary to this requirement.*
-  *Coast Capital’s rules do not adequately support this requirement.*

The score is calculated out of **27** (the total number of items listed in the summary). Each green thumbs-up is worth +1; each red thumbs-down is worth -1.

A negative score indicates that the organization is *anti-democratic*: the rules actively thwart democracy. A low positive score indicates that the rules are ambivalent: the organization might support democracy or might suppress it. A reasonable goal is a perfect score, indicating that the rules support democratic behaviour. However, even a perfect score does not guarantee perfect behaviour all the time; a perfect score merely ensures that the membership has the means to hold the Board accountable.

The score for Coast Capital Savings is currently **-4/27**.

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Guiding Principle

The Board of Directors has a duty to facilitate democratic governance of the co-operative, allowing themselves to be overseen by the membership. That is, they have a duty to keep the membership educated about democratic principles, informed about the co-operative's business, and empowered to make meaningful decisions when collective decisions are warranted.

Democracy Checklist – Summary

1. Democratic Conduct

- a. Each director shall uphold the Guiding Principle of the co-operative's democracy as a fiduciary duty towards members. 🚫
- b. The Board shall undertake to fulfill the Guiding Principle of the co-operative's democracy. 🚫

2. Director Elections

- a. The Board shall inform members about upcoming elections, including how to become a candidate, and how to be an informed voter. 👍
- b. A member's eligibility as a candidate for director shall not be subject to subjective judgement. 👍
- c. The Board shall recommend candidates (or not) based only on their personal attributes, independent of other candidates. If the Board wants to make voting recommendations to achieve a particular composition of directors, they shall do so as a separate recommendation. 👍🚫
- d. Elections shall be conducted by preferential vote. 🚫

3. Member Resolutions

- a. The Board shall inform members about their right to propose resolutions, and the associated procedures and deadlines. 🚫
- b. A member's ability to propose a resolution shall not be subject to subjective judgement. 🚫

4. Campaigns

- a. For elections, the Board shall inform candidates about how to make their policy platforms known to other members. 👍🚫
- b. For member resolutions, the Board shall inform members about how to make their supporting statements known to other members. 🚫
- c. The Board shall inform whenever it advocates. 👍🚫
- d. Members shall be permitted to seek endorsements and alliances in their campaigns. 👍🚫

5. Voting

- a. Voting shall not start for at least 14 days from the time that members are informed of the available options, and voting shall remain open for at least 14 days. 👍🚫
- b. Members shall be permitted to change their vote prior to the close of voting, when their vote is cast online. 👍🚫
- c. The Board shall not facilitate uninformed voting, including by putting its voting recommendations on the ballot. 👍🚫
- d. The Board shall not be redundant in communicating its voting recommendations. 👍🚫
- e. Any time they make voting recommendations, the Board shall help members to find information about other members' opinions. 👍🚫

6. Communication

- a. There shall be an online forum available to the membership year-round, dedicated to the discussion of the business of the co-operative. 👍👎
- b. For each director election and for each resolution being voted on, members shall be able to see online the Board's recommendation, and the opinion of every member who wants to express an opinion. 👍👎
- c. Members shall be permitted to communicate with other members in any way they choose, including during campaigns. 👍👎

7. Transparency

- a. All information about the co-operative that is available to members, including historical information, shall be made available without impediment. Members shall be given the option to receive notification of changes to such information. 👍👎
- b. The Board shall allow members to attend board meetings, in person and/or online. 👍👎
- c. There shall be a publicly specified person or organization where whistleblowers can report problems with the co-operative, that protects the whistleblowers and reports problems to the membership in due course. 👍👎

8. Further Democratic Conduct

- a. No rule or policy shall prohibit or penalize the civil expression of opinions by any member about matters relating to the co-operative. 👍👎
- b. To remove a director from office shall require a vote of the membership. 🚫
- c. To expel a member from the co-operative shall require that the member be given the option to appeal to a vote of the membership. 👍
- d. When rule changes are proposed pertaining to the Guiding Principle, the board shall disclose the ways in which the power of the membership might be reduced, and each change shall be voted on individually by the membership. 👍👎

Totals:  3
 7

Score: $\frac{3-7}{27} = \frac{-4}{27}$

Democracy Checklist – Detailed Explanations

1a. (Democratic Conduct) Each director shall uphold the Guiding Principle of the co-operative’s democracy as a fiduciary duty towards members. 🚫

Rationale: Directors are required to uphold the principles of co-operatives, including democratic member control and education of members. The Credit Union Central of Canada advocates the seven internationally accepted Co-operative Principles, which include:¹

2. Democratic Member Control Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

5. Education, Training and Information Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of co-operation.

Analysis: Coast Capital has no explicit rules in favour of this requirement, although it is a question of law whether the directors’ fiduciary duty towards members extends automatically (without explicit rules) to the maintenance of democracy in the organization.

All of Coast Capital’s anti-democratic rules (i.e., every other red thumbs-down within this document) are contrary to 1a.

1b. (Democratic Conduct) The Board shall undertake to fulfill the Guiding Principle of the co-operative’s democracy. 🚫

Rationale: The rule that satisfies this requirement establishes the positive duty of the Board to undertake to maintain the democratic operation of the co-operative. Every item in the Democracy Checklist is an example of what constitutes this undertaking.

Any anti-democratic rule of the co-operative is evidence to the contrary of this undertaking.

Analysis: Coast Capital has no rules in this regard.

Anti-democratic rules adopted by Coast Capital (not mentioned elsewhere in the Democracy Checklist) include the following:

Coast Capital relies (see 18.10) on the Credit Union Incorporation Act (see §77) for its rule that a special resolution requires 300 signatures. Given that Coast Capital does not facilitate meetings or discussions among its members (with the exception of its AGM, for which only 179 members attended in 2014), the 300 signature requirement is an unreasonable impediment to democracy, and is therefore an anti-democratic rule that Coast Capital should override.

18.10 Except for special resolutions proposed by the Board of Directors, no special resolution shall be considered or voted on at a general meeting of the Credit Union unless proposed for consideration by proposal or requisition in

¹ Credit Union Central of Canada. “Seven Co-operative Principles.” Retrieved September 23, 2014. www.cucentral.ca/SitePages/TheCreditUnionDifference/CooperativePrinciples.aspx.

accordance with the provisions of the Credit Union Incorporation Act, in which case the Board of Directors shall adhere to the Credit Union Incorporation Act in dealing with such proposal or requisition.

Credit Union Incorporation Act:

77 (1) By requisition signed by not less than 5% in number of the members or 300 members, whichever is the lesser, members of a credit union may propose a special resolution for consideration at a general meeting.

(2) Section 76 applies in respect of a proposed special resolution under this section.

2a. (Director Elections) The Board shall inform members about upcoming elections, including how to become a candidate, and how to be an informed voter. 👍

Rationale: Democratic procedures and must not be hidden from the membership. The Board must facilitate member involvement in the co-operative.

Analysis: Coast Capital's rules ensure that members are informed about their opportunity to become a Director (see 16.5), and it provides at least one information session for prospective Directors (see 16.7).

The Nominations committee determines what information is made available to voters (see 16.15). I'm being generous here because the Nominations Committee should not be given "unfettered discretion" on this matter.

16.5 At least 90 days before each Annual General Meeting, the Nominations Committee shall:

- (a) notify all members of the Credit Union that an election of Directors is to take place, specifying the number of positions (and any residency requirements established pursuant to Rule 13.3) which the Nominations Committee knows at that time are required to be filled;
- (b) invite members to submit to the Nominations Committee, in such form or forms the Nominations Committee shall from time to time prescribe for the purpose, the names of proposed candidates (and, if applicable, the residency of any such person proposed as a candidate) prior to a date which shall be specified in the notice, which date shall not be less than 30 days from the date of the notice; and
- (c) advise all members, that for purposes of being eligible to vote in the election, a person must be a member, other than a junior member, in good standing on the Voting Record Date established in accordance with Rule 19.1.

16.7 The Credit Union shall, prior to the date on which nominations are to close, at such times and places as are specified by the Nominations Committee, hold one or more information sessions for those members who are considering permitting their names to be placed in nomination as candidates for election as a Director. The name of a member shall not be placed in nomination as a candidate for election as a Director if that member has not attended at least one of the information sessions so held, unless the requirement to attend an information session has been waived by the Nominations Committee in accordance with these Rules. Before the name of a member is placed in nomination as a candidate for election as a Director, that member must attend an interview with the Nominations Committee, at the time and place specified by the Nominations Committee pursuant to Rule 16.10, unless the requirement to attend such interview has been waived by the Nominations Committee in accordance with these Rules. If an individual is not able to attend an information session or interview due to extenuating circumstances, the Nominations Committee may waive the applicable attendance requirement. The Nominations Committee may waive either or both of these attendance requirements for any member who is then currently serving on the Board of Directors.

16.15 Where the number of qualified persons nominated for the offices for which the election is to be held is in excess of the vacancies to be filled, having regard to any residency requirements established pursuant to Rule 13.3, an election shall be held before the next Annual General Meeting to fill the vacancies. Where an election is to be held, the Nominations Committee shall make available to all members of the Credit Union entitled to vote, in sufficient time so as to provide the members at least 18 days notice (having regard to section 78(5) of the Credit Union Incorporation Act), such information regarding the dates of the election, candidates (and for greater certainty, the Nominations Committee may include more information about recommended candidates), voting eligibility, balloting (including instructions for casting ballots) and any such other information and

materials as prescribed and determined appropriate by the Nominations Committee in its sole and unfettered discretion.

2b. (Director Elections) A member's eligibility as a candidate for director shall not be subject to subjective judgement. 🍷

Rationale: To be a candidate for director, a member must satisfy any objective requirements stated in the co-operative's rules. However, the rules must not give the current Board enough flexibility to disqualify someone that they don't like.

Analysis: Coast Capital's rules (see 15.2) do not allow the current Board or a nomination committee to preclude candidates from running in an election. Specific qualification requirements (see 15.3) are objective.

15.2 Each person, other than a junior member or a person disqualified by Rule 15.3, who is a member in good standing of the Credit Union as at the close of nominations immediately before such member's election or appointment as a Director, is eligible to be a Director.

15.3 A person is not eligible to be elected or appointed to the office of Director of the Credit Union and, if holding the office of Director of the Credit Union, shall immediately vacate the office, if such person:

- (a) is not, or ceases to be, eligible to be insured as required under the Financial Institutions Act;
- (b) is an employee of the Credit Union Deposit Insurance Corporation of British Columbia, an auditor of a credit union or a public servant concerned by his duties with the affairs of a credit union;
- (c) is a corporation;
- (d) is an undischarged bankrupt;
- (e) is a discharged bankrupt and less than five years has elapsed since the date of discharge from bankruptcy;
- (f) is convicted of an offence in connection with the promotion, formation or management of a corporation or involving fraud unless five years have elapsed since the latest of:
 - (i) the expiration of the period fixed for suspension of passing of sentence;
 - (ii) the imposition of a fine; or
 - (iii) the conclusion of a term of imprisonment and probation;but the disability imposed by this Rule 15.3(f) ceases on a pardon being granted under the Criminal Records Act (Canada);
- (g) is found to be incapable of managing his or her own affairs by reason of mental infirmity;
- (h) being a Director, has failed, without being excused, to attend regular monthly meetings of Board of Directors for three consecutive months in which meetings are held;
- (i) is an employee of the Credit Union, a subsidiary of the Credit Union or an associated corporation in which the Credit Union holds shares, or a relative of:
 - (A) that employee; or
 - (B) the spouse of that employee;who occupies the same house as that person;
- (j) is a director, officer, agent, or employee of a credit union, bank, trust company, savings and loan association, loan company, real estate agency, insurance company, insurance agency or any other firm, association, syndicate, company, corporation or other business enterprise engaged in or concerned with or interested in, any business or any part thereof from time to time carried on by the Credit Union or by any of its subsidiaries (except where such person is a director of a central credit union, a Director of the Credit Union, a director of any credit union all or substantially all of the assets or shares of which have been acquired by the Credit Union, a director of any subsidiary of any credit union all or substantially all of the assets or shares of which have been acquired by the Credit Union, and not otherwise ineligible to be a Director of the Credit Union, or where the Board of Directors determines, by resolution, that this Rule 15.3(j) shall not apply to such person);
- (k) is the spouse of any person referred to in subparagraph (j) of this Rule 15.3;
- (l) has been an employee of the Credit Union, a subsidiary of the Credit Union or an associated corporation in which the Credit Union holds shares at any time during the two-year period immediately before such member's election or appointment; or
- (m) has ever been in default under any obligation to the Credit Union and has failed to pay the debt in full together with accrued interest;

- (n) is a person disqualified from becoming or acting as a director, pursuant to the Company Act, the Credit Union Incorporation Act or the Financial Institutions Act; or
- (o) was removed from the position of Director by the Board of Directors in accordance with Rule 13.7.

For the purposes of this Rule 15.3, the term “employee” includes a person who is paid to provide his or her services, directly or indirectly, to the Credit Union, a subsidiary of the Credit Union or financial institution, as the case may be, on a full-time or part-time basis as an employee, and the term “spouse” has the meaning given to it in the Credit Union Incorporation Act. The Board of Directors may, in their discretion, determine additional criteria for determining whether or not a person is an “employee” for the purposes of these Rules.

2c. (Director Elections) The Board shall recommend candidates (or not) based only on their personal attributes, independent of other candidates. If the Board wants to make a voting recommendation to achieve a particular composition of directors, they shall do so as a separate recommendation. 🇺🇸

Rationale: Board recommendations are powerful, and the Board’s ability to recommend their friends should be limited. The rationale for their recommendations can be made more apparent by having them make two judgements: 1) whether or not each candidate would be acceptable on their own merits, and 2) what composition of candidates would be best at this particular moment in time.

Analysis: Coast Capital’s Nominations Committee may nominate as many candidates as it wants to (see 16.11), but it has no constraints on its reasons for recommendations.

16.11 Taking in to account the number of returning Directors that are Financially Literate, the Nominations Committee may recommend any number of candidates and may communicate its recommendations and the reasons for its recommendations to the members in any manner as it thinks fit.

2d. (Director Elections) Elections shall be conducted by preferential vote. 🇺🇸

Rationale: Preferential voting allows members to express themselves clearly with respect to their level of support for each candidate. Importantly, it avoids the problem of vote-splitting (where two popular candidates split their supporters, allowing a less popular candidate to win), and therefore avoids any need for strategic voting.

Analysis: Coast Capital requires ballots to be marked with exactly one vote for each vacancy to be filled (see 16.16).

16.16 Only those members in good standing on the Voting Record Date established pursuant to Rule 19.1 for such election shall be eligible to cast ballots in the election. A ballot cast in any election of Directors must contain the same number of votes as the number of vacancies to be filled in that election of Directors and any ballot indicating another intention is void.

3a. (Member Resolutions) The Board shall inform members about their right to propose resolutions, and the associated procedures and deadlines. 🇺🇸

Rationale: Democratic procedures and must not be hidden from the membership. The Board must facilitate member involvement in the co-operative.

Analysis: The rules provide a deadline (see 18.4). However, the Coast Capital Board does not want members proposing resolutions. In fact, they explicitly say that they don’t want to entertain resolutions

from members, although to their credit, they say that they'll follow the law (see 18.10). Provincial law requires Coast Capital to bring a resolution to the membership when the resolution is signed by at least 300 signatures (see Credit Union Incorporation Act §77).

18.4 Unless the resolution is submitted by the Board of Directors, in order for an ordinary or special resolution to be eligible for consideration by members at an Annual General Meeting it must be submitted to the Board of Directors for review and consideration at least 90 days prior to the Annual General Meeting and the Board of Directors, at its discretion, shall determine whether the resolution shall be submitted to the members for consideration at the Annual General Meeting.

18.10 Except for special resolutions proposed by the Board of Directors, no special resolution shall be considered or voted on at a general meeting of the Credit Union unless proposed for consideration by proposal or requisition in accordance with the provisions of the Credit Union Incorporation Act, in which case the Board of Directors shall adhere to the Credit Union Incorporation Act in dealing with such proposal or requisition.

Credit Union Incorporation Act:

77 (1) By requisition signed by not less than 5% in number of the members or 300 members, whichever is the lesser, members of a credit union may propose a special resolution for consideration at a general meeting.

(2) Section 76 applies in respect of a proposed special resolution under this section.

3b. (Member Resolutions) A member's ability to propose a resolution shall not be subject to subjective judgement. 🚫

Rationale: The proposal of a resolution must satisfy any objective requirements stated in the co-operative's rules. However, the rules must not give the current Board enough flexibility to disqualify resolutions that they don't like.

Analysis: Coast Capital's Rules permit the Board to veto any resolution (see 18.4). See 3a for a full account of the restrictions imposed by the Board.

18.4 Unless the resolution is submitted by the Board of Directors, in order for an ordinary or special resolution to be eligible for consideration by members at an Annual General Meeting it must be submitted to the Board of Directors for review and consideration at least 90 days prior to the Annual General Meeting and the Board of Directors, at its discretion, shall determine whether the resolution shall be submitted to the members for consideration at the Annual General Meeting.

4a. (Campaigns) For elections, the Board shall inform candidates about how to make their policy platforms known to other members. 🗣️

Rationale: Democratic procedures and must not be hidden from the membership. The Board must facilitate member involvement in the co-operative.

Analysis: Coast Capital has no rules in this regard (although the 2014 Campaign Regulations contain policy in this regard).

4b. (Campaigns) For member resolutions, the Board shall inform members about how to make their supporting statements known to other members. 🚫

Rationale: Democratic procedures and must not be hidden from the membership. The Board must facilitate member involvement in the co-operative.

Analysis: Coast Capital has no rules in this regard, except for the following: After a special resolution has passed, the Board can call for an affirmation vote (see 18.7), for which their procedure does not allow for member involvement (see 18.8).

18.7 The Board of Directors may within seven days after any general meeting at which a resolution has been adopted by the requisite majority determine to refer the resolution to the membership for affirmation and the resolution shall be of no force and effect unless affirmed.

18.8 Where the Directors make a determination to submit a resolution adopted at any general meeting to the members for affirmation as provided in Rule 18.7, the Directors may determine that voting may be by mail ballot, ballot at a branch office of the Credit Union or via electronic means, or any combination of these methods, and shall within 180 days of the general meeting at which the resolution was adopted give to each member who is a member in good standing at the date of that meeting:

- (a) a notice containing a brief statement of the action taken by the membership, the determination taken by the Directors to refer the resolution to the membership for affirmation and the reason of the Board of Directors for referring the resolution to the members for affirmation;
- (b) a ballot containing provision for a vote for or against the affirmation of the resolution;
- (c) clear and precise instructions for casting the ballot and the return thereof specifying the date by which the ballot must be returned to the Credit Union which date must not be less than 14 days after the giving of the notice referred to in Rule 18.8(a); and
- (d) such other materials as the Board of Directors deems necessary or advisable in connection with the balloting.

4c. (Campaigns) The Board shall inform whenever it advocates. 🗳️

Rationale: The Board must obtain the informed consent of the membership on any matter that is up for a vote. That is, it must educate members, rather than attempting to persuade them through propaganda. However, individual members of the board, when it's clear that they are speaking as individuals, do not have this same burden.

Analysis: Coast Capital has no rules in this regard.

4d. (Campaigns) Members shall be permitted to seek endorsements and alliances in their campaigns. 🗳️

Rationale: The Board must not interfere in members' ability to organize and communicate in ways that the Board might consider threatening to their power.

Analysis: Coast Capital has no rules in this regard. (But it does have policy: the 2014 Campaign Regulations strongly restrict how election candidates can communicate their policy platforms to members).

5a. (Voting) Voting shall not start for at least 14 days from the time that members are informed of the available options, and voting shall remain open for at least 14 days. 🗳️

Rationale: The voting process must facilitate members who want to organize *against* another member's (or the Board's) election platform or resolution proposal. A meaningful time period must be permitted for discussion (e.g., before anybody commits their vote by mail).

Analysis: Coast Capital has some rules in this regard. For elections, voting must be open for at least 14 days (see 16.15). For affirmation votes, voting must be open for 14 days (see 18.8c).

16.15 Where the number of qualified persons nominated for the offices for which the election is to be held is in excess of the vacancies to be filled, having regard to any residency requirements established pursuant to Rule

13.3, an election shall be held before the next Annual General Meeting to fill the vacancies. Where an election is to be held, the Nominations Committee shall make available to all members of the Credit Union entitled to vote, in sufficient time so as to provide the members at least 18 days notice (having regard to section 78(5) of the Credit Union Incorporation Act), such information regarding the dates of the election, candidates (and for greater certainty, the Nominations Committee may include more information about recommended candidates), voting eligibility, balloting (including instructions for casting ballots) and any such other information and materials as prescribed and determined appropriate by the Nominations Committee in its sole and unfettered discretion.

- 18.8 Where the Directors make a determination to submit a resolution adopted at any general meeting to the members for affirmation as provided in Rule 18.7, the Directors may determine that voting may be by mail ballot, ballot at a branch office of the Credit Union or via electronic means, or any combination of these methods, and shall within 180 days of the general meeting at which the resolution was adopted give to each member who is a member in good standing at the date of that meeting:
- (a) a notice containing a brief statement of the action taken by the membership, the determination taken by the Directors to refer the resolution to the membership for affirmation and the reason of the Board of Directors for referring the resolution to the members for affirmation;
 - (b) a ballot containing provision for a vote for or against the affirmation of the resolution;
 - (c) clear and precise instructions for casting the ballot and the return thereof specifying the date by which the ballot must be returned to the Credit Union which date must not be less than 14 days after the giving of the notice referred to in Rule 18.8(a); and
 - (d) such other materials as the Board of Directors deems necessary or advisable in connection with the balloting.

5b. (Voting) Members shall be permitted to change their vote prior to the close of voting, when their vote is cast online. 🗳️

Rationale: There is no drawback to allowing people to change an online vote, and this allows the full voting period to be utilized for discussion and advocacy, without penalizing anybody who casts an early vote online.

Analysis: Coast Capital has no rules in this regard.

5c. (Voting) The Board shall not facilitate uninformed voting, including by putting its voting recommendations on the ballot. 🗳️

Rationale: The Board must facilitate democracy, and uninformed votes are either random or are biased towards the Board's recommendations. The Board must not provide any incentive for voting beyond the satisfaction of participating in democracy. This includes charitable donations made on behalf of voters.

Analysis: Coast Capital has no rules in this regard. (But they have established a practice of putting recommendations on the ballots, and of offering charitable donations for each vote cast.)

5d. (Voting) The Board shall not be redundant in communicating its voting recommendations. 🗳️

Rationale: The Board may provide recommendations to the membership, but it has an equal responsibility to provide unbiased information, and to provide recommendations without being domineering. One method to achieve this balance is to limit the Board's ability to repeat a biased message. This does not preclude the board from saying the same thing in different forums (because different forums might have different audiences) and at different times (because not everybody is always listening), but within each communication, advocacy must be limited.

Analysis: Coast Capital has no rules in this regard. (But the 2014 election and special-resolution votes demonstrate heavy-handed advocacy.)

5e. (Voting) Any time they make voting recommendations, the Board shall help members to find information about other members' opinions. 🇺🇸🇵🇷

Rationale: The Board may provide recommendations to the membership, but per the Guiding Principle, it has an equal responsibility to facilitate discussion between members.

Analysis: Coast Capital has no rules in this regard.

6a. (Communication) There shall be an online forum available to the membership year-round, dedicated to the discussion of the business of the co-operative. 🇺🇸🇵🇷

Rationale: Per the Guiding Principle, the Board has a duty to facilitate discussion among members.

Analysis: Coast Capital has no rules in this regard.

6b. (Communication) For each director election and each resolution being voted on, members shall be able to see online the Board's recommendation, and the opinion of every member who wants to express an opinion. 🇺🇸🇵🇷

Rationale: Per the Guiding Principle, the Board has a duty to facilitate the expression of opinions by members, and access to those opinions by members.

Analysis: Coast Capital has no rules in this regard.

6c. (Communication) Members shall be permitted to communicate with other members in any way they choose, including during campaigns. 🇺🇸🇵🇷

Rationale: The Board must not interfere in members' ability to organize and communicate. The co-operative should make free online communication the easiest and best way for members to communicate, thereby eliminating any advantage that money typically brings to political campaigns.

Analysis: Coast Capital has no rules in this regard. (But they do have policy: the 2014 Campaign Regulations greatly restrict how election candidates can communicate their policy platforms to the membership.)

7a. (Transparency) All information about the co-operative that is available to members, including historical information, shall be made available without impediment. Members shall be given the option to receive notification of changes to such information. 🇺🇸🇵🇷

Rationale: Per the Guiding Principle, the Board has a duty to inform the membership about the co-operative's business.

Analysis: Coast Capital has no rules in this regard.

7b. (Transparency) The Board shall allow members to attend board meetings, in person and/or online. 🇺🇸🇵🇷

Rationale: Per the Guiding Principle, the Board has a duty to inform the membership about the co-operative's business.

Analysis: Coast Capital has no rules in this regard.

7c. (Transparency) There shall be a publicly specified person or organization where whistleblowers can report problems with the co-operative, that protects the whistleblowers and reports problems to the membership in due course. 🇺🇸

Rationale: The first people to know about organizational problems are the people who work there—who have direct experience. A reporting mechanism must be provided that can function even when there is a problem with the day-to-day reporting mechanisms.

Analysis: The *Safe Disclosure and Transparency* corporate policy deals with this subject matter. However, this is a policy, not a rule.

8a. (Further Democratic Conduct) No rule or policy shall prohibit or penalize the civil expression of opinions by any member about matters relating to the co-operative. 🇺🇸

Rationale: Per the Guiding Principle, the Board has an duty to facilitate communication among members, not to inhibit it.

Analysis: Coast Capital has no rules in this regard. (But it does have policy: the 2014 Campaign Regulations impose penalties for campaigning.)

8b. (Further Democratic Conduct) To remove a director from office shall require a vote of the membership. 🇺🇸

Rationale: Directors should be protected from being removed from office based on a difference of opinion. Directors are elected by the membership and should not be removed from office unless the remainder of the Board has made a persuasive argument to the membership.

Analysis: Coast Capital's rules allow a director to be removed by a 2/3 majority of the other directors (see 13.7).

- 13.7 At any time the Conduct Review Committee may review any Director's actions in order to make a determination (a "Determination") that the Director:
- (a) breached or violated these Rules, the Conflict of Interest Policy, the Code of Conduct and Ethics for Directors, or any such other codes and policies as that Director may become subject to as a Director of the Credit Union from time to time;
 - (b) breached the confidentiality of any proceedings, deliberations, or information of the Board of Directors;
 - (c) failed to meet the standards for Directors set out in the Performance Standards Policy for Directors; or
 - (d) when a candidate for election as a Director, the Director violated the Campaign Regulations or these Rules.
- The Director will be provided the opportunity to address the Conduct Review Committee prior to a Determination under this Rule 13.7. In the event that the Conduct Review Committee has made a Determination regarding a particular Director, that Director may be removed as a Director by a resolution passed by not less than 2/3 of the remaining Directors. The Director will be provided the opportunity to address the Board of Directors prior to a vote under this Rule 13.7.

8c. (Further Democratic Conduct) To expel a member from the co-operative shall require that the member be given the option to appeal to a vote of the membership. 🇺🇸

Rationale: Members should be protected from expulsion from the co-operative based only on a difference of opinion with the Board.

Analysis: Coast Capital defers to the Credit Union Incorporation Act on this matter (see 2.1). The Credit Union Incorporation act says that a member cannot be expelled from the co-op by the Board alone, without the member's option to appeal to a members' vote (see §48, paragraphs 6 and 7). If a member thinks they're being targeted without a valid reason (e.g., for political reasons), they can make their case to the membership at large.

- 2.1 A member may withdraw from membership, and the membership of any person may be terminated in accordance with the Credit Union Incorporation Act.

The Credit Union Incorporation Act:

- 48 (1) In this section, "stabilization authority" means the central credit union designated as the stabilization authority under section 282 of the Financial Institutions Act.
- (2) The only way by which the directors of a credit union, other than the stabilization authority, may terminate a person's membership in the credit union is by resolution of the directors,
- (a) requiring a majority of 3/4 of all the directors, and
 - (b) passed at a meeting of the directors.
- (3) The only way by which the directors of the stabilization authority may terminate a person's membership in the stabilization authority is by resolution of the directors,
- (a) requiring approval by all the directors, and
 - (b) passed at a meeting of the directors.
- (4) A person whose membership is proposed to be terminated by a resolution of the directors is entitled to at least 7 days' notice of the meeting at which the resolution is to be considered, together with a statement of the grounds for termination, and the person may appear, either personally or by or with an agent or counsel, to make submissions at the meeting.
- (5) Within 7 days after the date on which the resolution referred to in subsection (2) or (3) is passed by the required majority, the credit union must give written notice of the resolution to the person whose membership is terminated.
- (6) A person whose membership is terminated under subsection (2) or (3) may appeal the decision of the directors at the next general meeting of the credit union by delivering a written notice of appeal to the credit union within 7 days after receiving notice under subsection (5).
- (7) A person who, within the time limited by subsection (6), appeals the termination of the person's membership, despite the resolution of the directors terminating the membership, continues to be a member of the credit union unless the members at the general meeting to which the appeal is brought confirm the termination of the person's membership by a resolution requiring a simple majority or, if provided by the rules, a greater majority.

The 7-day time limit seems unjustly short, especially if the credit union were not to provide notice of this requirement.

8d. (Further Democratic Conduct) When rule changes are proposed that pertain to the Guiding Principle, the board shall disclose the ways in which the power of members might be reduced, and each change shall be voted on individually by the membership. 🙌👍

Rationale: Per the Guiding Principle, the Board has a duty to educate the membership about the principles of democracy, and to facilitate meaningful decisions. Combining independent issues into a single vote can be a tactic to achieve compromise, and the membership should not be forced by the Board to compromise.

Analysis: Coast Capital has no rules in this regard.

Methodology

The starting point for the Democracy Checklist are the seven internationally-accepted co-operative principles,² the most pertinent of which are:

2. Democratic Member Control – Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. ...

5. Education, Training and Information – Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. ...

From this, the Guiding Principle is derived, which describes the duty of the Board of Directors: to *educate*, to *inform*, and to *empower*. The purpose of the Democracy Checklist is to objectively gauge compliance of the organization's rules with the Guiding Principle.

The Democracy Checklist is rule-oriented. That is, it's focused on the organization's official rules, not on its actual behavior. A strong set of rules should allow the membership to police the organization's actual behavior.

As much as possible, the requirements in the Democracy Checklist are designed to be:

- *Singular* – Independent issues are separated into distinct requirements.
- *Principled* – Requirements do not specify details unnecessarily.
- *Robust* – Requirements are sufficiently precise that they can't be thwarted by an uncooperative Board.
- *Positive* – Requirements are formulated in a way that can be satisfied by a single rule or a set of related rules, as opposed to requiring that *all* the rules *not* say something.
- *Objective* – Satisfaction of a requirement requires no personal judgement.
- *Well-founded* – Each requirement follows from the Guiding Principle, which follows from well-established principles of co-operatives.

Change History

The first Democracy Checklist was designed by Martin Duhamel with inspiration from Mark Latham's Democracy Scorecard. The Checklist is designed to be objective as possible, but is inevitably subjective in some respects. Everyone is permitted to create and publish their own version of the Checklist. Readers can decide for themselves which one is most reliable.

September 23, 2014 – First version

March 26, 2016 – Expanded the methodology section and added the change history.

² International Co-operative Alliance. Retrieved February 28, 2016. ica.coop/en/whats-co-op/co-operative-identity-values-principles