

NPO Standards – Narrow Scope Amendment Explanatory Notes

Summary of narrow scope amendment

In accordance with section 6.4 of the Standard Setting Guidelines, the Standards for Indigenous Not-for-profit Organizations (the “NPO Standards”) have been amended. This amendment will provide greater flexibility for NPOs to incorporate the FMB’s NPO Standards within their corporate by-laws or within policies approved by their governing body. Table 1 below is an example of this narrow scope amendment where the text in red fonts represent the amendment.

Table 1 – example of narrow scope amendment

14.1	By-law <u>or Policy</u> - A by-law includes provisions <u>The governing body will create either a by-law or policies and procedures</u> respecting the minimum responsibilities of each member of the governing body when exercising a power, duty or responsibility relating to the financial management of the NPO.
14.2	Required content - The by-law <u>or the policies and procedures</u> referred to in standard 14.1 requires, at a minimum, members of the governing body to a. act honestly, in good faith and in the best interests of the NPO, b. exercise the care and diligence and skill that a reasonably prudent individual would exercise in comparable circumstances, c. act in accordance with the by-laws and any legislation applicable to the NPO, and d. avoid conflicts of interests and to comply with provisions in the by-law or in the policies and procedures of the NPO for the avoidance and mitigation of those conflicts.
14.3	Implementation – The governing body of the NPO demonstrates that it has implemented the by-law <u>or any policies and procedures</u> referred to in standards 14.1 and 14.2.

The narrow scope amendment is only applicable to Part 1 of the NPO Standards. A total of 29 NPO Standards were originally required within the corporate by-laws of an NPO. After the narrow scope amendment, Indigenous NPOs now have an option to incorporate the provisions required for compliance with the FMB’s NPO Standards within their corporate by-laws or within policies approved by the governing body.

Additionally, in accordance with section 7.0 of the Standards Setting Guidelines, editorial corrections have been made to Part 1 of the NPO Standards to clarify the options available to include required provisions within corporate by-laws or within policies approved by the governing body.

Based on FMB’s analysis of the amendments and review of the FMB’s Standard Setting Guidelines, FMB has concluded that this narrow scope amendment to the NPO Standards does not require an exposure draft

period. As a result, the amended NPO Standards will be effective upon approval from the FMB's Board of Directors.

Basis for amendment

The NPO Standards included a requirement for certain provisions to be incorporated directly within an organization's by-laws and did not provide an option for the content to be included only within policy.

The FMB acknowledges that standards setting is an evolving process that must respond to the changing needs of users. Since the NPO Standards became effective, the FMB has identified an opportunity to amend its NPO Standards with a change to the by-law requirement to better meet the needs of users. The FMB completed the analysis to evaluate the impact of the change to the NPO Standards which provides Indigenous not-for-profit organizations with an option to reflect the NPO Standards in the by-law, policies or both.

- ❖ **FMB does not have authority over by-laws:** An Indigenous NPO does not require FMB's Board of Directors to approve any changes made its by-laws. The governing body is equally accountable to the provisions required by the NPO Standards whether they are in a by-law or a policy.
- ❖ **The original NPO Standards Exposure Draft did not receive any feedback on including provisions in the policy rather than by-laws:** In developing the NPO Standards, the FMB had originally included certain NPO Standards to be stated in the form of a policy requirement. Following the comment period, the FMB made several edits to the NPO Standards (contained within the redline changes), one of which was in the inclusion of the by-law requirement for certain NPO Standards. The FMB did not receive any feedback on the appropriateness of either approach.
- ❖ **Some of the by-law NPO standards are prescriptive:** The FMB has completed the review of by-laws for some Indigenous NPOs and received feedback in one case that the organization does not have by-laws, and in the another, the content was felt to be too prescriptive to be included within its by-laws.
- ❖ **Editorial changes to clarify options for by-law or policies:** To clarify any ambiguity, Table 2 below illustrates an example of editorial corrections made to those NPO Standards that already provided an option for Indigenous NPO to incorporate FMB's NPO Standards within their by-law or within policies approved by the governing body.

Table 2 – example of editorial corrections

8.1	By-law /or Policy – A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. <u>The governing body will create either a by-law or policies and procedures respecting,</u> the preparation of all policies and procedures necessary to effectively manage and control the financial management system of the NPO.
8.2	Required content - The by-law or the policies and procedures referred to in standard 8.1 require a. all policies to be approved by the governing body, b. all procedures to be consistent with, and made under the authority of, a policy approved by the governing body, and c. all policies and procedures to be made available to all persons affected by them.
8.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and or any policies and procedures referred to in standards 8.1 and 8.2.

Rationale for amending the NPO Standards without a comment period.

The expansion of the by-law requirement to a by-law or policy option is a minor amendment to the NPO Standards. Specifically, the proposed amendment will affect 44 of 183 NPO Standards, none of which will have any impact on the intent of the NPO Standard being amended – the change provides an option as to where the key processes and procedures are documented for NPOs wishing to meet the NPO Standards. Per FMB’s [Standard-Setting Guidelines](#) (section 6.4.2): “... *in unusual circumstances, the FNFMB may reduce the period for stakeholder comment on an exposure draft to below 45 days or **decide not to issue an exposure draft...** [that if] the FNFMB decides not to issue an exposure draft it **must be satisfied that the research completed is sufficient** for the FNFMB to make a final decision on issuing the new or amended standard...*”.

Our analysis of the change and review of the FMB’s Standard Setting Guidelines indicate that this narrow scope amendment to the NPO Standards does not require an exposure draft period.