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Governance During Crisis: Roles and Response Strategies

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What's the Big Deal?

- What would your members think if your credit union was implicated in a lending discrimination complaint or ransomware attack?
- Do you think any local papers or community groups would pick up on the scent?
- How much is your reputation worth? (How long will it take to rebuild it?)

Sun Tzu: Art of War

If you know neither the enemy nor yourself, you will succumb in every battle

If you know yourself but not the enemy, for every victory gained, you will also suffer a defeat

If you know the enemy and know yourself, you need not fear the result of a hundred battles

It's Just How We Were Made

- Trust is an essential element of our operations.
- We live in a highly technical environment
- We are a creature of laws and regulations
- Increasing amount of applicable state laws

Some Basic Concepts

- Class action litigation is still a constant risk
 - Specialized firms are making big money!
- Protecting the organization from legal and reputational risks is critical
- Demonstrating a commitment to equitable financial practices is required
- Emphasis on proactive compliance



Crisis Management Goals

- Minimize reputational damage
- Ensure regulatory compliance
- Maintain member trust and loyalty
- Communicate clearly with stakeholders

Why This Matters

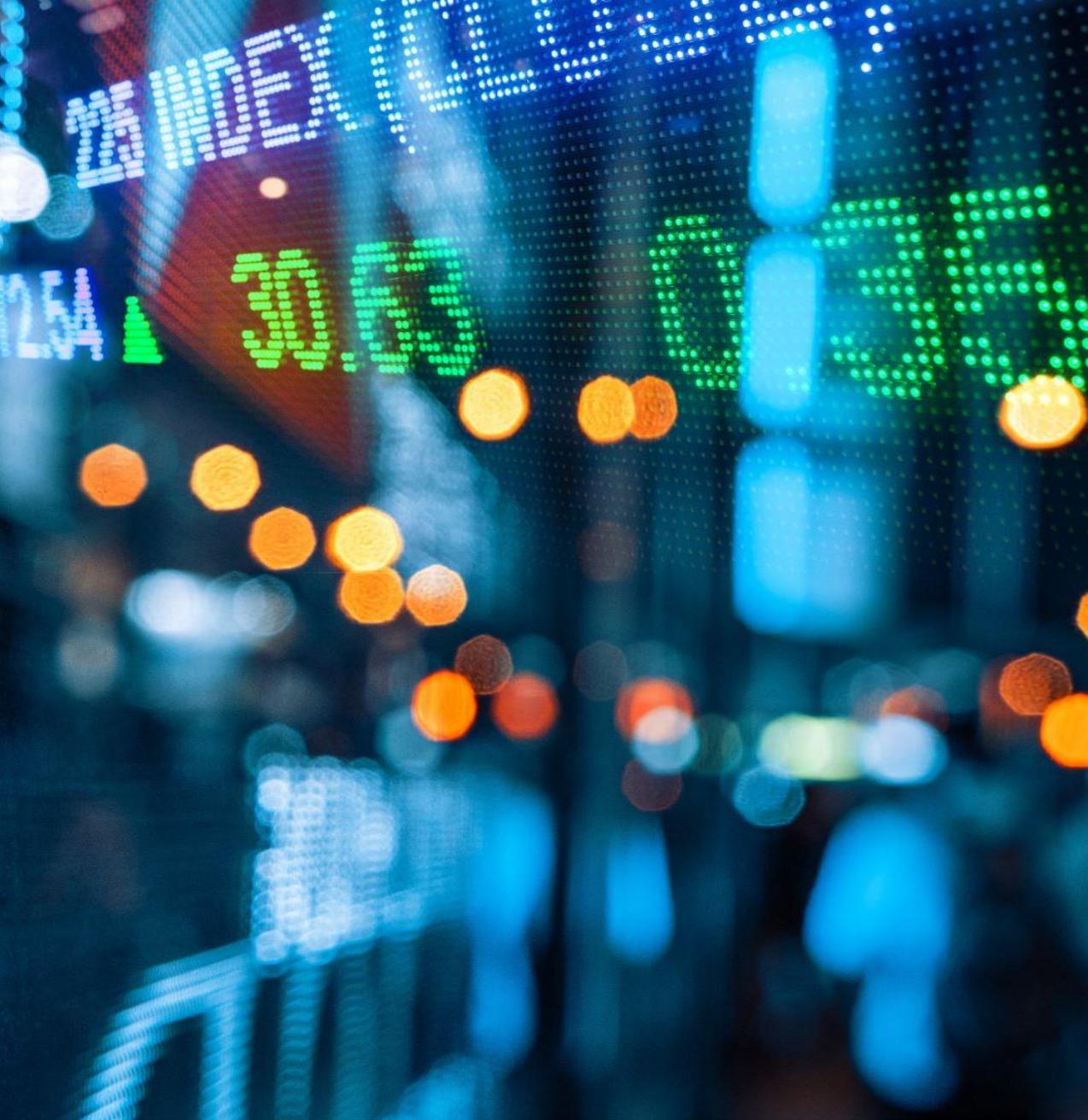
- Financial institutions are highly sensitive to public perception.
- Inadequate communication can lead to member attrition, legal risks, and long-term damage.
- Consider This:
 - 70% of consumers base trust on a company's transparency during a crisis (Source: Edelman Trust Barometer 2023).
 - The 2023 Edelman Trust Barometer online survey sampled more than 32,000 respondents across 28 countries.

Imagine a World.....

- Where you are judged by your performance at the worst possible moment?
- Class Action litigation, major regulatory entanglement, data breach, fire and natural disaster are just some instances that can focus the attention of the community, media or public on your credit union.

Brave New World

- What was the biggest issue facing your credit union when you joined the staff or became a director?
- What is the biggest issue today?
- We have seen dramatic changes in the media, regulatory environment, technology, service delivery, member expectations and business models.



Digital Media and the New News Cycle

What Is a News Cycle and How Long Does It Last?

- A "news cycle" refers to the period of time between when a news story is released and when it is no longer considered "newsworthy" by the public, essentially describing the continuous flow of news stories and how quickly they can be replaced by newer ones.
- With the advent of 24-hour news channels and online media, the news cycle has significantly shortened, meaning news stories are consumed and replaced much faster than before.
- Real time updates are now the norm!

Monitor Early Warning Signs

- Use tools to detect risks (e.g., regulatory entanglements, member complaints, financial market instability)
- Social media monitoring platforms (e.g., Meltwater, Brandwatch)
- Financial risk analytics software (e.g., Moody's Analytics, SAS)
- Member feedback systems (e.g., Qualtrics, SurveyMonkey)

The Time to Prepare Is Now!

- Every time you see another financial institution in the headline for a negative event you need to ask yourself a very simple question: How would my credit union react to that situation?
- Having a plan in place and training throughout the credit union can avoid a world of problems later.
- How quickly would a negative situation in your credit union become VERY public?

Steps to Prepare for a Crisis

- Establish a Crisis Response Team:
 - Executive leadership
 - Marketing/PR
 - Compliance
 - Legal
 - Senior manager from the subject area
- Once the crisis communication team is selected, create a list of team members and individual responsibilities

Steps to Prepare for a Crisis

- Develop a Crisis Communication Plan:
 - Predefine roles
 - Procedures
 - Messaging templates

The Four R's of Crisis Management

- **Recognize**: Identify the crisis and its potential impact.
- **Respond**: Act swiftly with clarity and empathy.
- **Reassure**: Provide transparency and updates to stakeholders.
- **Recover**: Build back trust and refine processes for the future.

Who Does What?

- Who will speak publically on behalf of the credit union when something bad happens?
 - Hint: A well-prepared person of authority
- What will they say?
 - Don't be afraid of Talking Points or Scripts
- Does everyone understand your Social Media Policy?

Who Does What?

- **Board of Directors – *Oversight & Direction***
 - Safeguard members' interests & fiduciary duties
 - Confirm crisis plan activation & regulatory compliance (Part 748, SARs)
 - Approve high-level communications & strategy
 - Focus on long-term stability & reputation

Who Does What?

- **CEO & Management – *Execution & Operations***
 - Lead Crisis Response Team (CRT) & activate response plan
 - Contain incident, restore operations, notify regulators/members
 - Manage staff & communication logistics
 - Document actions & implement recovery

Who Does What?

- **Shared Role – *Collaboration***
 - Unified messaging to members, staff, regulators, media
 - Continuous information flow between board & CEO
 - Joint review & improvement post-crisis

Board vs. Management Roles During Crisis

Function	Board Role	Management Role
Plan Activation	Confirm plan exists and was activated	Activate plan, assemble CRT
Operations	Oversight only	Direct operational response
Regulatory Compliance	Verify compliance steps are followed	File required notices & reports
Communications	Approve strategic messages, monitor reputational impact	Draft & deliver member, staff, regulator, media communications
Decision-Making	Strategic direction, financial commitments, reputation management	Tactical execution, resource deployment, incident containment
Post-Crisis	Review & govern corrective actions	Implement fixes, update policies, retrain staff

Communications Framework

- Focus on actions being taken to resolve the issue
- Communicate clear timelines for resolution
- Provide frequent updates through dedicated communication channels

Communication Channels

INTERNAL

- Email updates
- Internal webinars or briefings
- Secure intranet postings

EXTERNAL

- Press releases
- Social media updates
- Text
- Member service hotlines
- Website (dedicated crisis page)

Key Elements

Speed: Issue an initial response within 24 hours

Accuracy: Verify all facts before communicating

Empathy: Address the human impact of the crisis

Consistency: Ensure all channels deliver the same core message

Positioning

- Attempt to view the situation from the community's point of view as you determine the best position.
 - What is your theme? Victim, accident or mistake?
- Do you need outside resources?
- Bad news does not get better with time.
- When considering your position, it is important to consider the wide range of consequences such as legal, financial, public relations, effects on administration, effects on operations.

So Many Possibilities

- Criminal Act
- Human Error
- Third Party Vendor Lapse
- Inadequate Supervision
- Natural Disaster
- Poor quality control
- Misuse of Confidential Information
- Errors of Judgment (Mistakes were made)
- Inadequate Procedures

Key Messaging Groups

- Members
- Community
- Employees
- Investors
- Regulatory bodies
- Media

Controlling Information Flow

- Don't be ashamed to have a prepared script:
 - “The credit union is committed to the security of your accounts”
 - “We are cooperating with law enforcement”
 - “This is an active investigation”
 - “We will update you as soon as more information becomes available”

Prepared Statements

- Not communicating immediately takes away the greatest opportunity to control events.
- The statement should include the who, what, when and where of the situation.
- The statement can be used for in person and telephone interviews.
- Start off every interview or briefing with a statement.

Be Careful with the Media

- Don't think it's necessary to answer every question
 - Avoid "no comment" responses; instead, say, "We're investigating and will provide updates soon."
- If you can't answer a question, admit it and move on to another topic
- Don't answer "what if" questions deal with the current facts
- Don't get frustrated or answer before you think about the response

Test Your Plan

- Conduct regular simulations to identify gaps, such as mock press briefings, incident response tabletop exercises, and real-time cyberattack simulations.
- These activities help evaluate communication protocols, stakeholder alignment, and system resilience.

Rebuilding Trust After an Event

- **Apologize**: Acknowledge the issue and take responsibility
- **Compensate**: Provide meaningful restitution to affected parties
- **Enhance**: Implement safeguards to prevent future occurrences
- **Communicate Progress**: Share updates on improvements made

You Tell Me....



Pick a Data Breach or Bad Conversion Headline

```
mirror_mod = modifier_ob.  
set mirror object to mirror.  
mirror_mod.mirror_object  
operation == "MIRROR_X":  
mirror_mod.use_x = True  
mirror_mod.use_y = False  
mirror_mod.use_z = False  
operation == "MIRROR_Y":  
mirror_mod.use_x = False  
mirror_mod.use_y = True  
mirror_mod.use_z = False  
operation == "MIRROR_Z":  
mirror_mod.use_x = False  
mirror_mod.use_y = False  
mirror_mod.use_z = True  
selection at the end -add  
mirror_ob.select= 1  
modifier_ob.select=1  
context.scene.objects.active  
print("Selected" + str(modifier_ob))  
mirror_ob.select = 0  
bpy.context.selected_objects  
data.objects[one.name].select  
print("please select exactly  
OPERATOR CLASSES -----  
types.Operator):  
X mirror to the selected  
object.mirror_mirror_x"  
mirror X"  
context):  
context.active_object is not
```



BIG Finish

Yeah, We Thought of That

- Keep that “Scrap Book of Shame” updated
- When a large negative event happens at another institution, consider running that same event as a tabletop exercise.
 - Beware of the Hawaiian Early Warning disaster!
- There may be some wild card scenarios, but most fall under the same basic fact patterns

Final Thoughts

- Effective crisis communication is proactive, transparent, and empathetic.
- A prepared credit union can turn challenges into opportunities to demonstrate reliability and care.
- What Now? Begin your crisis communication planning today!



Questions?
