



June 2010

ONLINE BANKING

Notes..... 1

Suggested Clause 2

Notes

The current Model Club constitution makes reference to banking by cheque (clause 14) and the safeguards that must be put into place. However, the ASA is aware that some clubs are considering moving away from paper-based banking methods. This may well be justified if it is in the best interests of the club, for example:

- It is possible to identify overall advantages to the club in so doing;
- Adequate internal financial controls have been put in place; and
- There are powers in the rules to do so.

The current provisions in the ASA Model Club Constitution are not intended to prohibit online/electronic/internet banking (referred to collectively as “online banking” in these Notes).

As with traditional methods of banking, internal financial controls need to be in place so as to prevent any single person from being able to control substantial resources. There also needs to be proper approval at committee level for movement/payments from the bank account. Having the necessary rigorous controls is not only Good Governance, but may also go to limiting liability of committee members.

Whilst the exact mechanics will vary, the ASA would always recommend that more than one person sign off any more than a token amount in order to ensure the security of monies; this is usually done by requiring two passwords to process a transfer. The persons holding the internet banking authorisation is usually the Treasurer, Chairman and/or Secretary. In the exceptional circumstances that a fourth person is required, this should also be a committee member (often the Membership Secretary). All authorised persons should be unrelated. In addition, it may be prudent to also establish a scrutiny panel which regularly meets and acts as a “check” upon banking activity.

However, arrangements between banks do differ. For example, some offer arrangements where two or more people each have to enter their own password/personal number before transactions are effected; others have electronic signatures and alternative identification systems. Some also allow “read only” facilities, so as to permit additional online scrutiny by named persons.



Dialogue with the bank before taking the move is therefore very important – in part because this will also help to ascertain whether such a move is in the best interests of the club, that there are adequate and appropriate internal financial controls in place and that the clubs has the correct rules in place. The bank may also offer up additional suggestions on Best Practice and useful safeguards.

Banks may also require an indemnity before it agrees to provide an electronic banking service, so as to cover the bank for all costs and losses it sustains arising from the use of the online banking facility (except where it is caused through the bank's own fault).

Suggested Clause

For clubs considering online banking (either at the time of its formation or as a change to its rules), the below clause is suggested for insertion into its constitution alongside the club's financial provisions. It is not a mandatory clause for affiliation and alternative wording may be also acceptable, providing appropriate financial safeguards are included.

In the ASA Model Club Constitution, the clause would be inserted as a new clause 14.2 and the existing clause 14.2 would become clause 14.3 (and so on):-

Clause 14

14.1 [...]

14.2 *If the committee decides to operate all or part of its financial matters on Internet banking it shall first discuss the process with the relevant bank and as a minimum shall make provision, in conjunction with the bank, to ensure that two of the aforesaid signatories shall approve the payments made by the club through the Internet.*

14.3 [...]