



# Policy Paper

Alternative Means of Voting by  
Members

Credit Union Advisory Committee  
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## 1. BACKGROUND

This paper considers alternative means of voting by credit union members. As recommended by the Credit Union Advisory Committee (CUAC) in its 2016 Report, in reviewing alternative means of voting, account will be taken of international experience and of CUAC's Credit Union Survey 2017 which provides views from individual credit unions.

In this paper information is first detailed on methods of participation by credit union members at Annual General Meeting (AGM) in the US and Canada. These jurisdictions were chosen as they offer variety in the means by which members can vote at AGM. The discussion then extends to consider how credit unions in the Republic of Ireland (ROI) view attendance levels at AGM and alternative means of member participation at AGM. This information is obtained from CUAC's Credit Union Survey 2017. In this section of the paper we also examine the comments of some survey respondents on the legislative requirement that credit unions, prior to their AGM, are required to deliver to their members, by post or in person, a copy of their annual accounts together with a notice of the meeting. The penultimate section of the paper documents where amendment to the Credit Union Act, 1997 may be required if changes are introduced. The paper concludes with summary comments and recommendations.

## 2. MEMBERSHIP PARTICIPATION

Membership participation within credit unions is based on a 'one member – one vote' principle. The importance of member participation is highlighted by Labie and Perilleux (2008) who note that the democratic nature of credit unions means that the mission of the credit union is defined by the members and can only be truly achieved through member engagement. The authors also suggest that problems in the governance of credit unions may arise if members fail to fully exercise their democratic rights. A number of other studies have highlighted that only a very small percentage of members attend their credit union's AGM, (Spear, 2002; Davis, 2001; Cornforth, 2003).

## 3. MEMBERSHIP PARTICIPATION – AN INTERNATIONAL PERSPECTIVE

Goth et al. (2012) analyse membership participation in both US and Canadian credit unions. This information is replicated in Table 1. Information is presented on (i) the average attendance

at AGM; (ii) average attendance at AGM as a percentage of the average number of members; and (iii) the view of credit unions on what they consider to be the minimum acceptable voting percentage at an AGM. The analysis is also presented in terms of credit union membership size (greater than 10,000 members and less than 10,000 members). Additionally, in the case of Canada, information is presented separately for credit unions that are part of the Desjardin system and those that are not (atomised credit unions).

**Table 1: Membership Attendance at AGM (US and Canadian Credit Unions)**

	Average number of members attending the AGM	Average number as a percentage of total members	Minimum acceptable voting percentage at AGM (modal range)
<b>Canadian (Atomised )</b>			
Less than 10,000 members	50	1.8%	1-5%
Greater than 10,000 members	1,228	1.9%	10-20%
All (Atomised)	551	1.1%	1-5%
<b>Canada (Desjardins)</b>			
Less than 10,000 members	132	2.3%	5-10%
Greater than 10,000 members	288	1.3%	1-5%
All (Desjardins)	214	1.5%	1-5%
<b>US</b>			
Less than 10,000 members	96	2.0%	1-5%
Greater than 10,000 members	532	0.8%	1-5%
All (US)	395	0.9%	1-5%

From Table 1 it is apparent that membership attendance at AGM, is rarely greater than 2% of total members, with the lowest percentage attendance being 0.8% for US credit unions with a membership greater than 10,000. In Table 1 the level of attendance is also benchmarked against what credit unions consider to be the minimum voting percentage necessary to grant the board of directors a meaningful mandate. The average (modal) response to this question was for the most part 1% - 5%. The exception is for atomised Canadian credit unions with a membership greater than 10,000 which suggested 10% - 20% and for Desjardins credit unions with members less than 10,000 which had a modal value of 5%-10%. Clearly the larger percentages are well above current levels of membership attendance in these jurisdictions.

#### 4. ALTERNATIVE MEMBERSHIP PARTICIPATION METHODS – AN INTERNATIONAL PERSPECTIVE

As an alternative to in person attendance credit unions in some movements offer the option of an electronic voting system (by web or e-mail) and/or a ‘proxy’ voting system usually for business members. These mechanisms have been used for the election of directors as well as for other resolutions. Table 2 profiles the extent to which these methods are used by US and Canadian credit unions.

**Table 2 Membership Voting AGM**

	<b>In person attendance</b>	<b>Electronic voting</b>	<b>Proxy voting</b>
	<b>Yes (%)</b>	<b>Yes (%)</b>	<b>Yes (%)</b>
<b>Canadian (Atomised )</b>			
Members < 10,000	93%	7%	6%
Members > 10,000	61%	37%	16%
All (Centrally Affiliated)	78%	21%	11%
<b>Canada (Desjardins)</b>			
Members < 10,000	96%	3%	37%
Members > 10,000	100%	3%	54%
All (Desjardins)	98%	3%	45%
<b>US</b>			
Members < 10,000	89%	7%	6%
Members > 10,000	60%	29%	21%
All (US)	71%	21%	15%

For credit unions with a membership less than 10,000 in person attendance for the election of directors and for other resolutions is offered by almost all credit unions, electronic voting is rarely offered and proxy voting only offered in sizeable numbers by Desjardins credit unions. For credit unions with membership greater than 10,000 there is some drop in the importance of in person attendance for US and atomised Canadian credit unions, proxy voting increases in importance for all jurisdictions (over 50% for Desjardins credit unions) with electronic voting additionally becoming important for credit unions in the US and those centrally affiliated in Canada (36.7%).

That credit unions as they increase in size increasingly explore different and perhaps more efficient methods of member participation is perhaps of no surprise. Electronic voting by web or e-mail may add particular benefit to member participation in large credit unions

which have a wide geographic spread making in person attendance difficult for some members.

## 5. SURVEY OF CREDIT UNIONS IN THE REPUBLIC OF IRELAND (ROI)

A survey of Irish credit unions was undertaken by CUAC between April and May 2017. A total of 117 credit unions completed the survey. This represents a completion rate of approximately 42 percent. The survey was completed by 10 industrial credit unions and 107 community credit unions. The asset size of the credit unions completing the survey was as follows: 23, < €20m; 33, €20m - €40m; 19, €40m - €60m; 9, €60m - €100m; and 33, > €100m. Not all credit unions answered all questions. For the most part 110 credit unions answered the questions on membership participation (101 community credit unions and 9 industrial credit unions)

### 5.1 In-person attendance, proxy voting and electronic voting

In Table 3 we profile responses to three questions. The first question (Question a) was *'Do you believe that a change is required to the current arrangements pertaining to voting? (i.e. members to be present at a General Meeting to vote)?'* From Table 3 it can be seen that 62 (57%) indicated that a change is required, 41 (38%) indicated a change is not required and 6 (5%) did not have an opinion. A majority of credit unions in the asset category < €20m believed that a change was not required while a majority in all other asset categories considered that change was necessary. Additionally, all but one industrial credit union considered that a change in the current arrangements pertaining to voting was required.

In Table 3 we profile responses to the second question (Question b) *'Should proxy voting be permitted in certain circumstances?'* In this instance 53 (48%) said yes, 49 (45%) said no and 8 (7%) did not know. In this instance a majority of credit unions in the asset categories <€20m, €20m-€40m and €40m-€60m believed proxy voting should not be permitted while a majority in the asset categories €60m-€100m and >€100m believed it should. Additionally, all but two industrial credit unions considered that proxy voting should be allowed.

In Table 3 we profile responses to the third question (Question c) ‘Should Electronic Voting be permitted in certain circumstances?’ In this instance 59 (54%) said yes, 36 (33%) said no and 15 (13%) did not know. A majority of credit unions in each of the asset categories, with the exception of those <€20m, believed that electronic voting should be permitted in certain circumstances. Six industrial credit unions considered electronic voting should be permitted and three considered that it should not.

**Table 3 Survey Overview: Methods of Voting**

VOTING	(a) Do you believe that a change is required to the current arrangements pertaining to voting? (i.e. members to be present at a General Meeting to vote)				(b) Should Proxy Voting be permitted in certain circumstances?				(c) Should Electronic Voting be permitted in certain circumstances?			
	Yes	No	Don't Know	Total	Yes	No	Don't Know	Total	Yes	No	Don't Know	Total
<b>Community</b>												
<€20m	7	11	1	19	8	11	0	19	7	11	0	18
€20m - €40m	14	12	2	28	9	16	3	28	13	9	6	28
€40m - €60m	12	6	1	19	7	9	3	19	9	5	5	19
€60m - €100m	5	3	1	9	5	3	1	9	5	2	2	9
>€100m	17	8	1	26	17	8	1	26	19	6	2	27
Total	55	40	6	101	46	47	8	101	53	33	15	101
<b>Industrial</b>												
<€20m	1	0	0	1	1	0	0	1	1	0	0	1
€20m - €40m	2	0	0	2	3	0	0	3	3	0	0	3
€40m - €60m	0	0	0	0	0	0	0	0	0	0	0	0
€60m - €100m	0	0	0	0	0	0	0	0	0	0	0	0
>€100m	4	1	0	5	3	2	0	5	2	3	0	5
Total	7	1	0	8	7	2	0	9	6	3	0	9
<b>All Credit Unions</b>												
<€20m	8	11	1	20	9	11	0	20	8	11	0	19
€20m - €40m	16	12	2	30	12	16	3	31	16	9	6	31
€40m - €60m	12	6	1	19	7	9	3	19	9	5	5	19
€60m - €100m	5	3	1	9	5	3	1	9	5	2	2	9
>€100m	21	9	1	31	20	10	1	31	21	9	2	32
Total	62	41	6	109	53	49	8	110	59	36	15	110

## 5.2 In person attendance, proxy voting and electronic voting – respondents comments

Those that answered that proxy voting and/or electronic voting should be permitted were asked the follow up question ‘Under what circumstances should proxy voting and/or electronic voting be offered?’ A wide array of responses was provided. An attempt is made to categorise these responses in Table 4. From Table 4 it can be seen that 44 respondents provided views on the circumstances under which either proxy voting and/or electronic voting should be

permitted. Of the 44 views expressed, 10 (23%) considered that these methods should be used in all situations. For those that took this view the following two quotes capture the general tenor of the comments

*“As part of the increasing digitisation of many aspects of business life, the lack of physical support that many general meetings receive, plus the fact that people's lives are becoming increasingly more 'convenienced', credit unions as providers of financial services need to remain up-to-date with digital trends and show their members and the public at large that they can embrace change and develop the way in which they offer their services. Offering an electronic voting capability is a clear indication of change and development.”*

*“Our experience is that only a small minority of members attend and vote at our AGMs. Many of the attendees are members who regularly attend each year. The democratic ethos is undermined by the physical attendance requirement and a more modern efficient voting method would enhance the ethos.”*

A further 16 (36%) stated that either proxy voting and/or electronic voting should be offered where the member was unable to attend a meeting due either to illness or perhaps where members now reside distant from the location of the AGM. The following two comments capture the sentiment of most of those making this point.

*“As common bonds expand e-voting provides an opportunity for members who may not physically be able to attend the AGM venue.”*

*“Proxy voting for the infirm and electronic voting for all members using registered mobile phone numbers should be permitted.”*

Another 5 (11%) respondents considered that either proxy voting and/or electronic voting should only be offered in the case of a major decision such as a transfer of engagements. The following comment captures this sentiment.

*“... electronic voting enables more members to have their say and vote in matters that they feel are important”*

In Table 4 we have also categorised 11 (25%) responses under the heading miscellaneous. These were generally to do with the AGM and could be divided broadly into four areas. They



are, rule changes, board elections, new services and important decisions. The following comments encapsulate the views expressed.

*“Voting on motions that are proposing Transfer of engagements / Rule amendments / EGMs and/or SGMs should be open to all members online”*

*“..... Alternative voting methods should be available for rule changes, election of officers, mergers or amalgamations. At the moment AGM attendance is very poor, in some cases less than 1%. Current method is not representative of the membership.”*

It is important to highlight that a number of respondents advocating the introduction of proxy voting and/or electronic voting urged caution. Some respondents stated that electronic voting should only be permissible when a safe and well tested system is in place. One respondent suggested that electronic voting could take place through the members’ online account where individualised logins are already in-situ. One respondent suggested that if proxy votes are accepted they should not facilitate block voting. One respondent who was in favour of electronic voting was less well disposed to proxy voting believing that it could lead to individuals lobbying other members for their vote to push personal/minority agendas and could create a considerable workload ensuring proxies were valid. A number of respondents focused on cost and took the view that the cost of putting systems in place to ensure that any vote other than the vote of members attending the AGM was a genuine vote, would probably be out of the reach of most small to medium sized credit unions.

The following quotes encapsulate some of the concerns voiced by those advocating change.

*“Voting requires knowledge and connectivity. Education of members and openness of discussion and decision making is needed so that members can be fully informed before voting. If such an environment existed, then proxy and/or electronic voting could be extended to all members and be advantageous to the movement.”*

*“... proxy voting if documentation is in correct legal format. .... electronic voting, if the system has been validated correctly.”*

*“Electronic voting should be permissible where we can correctly identify the member and ensure they are voting and not someone on their behalf accommodated.”*

Table 4 Survey Overview: Summary of Comments

VOTING	If you agreed that electronic and/or proxy voting should be allowed can you outline in what circumstances this could occur?						
	Circumstances	Miscellaneous	Transfer of Engagements	Unable to attend meetings	All Situations	AGMs only	Rule Change only
<b>Community</b>							
<€20m	1	1	4	0	0	0	6
€20m - €40m	1	0	4	1	1	0	7
€40m - €60m	1	1	3	3	0	0	8
€60m - €100m	0	1	0	1	0	0	2
>€100m	7	2	3	2	0	0	14
<b>Total</b>	10	5	14	7	1	0	37
<b>Industrial</b>							
<€20m	0	0	0	1	0	0	1
€20m - €40m	0	0	1	0	0	1	2
€40m - €60m	0	0	0	0	0	0	0
€60m - €100m	0	0	0	0	0	0	0
>€100m	1	0	1	2	0	0	4
<b>Total</b>	1	0	2	3	0	1	7
<b>All Credit Unions</b>							
<€20m	1	1	4	1	0	0	7
€20m - €40m	1	0	5	1	1	1	9
€40m - €60m	1	1	3	3	0	0	8
€60m - €100m	0	1	0	1	0	0	2
>€100m	8	2	4	4	0	0	18
<b>Total</b>	11	5	16	10	1	1	44

### 5.3 Implementation Timeline

Survey respondents who considered that changes were required to the current voting arrangements were asked to detail an appropriate timeframe for change. The responses are summarised in Table 5. The majority of respondents, 53 (62%) wanted the changes to take place within two years, while a further 29 (34%) wanted change to occur between two and five years.

Table 5 Survey Overview: Timeline for Change

VOTING	If you stated that changes should be made to voting arrangements, what do you consider an appropriate timeframe for change?			
Proposed Timeframe	< 2 years	2-5 years	> 5 years	Total
<b>Community</b>				
<€20m	7	6	0	13
€20m - €40m	14	6	2	22
€40m - €60m	8	5	2	15
€60m - €100m	3	1	0	4
>€100m	16	8	0	24
<b>Total</b>	<b>48</b>	<b>26</b>	<b>4</b>	<b>78</b>
<b>Industrial</b>				
<€20m	0	1	0	1
€20m - €40m	2	0	0	2
€40m - €60m	0	0	0	0
€60m - €100m	0	0	0	0
>€100m	3	2	0	5
<b>Total</b>	<b>5</b>	<b>3</b>	<b>0</b>	<b>8</b>
<b>All Credit Unions</b>				
<€20m	7	7	0	14
€20m - €40m	16	6	2	24
€40m - €60m	8	5	2	15
€60m - €100m	3	1	0	4
>€100m	19	10	0	29
<b>Total</b>	<b>53</b>	<b>29</b>	<b>4</b>	<b>86</b>

## 6. AGM NOTIFICATION AND PROVISION OF ACCOUNTS

In accordance with the Credit Union Act 1997, credit unions, prior to their AGM, are required to deliver to their members, by post or in person, a copy of their annual accounts together with a notice of the meeting.

As part of the survey credit unions were asked to quantify the cost of providing the annual report to their members. This information is detailed in Table 6. For the most part, the cost (design, printing, packaging and postage) of providing the annual report to members rises as credit unions increase in asset size. Seven credit unions, all with assets > €100m, face costs in excess of €40k.

Some survey respondents provided additional comments on requirements around AGM notification and the provision of the annual report to members. The comments made included that it should not be a requirement to post out the AGM accounts to members rather the accounts should be provided online or be available to be collected from the credit union's office. Others felt that an advert in one or two local papers would be sufficient in advertising an upcoming AGM. The following are some of the comments made by survey respondents.

*"It should be sufficient to put the AGM notice in say 2 local newspapers. It should NOT be a requirement to post out the AGM accounts to members. The newspaper notice could refer to the availability of the audited accounts in booklet form in the CU office or on the CU's website."*

*"To reduce costs in relation to the AGM I feel a letter should be posted to all members with a copy of their statement and a notice in the letter to state that Accounts are available in the office or online and this would reduce costs of printing - I estimate 5% of members read the AGM booklet."*

*"AGM booklets should be allowed online"*

**Table 6: Survey Overview: Cost of Providing Annual Report**

VOTING	What is the full cost (include design, printing, packaging and postage) of providing your Annual Report to members?						
Annual Report Cost	< €5k	€5k-€10k	€10k-€15k	€15k-€20k	€20k-€40k	> €40k	Total
<b>Community</b>							
<€20m	10	10	0	0	0	0	20
€20m - €40m	5	18	4	0	0	0	27
€40m - €60m	0	7	8	4	0	0	19
€60m - €100m	0	1	3	2	0	0	6
>€100m	0	2	3	1	17	5	28
Total	15	38	18	7	17	5	100
<b>Industrial</b>							
<€20m	1	0	0	0	0	0	1
€20m - €40m	0	2	0	0	0	0	2
€40m - €60m	0	0	0	0	0	0	0
€60m - €100m	0	0	0	0	0	0	0
>€100m	0	0	0	0	3	2	5
Total	1	2	0	0	3	2	8
<b>All</b>							
<€20m	11	10	0	0	0	0	21
€20m - €40m	5	20	4	0	0	0	29
€40m - €60m	0	7	8	4	0	0	19
€60m - €100m	0	1	3	2	0	0	6
>€100m	0	2	3	1	20	7	33
Total	16	40	18	7	20	7	108

## 7. LEGISLATION

If alternative means of voting by members are to be introduced changes to the Credit Union Act, 1997 are required.

The Act, as amended, makes several references to members ‘present and voting at general or annual meetings (emphasis added) – see sections 14(1), 44(1), 44(5), 44(7)(b), 48(4)(a), 113(1), 113(4), 135(3) and 162(3). Furthermore, s82 states that “a member of a credit union may not vote by proxy at a general meeting of the credit union.”

In addition, s77(2)(b) of the Act states that notice of general meetings shall, within the relevant time period, be delivered *personally or by post* to each member of the credit union (emphasis added).

If it were proposed to amend the legislation to allow for alternative means of voting such an amendment should be sufficiently flexible to enable credit unions to provide for alternative means of voting in their rules.

## 8. CONCLUDING COMMENTS

This paper highlights that the percentage of members in the US, Canada and the ROI that attend and vote at the AGM is relatively low. A significant number of credit unions in the US and Canada have extended the manner in which members engage with their credit union to include electronic voting and/or proxy voting. CUAC's Credit Union Survey 2017 revealed that a majority of respondents wanted similar choice to be extended to credit unions in ROI. In general, the view was that participation methods needed to be refreshed so that the maximum number of members could easily participate in the decision making process. However, caution was also advised. It was stressed that electronic voting should only be allowed when a safe and well tested system is operational.

CUAC recommends that, as an alternative to in person attendance at AGM, credit unions should also offer members the option of voting electronically. CUAC notes that the introduction of electronic voting by members will require changes to the Credit Union Act, 1997. If legislation is to be amended, CUAC recommends that the amendments should be sufficiently flexible to enable credit unions to provide for means of electronic voting in their rules.

A further issue raised in the review was that the majority of credit unions, prior to their AGM, deliver to their members, by post or in person, a copy of their annual accounts together with a notice of the meeting. This places significant financial costs on credit unions. CUAC recommends that credit unions should where possible provide this information to their members electronically. While CUAC is aware of the provisions of the Electronic Commerce Act, 2000 and that many member notifications may currently be undertaken through

electronic means we note that such a change will require amendments to the Credit Unions Act, 1997.

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