

GUIDE TO INTERNATIONAL CREDIT UNION LEGISLATION

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Guide to International Credit Union Legislation

4th Edition

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MISSION STATEMENT

World Council of Credit Unions, Inc. (WOCCU) is the apex trade association and development organization of the international credit union system. It promotes the sustainable growth of credit unions and financial cooperatives across the globe. As instruments of economic and social development, WOCCU, its regional confederations and national member organizations in over 84 countries with more than 40,000 member credit unions serve over 123 million people worldwide. Our mission is to be the world's leading advocate, platform for innovation and development organization for credit unions.

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PREFACE TO THE LEGISLATION GUIDE

All over the world, experience has indicated that a country cannot maintain sustainable progress without a sound operating financial system. A critical element of a sound financial system for developed and developing nations is the presence of a strong financial cooperative and credit union sector. Creating enabling legislation and supervision is the first step to establishing sound financial cooperatives and credit unions.

Since this guide was published in 2000, 12 countries throughout the world, representing one-fifth of the national credit union movements affiliated to World Council of Credit Unions, Inc. (WOCCU), have introduced new legislation for credit unions. These changes have generally sought to establish a body of law for credit unions that recognizes their uniqueness within the financial services industry.

The *Guide to International Credit Union Legislation* allows researchers and policymakers to compare and contrast provisions of laws based on 50 standardized categories identified by WOCCU. While other organizations have compiled regional summaries, this is the only known resource of its kind to contain credit union and financial cooperative legislative and regulatory summaries for over 100 countries and political provinces worldwide.

WOCCU developed this *Legislation Guide* concurrently with the *Model Law for Credit Unions*, which sets forth the essential structure and core provisions of credit union legislation. We believe that together these two documents provide invaluable help in any effort to gain more effective legislation for credit unions. These documents are also available and will be updated on WOCCU's website at www.woccu.org.

The *Guide to International Credit Union Legislation* and the *Model Law for Credit Unions* are both exemplary of WOCCU's integrated approach to being the world's leading advocate, platform for innovation and development organization for credit unions.

World Council of Credit Unions, Inc.
Jaunary 2005

USERS GUIDE

TO INTERNATIONAL CREDIT UNION LEGISLATION

PURPOSE OF THE GUIDE

The *Guide to International Credit Union Legislation (Legislation Guide)* offers a selective analysis of 50 separate provisions found in the laws governing credit unions in over 100 countries and political subdivisions. These include laws enacted specifically for credit unions as well as laws of a more general nature, such as those for cooperative societies. We trust this international study – the only one of its kind – will make it possible to obtain an understanding of divergent legislation that leads to the development of a legal framework contributing to the sound and successful functioning of credit unions.

The *Legislation Guide* is not intended to be a prototype for credit union legislation, but rather a convenient reference to existing enactments, conveying both strengths and weaknesses. The *Legislation Guide* serves as a valuable tool for both researchers and lawmakers as well as anyone who has an interest in advancing the quality of legislation governing credit unions.

USED IN MANY WAYS BY MANY PERSONS

Besides legal scholars and researchers concerned with the cooperative movement and its enabling legislation, the *Legislation Guide's* possible users include: central organizations at the local, national or international levels; government officials in either the executive or legislative branches who regulate credit unions; and most importantly, leaders of individual credit unions desiring to improve the laws under which they operate.

These people may refer to the *Legislation Guide* for a variety of reasons:

- Foremost, to see how different countries treat the same provision of law or regulation; in other words, to study the diverse ways used to attain the same legislative goals. Some examples of likely comparisons: developing a strong capital base, maintaining a democratic structure, assuring effective leadership, or safeguarding the integrity of operations;

- To identify the powers and services authorized to credit unions in various countries, as well as the safeguards or limitations imposed upon them;
- To study regional or national differences in legislation – e.g., Africa vis-à-vis Latin America, the United States and Australia;
- To compare the level of guidance or control for credit unions in a special credit union law, as contrasted with general cooperative statute, such as the U.S. Federal Credit Union Act and the Jamaica Cooperative Societies Act;
- To examine the impact of the different legal systems on credit unions, often flowing from former colonial regimes – i.e., civil code versus common law; and
- To identify which matters certain countries prefer to place in their statute and which are dealt with in administrative rules or regulations.

As an added feature, the *Legislation Guide* includes a the *Model Law for Credit Unions* developed by World Council of Credit Unions, Inc. (WOCCU). Comparisons can thus be made with both actual legislation as well as with legislation proposed as theoretically ideal.

EXPLANATION OF AREAS COVERED

The 13 general areas of law selected for the *Legislation Guide* emphasize primarily the safety and soundness of credit unions – a major focus of the international credit union community during the past decade. The topics deemed relevant to this study are:

- Legal Authority
- Definition or Purposes of Credit Union
- Supervision and Regulation
- Membership of Credit Unions
- Direction and Administration
- Shares and Deposits
- Loans
- Investment of Funds
- Capital Adequacy – Reserves
- Powers of the Credit Union
- Federation or Association
- Central Finance Facility
- Share and Deposit Protection

These 13 topics are divided into 50 specific subtopics, which are examined here in greater detail.

VARIED TYPES OF LAWS INCLUDED IN THIS STUDY

Laws for Cooperatives, Banks and Companies, as well as Those Specific to Credit Unions

Over 100 laws throughout the world were researched and digested for this expanded study of legislation governing credit unions. Of that number, only 37 can be described as laws enacted specifically for credit unions. The majority are mostly laws intended for various forms of cooperative endeavors, in addition to credit unions.

Also included are laws that regulate multiple forms of financial institutions, such as banks, building societies and cooperative banks. In some cases, a combination of laws govern credit unions; for example, a cooperative societies act and a credit union act or a financial institutions act and a credit union act. Whatever the nature of the law or laws, the criteria for inclusion in the *Legislation Guide* was whether credit union-type organizations are actually formed or functioning under that law or laws.

Regulations Also Included Besides statutory law, the *Legislation Guide* covers any available rules or regulations that have been issued or promulgated under a law. An effort was made to obtain the most current text of a country's laws and regulations for credit unions. The appropriate federation was contacted by WOCCU for that purpose and later asked to review the draft of its laws and regulations.

REGIONAL INTEGRATION UNDERWAY IN EUROPE

This study took note of major efforts in Europe to unify or integrate supervisory controls and requirements for fiscal soundness of all financial institutions within the region, including savings and credit cooperatives.

Europe – Implementation of new laws (directives) contained within the European Union (EU) Financial Services Action Plan by 2005 means that supervision and regulation of various savings and credit systems will become harmonized within the member states of the EU. Credit unions are exempt from the banking directive.

Once the EU's Financial Services Plan is transposed into the national laws of the European countries the affected parts of the *Legislation Guide* will be revised.

Caution: Law Provisions Are Only Summarized All law and regulation provisions in the *Legislation Guide* are summarized and quoted in substance only. The complete law text should be consulted wherever the precise language of a statute or regulation is needed. To aid in that, statutory and regulatory section numbers are given throughout the *Legislation Guide*. A copy of the complete law text used by the researchers of the *Legislation Guide* can be obtained by contacting WOCCU.

Scope of this Study is Limited The *Legislation Guide* limits itself to an analysis of the laws governing credit unions. For a complete and accurate reflection of the powers and services of credit unions, one must ordinarily go beyond the statute itself. In many countries a complex system of codes, regulations, standard bylaws, agency interpretations and court decisions define more specifically what credit unions can and cannot do. Such an exhaustive study exceeds the scope of this study.

LEGAL AUTHORITY

Law – Each law is first cited by its official designation in the country of origin. Generally this is a statute enacted by a legislative body, but in some cases it may be an executive decree or other law source.

Regulations – In some countries it is customary for the executive branch to promulgate regulations elaborating upon the statute. If such regulations have been issued and were available to our researchers they are also cited by official name, and relevant provisions are included in the *Legislation Guide*. To distinguish between citations of statutory provisions and regulatory provisions, the *Legislation Guide* uses such terms as “Act”, “Ordinance” or “Decree” and the term “Reg.”, followed by the appropriate section numbers.

DEFINITION OR PURPOSES OF CREDIT UNION

Purposes – Most credit union laws contain specific statements as to the objectives or purposes of a credit union. This in effect defines a credit union in terms of what it is intended to accomplish. A credit union operating under a cooperative societies law often must refer to a more general statement as to the purposes of cooperative societies serving a multiplicity of needs.

SUPERVISION AND REGULATION

Government Agency – The name of the government department, agency or ministry responsible for credit union supervision and regulation is noted here.

Other Licenses Needed – Listed here would be any other government agency (besides the primary credit union supervisory department) to which a group forming a credit union must apply or seek a license.

Other Institutions Regulated – Listed are the names of any other institutions regulated by the same agency that supervises credit unions. These are often other forms of cooperative endeavors or other financial institutions, such as banks and building societies.

Reports – This deals with any periodic reports a credit union must make to the government, including its annual statement of condition. Financial reports of the government regulator are a means for evaluating the condition of an institution.

Inspections – The government inspection (sometimes termed “examination”) is performed to review the soundness of management and policy decisions affecting

the liquidity and solvency of a credit union, as well as to determine compliance with the law. This section notes the frequency and any special circumstances under which an inspection may be performed and the right of access the inspector has to credit union documents and records.

Regulations – Covered here is the authority of the government supervisor to prescribe regulations implementing the act, providing administrative detail and elaborating on legal requirements.

Enforcement – This section enumerates measures the regulator may employ to compel regulatory compliance and sound practices by credit union management. These might include restrictions on financial transactions, issuing cease and desist orders, suspension or removal of officials, fines or penalties, involuntary dissolution of the credit union and civil or criminal sanctions.

MEMBERSHIP OF CREDIT UNION

Common Bonds of Association – This describes any requirements as to who may become members of a credit union. Under some laws a credit union may only be formed by a group having a community of interest or common bond of association other than a mere desire to form a credit union.

Non-Natural Persons Eligible – This section refers to organizations – i.e., persons other than natural persons that may belong to a credit union. These might include other groups serving members of the credit union, such as a labor union, agricultural society or a company or employee. Any provision allowing a credit union to accept another credit union as a member would be mentioned here.

Liability of Member – Noted here are any provisions in the law that limit an individual member’s liability for the corporate obligations of the credit union. Under some legal systems becoming a “body corporate” is sufficient to confer limited liability, making any reference to it in the credit union statute unnecessary.

DIRECTION AND ADMINISTRATION

Annual Meeting of Members – This section deals with the general meeting of members- its statutory authority in the control of the credit union and the officers and committees elected at the meeting. Also described are voting requirements, number of votes per member, proxy voting and minimum age qualification to vote and hold office.

Board of Directors and Committees – Provisions defining the authority and responsibilities of the credit union’s board of directors and official committees are described here.

Management and Employees – This area relates to the authority to hire a chief executive officer and other employees or staff for the credit union. Any restrictions on paid employees serving in policy-making positions are also noted here.

Audits – Covered here are requirements for internal and external audits of the credit union to provide an objective verification of the financial records and accounts. The audit is distinguished from the government inspection which usually focuses more on compliance with the laws and regulations.

Liability of Officials – This section provision notes any statement as to the personal responsibility of credit union officials for fulfilling their duties. Any sanctions that might be imposed upon them for misconduct or nonfeasance are mentioned.

Conflicts of Interest – This deals with any prohibitions in the law against officials using their credit union positions for personal financial gain or the advantage of close relatives.

Surety Bond – Requirements to obtain fidelity bond coverage on officials responsible for funds or property of the credit union are described.

SHARES AND DEPOSITS

Shares – Covered here are the issuing of shares to members as the basic form of ownership in the credit union, establishing membership rights, an interest in the credit union's assets and forming its capital pool. Also dealt with here are any classifications of shares allowed and requirements for redeeming shares.

Deposits – The deposit is examined as a form of savings by the members and distinguished from shares. Whether deposits can be accepted from both members and non-members is noted here.

Dividends and Interest – This section looks at the financial return the credit union may pay on shares and deposits. The method of declaring dividends on shares and any maximum amount that may be paid on shares or interest on deposits are also indicated.

Lien on Holdings – This area notes any provision permitting a credit union to collect debts owed to it by drawing upon financial accounts or other funds the member may have in the credit union.

LOANS

Purpose and Conditions – Explored here is any statement on the purpose and conditions under which a credit

union may grant loans. Often this permits the board of directors to devise lending policies according to the specific economic needs of the membership and the financial capacity of the credit union.

Approval Procedure – Who approves loan applications and what information is required from prospective borrowers is described. The focus is on proper documentation of each loan to conform with legal requirements in the event the credit union must later enforce payments through legal procedure.

Limits, Terms and Security – Examined here are any guidelines on the maximum amount that may be borrowed, the terms for repayment and the acceptable forms of security.

Interest Rates and Charges – This area relates to provision in the law for establishing interest rates on loans and whether such rates are subject to limitations prescribed in other laws or regulations. Also mentioned here are any charges the credit union may assess borrowers to cover incidental expenses in connection with the making, processing, or collecting of loans.

Loans to Officials – This section describes any prohibitions or restrictions on loans to officials of the credit union in order to prevent so-called "insiders" from receiving preferential treatment.

INVESTMENT OF FUNDS

Deposit of Funds – This section concerns placement of surplus credit union funds on a short-term basis for purposes of safe-keeping and earning income.

Authorized Investments – This section relates to placement of surplus credit union funds on a long-term basis for purposes of safe-keeping and earning income. Generally included is a broad list of permissible investments of a conservative and secure nature. Any percentage limits on different forms of investment would also be noted here.

CAPITAL ADEQUACY-RESERVES

Initial Organization – This section refers to any minimum amount of capital a group seeking to form a credit union must agree to accumulate within a specified time limit. This can be a key factor in whether the regulator grants approval for creation of a new credit union. The law may also specify a minimum share capital investment to be made by each individual member.

Permanent Capital – Once in operation, a credit union (after a specified period of time) may be required to maintain a certain level of capital. Capital may be defined in the law or rules. Failure to maintain the prescribed level of capital may result in supervisory controls or sanctions being invoked.

Regular Reserves – This deals with any requirements for a credit union to establish a reserve fund as part of its permanent capital. Sometimes referred to as a regular or general purpose reserve, the equity reserve is normally available to absorb losses on risk assets and provide expansion capability for the credit union. Also noted would be the formula for transfer to reserves and limitations on the uses or distribution of the reserve.

Loan Loss Allowance – Singled out here are any requirements for the credit union to establish an allowance for probable losses on delinquent loans. Such an allowance is normally in addition to the equity reserve. It is intended to require the credit union to set aside funds to discount possible losses on loans that are of a doubtful quality.

Special Reserves – This includes any other forms of reserves the law may require or permit the credit union to establish on a discretionary basis. Noted here would be any liquidity reserves or capital contribution to a central finance facility or stabilization fund to deal with liquidity and solvency problems.

POWERS OF THE CREDIT UNION

General Powers – This area examines any statement in the law conferring upon a credit union the right to exercise generally accepted corporate powers such as those dealing with acquisition, holding and disposition of property, entering into contracts, instituting and defending law suits, etc. Any significant restrictions on the powers a credit union can exercise would also be noted here.

Borrowing – This area notes the sources from which a credit union may borrow and any limitations on the amount that may be borrowed. Deposit-taking authority is not included here, being covered in a separate section.

Merger – Described here is the authority for a credit union to merge or consolidate with one or more other credit unions. Options commonly found may permit designating only one of the merging credit unions as the continuing entity or structuring a totally new credit union and designating it as the successor of the two

merging credit unions. Approval requirements for a merger both by the membership and the government supervisor are also noted here.

Liquidation – This section summarizes the provisions of law allowing a credit union to windup its business affairs on a voluntary basis. This usually entails the recommendation of the board and approval by the membership and by the supervisory authority.

This section also includes procedures for the involuntary dissolution of a credit union by direction of its supervisory authority. Mentioned here would be the reasons required for such an action and any appeal rights of the credit union.

FEDERATION OR ASSOCIATION

Purposes – This section covers the legal basis for formation of a federation or league to serve as a central association or apex body for credit unions. The nature of the programs and services such a body may offer its members would also be identified.

Membership – This notes the entities which may join the federation – whether limited only to credit unions and if membership is voluntary or mandatory.

Dissolution – This provision deals with the liquidation of a federation or association of credit unions and is often similar to the requirements for liquidation of a credit union as a primary cooperative.

CENTRAL FINANCE FACILITY

Purposes – Referred to here are provisions for a central finance facility organized to accumulate and manage the liquid funds of credit unions through interlending and investment services. This may take the form of a governmental or private group, or may be one of the collateral functions of the federation or central association of credit unions.

Membership – A central finance facility may draw its membership primarily from other credit unions but may also include credit union organizations and other groups serving credit unions.

Funds – This section focuses on the sources of funds a central finance facility has available to it. Besides liquid funds of credit unions, such facilities may obtain financing from other credit union organizations, the banking system, or central bank.

SHARE AND DEPOSIT PROTECTION

Purposes – This section addresses any program designed to protect the savings of members in a credit union against loss. Included would be any stabilization plan or deposit insurance program, whether governmental, private, or federation service. Any centralized share transfer fund would also be noted, even though not considered a stabilization program.

Coverage – This section describes the extent to which the savings accounts of individuals in a credit union are protected by the guarantee or insurance offered by a share and deposit guarantee program. The maximum coverage

of accounts may be expressed in specific monetary terms and/or as general limits per account or per individual saver.

Membership – This area covers the entities eligible to participate in the share and deposit protection program. Such programs may be exclusively for credit unions or open to other financial institutions as well.

Funds – Listed here are the sources of funds for the program. They can include credit unions exclusively, credit unions and their federations, or a mixture of government and credit union financing. Noted also are any distinction between capital contributions to the program and premiums or assessments to cover operating costs.

Most Countries, But Not All Included This expanded *Legislation Guide* includes legislative summaries from WOCCU's member and non-member countries where WOCCU was able to obtain current credit union and financial cooperative legislation.

AFRICA

Region Includes:

Benin
Botswana
Burkina Faso
Cameroon
Central African Republic
Ethiopia
The Gambia
Ghana
Ivory Coast
Kenya
Lesotho
Liberia
Malawi
Mauritius
Namibia
Nigeria
Rwanda
Senegal
Seychelles
Sierra Leone
South Africa
Swaziland
Tanzania
Togo
Uganda
Zambia
Zimbabwe

BENIN	
<i>Region</i>	Africa
<i>Federation</i>	Comité National pour la Promotion Sociétés d'Epargne et de Crédit
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Cooperative Society
<i>Number of Credit Unions</i>	23 (1997)
<i>Number of Members</i>	2,126 (1996)
<i>Total Assets (US\$)</i>	N/A

Rev.12-92:alc

Legal Authority

EXPLANATORY NOTE: This country is part of the West African Monetary Union and affected by the common credit union legislation/regulations for the region.

Law: Ordinance No. 59/PR/MDRC, which contains the general cooperative bylaws O59. [cited as "O59"]

Regulations: No Regulations available.

Definition or Purposes of Credit Union

Definition: Cooperatives and their chapters are private-sector civil societies composed of persons with open-ended capital and staff. They are created by persons who join together on the basis of equality in rights and duties for the purpose of undertaking a joint effort particularly for an economic goal. They may exercise their action in all branches of human activity. [O59 1]

The purpose of credit unions is to foster savings and to provide individual or group loans. [O59 2(6)]

Supervision and Regulation

Government Agency: The aforementioned ordinance makes reference to a ministry responsible for cooperatives and a cooperative approval committee.

Other Licenses Needed: Law is silent.

Other Institutions Regulated: The exercise of the activities of the minister for cooperatives, according to the aforementioned provisions, extends to all types of cooperatives and his/her authority in general to the cooperative movement as a whole. [O59 24]

Reports: Law is silent.

Inspections: The ministry for cooperatives may at any time inquire about or call for an inquiry about the charter, operation and financial situation of any cooperative. [O59 24]

Regulations: Law is silent.

Enforcement: Law is silent.

Membership of Credit Unions

Common Bonds of Association: No one may join a cooperative unless he/she is able to justify that, within the territorial range of action of the society, he/she holds an interest that falls within the society's field of action. [O59 6]

Non-Natural Persons Eligible: Eligible groups or legal entities for membership include those that are able to justify that, within the territorial range of action of the society, they hold interests that fall within the society's field of action. [O59, 6]

Liability of Member: The financial liability of the cooperative members is determined by a decree provided for under Article 28 of the Ordinance. [O59 8]

Direction and Administration

Annual Meeting of Members: Law is silent.

Board of Directors and Committees: A board of directors heading every cooperative or chapter of cooperatives provides its general management and oversees its proper operation. [Article 12, O59]

Every year, the annual general meeting appoints one or several comptrollers who are responsible for auditing the society's books, cash, portfolio and securities and also for monitoring the regularity and the accuracy of the inventories and the balance sheets, as well as the accuracy of the information contained in the society's accounts in the report by the board of directors. [Article 20, O59]

Management and Employees: The chairman elected from among the members of the board of directors is the society's legal representative. The board of directors may appoint a manager who, if he/she is a member of the society, is not a member of the board. The manager performs his/her duties according to the terms set forth in the enabling decree quoted in Article 28 of the Ordinance. [Article 13, O59]

Audits: Law is silent.

Liability of Officials: Law is silent.

Conflicts of Interest: Law is silent.

Surety Bond: Law is silent.

Shares and Deposits

Shares: The capital stock of a cooperative consists of shares purchased by each one of its members. These shares shall be registered, individual and non-negotiable and transferable only if approved by the board of directors. [O59 8]

Deposits: Law is silent.

Dividends and Interest: Law is silent.

Lien on Holdings: Law is silent.

Loans

Purpose and Conditions: Law is silent.

Approval Procedure: Law is silent.

Limits, Terms and Security: Law is silent.

Interest Rates and Charges: Law is silent.

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: Law is silent.

Authorized Investments: Law is silent.

Capital Adequacy-Reserves

Initial Organization: Law is silent.

Permanent Capital: Law is silent.

Regular Reserve: A deduction shall be made from the fiscal year's earnings at a rate to be set at the annual general meeting. The amount of this deduction is limited to at least two-twentieths of the amount of these earnings. This deduction is no longer required as soon as this reserve reaches the amount of the capital stock. [O59 18]

Loan Loss Allowance: Law is silent.

Special Reserves: The nature of the reserves and the way they are accumulated must be determined by the cooperative's bylaws in the case of those not provided for by the aforementioned ordinance. [O59 18]

Powers of the Credit Union

General Powers: Cooperatives organized under Ordinance No. 59 may operate, purchase, convert, fashion, preserve, sell and perform in general all those actions that enable them to achieve their purposes. [O59 2]

Borrowing: Law is silent.

Merger: Law is silent.

Liquidation: Law is silent.

Federation or Association

Purposes: Cooperatives may join together to create chapters for the management of their common or mixed interests. Associations of cooperatives may organize within federations, which must pursue goals of a general nature. [O59 3]

Membership: Law is silent.

Dissolution: Law is silent.

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

The ordinance provides for the creation of a supporting fund to help cooperatives with their operation. However, a subsequent decree shall have to specify the conditions for creating, administering and managing this fund. [O59 31]

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

BOTSWANA	
<i>Region</i>	Africa
<i>Federation</i>	Botswana Saving and Credit Cooperative Association
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	12 (2000)
<i>Number of Members</i>	6,978 (2000)
<i>Total Assets (US\$)</i>	\$8,270,035 (2000)

Rev. 4-92: jc

Legal Authority

Law: Cooperative Societies Act, 1964. [cited as "Act"]

Regulation: Cooperative Societies Regulations, 1964. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: Any society which has as its object the promotion of the economic interest of its members in accordance with cooperative principles, or the facilitating of the operations of such a society, may be registered with or without limited liability as the registrar may decide. [Act 4]

Supervision and Regulation

Government Agency: registrar of cooperative societies appointed by the president. [Act 3]

Other Licenses Needed: Act and Regulations are silent.

Other Institutions Regulated: Any form of cooperative society. [Act 5]

Reports: The president may, by notice in the Gazette, make regulations including the returns to be submitted by registered societies to the registrar and the persons by whom and the form in which the same are to be made. [Act 51(1)(2)(q)]

Every registered society shall before the first day of July in each year, submit to the registrar an annual return in the form prescribed by the registrar. [Reg. 20]

The committee of a registered society may at any time suspend or dismiss the secretary or treasurer for any failure to perform or irregularity in their duties and in such case shall inform the registrar immediately. [Reg. 14(3) and Reg. 15(2)]

Inspections: The registrar or his/her agent shall at all times have access to all the books, accounts, papers and securities of a registered society and shall be entitled to inspect the cash in hand. He/She or his/her agent may

hold an inquiry into the constitution, working and financial condition of any registered society. A majority of the committee, one third of the members or a creditor may request an inspection. (See also "Audits") [Act 35, 36]

Regulations: The President may make regulations to implement the Act. [Act 51(1)]

Enforcement: Any registered society or officer, agent, servant or member who wilfully neglects or refuses to furnish any information required by the registrar or his/her agent, or any person who wilfully or without any reasonable excuse disobeys any summons, requisition or lawful written order or fails to furnish any information lawfully required from him/her shall be guilty of an offense and liable on conviction to a fine or imprisonment for one year. [Act 37]

The president may make regulations providing for the appointment, suspension and removal of members of a society's committee. [Act 51(2)(e)(g)]

Penalties are provided if a society fails to register its address and notify the registrar of a change of address or fails to keep a copy of the Act, regulations and bylaws and a list of its members open to inspection by the public. [Act 11(2), 12(2)]

It is an offense punishable by fine or imprisonment for any registered society, officer, agent, servant or member to refuse to do any act or furnish any information or to disobey any summons, requisition or order required by the registrar. [Act 37]

The registrar, after inquiry or inspection or on the application of three fourths of the members, may dissolve a society. [Act 38(1)]

Membership of Credit Union

Common Bonds of Association: To qualify for membership, a person must be at least 18 years old and be a resident or hold land within the society's area of operation as described by its bylaws. [Act 20]

The rights of membership may not be exercised until any membership payment is made and an interest is acquired in the society as the bylaws prescribe. [Act 21]

Non-Natural Persons Eligible: Act refers to a registered society which is a member of another registered society. [Act 24]

Liability of Member: A society may be registered with or without limited liability as the registrar may decide. [Act 4(b)]

A past member shall not be liable for the then debts of a registered society for longer than two years after he/she ceased to be a member. [Act 28(1)]

The bylaws shall provide for the liabilities of members. [Reg. 11]

Direction and Administration

Annual Meeting of Members: The president may make a regulation to provide for general meetings of the members and for the procedure at such meetings and the powers to be exercised by such meetings. [Act 51(2)(f)]

Every registered society shall hold general meetings as provided in its bylaws to elect, remove or suspend committee members; consider the annual balance sheet and the disposal of accumulated funds; consider the audit note and any inspection note made by the registrar; and to fix the maximum liability the society may incur. Each member present shall have one vote and a majority vote of members present decides questions. [Reg. 12]

Board of Directors and Committees: The president may make regulations, including providing for the appointment, suspension and removal of committee members and other officers and for the procedure at committee meetings and for the powers to be exercised and duties to be performed by the committee and other officers. [Act 51(1)(2)(g)]

The members of the committee of a registered society shall be elected at an annual general meeting of the society and shall hold office until the next annual general meeting. [Reg. 13(1)]

The committee shall exercise all the powers of the society except those reserved for the society in general meeting and subject to any restrictions laid down by the society in general meetings or in the bylaws. [Reg. 13(4)]

The duties of the committee shall be prescribed in the bylaws. [Reg. 13(5)]

Management and Employees: The committee of a registered society shall appoint a secretary and fix his/her salary within parameters set by the general meeting (but if he/she is a member of the committee he/she shall be unpaid). The committee may suspend or dismiss the secretary for any failure to perform or irregularity in his/her duties and shall inform the registrar immediately. [Reg. 14]

The committee may appoint one of its members, but not the chairman, to be treasurer of the society and set out his/hers duties and his/her relation to the secretary insofar as the care, security and safe custody of the moneys of the society are concerned. The committee may suspend or dismiss the treasurer for any failure to perform or irregularity in his/her duties and shall inform the registrar immediately. [Reg. 15]

The committee may appoint clerks and employees and fix their salaries subject to any limits laid down at the general meeting. [Reg. 16(1)]

Audits: The registrar shall audit or cause to be audited the accounts of every registered society at least annually. He/She can require officers, agents, servants or members to produce relevant books, documents, cash or securities. [Act 34]

Liability of Officials: In the conduct of the affairs of a society, the members of the committee shall exercise the prudence and diligence of ordinary men/women of business and shall be responsible for any loss sustained through any of their acts which are contrary to law, the bylaws of their society or the directions of the society in general meetings. [Reg. 13(6)]

Where a society is wound-up and losses are discovered due to misconduct or misuse of funds by a society official, the liquidator may apply to the court to order to require such person to repay or restore the property losses, in an amount the court thinks fit. [Act 45]

Conflicts of Interest: No member shall be elected to, or remain on, the committee if he/her holds any office of profit under the society or carries on for his/her private profit any trade or business in which the society is engaged. [Reg. 13(2)(b)(c)]

Surety Bond: A registered society may require any officer or employee whose duties involve the handling or custody of its funds or property to give security in such form and amount as it may direct for the honest and diligent performance of his/her duties. [Reg. 17]

Shares and Deposits

Shares: No member other than a registered society shall hold more than one fifth of the share capital of any cooperative society. [Act 26]

The president may regulate the manner in which funds may be raised by means of shares, debentures or otherwise. [Act 51(2)(i)]

Deposits: A registered society shall receive deposits and loans from persons who are not members only to such extent and under such conditions as may be prescribed in the society's bylaws. [Act 30]

Every society registered with unlimited liability shall fix in a general meeting the maximum liability it may incur in loans or deposits from nonmembers, subject to the registrar's sanction. [Reg. 11]

The bylaws of a proposed society shall contain provision for the manner of raising funds, including the maximum rate of interest on deposits. [Reg. 18(1)(i)]

Dividends and Interest: A society registered with unlimited liability shall not pay any dividend to its shareholders until the registrar certifies in writing that its reserve fund is sufficient to cover its liabilities. No society may pay a

dividend while any claim due a creditor remains unsatisfied. No dividend may exceed 5 percent per annum on share capital actually paid up. The registrar may direct that a registered society shall not pay a dividend or shall pay dividends at a reduced rate so long as it received loans or deposits from nonmembers. [Reg. 10]

After the required transfer to the reserve fund, the remainder of net profits and any profits of past years available may be divided among the members as a dividend or bonus. No society shall pay a dividend or bonus before the balance sheet has been certified by the registrar and the amount of the dividend or bonus has been approved by him/her. No society shall pay a dividend to its members exceeding the maximum rate prescribed, which shall not in any case exceed 10 percent per annum, and no society without limited liability which advances money to any member in excess of money deposited by him shall pay a dividend before 10 years from the date of its registration without the registrar's special sanction. [Act 33(1)]

Lien on Holdings: A registered society shall have a charge upon the shares and deposits of a member or past member or deceased member and upon any dividend, bonus or profits payable by the society to a member or past member for any debt due to the society from such member or past member and may set off any sum credited or payable to a member or past member in or towards payments of any such debt. [Act 14]

Loans

Purpose and Conditions: If the objects of the proposed society include the creation of funds to be lent to the members, additional bylaws shall be made on the following matters: the residence of the members, the conditions on which loans may be made to members, and the purpose of loans. [Reg. 18(2)(a)(b)]

Approval Procedure: Law and Regulations are silent.

Limits, Terms and Security: The president may make regulations prescribing the payments to be made, the conditions to be complied with and the forms of the bonds, instruments or other documents to be executed by members applying for loans or cash credits, the period for which loans may be made or credits granted and the maximum amount which may be lent and the maximum credit which may be allowed to individual members with or without the consent of the registrar. [Act 51(2)(j)]

A society which creates funds to loan to members shall make bylaws concerning the maximum amount which may be borrowed, security of repayment, maximum period and extension of terms and renewal. [Reg. 18(2)(a)(b)]

A registered society shall not make any loan to a non-member, but with the permission of the registrar it may make loans to another registered society. [Act 29(1)]

The minister may prohibit or restrict the lending of money on mortgage of any immovable property by any registered society. [Act 29(3)]

Interest Rates and Charges: A society which creates funds to be lent to its members shall make bylaws covering the rate of interest which shall be charged on such loans. [Reg. 18(2)(b)(i)]

Loans to Officials: Law and Regulations are silent.

Investment of Funds

Deposit of Funds: See "Authorized Investments" below.

Authorized Investments: A registered society may invest or deposit its funds in:

- a. The Post Office Savings Bank of Botswana or with any bank approved by the registrar;
- b. with any registered society approved by the registrar;
- c. in any security issued or guaranteed by the government of any country approved by the minister; and
- d. in any other mode approved by the minister. [Act 32]

Capital Adequacy—Reserves

Initial organization Act and Regulations are silent.

Permanent Capital See "Regular Reserve" below.

Regular Reserve: At least 25 percent of the net profits of a registered society shall be carried to a reserve fund. [Act 33(1)]

The reserve fund shall be indivisible and no member shall be entitled to claim any specified share in it. It may be used, with the approval of the registrar, in the business of the society or for capital expenditure, and on the liquidation of a society, shall be applied to discharging the liabilities of the society and repayment of the share capital. [Reg. 23(1)(2)]

See also "Dividends and Interest".

Loan Loss Allowance: Act and Regulations are silent.

Special Reserves: Any registered society may, with the Registrar's sanction, after 25 percent of the net profits in any year has been carried to a reserve fund, contribute an amount exceeding 10 percent of the remaining net profits to any charitable purpose or to a common-good fund. [Act 33(2)]

Powers of Credit Union

General Powers: The registration of a society shall render it a body corporate by the name under which it is registered with perpetual succession and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purpose of its constitution. [Act 8]

Borrowing: A registered society may, with the consent of the registrar, make loans to another registered society but not on the security of movable property. [Act 29(1)(2)]

It shall receive loans from nonmembers only as prescribed in its bylaws. [Act 30]

Every society registered with unlimited liability shall fix in a general meeting the maximum liability it may incur in loans from nonmembers. Such maximum shall be sanctioned by the registrar, who may reduce it, and the society may not exceed the limit so established. [Reg. 11]

Regulations may govern raising funds by means of debentures. [Act 51(2)(i)]

Merger: Act and Regulations are silent.

Liquidation: The registrar may order a registered society dissolved: on application of three-fourths of its members; after inquiry or inspection; in the case of a society with no other registered societies as members; or if its membership falls below 10 persons. The registrar controls the liquidation, and appoints the liquidator, whose powers are detailed. [Act 38-48]

Federation or Association

Purposes: A society which has as its object the facilitating of the operations of societies which have as their object the promotion of the economic interest of their members in accordance with cooperative principles may be registered with or without limited liability as the registrar may decide. But if such society has at least one registered society among its members its liability shall be limited. [Act 4]

Membership: Law and Regulations are silent.

Dissolution: As a registered society, a secondary society may be dissolved according to the same procedures as for a primary society. See "Liquidation" above. [Act 4, 38-48]

Central Finance Facility

Purposes: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

BURKINA FASO	
<i>Region</i>	Africa
<i>Federation</i>	Union des Coopératives d'Epargne et de Crédit Burkinabé
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	163 (1996)
<i>Number of Members</i>	14,758 (1996)
<i>Total Assets (US\$)</i>	\$1,371,644 (1992)

Rev.8-92:alc

Legal Authority

EXPLANATORY NOTE: This country is part of the West African Monetary Union and affected by the common credit union legislation/regulations for the region.

Law: Ordinance No. 83-201 of May 13, 1983, containing legislation for cooperative and pre-cooperative organizations. [cited as "Article"]

Regulations: No Regulations available.

Definition or Purposes of Credit Union

Definition: Cooperative societies and their chapters are private-sector entities of persons with open-ended capital and membership. [Article 2(1)]

The purpose of credit unions is to encourage savings and grant loans to their members. [Article 3(8)]

Supervision and Regulation

Government Agency: The mission of the ministry with oversight is to promote the cooperative movement and make provisions for the spread of cooperative-action principles and methods. The specialized agency within the ministry is the National Service of Cooperative Action. [Article 53]

Cooperative and pre-cooperative organizations whose purpose is to encourage savings and grant loans to their members or to provide them with security are not subject to the provisions of the Ordinance containing banking regulations, unless the total amount of the capital stock subscribed by their members and their legal reserves come to the amount of 50 million CFA francs. [Article 66(1,2)]

Other Licenses Needed: The Ordinance requires no other licenses for credit unions.

Other Institutions Regulated: The Ordinance covers various forms of cooperative and pre-cooperative organizations.

Reports: Cooperative societies and their chapters are required to submit to the National Service of Cooperative Action a copy of the annual operating report (activity report; financial report submitted by the board of directors at the annual general meeting; a copy of the balance sheet and the operating statement from the past year; and any other supporting documents to check whether they are operating pursuant to the ordinance). [Article 16]

Inspections: Cooperative societies and their chapters are subject to inspection by the National Cooperative Action Service. [Article 17(1)]

The National Cooperative Action Service audits or has accounting agents or services appointed in writing audit the accounts of all cooperative societies at least once a year. [Article 55(1)] Once the federations of cooperatives are capable of providing these accounting examinations with qualified staff, the National Cooperative Action Service will preferably appoint the accounting agents of the cooperative federations. [Article 55(2)]

The National Cooperative Action Service under the overseeing ministry is empowered to perform an examination at any time at the request of the board of directors, the supervisory committee or members of a cooperative society, or on its own initiative, any inquiry of the society's charter, organization, operation and financial situation. [Article 54(2)(e)]

Regulations: The minister with oversight may submit to the authorities having jurisdiction a decree in order to determine the terms of enforcement of the Ordinance summarized here. [Article 71]

The National Cooperative Action Service may impose on cooperative societies a model for keeping accounting documents as well as their use. [Article 54(2)(g)]

Enforcement: The violation of ordinances or the harm caused to the interests of a cooperative organization are punished with the penalties mentioned in Article 408 of the Criminal Code, notwithstanding the enforcement of Article 70 of the Ordinance against any act constituting a crime of embezzlement, when the directors have knowingly published or communicated inaccurate accounting documents for the purpose of disguising the true situation of the cooperative organization; when they have engaged in, on their own, a use contrary to the organization's interest for personal reasons or to favor an organization or any interest and, in particular, they have made use, under these conditions, of its goods or its credits; when they have distributed the earnings in violation of Articles 46 and 47 of the Ordinance. [Article 70]

Membership of Credit Unions

Common Bonds of Association: Anyone who is at least 21 years old or any legal entity residing within the district or capable of demonstrating his/hers possession of interests that fall within a cooperative's field of action may become a member of that cooperative. [Article 21(1)]

Non-Natural Persons Eligible: Entities capable of demonstrating that they hold interests that fall within the cooperative's field of action may become users. [Article 25(3)] Within a period of three years, however, they must become members or give up the cooperative's services. [Article 25(4)]

Liability of Member: The liability of each member is at least equal to the amount of the equity shares held by him/her. [Article 49(1)]

Loans granted to cooperative societies are secured by the joint liability of the members within the limits set by this Ordinance and its provisions. The provisions may, however, provide for a more extensive liability, which may not exceed 10 times the amount of the shares subscribed to by the member. [Article 44(3)]

Direction and Administration

Annual Meeting of Members: The annual general meeting decides the management and the administration of the cooperative and the enforcement and interpretation of the bylaws. [Article 28(1)]

Board of Directors and Committees: The board of directors is the executive body of the cooperative society. It is responsible for the general management. It exercises within the limits of the bylaws the powers that are generally or particularly conferred upon it by the general assembly. [Article 36(1)]

Management and Employees: The board of directors may appoint a manager if necessary. [Article 36]

Audits: The Board of Directors prepares the annual report, which may, in particular, contain the report from the outside auditor. [Article 51 (2)(c)] See also "Inspections".

Liability of Officials: The board of directors must exercise all the prudence and diligence normally required for proper and sound management of the cooperative society. [Article 41(1)]

The directors and the general manager are individually or jointly liable for the harm caused to the society, either by violation of the ordinance or the bylaws, or for errors committed in their management. [Article 42(2)]

The mandate of the supervisory committee is to audit periodically the cooperative society's books, cash and securities and to monitor the regularity and accuracy of the information given in the cooperative society's accounts in the management report from the board of directors. At any time it may carry out any examination of the documents deemed appropriate. [Article 43(4)]

In the exercise of its duties, the supervisory committee may be assisted for a limited time by an expert or by a specialized organization. [Article 43(6)]

Conflicts of Interest: The director shall serve without compensation. [Article 39]

Surety Bond: The board of directors is empowered to obtain adequate guarantees or bonds for the employees of the cooperative society. [Article 36(2)(e)]

Shares and Deposits

Shares: Shares shall be registered, individual and non-negotiable and transferable only if approved by the board of directors, according to the terms set forth in the bylaws. [Article 36(2)(e)]

Shares subscribed by each of the members are one share of the capital stock of cooperative societies. [Article 44(1)] No member other than a cooperative society can hold more than 20 percent of the total amount of the capital. [Article 45(3)]

Deposits: Law is silent.

Dividends and Interest: Law is silent.

Lien on Holdings: Law is silent.

Loans

Purpose and Conditions: Law is silent.

Approval Procedure: Law is silent.

Limits, Terms and Security: Law is silent.

Interest Rates and Charges: Law is silent.

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: Cooperative societies may place their funds in the chapters to which they are affiliated, in credit unions or in any bank or financial institution governed by the current banking ordinance. [Article 50(1)]

Authorized Investments: Law is silent.

Capital Adequacy—Reserves

Initial Organization: Law is silent.

Permanent Capital: Law is silent.

Regular Reserve: Prior to payment of interest on equity shares, if any, a deduction of 15 percent is allocated to a legal reserve fund. However, unless facultative reserves are mandated by the bylaws, the obligation to make further transfers to the reserve fund ceases when the fund equals five times the subscribed capital. [Article 47(2)] [Article 46(2)]

It is mandatory for the earnings from transactions conducted with non-member users to be paid into the legal reserve fund. [Article 46(6)]

Loan Loss Allowance: Law is silent.

Special Reserves: In no case, may the reserves be distributed among the members. [Article 47(3)]

The nature of reserve funds and how they are established is determined by the cooperative society's bylaws. [Article 47(1)] Optional reserves are allowed if provided in the bylaws. [Article 46(4)]

Powers of the Credit Union

General Powers: Cooperative societies are active in all branches of activity.

Borrowing: The authorized debt ceiling of a cooperative society vis-à-vis the banks or public or private sector lending institutions is determined once a year by the cooperative's annual general assembly. [Article 48(1)]

Merger: Two or more cooperative societies may, upon a decision adopted at the general assemblies called exclusively for this purpose and with the approval of the National Cooperative Action Service, merge into a single cooperative society. [Article 60(1) and (2)]

Liquidation: Both voluntary and compulsory liquidation procedures for cooperatives are provided in the Ordinance. [Articles 62, 63, 64]

Federation or Association

Purposes: The purpose of the federations is, among other things, to defend and safeguard common interests and the organization of centralized services. [Article 6]

Membership: Cooperative societies and their chapters may charter among themselves federations of cooperatives governed by the Association Law No. 18/AL of August 31, 1959. [Article 6(1)]

Dissolution: The Association Law provides for dissolution of associations. [Act No. 18/AL]

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

CAMEROON

<i>Region</i>	Africa
<i>Federation</i>	Cameroon Cooperative Credit Union League, Ltd.
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	297 (2001)
<i>Number of Members</i>	149,383 (2001)
<i>Total Assets (US\$)</i>	\$50,787,436 (2001)

Rev. 1-00: rs

Legal Authority

Law: Law No. 92/006 of August 14, 1992, relating to Cooperative Societies and Common Initiative Groups. Amended by Law No. 98/009 of July 1, 1998 (Section 15), on the Finance Law. [cited as "Act"]

Regulations: Decree No. 92/455/PM of November 23, 1992 [cited as "Reg."] to establish the conditions of application of Law No. 92/006 and Decree No. 98/300 PM of September 9, 1998. [cited as "II Reg."]

Definition or Purposes of Credit Union

Definition: A cooperative society is a group of individuals or corporate bodies who freely enter into a partnership to maintain common goals by setting up an enterprise managed in a democratic manner and to which they are bound by rules governing activity with the organization, equitable distribution of its capital and profit and risk sharing. [Act 8]

The sole object of thrift and loan cooperative societies shall be: a) to encourage savings by their members; b) to provide capital for moderate interest loans to members; and c) to provide members with financial services that complement savings and loans under conditions fixed by the articles of association. [Act 42]

Supervision and Regulation

Government Agency: A department of the Ministry of Agriculture is the public service agency charged with the registration of cooperative societies. It reports annually to the minister of agriculture relative to the laws and regulations dealing with the cooperative movement. [Act 75, Reg. 37]

Other Licenses Needed: A cooperative society engaging in savings and loan activities must be also accredited by

the monetary authority after conforming with requirements of the Banking Commission of Central Africa (COBAC). Certain approval documents to form such a society must be submitted to the minister in charge of money and credit for instruction and transmission, if necessary, to COBAC for approval. [Act 48, II Reg. 5]

Cooperative societies subject to the prudential and ethical norms established by the monetary authority or COBAC include those allowed to receive savings and deposits from the public, a union of savings and loan cooperative societies, those societies having a considerable amount of funds regardless of whether they receive deposits from non-members and those societies granted privileges in relation to the banking system or public treasury. [Act 48]

Other Institutions Regulated: Cooperative societies engaged in enterprises other than savings and loans, common initiative groups, unions and apex of common initiative groups and of cooperative societies are also subject to the law and regulations. [Act 7, Reg. 39]

Reports: The board of directors within two months of the annual general meeting shall forward to the registration service: the annual progress report, the balance sheet, the auditor's report and other resolutions and reports of discussions. [Act 58] These documents and any others required shall be furnished to the minister in charge of money and credit as well as to COBAC. [II Reg. 10]

Inspections: COBAC shall ensure on remise inspection of savings and loan and related cooperative societies. The minister in charge of money and credit also ensures the inspection and control of cooperative societies within the limits of his competence. [II Reg. 6, 7]

Regulations: The conditions of implementation of the law shall be fixed by a decree of implementation, as when necessary. Conditions for forming a cooperative society shall also be provided by a decree of implementation. [Act 85, 9(4)]

Enforcement: In the case of presumed violation of the Act or serious mismanagement of the property of a cooperative society or union of societies, the minister of agriculture may order an inquiry. The findings shall be referred to a court of law. Violations of the regulations shall be punished in accordance with the Penal Code. [Act 79, Reg. 37(1)]

Appointment of a provisional administrator, closure and dissolution of a society are also allowed. [Act 69(9), II Reg. 9] Other penalties are provided for repeat offenses, concealing the financial condition of a society and failure to register. [Act 80 to 83]

The minister in charge of money and credit and COBAC, in exercising their inspection functions, may take these disciplinary actions: warning, reprimand, injunction, external auditor dismissal, manager suspension or resignation and withdrawal of approval (forced dissolution). [II Reg. 8]

Membership of Credit Unions

Common Bonds of Association: Citizens who are of legal age of majority are free to form, join and manage a cooperative society. [Act 2] No one may join more than one society engaged in the same activity in the same area of jurisdiction. [Act 14(2)] The area of jurisdiction is the geographical area stipulated in the society's articles of association. [Act 14(2), 5(1)]

Membership in a cooperative society is governed by its articles of association and may not be based on ethnic or tribal background, political or trade union affiliation, religion or philosophical convictions. [Act 2(2)]

Nonmembers may use certain services of a cooperative society, as the articles permit. However, they may not be granted loans, receive bonuses on annual profits or take part in management or administration. [Act 10(2), 12(2), 13(2)] Certain exemptions from these membership provisions are granted school cooperatives set up for children. [Act 7(5)]

Non-Natural Persons Eligible: Cooperative societies may buy shares in other cooperative societies. [Act 36(1)] A common initiative group or a union of such groups may become a cooperative society or join a cooperative society or a union of cooperative societies. [Act 53]

Liability of Member: Membership in a cooperative society shall entail liability for the debts of the cooperative society in case of bankruptcy. [Act 4(c)] The liability of each member with respect to the obligations of a cooperative society toward third parties shall be at least five times the value of the shares owned by the member and shall not exceed 10 times the value of those shares. [Act 40, 45] In the case of dissolution of a cooperative, members who left the organization within the last two years are still liable. [Reg. 35(1)]

Direction and Administration

Annual Meeting of Members: The annual general meeting, comprising all members, is the supreme deliberative and decision-making organ of the cooperative society. Besides the constituent general meeting, a society may convene ordinary general meetings periodically and extraordinary general meetings for special purposes. At least one quarter of the members may require convening of such meetings. [Act 15, 16]

The annual general meeting convened by the board of directors as an ordinary meeting shall: 1) elect board members; 2) elect the members of the supervisory committee; 3) fix the authorized ceiling of debts; 4) determine how to distribute the net surplus and the rate of interest payable on share capital; 5) examine, approve or adjust the accounts and give or refuse the manager's final discharge; 6) appoint the auditor; and 7) other specified duties. [Act 18]

Each member shall have only one vote, regardless of the number of shares held or the volume of transactions carried out with the cooperative society. [Act 11]

Board of Directors and Committees: The board of directors is the administrative and management organ of the cooperative society. It is elected for three-year terms. [Act 22, 23]

The supervisory committee, responsible for internal supervision of the society, is elected at the annual general meeting. [Act 18, 26]

A loan committee of three to five members is to be appointed by the board of directors from the membership for a one-year term. It is responsible for granting loans to the members. [Act 44]

Management and Employees: The manager shall perform his/her duties under the authority and supervision of the board of directors, which shall appoint and dismiss him/her. He/She may be responsible for personnel management. [Act 5(1), 5(2)] The board of directors may delegate some of its powers, particularly for the day-to-day running of the cooperative society, to a chairman, manager or any other person deemed competent. [Act 22(2)]

Audits: Cooperative societies are required to have their accounts audited annually by either a natural person or by an approved body, such as the union of cooperative societies to which it belongs. [Act 39(1), 47(2)] COBAC defines prudent financial and accounting norms. [II Reg. 11(2)]

Liability of Officials: Notwithstanding their criminal liability, members of the board of directors and the manager of a cooperative society shall be severally or jointly answerable to the organization they represent and to third parties, in accordance with ordinary law principles, for their acts. Specifically, these include: 1) violations of laws and regulations applicable to cooperative societies; 2) violations of the articles of association, regulations and/or bylaws, as the case may be; and 3) negligence or mistakes in management or in the performance of their duties. [Act 78]

Conflicts of Interest: Any person who uses the property or name of a cooperative society for ends incompatible with the interests of the society is subject to punishment under the Penal Code. [Act 80]

The person or body appointed to audit the society may not be a family member of a director or manager nor have business links with the society. [Act 39(2)]

Surety Bond: The board of directors shall take any measure necessary for the protection of the cooperative society's funds, assets, stocks, property and facilities. [Act 22(3)]

Shares and Deposits

Shares: Membership in a cooperative society shall entail the obligation to buy and pay for shares. Shares shall be registered, indivisible and non-attachable by third parties, and shall be transferred only with approval of the board of directors. The articles of association may make provision for shares to be freed in installments. No member shall hold more than 20 percent of the total equity capital. [Act 14(1), 34(2)]

Deposits: A cooperative society may derive revenue from deposits made by members or capital borrowed from them. [Act 34(1)] A savings and loan cooperative society may receive and pay interest on savings deposited by nonmembers. [Act 43]

Dividends and Interest: Dividends on shares shall be limited. [Act 11] The distribution of profits annually, after the statutory reserve appropriation, is determined by the annual general meeting on recommendation of the board. The distribution may include payment of interest on capital within the limits of rates fixed by commercial banks on long-term savings deposits. [Act 35(1)]

Lien on Holdings: Law and Regulations are silent.

Loans

Purpose and Conditions: Transactions between a cooperative society and its members shall constitute its main activity. Nonmember users shall not be granted loans. [Act 4(2), 13(2)]

Approval Procedure: The loans committee is responsible for granting loans to members in accordance with the articles of association and the loan policies adopted by the board. [Act 44]

Limits, Terms and Security: Law and regulations are silent, except as indicated under "Approval Procedure" above.

Interest Rates and Charges: One object of a thrift and loan cooperative society is to provide capital for moderate-interest loans to members. [Act 42] The interest rates to be paid are to be disclosed in the annual report and on the credit union's notice board. [II Reg. 10]

Loans to Officials: The loans committee may not grant a loan to one of its members. Such a loan must be decided upon by the board of directors with the concerned borrower absent from the proceedings. [Act 44]

Investment of Funds

Deposit of Funds: See "Authorized Investments" below.

Authorized Investments: The annual general meeting shall fix the investment and placement ceilings for the cooperative society. [Act 18]

Capital Adequacy-Reserves

Initial Organization: The minister in charge of money and credit fixes the minimum capital required for registration of a credit union. [II Reg. 11(1)]

Permanent Capital: The articles of association fix the requirements for contributions by members to the equity capital of a society. [Act 34(1), (2)] Loss of 75 percent of this authorized capital, including the reserves, may occasion voluntary or involuntary dissolution of the society. [Act 67, 69]

Regular Reserve: Twenty percent of the profits each year shall be transferred to the statutory reserve. This obligation ceases when the reserve equals the amount of equity capital. [Act 34(1)(b)(3)]

Loan Loss Allowance: Reserves may be drawn upon to cover a loss. [Act 35(2)]

Special Reserves: After appropriation to the statutory reserve fund has been made, the remaining annual profits may be distributed to optimal reserves and other special funds provided for in the articles of association. This distribution is to be determined by the annual meeting on recommendation of the board. [Act 35(1)]

Powers of the Credit Union

General Powers: Cooperative societies shall have a legal personality. [Act 10(3)] Savings and loan cooperative societies or the unions thereof shall not engage in commercial banking transactions. Such transactions shall be done only in compliance with the regulations in force. [Act 48(1)]

Borrowing: The authorized ceiling of indebtedness for a cooperative society with banks or other private and public credit institutions shall be fixed annually by the general meeting. [Act 34(5)]

Merger: The merging as well as the splitting of cooperative societies or of unions of cooperative societies shall be decided at the extraordinary general meeting of the organizations concerned. [Act 19, 63(1)(a)]

Liquidation: The dissolution of a cooperative society may be voluntary, may be decided by a court or may be decided by the administration. [Act 66] The dissolution of a cooperative society shall be decided automatically by the registration service for failure to file required documents for two consecutive years or by reduction of membership below the minimum prescribed by the law for two consecutive years. The Monetary Authority or the Central African Banking Commission may also decide to automatically dissolve a savings and loan cooperative society and the union or federation thereof as a disciplinary measure defined by decree and taken following an inspection and control mission. [Act 70, II Reg. 8(1)]

The duties of the liquidator are detailed. [Reg. 31 to 36] Failure to register shall result in dissolution and appointment of a liquidator. [Act 83(1)(b)]

Federation or Association

Purposes: A union of cooperative societies may be formed by two or more such organizations. [Act 9(3)] With a view to representing and defending their common material and moral interests, cooperative societies and their unions may form federations of cooperative societies and/or common initiative groups. Federations may merge to form confederations. They may seek membership in international organizations having similar objectives. [Act 73]

Membership: Cooperative societies may set up unions of cooperative societies, and provisions of the Act shall be applicable. [Act 6(1), (2)] A common initiative group or a union of such groups may join a union of cooperative societies. [Act 53] The creation of a union of cooperative societies shall be decided during the general assembly of each concerned organization. [Reg. 29(1)] The admission of a cooperative society or a union to a federation of cooperative societies is decided in an ordinary general assembly by a two-thirds majority of members present. [Reg. 30(1)]

Dissolution: The dissolution of a union may be voluntary or may be decided by a court or by the administration. [Act 66]

Central Finance Facility

Purposes: Any network of cooperative societies may have a financial organ set up in accordance with the Act's provisions for thrift and loan cooperative societies. It shall have the status of a credit establishment and be

governed by the terms of agreements and of the law governing the activities of credit establishments. In addition to the traditional transactions carried out by credit establishments, the financial organ shall be responsible for playing the role of a clearinghouse for the institutions of the network and for other networks. It shall ensure that they are refinanced under the conditions defined by the articles of association. [Act 36(2)]

Membership: The financial organ would be formed as a cooperative society serving a network of other cooperative societies. [Act 36(2)]

Funds: A cooperative society may buy shares in other cooperative societies. [Act 36(1)]

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

CENTRAL AFRICAN REPUBLIC

<i>Region Federation</i>	Africa African Confederation of Cooperative Savings and Credit Associations
<i>Legal System</i>	Civil Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	N/A
<i>Number of Members</i>	N/A
<i>Total Assets (US\$)</i>	N/A

Rev:10/92

Legal Authority

Law: Decree No. 61-215 of December 30, 1961, containing the General Bylaws for Cooperatives and Mutual Agricultural Institutions. [cited as "Article"]

Regulations: No Regulations available.

Definition or Purposes of Credit Union

Definition: Cooperatives are private-sector civil societies composed of persons with open-ended capital and membership. [Article 1] Credit unions perform certain economic and social duties that respond to their members' common needs. [Article 4]

Supervision and Regulation

Government Agency: The minister responsible for Cooperatives and Mutual Agricultural Institutions, inspectors of cooperatives and the bureau's delegated agents are responsible for monitoring the enforcement of the clauses of the Decree. [Article 7]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: All forms of cooperatives are governed by the Decree.

Reports: Cooperatives are bound to provide, whenever requested by the authorities responsible for monitoring, any supporting documents to enable them to verify that they are operating pursuant to the rules of the Decree and the directives of the Bureau of Cooperatives and Mutual Agricultural Institutions. [Article 70]

Inspections: Cooperative inspectors are among the persons responsible for assuring that cooperatives comply with the Decree. [Article 70]

Regulations: The Bureau of Cooperatives and Mutual Agricultural Institutions may issue rules and directives governing the activities and accounting of the cooperatives. [Article 68]

Enforcement: Under penalty of dissolution, the bureau may require the board of directors or the assembly to enforce the Decree strictly. [Article 71] The Decree does not provide for any other penalty

Membership of Credit Unions

Common Bonds of Association: Any individual or entity whose activities are conducted within the field of action of the cooperative and who shares the purpose of the cooperative may become a member. [Article 11]

Non-Natural Persons Eligible: See "Common Bonds" above.

Liability of Member: The members are liable for five times the amount of their subscribed shares. [Article 23]

Direction and Administration

Annual Meeting of Members: The general meeting is the cooperative's sovereign body. [Article 25] It meets twice a year: during the first three months of the year for close-out of the operating statement of the past fiscal year and during the last three months of the year for examination of the budget for the coming fiscal year. [Article 34] The general assembly can only deliberate after having reviewed the reports drawn up by the comptrollers. [Article 60]

Board of Directors and Committees: The board of directors is elected by the general assembly. [Article 36] Directors are elected for no more than three years by secret ballot with one-third electable every year. Outgoing directors can be reelected. [Article 37] The chairman is elected by members of the board of directors by absolute majority. [Article 38] Directors serve without compensation. However, travel and study expenses incurred by them may be reimbursed by the cooperative within the framework of funds allocated for this purpose annually by the general assembly. [Article 43]

From a list drawn up by the Bureau of Cooperatives and Mutual Agriculture Institutions, a comptroller shall be appointed by the annual general meeting. [Article 38] The comptroller shall be fully entitled to audit the cooperative without prior notice at all times. No one may object to their duties. [Article 59]

Management and Employees: The cooperative is managed by a manager appointed by the board of directors and approved by the general assembly. [Article 48] He/She performs his/her duties under the control of the board of directors within the limits of the powers conferred upon him/her. [Article 49]

All of the cooperative's staff without exception are placed under the supervision of the manager. [Article 51]

Audits: Law is silent.

Liability of Officials: The directors are jointly liable for the society's mismanagement. They are also individually or jointly liable vis-à-vis cooperatives, chapters of cooperatives or third parties for any errors they may commit in the performance of their duties. [Article 40]

Conflicts of Interest: The Decree contains no general provisions for directors. A person may not be appointed manager of a cooperative who is involved with a competitive endeavor or who is related to a director(s). [Article 54]

Surety Bond: Law is silent.

Shares and Deposits

Shares: Equity is formed by personal and indivisible member shares that may be transferred with board permission. [Articles 20, 21]

Deposits: Law is silent.

Dividends and Interest: The general assembly sets the terms for distributing rebates and for setting the interest rate to be granted to members on loans granted by the cooperative. [Article 26]

No dividends may be paid on capital shares. [Article 20]

Lien on Holdings: If a member's request to withdraw from membership is denied by both the board and the general assembly, his/her shares may not be reimbursed for five years. [Articles 17, 18]

Loans

Purpose and Conditions: Law is silent.

Approval Procedure: Law is silent.

Limits, Terms and Security: Law is silent.

Interest Rates and Charges: The general assembly of the members determines the interest rate to be charged on loans to members. [Article 67]

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: Law is silent.

Authorized Investments: Law is silent.

Capital Adequacy-Reserves

Initial Organization: Equity is formed by personal and indivisible member shares. The incorporation act shall determine the share amount, which cannot be less than 1,000 francs. [Articles 20, 21]

Permanent Capital: See "Initial Organization" above.

Regular Reserve: Law is silent.

Loan Loss Allowance: Cooperatives may create reserve funds or provisions for possible risks and losses. [Article 67]

Special Reserves: See "Loan Loss Allowance" above.

Powers of the Credit Union

General Powers: Cooperatives are empowered to perform certain economic and social duties that respond to their members' common needs. [Article 4]

Borrowing: Cooperatives may borrow from lending banks, their members or other cooperatives. [Article 23]

Merger: Law is silent.

Liquidation: Law is silent.

Federation or Association

Purposes: Cooperatives may join together in a regional cooperative chapter or in a federation. [Article 9, Law 61-287]

Membership: See "Purposes" above.

Dissolution: Law is silent.

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

ETHIOPIA

<i>Region</i>	Africa
<i>Federation</i>	Savings and Credit Cooperatives Development Office (SACCDO)
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	779 (1998)
<i>Number of Members</i>	156,088 (1998)
<i>Total Assets (US\$)</i>	\$29,316,804 (1998)

Rev. 4-92: wj

Legal Authority

Law: Cooperative Societies Proclamation No. 138/1978 (Proc. 1). [cited as "Proc."]

Regulation: No regulations available.

Definition or Purposes of Credit Union

Definition: Cooperatives may be organized for various objectives, including developing self-reliance and promoting the interests of their members and accumulating capital and mobilizing human resources to sustain economic development.

The articles of association shall provide for the objectives and activities of the cooperative.

Thrift and credit societies may be formed by individuals working in one undertaking or office for making regular savings and to obtain credit for individual needs or productive purposes. [Proc. 3, 10, 13]

Supervision and Regulation

Government Agency: The "appropriate authority" for thrift and credit societies is the National Bank of Ethiopia. It shall be responsible for the formation and promotion of cooperatives.

A cooperative board comprised of various government functionaries is established to issue directions of implementing the Proclamation and regulations. It supervises the execution of the powers and duties of cooperatives. [Proc. 2, 11, 14, 17, 19]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: Agricultural producers' and service cooperatives, Artisans producers', service cooperatives, and housing cooperatives. [Proc. 2].

Reports: The annual audit by the appropriate authority shall be submitted to the cooperative board. [Proc. 26]

Inspections: The appropriate authority may inspect the books of any cooperative at any time. [Proc. 27]

Regulations: The cooperative board may issue regulations for the better carrying out of the provisions of this Proclamation. [Proc. 33]

Enforcement: Any person who violates or obstructs the implementation or contravenes the provisions of this Proclamation or regulations issued hereunder shall be punishable in accordance with the Penal Code.

Disputes between thrift and credit cooperatives and their members shall be settled by an arbitration committee appointed by the general meetings of their respective cooperatives, with appeals taken to Judicial Tribunals of Higher Urban Dwellers' Association, and in the absence thereof, by the special judicial tribunal whose decision shall be final. [Proc. 29, 3, 32]

Membership of Credit Union

Common Bonds of Association: Thrift and credit cooperatives may be formed by individuals working in one undertaking or office for making regular savings and to obtain credit for individual needs or productive purposes.

The Articles of Association shall provide for the rights and duties of members and the terms and requirements for admission of members. [Proc. 10, 13, 2d, e]

Non-Natural Persons Eligible: Law is silent.

Liability of Member: Law is silent.

Direction and Administration

Annual Meeting of Members: The Articles of Association shall provide for the procedure for convening and conducting the general meeting and other meetings of the association and the duties and responsibilities of such meetings. [Proc. 13, 2g]

Board of Directors and Committees: The Articles of Association shall provide for the election, duties and responsibilities of the executive committees, supervisory committees and other committees. [Proc. 13, 2g]

Management and Employees: Law is silent.

Audits: The accounts of any cooperative shall be audited at least once a year by the appropriate authority or its designee, and the report submitted to the cooperative board and to the general meeting of the audited cooperative. [Proc. 26]

Liability of Officials: Law is silent.

Conflicts of Interest: Law is silent.

Surety Bond: Law is silent.

Shares and Deposits

Shares: The Articles of Association shall provide for membership fees and other contributions. Shares are also referred to. [Proc. 13, 24]

Deposits: Deposits are referred to. [Proc. 23]

Dividends and Interest: Funds of cooperatives allocated for reserve, social welfare, education, health and for other common purposes in accordance with their Articles of Association shall not be distributed among members. [Proc. 21]

Lien on Holdings: A cooperative shall have a charge upon the deposits or other interests of its member in respect of any debt or outstanding demand due to the cooperative from such member and may set-off any sum in or towards payment of such debt or outstanding demand.

Except as provided above, the share or interest of a member in the capital of a cooperative shall not be liable to attachment or sale in respect of any debt or liability of such member. [Proc. 23, 24]

Loans

Purpose and Conditions: A cooperative may make loans only to its members or other cooperatives. [Proc. 25]

Approval Procedure: Law is silent.

Limits, Terms and Security: Law is silent.

Interest Rates and Charges: Law is silent.

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: Law is silent.

Authorized Investments: Law is silent.

Capital Adequacy—Reserves

Initial Organization: Law is silent.

Permanent Capital: See “Regular Reserve” below.

Regular Reserve: The Articles of Association shall provide for the manner for appropriating surplus for reserve and other funds. [Proc. 13, 2j]

Loan Loss Allowance: Law is silent.

Special Reserves: Funds for reserve, social welfare, education, health and for other common purposes are referred to. [Proc. 21]

Powers of Credit Union

General Powers: Registered cooperatives shall have juridical personality. [Proc. 12, 2]

Borrowing: A Cooperative may make loans to other cooperatives. [Proc. 25]

Merger: Cooperatives may reorganize, amalgamate with other similar cooperatives or be dissolved in accordance with regulations issued by the board. [Proc. 22]

Liquidation: Cooperatives may be dissolved in accordance with regulations issued by the cooperative board. [Proc. 22]

Federation or Association

Purposes: Law is silent.

Membership: Law is silent.

Dissolution: Law is silent.

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

THE GAMBIA

<i>Region</i>	Africa
<i>Federation</i>	National Association of Credit Unions in The Gambia (NACUG)
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	84 (2001)
<i>Number of Members</i>	13,424 (2001)
<i>Total Assets (US\$)</i>	\$165,922 (2001)

Rev. 1-93: wj

Legal Authority

Law: Cooperative Societies Act, 1966. [cited as Act]

Regulations: Cooperative Societies Rules, 1966. [cited as Rule]

Definition or Purposes of Credit Union

Definition: A society which has as its object the promotion of the economic interests of its members in accordance with cooperative principles or a society established with the object of facilitating the operations of such a society may be registered with or without limited liability. [Act 4]

Bylaws shall establish the objects for which the society is established. [Rule 69]

Supervision and Regulation

Government Agency: There shall be a registrar of cooperative societies, and such deputies and assistants as necessary, to administer the act. [Act 3]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Housing societies and societies to dispose of articles produced or obtained by the work of their members are regulated, including produce of agriculture, animal husbandry, forestry, fisheries, handicrafts or otherwise. [Act 14.b, 13]

Reports: The registrar may give directions prescribing the returns to be submitted to the registrar by registered societies. [Act 36.(2)]

The committee shall in every year cause the secretary to send the registrar a report showing an account of income and expenditure; a balance sheet; such statistical reports as the registrar directs; in the case of thrift and credit societies a list of the personal balances of each member; and a report on the year's activities of the registered society, to be presented to the annual meeting. [Rule 53]

Inspections: The registrar or his appointee shall at all times have access to all books, documents or other materials relating to the affairs of a registered society, and every person involved with the society shall furnish such information an inspector requires. [Act 36.(1)]

The registrar may of his/her own motion and shall on application of a majority of the committee or of not less than one-third of the members of a registered society, or on application of a creditor, hold an inquiry into the constitution, working and financial condition of the society. [Act 37]

Regulations: The registrar may make all such rules as may be necessary for the purpose of carrying out or giving effect to the principles and provisions of the act. [Act 51]

Enforcement: If the registrar is of the opinion that the committee of a registered society is not performing properly, he/she may dissolve the committee and appoint a manager. [Act 37A.(1)]

Where the registrar finds that a member of the committee or other officer or employee is unable or unfit to perform his duties, he/she may require the society to dismiss that person. [Rule 65]

If the registrar, after inspection or inquiry or on receipt of an application made by three-fourths of the members of a society, is of the opinion that the society ought to be dissolved, he/she may cancel its registration and appoint a liquidator. [Act 38, 41]

A person who fails to comply with an order of restitution or compensation, or of property attachment, by the registrar shall be guilty of an offence and shall be liable on conviction to imprisonment for not more than six months or fine not exceeding 100 pounds. [Act 47.(2), 48.(2)]

Failure to comply with the act or the rules or furnishing false or insufficient information is an offence subject to fine. [Act 57]

Failure to account satisfactorily for funds of a registered society, or failure to keep proper books or produce them when required are offenses subject to fine or imprisonment or both. [Act 58B(2)]

Disputes touching the affairs of a registered society shall be referred to the registrar, who may decide them himself or refer them to an arbitrator or arbitrators. [Act 49] [Rule 72, 73, 74, 75] Questions of law in disputes may be referred to the Supreme Court. [Act 50]

Membership of Credit Unions

Common Bonds of Association: If the objects of a society include creation of funds to be lent to the members, the bylaws shall provide the occupation or residence of the members. [Rule 69.(2)(a)]

To be a member a person must be 18 years old, resident within or in occupation of land within the area of operation of a registered society and make prescribed payments or acquire prescribed interest in the society. [Act 21.(1), 22]

Election and admission of member shall be as bylaws prescribe. [Rule 12, 69.(1)(e)] No registered society shall fix a limit to the number of its members. [Rule 17] A primary society must have at least 10 qualified persons. [Act 5.(1)]

No person may be a member of more than one registered society whose primary object is to grant loans to its members, except with the sanction of the registrar. [Act 23]

A pupil over the age of eight may be a member of a registered school society. [Act 21.(3)]

Non-Natural Persons Eligible: Registered societies may be members of other registered societies. [Act 4]

Liability of Member: Societies may be registered with or without limited liability, provided that the liability of a society which includes at least one registered society among its members shall be limited. [Act 4]

The liability of a past member or the estate of a deceased member shall not continue for more than two years after the date membership ceased or the member died. [Act 29]

Sums due from a society to the government may be recovered first, from the property of the society; secondly, in the case of a society of which the liability of members is limited, from the members subject to the limit of their liability; and thirdly, in the case of other societies, from the members. [Act 52]

Bylaws shall determine the nature and extent of liability of members. [Rule 69.(1)(f)]

Direction and Administration

Annual Meeting of Members: Supreme authority in a registered society shall be vested in the general meeting of the members, at which every member has a right to attend and vote on all questions. Except as provided in the act, a member shall have one vote only and shall not vote by proxy. Bylaws may permit voting by delegation. [Rule 21]

The annual general meeting shall be convened by the committee or the registrar as soon as the audit report is received. [Rule 23]

No member shall have more than one vote in the conduct of the affairs of a primary society. A registered society which operates in a city or a town or in more than one village may provide for local meetings and voting by

proxy. [Act 24] A registered society which is a member of a secondary society may vote by proxy in accordance with bylaws. [Act 25]

The committee is elected at the annual general meeting. [Rule 24.(e)] Special general meetings may be called. [Rule 25]

Board of Directors and Committees: The committee shall consist of the number of members specified in the bylaws. It shall elect its own chairman.

The committee shall represent the society before all competent public authorities and in all dealings with third persons, and has other powers. [Rule 33]

The committee shall appoint one of its members, not being the chairman, to be treasurer. [Rule 62]

Management and Employees: The committee may appoint such clerks it considers necessary and fix their remuneration. [Rule 41]

The committee shall appoint a secretary and, if the secretary is not a member of the committee, fix his remuneration. If a member of the committee, the secretary shall be unpaid. Appointment of the secretary and his/her remuneration, and his/her removal or suspension by the committee, are subject to the approval of the registrar. If the committee fails to appoint a secretary, the registrar shall do so. [Rule 56, 59]

Audits: The registrar or his appointee shall audit the accounts of every registered society at least once every year. The audit shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the society. The auditor shall have the power to summon persons to give assistance in the audit and to require the production of any book or document or cash or securities relating to the affairs of the society. [Act 35] [Rule 67]

Liability of Officials: Where in the course of audit, inquiry or dissolution of a registered society it appears that any person who has taken part in the organization or management of it, or any past or present officer, has misappropriated or retained or become liable or accountable for any money or property, or has been guilty of misfeasance or breach of trust in relation to the society, the registrar may order an examination, restitution or compensation as he thinks fit. [Act 47]

Conflicts of Interest: Law and Regulations are silent.

Surety Bond: The secretary may be required to give security in such amount as the committee may determine, subject to the approval of the registrar. [Rule 58]

The treasurer may be required to give security in such amount as the committee determines. [Rule 63]

Shares and Deposits

Shares: Bylaws shall prescribe the manner of raising funds. [Rule 69.(1)(g)]

To be a member a person must make prescribed payments or acquire prescribed interest in the society. No member other than a registered society shall hold more than one-fifth of the share capital of any cooperative society. [Act 22, 27]

Deposits: Every registered society shall fix at a general meeting the maximum liability it may incur in deposits, whether from members or non-members, subject to the sanction of the registrar. [Rule 20]

A society may receive deposits from or for the benefit of minors. [Act 18]

Dividends and Interest: After contribution to the reserve fund, the remainder of a society's profits and any profits available from previous years available for distribution may be divided among the members by way of dividend or bonus. In the case of a society with unlimited liability, no distribution of profits may be made without the general or special order of the minister. [Act 34.(1)]

In the case of a society with unlimited liability, except as authorized by the minister, no dividend or payment on account of profits shall be paid until the reserve fund has reached a proportion of not less than one-tenth of the society's total liabilities. No society shall pay a dividend if the rate of interest on loans granted by it to its members exceeds 15 percent per annum. No registered society shall pay a dividend on share capital exceeding five per cent per annum on the capital actually paid up. [Rule 19.(1, 2, 3)]

A bonus based on wages or on the value of the products of a member, or a bonus or rebate on patronage may be distributed periodically to the members from surplus funds, after deduction of expenses, and provision for bad and doubtful debts and allocation to the reserve fund. [Rule 19.(4)]

Bylaws shall provide the maximum rate of interest on deposits. [Rule 69.(1)(g)]

A society may pay interest on deposits to minors. [Act 18]

Lien on Holdings: Subject to any prior claim of the Crown (government) on the property of a debtor or to the lien of a landlord in respect of rent or to any registered charge on property, any debt or outstanding demand payable to a registered society by any member or past member, shall be a first charge on all assets produced or purchased in whole or in part from any loan whether in money or in goods given him by the society. [Act 14]

A registered society shall have a charge upon the shares or interest in the capital and on the deposits of a member or past member or deceased member and upon any dividend, bonus or profits payable in respect of any debt due to the society, and may set off any sum credited or payable in or towards payment of such debt. [Act 15]

Except for specified provisions, the share or interest of a member shall not be otherwise liable to attachment for debt. [Act 16]

Loans

Purpose and Conditions: No loan shall be made except for a purpose to be approved in each case by the committee, and must be applied to that purpose. [Rule 45]

A registered society shall not, except for authorized investments, make a loan to any person other than a member, provided that with the consent of the registrar, a society may make loans to another registered society. [Act 30.(1)]

Bylaws shall provide conditions on which loans may be made, including the maximum amount which may be lent to a member. [Rule 69.(2)(b)(ii)]

A society may make advances to its employees under prescribed conditions. [Act 30.(5)]

Approval Procedure: Members of a credit society who desire to obtain a loan shall submit an application to the committee stating the amount and the purpose for which the loan is required, the term for which it is asked, whether it is desired to repay it by installments, and the names of the proposed sureties or any other security which is offered. [Rule 42]

The secretary shall receive and produce at committee meetings applications for loans, if any, for determination by the committee in accordance with the priority of receipt. [Rule 35.(d), 43.(1), 61.(d)]

Limits, Terms and Security: Loans when approved by the committee shall be granted to members who are able to obtain two sureties approved by the committee, or who can give other satisfactory security. [Rule 44]

Except with the permission of the registrar, a registered society shall not lend money on the security of any movable property other than produce or goods in which the society is authorized to deal. [Act 30.(2)]

The minister may prohibit or restrict the lending of money on mortgage of any description of immovable property by any registered society. Loan repayment time may be extended. [Act 30.(3), 48]

Interest Rates and Charges: Bylaws shall provide the rate of interest on loans to members, and the consequences of default of any sum due on account of shares. [Rule 69.(2)(b) (i), 69.(2)(c)]

Where a member is in default, and not for a good reason, he/she may not obtain another loan from the registered society. [Rule 47]

Loans to Officials: A member of the committee who applies for a loan or who is proposed as surety for a loan must withdraw while the relevant application is being discussed. [Rule 43.(2)]

Investment of Funds

Deposit of Funds: The committee may, subject to the approval of the registrar, open a banking account. [Rule 40]

Authorized Investments: A registered society may invest or deposit its funds:

- a. in the Government Savings Bank, or with any bank or person carrying on the business of banking approved for this purpose by the registrar;
- b. in any securities issued or guaranteed by the government of a country of the Commonwealth;
- c. with any other registered society approved for this purpose by the registrar; or
- d. in any other mode approved by the registrar. [Act 33]

Capital Adequacy—Reserves

Initial organization Law and Regulations are silent.

Permanent Capital See “Regular Reserve” below.

Regular Reserve: At least one-fifth of the net profits of every registered society, as ascertained by the audit, shall be carried to the reserve fund to be used as prescribed by the rules. [Act 34.(1)]

The reserve fund, with the sanction of the registrar, may:

- a. be utilized in the business of the registered society; or
- b. be applied to meet occasional deficiencies. [Rule 66]

Loan Loss Allowance: The committee may cause bad debts to be written off the books of the registered society at such times as the registrar may deem fit. [Rule 52]

Special Reserves: After contribution to the reserve fund, available profits may be allocated to any funds constituted by the society as prescribed in rules or bylaws. Contributions may be made to a common-good fund. [Act 34.(1,2)]

Powers of the Credit Union

General Powers: Registration of a society shall render it a body corporate by the name under which it is registered, with perpetual succession and with the power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings, and to do all things necessary for the purpose of its constitution. [Act 8]

Borrowing: The committee may borrow money on behalf of the society within specified limits. [Rule 39]

Every registered society shall fix at a general meeting the maximum liability it may incur in loans, whether from members or nonmembers, subject to the sanction of the registrar. [Rule 20]

Bylaws shall provide for the manner of raising funds. [Rule 69.(1)(g)]

Merger: Two or more societies may amalgamate, by special three-fourths majority resolutions of their respective general meetings, and with the approval of the registrar. [Act 20A]

A society may divide itself into two or more societies, by three-fourths majority resolution of a special general meeting and with the approval of the registrar. [Act 20B]

Liquidation: The registrar may order the registration of a cooperative society: after inspection or inquiry; on application of three-fourths of the members; in the case of a society with no other registered societies as members; or if the number of members falls below 10 persons. The registrar controls the liquidation and appoints the liquidator, whose powers are detailed. [Act 38-46]

Federation or Association

Purposes: A secondary society means a registered society of which some or all registered societies are members, established to facilitate the operations of registered societies in accordance with cooperative principles, and includes a financing society. [Act 2(definitions)]

Membership: See “Purposes” above.

The minister may appoint not more than two special members of the executive committee of any national society or of any secondary society if it is in receipt of financial assistance from the government or if the minister considers such appointments necessary in the interest of the national economy. [Act 60]

Dissolution: As a registered society, a secondary society may be dissolved according to the same procedures as for a primary society. See “Liquidation” above. [Act 2, 38-46]

Central Finance Facility

Purposes: A secondary financing society is a registered society of which the principal object is to make loans to other registered societies. [Act 2(definitions)]

Membership: Law and Regulations are silent.

Funds: A society may invest with any other registered society approved for that purpose by the registrar. Borrowing by a secondary society from the government is referred to. [Act 33, 60]

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

GHANA

<i>Region</i>	Africa
<i>Federation</i>	Ghana Cooperative Credit Union Association Ltd.
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Banking, and Financial Institutions; also Cooperative Societies
<i>Number of Credit Unions</i>	84 (2001)
<i>Number of Members</i>	13,424 (2001)
<i>Total Assets (US\$)</i>	\$165,922 (2001)

Rev. 02-02:wj

EXPLANATORY NOTE: The Financial Institutions (Non-Banking) Law of 1993 (PNDCL 328) specifically includes credit unions as one of nine non-bank financial institutions subject to that law. However, the Bank of Ghana's Non-Bank Financial Institutions Business (BOG) Rules of 2000 exclude credit unions from the regulation, but the Ghana Cooperative Credit Union Association reports the rules are being informally observed by credit unions in Ghana in practice. Specific rules for credit unions are envisaged and under discussion as of this writing (2002). This digest cites the existing BOG rules, without reference to the exclusionary statement.

Provisions of the Cooperative Societies Decree of 1968, and the Cooperative Societies Regulations of 1968, both relating to credit unions, are also cited in this digest.

The Banking Law of 1989 (PNDCL 225) which covers banks as deposit-taking and lending institutions, contains similar provisions to the Non-Bank Financial Institutions Law regarding licensing, supervision, etc., and the Bank of Ghana is named as the supervisory authority for all financial institutions. But the Banking Law has prudential and other provisions somewhat different from those for non-bank institutions. This law (PNDCL 225) therefore is not cited in this digest for credit unions. Nor are the Prudential Guidelines for Licensed Savings and Loans Companies, issued by Bank of Ghana, since they are specific to those companies.

Legal Authority

Law: Financial Institutions (Non-Banking) Law, 1993. [cited as "FINB"]

Cooperative Societies Decree, 1968. [cited as "Dcr."]

Regulations: Bank of Ghana Non-Bank Financial Institutions Rules, 2000. [cited as "BOG"]

Cooperative Societies Regulation, 1968. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: Credit unions are cooperative/mutually owned organizations formed by homogenous group(s) or interest(s) for mobilization of savings from members for meeting their credit needs. [BOG Definition A(iii)]

Savings institutions, including credit unions, offer savings accounts and time deposit products for providing credit to mid-market segment and target groups and members - linked to their savings or other accounts. [BOG Definition]

Supervision and Regulation

Government Agency: Credit unions must be licensed by the Bank of Ghana, which is the supervisory authority for all non-bank financial institutions. The Non-Bank Financial Institutions Department within the Bank of Ghana administers the FINB and supervises licensed financial institutions. [FINB 2(1-2), 4, 5, 13, 27, Schedule; BOG Introduction, 1(1)]

The Provisional National Defense Council Secretary responsible for Finance is the government minister who oversees the Bank of Ghana. [FINB 27]

Other Licenses Needed: Licensed institutions shall conduct their business having regard to any other laws governing their operations besides the FINB law and the BOG operating guidelines specific to their business, if any, and the best practices in the industry. The business specified in the license shall be undertaken as the principal business. Any ancillary business the institution undertakes shall be complementary to and supportive of the principal business, and it must receive permission from the Bank of Ghana. [BOG 2, 25]

Other Institutions Regulated: In general, the Non-bank Financial Institutions Law applies to companies that take deposits and make loans. Specifically mentioned (besides credit unions) are: discount companies, finance houses, acceptance houses, buildingsocieties, leasing and hire-purchase companies, venture capital funding companies, and savings and loan companies. [FINB 27, Schedule; BOG Definitions]

Reports: A financial institution must submit a quarterly report to Bank of Ghana, showing its assets and liabilities. In the case of deposit-taking institutions, this report shall be made public. The auditor's annual report, in prescribed form, must be submitted to the Bank of Ghana. The Bank may require reports on lending rates charged, and on deposit interest rates. See also below: "Audits." [FINB 19, 24; BOG 30(2), 31]

Every financial institution shall separately disclose in its financial reports the specific and general loss provisions made for delinquent loans and standard/current assets. [BOG 23]

A financial institution must furnish Bank of Ghana with the regulations or rules of conduct for its business, and any changes to them; and with every change of director or chief executive of the business. [FINB 10; BOG 26(3)]

Inspections: Bank of Ghana shall have supervisory authority in all matters relating to the businesses of any licensed non-bank financial institution. The Non-Bank Financial Institutions Department within the Bank of Ghana has responsibility to supervise prudential arrangements, and conducts on-site inspections. [FINB 13; BOG Introduction (p.3b)]

Regulations: The Bank of Ghana may make rules for non-bank financial institutions, which must be complied with. The Secretary may, on recommendation of the Bank of Ghana, amend the schedule to the law. [FINB 1(2), 14]

The Secretary may by legislative instrument make regulations to prescribe capital adequacy, liquidity ratio and other prudential requirements of financial institutions, and procedures for risk management. [FINB 25]

Enforcement: The Bank of Ghana may suspend or revoke the license of a financial institution if it is satisfied that it: a) obtained the license by fraud or mistake; b) has contravened any provision of the law or conditions of the license; c) has engaged in undesirable conduct of its business; or d) has failed to maintain minimum paid-up capital. [FINB 5]

Where the Bank of Ghana is satisfied that a non-bank financial institution is not carrying on its business in the interest of its depositors or creditors; or has insufficient assets to cover its liabilities, the Bank of Ghana may direct the institution to take steps to deal with the situation, or prohibit deposits, or suspend or revoke its license. The Bank of Ghana may supersede the board of directors, and constitute an interim board, which shall function with full powers until a new board is duly selected under the institution's charter. Bank of Ghana may prescribe penalties for non-compliance with its rules. [FINB 6; BOG 27(2), 35]

If an institution fails to comply with the directions of the Bank of Ghana, the Bank may prohibit deposits. [FINB 11(3)]

The Bank of Ghana may require that a director be dropped from the board of directors, if the Bank finds that the director is wanting requisite attributes, or is responsible for violating any regulations. [BOG 27(1)]

Regulations may provide for penalties for failure to maintain prescribed reserve requirements. Bank of Ghana may prohibit a financial institution in capital deficiency from undertaking new lending or assuming risk exposures, or place such other restrictions on its lending activity, as it considers appropriate. [FINB 16(2); BOG 10(2), 11A]

A person who operates any of the activities of a financial institution without a license, or who in connection with

application for a license gives false or misleading information, commits an offense and is liable to a fine of not more than one million cedis or imprisonment up to two years. Directors or partners of corporations convicted of an offense, shall be deemed guilty unless they prove they took no part in the offense and exercised due diligence to prevent it. [FINB 26] Regulations shall provide that directors of a financial institution must pay penalties for contravening dividend payment restrictions. [FINB 17(3)]

Membership of Credit Unions

Common Bonds of Association: To qualify for membership in a cooperative society, a person must be capable of entering into an enforceable contract, and be a resident within or occupy land within the area of operations defined in the bylaws. Rights of membership begin after payment of any required sum prescribed in the bylaws and a member acquires interest in the cooperative society. [Dcr. 34, 36]

Non-natural Persons Eligible: Approval of the Bank of Ghana is required for membership by another registered society that grants loans or by a company or unincorporated body. [Dcr. 35, 38]

Liability of Member: A society may be registered with or without limited liability. The bylaws shall provide for the liabilities of members. A past member shall be liable for the debts of the society as they existed at the time he/she ceased to be a member, for a period of two years. [Dcr. 2, 42; Reg. 4(d)]

Direction and Administration

Annual Meeting of Members: Every licensed society must hold at least one general meeting each year. The board of directors or one-fourth of the members can convene a special meeting at any time. No member shall vote by proxy, except a society that is a member of a central society. Every member shall have one vote. [Dcr. 39; Reg. 7, 9, 10]

Board of Directors and Committees: Every licensed society shall elect annually a committee (board of directors) composed of a president, one or more vice presidents, a treasurer, and if necessary an assistant treasurer, and such other others as the bylaws prescribe. The powers and duties of the officers and committees shall be prescribed by the bylaws. [Reg. 12, 14]

The board of directors of a licensed institution is wholly responsible for the sound and proper functioning of it, and accountable for its activities to its stakeholders, creditors, customers and employees, and to the regulatory authorities. The board must have at least five members, two of whom should have experience in managing financial institutions or have exposure to the working of financial sector institutions. [BOG 26(1, 2)]

Management and Employees: Employees and executives are referred to in the BOG Rules as subject to the Board of Directors. [BOG 26]

Audits: A non-bank financial institution shall appoint a qualified auditor, who shall audit the books and records at least once a year. The auditor shall state whether or not the accounts give a true and fair view of the state of affairs of the financial institution, if he/she was able to obtain all the information and explanations he/she required, and if the institution's transactions are within its powers. [FINB 22, 23]

Required accounting procedures and contents of audits are detailed in the BOG rules. The audit must present the financial performance of the institution in reference to the reliability and composition of reported earnings, the operating costs, the liquidity and capital adequacy ratios, risk factors and other matters. Questions or qualifications by the auditor must be noted. [BOG 28-30]

Liability of Officials: Directors or partners of corporations convicted of an offense shall be deemed guilty unless they prove they took no part in the offense and exercised due diligence to prevent it. [FINB 26]

Conflicts of Interest: An auditor shall not be an employee or director or officer of the institution that appointed him/her. [FINB 22(3)]

Surety Bond: Laws and Regulations are silent.

Shares and Deposits

Shares: A general meeting of members of a cooperative society may resolve to raise capital by issuing ordinary shares to members. [Reg. 6.1]

No member, other than a registered society, may hold more than one-fifth of the society's share capital. [Dcr. 37]

Deposits: A financial institution may invite deposits from the public, for fixed periods, payable at the discretion of the institution. The Bank of Ghana may give directions to institutions on any matters relating to acceptance of deposits, including rates of interest payable and periods for which deposits may be received. Rules for deposit-taking institutions and about deposit products are detailed. [FINB 11(1,2), 27(a); BOG 32-34]

A deposit is a sum placed or paid to a financial institution on terms under which it will be repaid with or without interest or premium either on demand or at a time or in circumstances agreed by the parties. Deposits from the public are placed or paid by members of the public, including legal persons, and including individual members of the general membership of cooperative institutions, but exclude amounts received from banks and other financial institutions, and other funds related to certain transactions. [BOG Definition]

A general meeting of a cooperative society may resolve to raise capital by deposits or loans from members or persons other than members. A society may receive deposits or loans from non-members to such extent and under such conditions as prescribed in regulations or its bylaws. [Dcr. 19; Reg. 6(1)]

Current or checking accounts which go through the check clearing system are not permitted to non-bank financial institutions. In-house checking against saving accounts are permitted, with proper safeguards. [BOG 32]

Dividends and Interest: A financial institution may not pay dividends on its shares if its capital falls below prescribed levels. Before paying dividends, it must recover capitalized expenditures, including preliminary expenses, brokerage losses, and other items not represented by tangible assets. [FINB 17; BOG 10(1)]

A cooperative society may pay dividends and bonuses out of its profits of up to 5 percent per annum, after allocations to its reserve funds, and after the certified audit, and with permission of the licensing authority. It shall not pay more than 5 percent per annum on fixed deposits without consent of the licensing authority. [Dcr. 28; Reg. 26, 28]

Lien on Holdings: A cooperative society shall have a charge upon the shares, capital, interest, deposits dividends, bonus or accumulated funds payable to a member for any debt due from the member to the society. [Dcr. 22]

Loans

Purposes and Conditions: A society may make loans to members for any purpose consistent with the aims or general interest of the society. [Reg. 23]

Commercial lending or business financing, micro and small business finance and asset based financing are referred to. [BOG 17-20]

Approval Procedure: A loan applicant is required to disclose such information concerning his/her income and indebtedness as will enable the committee to assess his/her credit-worthiness. [Reg. 24]

Limits, Terms and Security: The licensing authority may issue directions prescribing the maximum loan that can be made without its consent, and may prohibit or restrict loans secured by immovable property. [Dcr. 17]

No society shall grant a loan for a period exceeding 12 months, without permission of the licensing authority. [Reg. 25]

No non-bank financial institution shall grant any advance or credit or undertake any financial guarantee or indemnity to

any one person or group, or invest in the equity of any company or carry out any transaction for any person or group, which constitutes in the aggregate a liability to the institution amounting to more than 15 percent of the net worth of the institution. Transactions between non-bank institutions or with the Bank of Ghana are excepted from this restriction. For unsecured transactions, the limit is 10 percent of the net worth of the institution. [FINB 18; BOG 12] See also below: "Authorized Investments".

Interest Rates and Charges: A licensed financial institution may be required to report to the Bank of Ghana the lending rates it charges. [BOG 31(3)]

Without prior consent of the licensing authority, the maximum rate of interest chargeable on a loan is 10 percent per annum. [Reg. 26]

Loans to Officials: A licensed institution may not grant to any firm in which any of its directors or managers is interested, or to connected firms, any loan or credit or other financial facility which in the aggregate and outstanding at any time exceeds 10 percent of the institution's net worth if the exposure is secured, and 5 percent of the net worth if unsecured. [BOG 15]

Unsecured advances or other credit facilities to directors may not exceed 2 percent of the institution's net worth; and lending to officials and employees may not amount to more than two years salary of the concerned person. [BOG 16]

Investment of Funds

Deposit of Funds: Money at call with banking institutions is referred to. See "Special Reserves" below. [BOG 11]

Authorized Investments: A licensed society may invest or deposit its funds in: The Ghana Savings Bank; any securities issued by the government; the shares of any registered society; any bank registered under Ghana law. In exceptional cases the licensing authority may approve other forms of investment or deposit. [Dcr. 26]

A licensed institution in credit business shall not make investments in the equities of other companies, including its own subsidiaries and associates, which in the aggregate, exceed 25 percent of its net worth. Aggregate exposure a licensed credit institution may assume on its subsidiaries by investing in the equity or making loans and advances or assuming any other financial commitments to them, may not exceed 25 percent of the investing institution's net worth. [BOG 13, 14]

Valuation of equity investments is specified in the Rules. [BOG 24]

Capital Adequacy-Reserves

Initial Organization: Every licensed financial institution taking public deposits shall hold initial paid-up capital of not less than one billion cedis. This minimum capital must be held unimpaired at all times while in operation and holding the license. [BOG 6]

No non-bank financial institution shall be licensed unless it maintains a minimum paid-up capital of one hundred million cedis, or such amount as the Bank of Ghana may prescribe. [FINB 3]

Permanent Capital: Minimum capital of one billion cedis must be held unimpaired at all times while in operation and holding the license as a deposit-taking institution. [BOG 6]

At least 50 percent of a licensed institution's annual net profits must be transferred to the permanent reserve until it reaches the target minimum of one billion cedis, and after that at least 15 percent of the annual net profits must be allocated to the reserve. No amount may be withdrawn from the reserve without approval from Bank of Ghana. [BOG 7]

A non-bank financial institution which takes deposits from the public shall at all times hold unimpaired owned funds which in aggregate are not less than 10 percent of risk assets of the institution. The Bank of Ghana may prescribe a higher requirement for certain institutions. [FINB 15; BOG 9(1,2)]

Owned funds are paid-up capital plus free reserves, net of losses and unprovided-for depreciation or diminution of the value of the assets of a financial institution. [FINB 27, BOG Definition]

Free reserves are reserves created through allocation of profit (i.e. retained earnings) and show in the balance sheet of a company; and capital reserves; but do not include reserves created for repayment of future liability or for depreciation in assets or bad debts. [BOG Definition]

Regular Reserve: See "Permanent Capital" above.

Loan Loss Allowance: A licensed credit institution shall make provision against non-performing loan assets. BOG Rules specify classes of loan performance, and percentages required to be provided for each class. Similar rules apply to lease assets, hire-purchase finance and installment credits, and micro and small business credits. [BOG 17-20]

In addition to the specific provisions made for delinquent or non-performing assets, a general loss provision shall be made at the rate of not less than 1 percent on the aggregate outstanding of all the current or standard class of loan assets. [BOG 21]

Special Reserves: The Secretary may by legislative instrument on the recommendation of Bank of Ghana

prescribe the amount of liquid assets to be held by a financial institution; and that the amount may be a percentage of all its deposit liabilities. [FINB 16]

In deposit-taking institutions, primary liquidity reserves must be at least 10 percent of the institution's total deposit liabilities; and secondary reserves must be at least 15 percent of the total deposit liabilities. Primary reserves comprise: cash, balances in current accounts and money at call with banking institutions; and such other assets as designated by Bank of Ghana. Secondary reserves comprise: Treasury paper, Bank of Ghana bills and bonds; call money with discount houses; and other securities designated reserve-eligible by Bank of Ghana. [BOG 11]

The remainder of net surplus may be allocated to any funds constituted by the society or prescribed by the regulations or bylaws. [Dcr. 29]

Powers of the Credit Union

General Powers: A registered society shall be a body corporate with perpetual succession and may sue and be sued under its registered name. It shall have the power to hold movable and immovable property and enter into contracts and do all things necessary for its purposes. [Dcr. 6]

Ancillary business undertakings by a licensed institution must be complementary to the principal business, and have approval from the Bank of Ghana. [BOG 2(2)]

Institutions in credit business desiring to undertake non-funded credit business such as issue of guarantees, acceptance credits, endorsements and co-acceptances shall obtain specific authorization from Bank of Ghana, and will be subject to higher capital requirements. No licensed institution shall engage in or finance any gambling, betting or other speculative ventures and any other socially undesirable activities. [BOG 4, 5]

The fixed assets of a deposit-taking financial institution shall not exceed 50 percent of its own funds. [BOG 8]

Borrowing: A registered society may receive loans from non-members only to the extent and under the conditions prescribed by regulations and its bylaws. The bylaws shall prescribe the circumstances under which a society may borrow, and the procedure to be followed. [Dcr. 19; Reg. 4(h)]

Merger: Any two or more societies may amalgamate into a single society, upon resolutions passed by their general or special meetings. The assets and liabilities of the amalgamating societies shall vest in the successor society. By the same procedure, any society may transfer its assets and liabilities to any other society prepared to accept them.

A non-bank financial institution shall submit to the Bank of Ghana for approval, any arrangement or agreement which it proposes to enter into for the sale or disposal by amalgamation or otherwise of its business. [Dcr. 14; FINB 12]

Liquidation: The licensing authority, after an inquiry or on the application of three-fourths of the members, or if the membership falls below 10 persons, may order the registration of the society cancelled. The licensing authority appoints the liquidator. Liquidation procedures are detailed [Dcr. 54-63]. See "Merger" above.

Federation or Association

Purposes: A central society may be established with the objective of facilitating the operations of registered societies in accordance with cooperative principles. It can only be registered if it consists solely of registered societies, at least two in number. [Dcr. 3(2), 69]

Membership: A registered society which is a member of a central society shall appoint one of its members to represent it at meetings of the central society. A central may not transact business directly with individual members of a registered society except with permission of the licensing authority. [Reg. 10-11]

Dissolution: Dissolution of a central society is according to the same procedures as for any registered society. See "Liquidation" above. [Dcr. 3(2), 54-63]

Central Finance Facility

Purposes: A central financing society has as its principal object the granting of loans to other registered societies. A "central society" includes a "central financing society." [Dcr 3(5), 69]

Membership: See "Purposes" under "Federation or Association" above.

Funds: A registered society may invest funds in another registered society. [Dcr. 26]

Share and Deposit Protection

Purposes: Laws and Regulations are silent.

Coverage: Laws and Regulations are silent.

Membership: Laws and Regulations are silent.

Funds: Laws and Regulations are silent.

IVORY COAST

<i>Region</i>	Africa
<i>Federation</i>	National Federation of COOPEC of the Ivory Coast
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	110 (1998)
<i>Number of Members</i>	150,000 (1998)
<i>Total Assets (US\$)</i>	\$28,432,788 (1998)

Rev: 3-00:alc

Legal Authority

EXPLANATORY NOTE: This country is part of the West African Monetary Union and affected by the common credit union legislation/regulations for the region.

Law: Act No 96/562 of July 22, 1996, containing regulations of Savings and Credit Mutuals and Cooperatives. [cited as "Act"]

Act No 97/721 of December 23, 1997, related to Cooperatives. [cited as "Coop"]

Regulations: Decree 97-37 of January 22, 1997, ancillary to Act 96/562, Regulating Savings and Credit Mutuals and Cooperatives. [cited as "Decree"]

Definition or Purposes of Credit Union

Definition: Savings and credit cooperatives (credit unions) and mutuals are capital variable, non-profit, corporate bodies organized with the purpose of mobilizing savings and granting credit among their members, based on mutual and cooperative principles. [Act 2.1]. The Act also applies to their unions, federations and confederations. Unless otherwise prescribed by Act 697, the Act prevails over the Mutuals and Cooperatives Acts and the Bank Regulation. [Act 8]

Supervision and Regulation

Government Agency: Cooperatives are subject to the supervision of the ministry in charge of cooperative action, the Ministry of Finance ("Ministry"). [Act 12; Decree 98/257] Savings and credit mutuals and cooperatives fall under the jurisdiction of that Ministry, from which they receive their incorporated status. [Act 15, 16]

Other Licenses Needed: Financial organizations to operate require authorization granted by the Banking Commission. A confederation operating in several countries shall require the authorization of the West African Monetary Unions. [Act 58]

Other Institutions Regulated: The Ministry supervises various forms of cooperative societies. [Act 15, 16]

Reports: The Ministry, (West African States) Central Bank and the Banking Commission have the authority to demand from credit unions, unions, federations, confederations and facilities reports, documentation, statistics and any other information required for supervision purposes. [Act 62, 64] Financial statements must comply with accepted standards of the activity. [Act 50]

Inspections: Unions, federations and confederations have supervision powers over their affiliates and their financial facilities (see below). They shall prepare their operational manuals and procedures according to Central Bank and Banking Commission regulations. They should at least inspect their affiliates once a year [Act 57] and examine their financial practices and policies, reliability of accounting, credibility of internal supervision and cooperative policies and practices. [Act 58].

Regulations: The Central Bank and the Banking Commission shall issue such rules and regulations as required by organizations under their respective jurisdiction. [Act 83] Additional ancillary decrees shall regulate the proper application of the Act. [Act 82]

Enforcement: In case of proven infractions to the Act supervised organizations are subject to disciplinary, monetary and penal sanctions. [Act 73, 76] According to their seriousness such sanctions are warnings, suspensions of directors, temporary intervention and/or cancellation of registration. [Act 74] The disciplinary sanctions shall be imposed by the Banking Commission. [Act 75] Enforcement measures apply equally to all institutions falling under the Act. [Act 65]

Membership of Credit Unions

Common Bonds of Association: Potential member may meet requirements of a common bond: professional, place of employment, residence, membership or purpose. [Act 20] The bylaws must provide for members' eligibility requirements. [Act 17; Decree 4.1]

Non-Natural Persons Eligible: The Cooperative Act allows membership rights to non-political or confessional corporations. [Act 1]

Liability of Member: The members' liability is limited to the amount of their shares. [Act 22] The Cooperative Act allows the bylaws to state a higher level of liability. [Coop 24]

Direction and Administration

Annual Meeting of Members: The annual meeting is the highest administrative instance of the cooperative. It elects its governance bodies, the board of directors, controller and credit committee. [Decree 11] The bylaws shall

determine the quorum and majority required. [Act 12, 97]

Board of Directors and Committeees: The board of directors is in charge of managing the society and carrying out decisions of the annual meeting. The supervisory committee is in charge of supervision and control, verifying accounts, books and operations. [Decree 15] The credit committee approves loan applications under defined policies and procedures [Decree 14].

Management and Employees: A manager may be appointed by the board of directors to be in charge of day-to-day administration. [Coop 15]

Audits: Upon demand of at least half of the membership, a cooperative shall submit to an external audit or at the request of the supervisory agencies. [Coop 22]

Liability of Officials: Directors are personally and jointly liable for willful and negligent acts. [Decree 24, 23; Act 97]

Conflicts of Interest: The same person cannot hold the position of manager and director [Decree 5, 98/257] and directors/officials cannot personally profit from information obtained in the discharge of their duties. [Act 52, 53]

Surety Bond: Laws and Regulation are silent.

Shares and Deposits

Shares: Registered shares are personal, non-negotiable and not-subject-to-encumbrances by third parties. In the amount established by the bylaws, they are contributions to capital. [Decree 2]

Deposits: Members of savings and loan cooperatives can open deposit accounts, except for checking accounts and money orders. [Act 24]

Dividends and Interest: Shares may receive fixed dividends as approved by the members meeting [Decree 3]. Share dividends may not exceed the Central Bank discount rate [Coop 18].

Lien on Holdings: In cases of a member's withdrawal, expulsion or death, to the extent allowed, his/her credit balances will be offset by debits. He/She has no other claims against the organization. [Act 21]

Loans

Purpose and Conditions: Laws and Regulation are silent.

Approval Procedure: The loan policies shall be determined by the members meeting or the administrative bodies. [Act 25]

Limits, Terms and Security: Loans to individuals may not exceed 10 percent of deposits, unless some collateral exists [Decree 53]. Other limitations apply by Central Bank regulations. [Decree 54, 55, 56]

Interest Rates and Charges: Laws and Regulation are silent.

Loans to Officials: Loan applications of any official (director, administrator, supervisor or manager) must be approved by majority vote of the governance body authorized to such effect [Act 26] and the amounts may not exceed the official's deposits as determined by regulation. [Act 27] The aggregate loans to officials may not exceed 20 percent of deposits. [Decree 52]

Investment of Funds

Deposit of Funds: Laws and Regulation are silent.

Authorized Investments: Laws and Regulation are silent.

Capital Adequacy-Reserves

Initial Organization: No minimum capital is required by Act. The bylaws shall determine the initial capital and provide for its increase. [Act 7, 97]

Permanent Capital: Unions, federations and confederations must ensure that their affiliates maintain a balanced financial structure and follow the regulations on this. [Act 51]

Regular Reserve: The establishment of a legal reserve is compulsory but the amount is not quantified. [Act 11.6] The Cooperative Act requires a minimum reserve 10 times the minimum capital, built up by allocation of no more than 20 percent of annual earnings. [Act 16]

Loan Loss Allowance: Laws and Regulation are silent.

Special Reserves: Laws and Regulation are silent.

Powers of the Credit Union

General Powers: Cooperatives have the power to perform any activity with the purpose to provide goods and services to promote the welfare of their members, unless prohibited by law. [Coop 5] Other conditions and modalities of operation shall be determined by decision of the members meeting or the board of directors by delegation. [Act 24]

As a corporate body, cooperatives can perform any activity not forbidden by law or entrusted to the unions or federations. [Act 25] They may also enter into any agreement with similar bodies for the benefit of their members or their corporate purposes, including the purchase of individual or group insurance for their membership. [Act 28]

Borrowing: The board of directors shall limit the credit union's borrowing ceiling according to rules for banks and credit organizations. [Decree 7, 98/257]

Merger: Two or more cooperatives may merge to form a new one. [Act 32] The merging procedures are established by Articles 26 Decree and 34 Act 97.

Liquidation: The Act allows cooperatives to be liquidated compulsorily by the Ministry or voluntarily by members' decision. [Act 33] Unless otherwise contained in the Act, the liquidation procedure to be followed is the same as that applicable to commercial corporations. [Act 37]

Federation or Association

Purposes: Two or more cooperatives may establish a union [Article 38 Act]. The most relevant purposes of a union is to verify and control the accounts and financial statements of the affiliates and to examine their operations. This includes the financial corporate. [Act 2, 40]

Two or more unions may establish a federation. The federation performs with federated unions the same supervisory role as unions perform with cooperatives. [Act 42] Unions and federations do not have explicit regulatory powers other than those related to administration, accounting and financial planning and prudential regulations for the financing body, if there is one. [Act 43]

Membership: Cooperatives may establish or join unions (town, community, geographic districts, regional and inter-regional). Federations and inter-regional unions are represented by each region in the country. [Coop 30]

Dissolution: Dissolution is allowed by Article 33 Act since, for all legal purposes, federations have the status of cooperatives. [Coop 32]

Central Finance Facility

Purposes: A network of cooperatives may organize its variable capital, financial facility [Act 55], as stated above [Act 11], subject to the banking regulations. The facility's purposes are to centralize and manage the excess liquidity of its affiliates, to act as a clearing house, administer guaranty funds and accept deposits from the public. [Act 56.4]

Membership: See "Purposes" above.

Funds: The financial facility may issue shares and obtain loans, under legislated conditions [Act 56], and is authorized to receive deposits from the public. [Decree 57]

Share and Deposit Protection

Purposes: Laws and Regulation are silent.

Coverage: Laws and Regulation are silent.

Membership: Laws and Regulation are silent.

Funds: Laws and Regulation are silent.

KENYA

<i>Region</i>	Africa
<i>Federation</i>	Kenya Union of Savings & Credit Cooperatives Ltd.
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	1,390 (2000)
<i>Number of Members</i>	951,685 (2000)
<i>Total Assets (US\$)</i>	\$422,929,192 (2000)

Rev. 1-00:wj

Legal Authority

Law: Cooperative Societies Act, 1997. [cited as "Act"]

Regulations: Cooperative Societies Rules, 1998. [cited as "Rules"]

Definition or Purposes of Credit Union

Definition: A society which has for its objects the promotion of the welfare and economic interest of its members in accordance with cooperative principles may be registered. [Act 4]

Bylaws state the objects of the society, as well as the area of operation and the purpose to which funds may be used. [Rules 7]

Supervision and Regulation

Government Agency: A commissioner of cooperative development and deputy commissioners are appointed by the minister. They are responsible for the growth and development of cooperative societies. A registrar of cooperative societies is designated by the minister; a deputy registrar and assistants are also appointed. [Act 3]

The minister may direct the commissioner as to the exercise of his/her powers and duties under the act. [Act 93]

The minister may exempt any cooperative society from any or all provision of the act, or modify them. [Act 92]

Other Licenses Needed: Law and Regulation are silent.

Other Institutions Regulated: Cooperative societies, for various purposes, may be registered as long as they subscribe to cooperative principles. [Act 4]

Reports: Every cooperative society must file an annual return with the registrar, including a copy of the audited account and balance sheet. [Act 25(9), 27(4); Rules 14]

The minister may make rules to prescribe the returns required of a society. [Act 91(1), Rules Schedule]

Inspections: The registrar may hold an inquiry into the activities of a cooperative society on his/her own accord, and must do so on direction of the minister, or on application of at least one-third of the society's members. The registrar may inspect the books of a society on the application of a creditor to the society. [Act 58, 59]

The registrar may call at any time for any information it requires of a cooperative society, and its officers must give the information. [Act 26, 58(2)]

Regulations: The minister may make rules better to carry out the provisions of the act. The act prescribes a number of specific matters subject to rule making, such as initial registration, bylaw matters, accounting forms and procedures, inspection of documents and registers, interests of members, formation and maintenance of reserve funds, appeals and fees. [Act 91]

Enforcement: Where it appears that any person who has taken part in the organization or management of a cooperative society, or any past or present officer or member, has misapplied or retained or become liable for any money or property, or has been guilty of misfeasance or breach of trust, the registrar may inquire into that person's conduct and report to a general meeting of the society, where any restitution shall be determined. Any money owed to a society because of misconduct is a civil debt recoverable summarily. [Act 73-75]

Failure to perform required acts, doing prohibited things, refusal to cooperate with the commissioner or the registrar, making false returns, disobeying a summons or lawful order or acting as an officer when not entitled to do so are offenses under the Act. Fines or imprisonment may be imposed. Offenses are prosecuted by appointees of the attorney general, in accordance with provisions of the criminal code. [Act 94; Rules 48]

The registrar may cancel a provisional registration of a cooperative society. [Act 7(4)]

A person convicted of an offense under the Companies Act during liquidation of a cooperative society may be banned from being an officer or manager of a society for five years. If that person does act as an officer or manager during that time, he/she may be imprisoned up to two years. [Act 72]

Disputes concerning the business of society are referred to a Cooperative Tribunal, created for the purpose. Procedures before the Tribunal are detailed. Appeals from the Tribunal may be made to the High Court. Bylaws of a society also treat the settlement of disputes. [Act 76-88; Rules 7(1) (p)]

Membership of Credit Unions

Common Bonds of Association: Bylaws prescribe the qualifications for membership of a cooperative society, and the area to which its operation is confined. [Rules 7(c), (g)]

A primary society must have at least 10 members, but there is no maximum number of members. A member other than a cooperative society must be at least 18 years old. His employment, occupation or profession must fall within the category of those for which the society was formed, or he must reside within the society's area of operation. [Law 5, 14; Rules 12]

No person may be a member of more than one cooperative society having the same or similar object. [Act 18]

Non-Natural Persons Eligible: Cooperative societies may be members of other cooperative societies. Incorporated companies may be members if authorized by the annual meeting of the cooperative society. [Act 14, 16]

Liability of Member: A primary society may be registered with or without limited liability. [Act 4(b)]

A member must meet the debts of the society in case of its bankruptcy, according to the act and the bylaws. [Act 22]

The liability of a past member for the debts of the society shall be as it existed when his membership ceased. But if the first audit of a limited liability society's accounts after a membership ceases shows it is solvent, a past member's liability ceases forthwith. [Act 36]

The liability of a deceased member shall be as it existed at the time of his death. If the first audit of a limited liability society's accounts shows a credit balance in favor of the society, the deceased member's estate's liability ceases forthwith. [Act 37]

Bylaws prescribe the rights, liabilities and obligations of members. [Rules 7(i)]

Direction and Administration

Annual Meeting of Members: An annual general meeting shall be convened by the committee or the registrar. Officers are elected, and the auditor appointed. Other prescribed business is also transacted, including receiving the audit report. Special general meetings may be called. [Act 25(3, 5); Rules 24, 25, 29]

Supreme authority of a cooperative society is vested in the general meeting of members. Each member shall have only one vote in the affairs of a primary society, and may not vote by proxy. Members have the right to attend and participate in decisions at general meetings, be

elected to organizations of the society, enjoy all its facilities and services and have access to information about the society. [Act 19, 21; Rules 21]

Bylaws prescribe the procedure, quorum, powers, representation and voting in general meetings; also the appointment, suspension and removal of members of the committee and officers and their powers and duties. [Rules 7(1) (l, m), 26]

Board of Directors and Committees: The committee of a cooperative society has five to nine members and directs its affairs, subject to any direction of the general meeting and the bylaws. Members of the committee elect a chairman and vice-chairman from amongst themselves. Rules detail qualifications for committee members. [Act 27; Rules 29, 30]

Every cooperative society shall have a board of representatives with the authority to convene a general meeting if it is in disagreement with the committee. [Rules 31, 32]

Management and Employees: The committee or board of representatives shall appoint a secretary who is chief executive of a cooperative society. [Rules 34]

The committee may delegate any of its duties to officers of the society. [Act 28]

A cooperative society may pay its officers or members an honorarium, as determined by a general meeting. [Act 89]

Audits: Accounts of a cooperative society shall be audited at least once a year. The auditor is appointed by an annual general meeting. [Act 25(3); Rules 13(3)]

Liability of Officials: Members of the committee shall be held, jointly and severally, liable for any losses sustained through any of their acts which are contrary to the act, rules and bylaws of the society or the directions of any general meeting. [Act 27(6)]

Conflicts of Interest: In a cooperative society that lends money to its members, a person who lends money on his/her own account may not be a member of the committee. [Rules 30(d)]

No official serving on the committee of a cooperative union or apex society, or the permanent secretary, or the registrar, the commissioner or their representatives, shall serve on a board of representatives without authorization of the minister. [Rules 31]

Surety Bond: Members of the committee and board of representatives shall each provide an indemnity, whose amount is determined by the annual meeting of a society. [Rules 35]

Shares and Deposits

Shares: No member other than a cooperative society shall hold more than one-fifth of the issued and paid-up share capital of any cooperative society. [Act 15]

Shares in a cooperative society may be transferred from one member to another, subject to committee approval and various restrictions. [Rules 10]

Deposits: A cooperative society may receive deposits from nonmembers only according to rules or bylaws. [Act 44; Rules 7(1)(k)]

Bylaws describe the manner of raising funds. [Rules 7(1)(k)]

Dividends and Interest: A cooperative society may pay dividends or bonuses to its members out of its surplus, subject to approval by the annual general meeting. [Act 46, 48]

Bylaws prescribe the maximum rate of interest on deposits. [Rules 7(1)(k)]

Bylaws prescribe the disposal of a society's accumulated funds. [Rules 7(1)(f)]

Lien on Holdings: A cooperative society shall have first charge on any items or livestock purchased with a loan from the society; also upon any share or interest in the capital and on deposits, and upon any dividend, bonus or funds payable to any member or past member, for any debt due to the society. [Act 33, 34]

Except for debts owed to a society, a member's share or interest in the society's capital is not subject to attachment by a court. [Act 36]

A cooperative society may file proceedings to recover agreed-upon payroll deduction payments from a member's employer, if the payments are late. [Act 35]

Loans

Purpose and Conditions: Bylaws shall govern the purposes and conditions on which loans may be made. [Rules 7(2)(d), 41]

Approval Procedure: A cooperative society shall not give a loan or credit to a nonmember, unless bylaws provide for it, subject to a resolution of the annual general meeting. [Act 43]

Limits, Terms and Security: Bylaws shall treat the maximum amount of loans to members, the period and the security of loans, repayment and consequences in case of default. [Rules 7(2) (b-f)]

Interest Rates and Charges: Bylaws shall govern the rate of interest charged on loans. [Rules 7(2)(a)]

Loans to Officials: Law and Regulation are silent.

Investment of Funds

Deposit of Funds: See "Authorized Investments" below.

Authorized Investments: A cooperative society may invest or deposit its funds only: in the Post Office Savings Bank; in such investments and securities authorized for trust funds; in the shares of another cooperative society; with any bank licensed under the Banking Act; in the stock of any statutory body established in Kenya; in any limited liability company incorporated in Kenya; or in any other manner approved by a resolution at an annual meeting of a society. [Act 45; Rules 24(d)]

The minister may make rules to provide for investments of cooperative societies' funds. [Act 91(I)]

Capital Adequacy-Reserves

Initial Organization: Law and Regulation are silent, but a registration fee of 3,000 Kenyan shillings must be paid for approval. [Rule 4]

Permanent Capital: See "Regular Reserve" below.

Regular Reserve: Every cooperative society which does or can derive a surplus from its transactions shall maintain a reserve fund. One-fourth of any net surplus must be paid into the reserve fund. Withdrawals from the reserve fund require approval of the registrar. The fund is indivisible, and no member is entitled to claim a specific share of it. [Act 47; Rules 42]

Rules provide for manner of formation and maintenance of the reserve funds and the objects to which they may be applied. [Act 91(I)]

Loan Loss Allowance: Law and Regulation are silent.

Special Reserves: Law and Regulation are silent.

Powers of the Credit Union

General Powers: A registered cooperative society is a body corporate, with perpetual succession, the power to hold property, enter into contracts, enter into and defend legal suits and to do all things necessary for the purpose for which it is constituted, in accordance with its bylaws. [Act 7(2), 12, 27(1)]

Bylaws prescribe the purposes to which a society's funds may be applied. [Rules 7(e)]

Borrowing: The annual general meeting decides the maximum borrowing power of the society. [Rules 24(f)]

A cooperative society may receive loans from nonmembers only according to rules or bylaws. [Act 44; Rules 36, 37]

A cooperative society may charge the whole or part of its property. [Act 49-57; Rules 38-40]

Bylaws describe the manner of raising funds. [Rules 7(1)(k)]

Merger: Any two or more societies may be amalgamated, by special resolutions of their members. [Act 29]

A cooperative society may be divided into two or more societies by special resolutions of its members. [Act 30]

Liquidation: After an inspection or on application of at least three-fourths of the members of a cooperative society, or if its membership falls below the prescribed number, the registrar may order it dissolved and appoint a liquidator. Aspects of dissolution under the Companies Act, prescribed in the Schedule of the Cooperative Societies Act, apply to cooperative societies. Liquidation procedures are detailed. [Act 61-75, Schedule Parts 1, 2; Rules 43-45]

Federation or Association

Purposes: A cooperative union or apex society must be registered only with limited liability. [Act 4(b)]

Bylaws of cooperative unions or apex societies prescribe how many votes each member has. [Act 19]

Membership: A cooperative union or secondary society has two or more primary societies for members. [Act 2]

An apex society has two or more secondary societies for members. [Act 5(c)]

Dissolution: Law and Regulation are silent.

Central Finance Facility

Purposes: Law and Regulation are silent.

Membership: Law and Regulation are silent.

Funds: Law and Regulation are silent.

Share and Deposit Protection

Purposes: Law and Regulation are silent.

Coverage: Law and Regulation are silent.

Membership: Law and Regulation are silent.

Funds: Law and Regulation are silent.

LESOTHO

<i>Region</i>	Africa
<i>Federation</i>	Lesotho Coop CU League, Ltd.
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	30 (1997)
<i>Number of Members</i>	28,020 (1997)
<i>Total Assets (US\$)</i>	N/A

Rev. 3-92: jc

Legal Authority

Law: Cooperative Societies Proclamation, No. 47, 1948. (Amendment 1960.) [cited as "Proc."]

Regulation: Cooperative Societies Rules, 1964 [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: Any society which has as its object the promotion of the economic interests of its members in accordance with cooperative principles or a society established with the object of facilitating the operations of such a society. [Proc. 4(1)]

Supervision and Regulation

Government Agency: Registrar of cooperative societies appointed by the resident commissioner. [Proc. 4(3)]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: A registered society which has as one of its objects the disposal of any article produced or obtained by the work or industry of its members, whether the produce of agriculture, animal husbandry, forestry, fisheries, handicrafts, etc. [Proc. 13, 14]

Reports: The high commissioner's rules may prescribe the returns to be submitted by registered societies to the registrar and the persons by whom and the form in which the returns are to be made. [Proc. 51(1), 2(r)]

Inspections: The Registrar shall audit or cause to be audited the accounts of every registered society at least once a year. He/She or his/her agent has access to all books and records, cash and securities of a registered society. He/She may hold an inquiry into the working and financial condition of a society. One-third of members or a creditor can request an inspection. See also "Audits" [Proc. 34, 35, 36 (1) (2)]

Regulations: The high commissioner in council may make all rules necessary to carry out the principles and provisions of this Proclamation. [Proc. 53(1)]

Enforcement: It is an offense, punishable by fine or imprisonment, for any society, officer or member to wilfully neglect or refuse to do any act or to furnish any information required by the registrar or to disobey any order, summons or requisition. [Proc. 59]

After an inquiry or an inspection or on the application of three-fourths of the members of a society, if the registrar believes that the society ought to be dissolved, he/she may order the cancellation of its registration. [Proc. 37 (1)]

Membership of Credit Union

Common Bonds of Association: To be qualified for membership a person must be at least 21 or a taxpayer over 18 and be a resident within or in occupation of land within the area of operations defined in the bylaws. [Proc. 21]

The rights of membership may not be exercised until any required membership payment is made and an interest is acquired in the society as the bylaws prescribe. [Proc. 22]

Non-Natural Persons Eligible: Law and Regulations are silent.

Liability of Member: A society may be registered with or without limited liability as the registrar may decide. [Proc. 4] The liability of a past member for the debts of a registered society shall not continue for more than two years after he ceases to be a member. [Proc. 28]

Direction and Administration

Annual Meeting of Members: Every registered society shall hold general meetings as provided in its bylaws to elect, remove or suspend members of the committee (board); consider the annual balance sheet and the disposal of accumulated funds; consider the audit note and any inspection note made by the registrar; fix the maximum liability which it may incur in loans or deposits from nonmembers, subject to the Registrar's sanction; and fix the maximum amount of credit allowed to any member. [Reg. 14] Each member of registered society shall have one vote. A registered society, whether member or not, shall have as many votes as prescribed by the bylaws and may vote by proxy. [Proc. 24]

Board of Directors and Committees: Members of the committee (board) shall be appointed and may be removed or suspended in general meeting by a majority vote of the members present. [Reg. 15] The committee shall exercise all the powers of the society except those reserved for the general meeting. [Reg. 18]

Management and Employees: The committee shall appoint a secretary and, if he/she is not a committee member, set his/her salary. It shall appoint one of its members (but not the chairman) treasurer, and may hire employees and fix their salaries. [Reg. 20, 21, 22]

Audits: The registrar shall audit, or cause to be audited, the accounts of every registered society at least annually. The auditor can require officers, agents, servants or members of the society to produce relevant books and documents or any cash or securities. [Proc. 34]

Liability of Officials: Members of the committee shall be responsible for any loss sustained through any of their acts which are contrary to law, the bylaws or the directions of the general meeting. [Reg. 19]

Conflicts of Interest: No member shall be qualified for election to the committee if he/she holds any office of profit under the society or he/she carries on for his/her private profit any trade or business in which the society is engaged. [Reg. 16 (b), (c)] A member of the committee shall cease to hold office if he/she accepts any office of profit under the society or he/she carries on for his/her private profit any trade or business in which the society itself is engaged. [Reg. 17 (e), (f)]

Surety Bond: A registered society may require any officer or employee whose duties involve the handling or custody of its funds or property to give security in such form and amount as it may direct for the honest and diligent performance of his/her duties. [Reg. 23]

Shares and Deposits

Shares: No member, other than a registered society, shall hold more than one-fifth of the share capital of any cooperative society. [Proc. 26]

The high commissioner in council may, subject to the provisions in Proclamation 26, prescribe the maximum number of shares or portion of the capital of a registered society which may be held by a member. He/She may also regulate the manner in which funds may be raised by means of shares or debentures or other wise. [Proc. 53(2)(c)]

Deposits: The bylaws of a society must contain provision for the manner of raising funds, including the maximum rate of interest on deposits. [Reg. 24 (i)]

Dividends and Interest: A society registered with unlimited liability shall not pay any dividend to shareholders unless the registrar certifies that its reserve fund is sufficient to cover its liabilities. [Proc. 12 (1)]

The profits of a registered society shall not be divided among its members until the entire expenditure incurred

by the society during the year has been debited in the profit-and-loss account (before calculation of the net profit for that year) and until the balance sheet of the society has been certified by the registrar or his/her deputy. [Proc. 12 (2)]

No dividend shall be paid by any registered society while any claim due from the society to a depositor or creditor remains unsatisfied. [Proc. 12 (3)]

No registered society shall pay a dividend exceeding 10 percent per annum on share capital actually paid up. [Proc. 12 (4)]

The registrar may direct that a registered society shall not pay a dividend or shall pay dividends at a reduced rate so long as it receives loans or deposits from nonmembers other than a cooperative central bank. [Proc. 12 (5)]

Lien on Holdings: A society shall have a charge upon the shares or interests in the capital and on the deposits, dividends, bonus or profits payable to a member for any debt due the society from such member to the society. [Proc. 15]

Loans

Purpose and Conditions: The high commissioner in council may prescribe the payments to be made, the conditions to be complied with, the forms to be executed by members applying for loans or cash credits, the period for which loans may be made or credits granted and the maximum amount which may be loaned and the maximum credit which may be allowed to individual members with or without the consent of the registrar. [Proc. 53 (1), 2(k)]

The duties of the committee of a credit society shall include seeing that loans are applied to the approved purposes for which they were advanced. [Reg. 19 (h)]

The bylaws of a society must contain the purposes to which its funds may be applied. [Reg. 24 (1) (d)]

Approval Procedure: Law and Regulations are silent.

Limits, Terms and Security: If the objects of a society include the creation of funds to be loaned to members, the bylaws shall state the conditions on which loans may be made, including rate of interest, maximum amount which may be loaned to a member, the extension of the term and renewal of loans, the purpose of loans, security of repayment and the maximum period for which loans may be made. [Reg. 24 (1) (p)]

A society shall not make any loan to a nonmember except that, with the consent of the registrar, a registered society may make loans to another registered society. The resident commissioner may prohibit or restrict the lending of money on mortgage of immovable property by any registered society. [Proc. 29 (1) (3)]

General meetings must include the fixing of a maximum amount of credit to be allowed to any member. [Reg. 14 (1) (e)]

Interest Rates and Charges: See "Limits, Terms and Security" above.

Loans to Officials: Law and Regulations are silent.

Investment of Funds

Deposit of Funds: See "Investments" below.

Authorized Investments: A registered society may invest or deposit its funds in:

- a. the Post Office Savings Bank, or with any bank or person carrying on the business of banking approved by the registrar;
- b. any securities issued or guaranteed by a government under the British Crown;
- c. any registered society approved by the registrar; or
- d. any other mode approved by the registrar. [Proc. 32]

Capital Adequacy—Reserves

Initial Organization: Law and Regulations are silent.

Permanent Capital: The high commissioner may make rules to regulate the manner in which funds may be raised by means of shares or debentures or otherwise. Regulations require the standard bylaws to provide the manner of raising funds. See also "Regular Reserve" below. [Proc. 53(2i); Reg. 24]

Regular Reserve: At least one-fourth of the net profits of every registered society shall be carried to the reserve fund. The registrar may exempt any society of limited liability from further contributions or reduce the rate of contribution to the fund. [Proc. 33]

The high commissioner may make rules to provide for the formation and maintenance of reserve funds and the objects to which they may be applied. The reserve fund shall be invested as prescribed, unless the registrar by special order gives permission for it to be used in the business of the society. The reserve fund shall be indivisible, and no member shall be entitled to claim any specified share in it. [Proc. 53(2n); Reg. 28-29]

Powers of Credit Union

General Powers: The registration of a society shall render it a body corporate with perpetual succession and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purpose of its constitution. [Proc. 8]

Borrowing: A registered society shall receive deposits and loans from persons who are not members only to such extent and under such conditions as prescribed by the rules or bylaws. [Proc. 30]

The high commissioner may regulate the manner of raising funds by means of debentures or otherwise. [Reg. 53(2)(c)]

Merger: Law and Regulations are silent.

Liquidation: The registrar, after inquiry or inspection, or on application by three-fourths of the members of a society, or if a society's numbers fall below 10 persons, may cancel the registration of the society and order it wound up. He/She then appoints the liquidator, under his/her direction and control, whose powers are detailed. [Proc. 37-45]

Federation or Association

Purposes: No society established for the purpose of facilitating the operations of registered societies shall be registered unless at least two registered societies are members thereof. [Proc. 5 (2)]

Membership: Law and Regulations are silent.

Dissolution: Societies with other societies as members may be registered. Dissolution is made according to the same procedures as primary societies. See "Liquidation" above. [Proc. 4, 37-45]

Central Finance Facility

Purposes: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

LIBERIA

<i>Region</i>	Africa
<i>Federation</i>	Liberia Credit Union National Association
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	71 (1990)
<i>Number of Members</i>	20,001 (1990)
<i>Total Assets (US\$)</i>	\$11,929,100 (1990)

Rev. 3-92: wj

Legal Authority

Law: The Cooperative Societies Act, 1936. [cited as "Act"]

Regulation: No regulations available.

Definition or Purposes of Credit Union

Definition: A registered society has as its object the promotion of the economic interests of its members in accordance with cooperative principles or is established to facilitate operation of other registered societies qualified under the Act. [Act 91]

Supervision and Regulation

Government Agency: Registrar of cooperative societies appointed by the president. [Act 90]

Other Institutions Regulated: Societies based on animal husbandry, agriculture and crafts. [Act 114]

Reports: Registrar may issue regulations concerning returns to be submitted by a society to the registrar, by whom and the form of the returns. [Act 181(b)]

Inspections: Registrar must audit or cause to be audited the accounts of a society at least once a year and may summon persons and examine documents. Additional inquiries may be made into a society's affairs by the registrar on his/her own motion and must be made on the application of a majority of the society's committee, or not less than one-third of its members, or on application of an unpaid creditor. [Act 150, 151, 152]

Regulations: The president may make rules and regulations for the better effectuation of the Act applicable to the entire Republic, whole or part of any province or district and to any society or class of societies. The registrar may issue regulations concerning accounts and books, returns to be submitted and the maximum loans to members. [Act 180, 181]

Enforcement: Registrar may order dissolution of a society as a result of inquiry. Registrar may appoint a liquidator. If a misapplication of funds is discovered, the registrar may order repayment by the responsible person. Offenses are established for societies or persons involved with them who fail to do any act or furnish information required by the registrar or disobey any written order. Fines are set. [Act 161, 162, 163, 164, 190]

Membership of Credit Union

Common Bonds of Association: Member includes a person or registered society admitted to membership in accordance with the bylaws and rules and regulations. Members must be over 18 years of age and reside within or occupy land within the society's area of operation, except for a registered society that becomes a member of another registered society. [Act 81(c), 91(c)]

Non-Natural Persons Eligible: Registered societies may be members of other societies. [Act 81]

Liability of Member: Liability of a society of which a registered society is a member is limited, unless the president otherwise directs. Liability may be limited or unlimited for a society (1) of which the primary object is the creation of funds to be lent to its members; (2) of which the majority of members are agriculturists; and (3) of which no member is a registered society. [Act 94]

Direction and Administration

Annual Meeting of Members: Each member shall have one vote in the affairs of the society, regardless of the amount of interest or capital, except a registered society which is a member shall have as many votes as the bylaws provide. [Act 103]

Board of Directors and Committees: "Committee" means the governing body of a registered society to which the management of its affairs is entrusted. "Officer" includes chairman, secretary, treasurer, member of the committee, manager or servant of a society. Law is silent on how officers or the committee are chosen. [Act 81]

Management and Employees: The "officer" definition includes the manager or servant of a society, otherwise the Law is silent. [Act 81]

Audits: Registrar must audit once a year, or on his/her own motion at any time, or by request of the majority of the committee, or on request of not less than one-third

of the members. A registered society may provide for other periodical audits in its bylaws, including the matter to be audited and the method of appointment of the auditor. [Act 150, 151]

Liability of Officials: Upon dissolution, if registrar finds misconduct or misapplication of funds by an officer or other person involved in a society, he/her may order repayment. [Act 164]

Conflicts of Interest: Law is silent.

Surety Bond: Law is silent.

Shares and Deposits

Shares: Not specifically defined, but Act provides that no member shall hold more than the proportion of share capital prescribed in rules and regulations, except that a registered society which is a member cannot hold more than one-fifth of the total. [Act 102]

Deposits: A society may receive deposits from members without restriction; and from nonmembers according to rules or bylaws, or according to presidential rules. [Act 131, 132]

Dividends and Interest: Dividends and interest are payable only after a certified audit, not to exceed 10 percent per annum. No registered society with unlimited liability which advances money or goods to any member in excess of the goods or money deposited by him shall pay a dividend before 10 years from the date of the registration. [Act 136]

Lien on Holdings: A society shall have a charge upon the shares or interest in the capital and on the deposits of a member or past member for any debt due the society. [Act 114, 115]

Loans

Purpose and Conditions: Loans are permitted to members only, or with the consent of the registrar to another registered society, or to nonmembers according to prohibitions and restrictions prescribed by presidential rules. [Act 130, 132]

Approval Procedure: Law is silent.

Limits, Terms and Security: No loans on security of immovable property and no loans on security of movable property except by consent of the registrar are permitted. The registrar may issue regulations concerning the maximum loan permitted without his/her consent. [Act 130, 181(c)]

Interest Rates and Charges: Law is silent.

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: See “Authorized Investments.”

Authorized Investments: A registered society may invest or deposit its funds in:

- a. Any bank approved by the president;
- b. Government securities;
- c. The shares of any other registered society; or
- d. Any other manner permitted by the rules and regulations issued under this chapter. [Act 133]

Capital Adequacy—Reserves

Initial organization: Law is silent.

Permanent Capital: See “Regular Reserve” below.

Regular Reserve: A registered society which derives a profit from its transactions shall maintain a reserve fund. A limited-liability society shall reserve a portion of the net balance each year as prescribed by rules, regulations or bylaws. [Act 137]

Loan Loss Allowance: In unlimited liability societies, loans to member in excess of their deposits require one fourth of the net balance to be reserved. [Act 137]

Special Reserves: Law is silent.

Powers of the Credit Union

General Powers: Registration renders the society a body corporate with perpetual succession, and the power to hold property, enter into contracts, enter into legal proceedings and do all things necessary for the purpose of its constitution. [Act 113]

Borrowing: A registered society may receive loans from members, from another society or from persons who are not members subject to the rules and regulations and its bylaws. [Act 130, 131]

Merger: Law is silent.

Liquidation: The registrar may cancel the registration of a society and order it wound up, after inspection or inquiry; or on application of three-fourths of the members of the society; or if the number of members falls below 10 persons. The registrar appoints the liquidator, whose powers are detailed. [Act 160-165]

Federation or Association

Purposes: Except for permission for one registered society to join another society or invest in another, Law is silent. [Act 80, 133]

Membership: See “Purposes” above.

Dissolution: Law is silent.

Central Finance Facility

Purposes: Except for permission for one registered society to join another or invest in another, Law is silent. [Act 80, 133]

Membership: See “Purposes” above.

Funds: See “Purposes” above.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

MALAWI

<i>Region</i>	Africa
<i>Federation</i>	Malawi Union of Savings and Credit Cooperatives, Ltd. (MUSSCO)
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	74 (2001)
<i>Number of Members</i>	61,074 (2001)
<i>Total Assets (US\$)</i>	\$6,143,818 (2001)

Rev. 11-92: wj

Legal Authority

Law: Cooperative Societies Act 1946 Chapter 47:02. [cited as "Act"]

Regulations: Cooperative Societies Rules, 1946. [cited as "Rule"]

Definition or Purposes of Credit Union

Definition: A society which has as its object the promotion of the economic interests of its members in accordance with cooperative principles, or a society established to facilitate the operations of such a society, may be registered. [Act 4]

Bylaws shall provide the objects for which the society was established. [Rule 68(1)(c)]

Supervision and Regulation

Government Agency: The minister may appoint a person to be registrar of cooperative societies and his assistants, and confer powers under the act upon them. [Act 3]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Societies for the disposal of articles produced or obtained by the work or industry of its members are referred to: including societies for produce of agriculture, animal husbandry, forestry, fisheries, handicrafts. Housing societies are also referred to. [Act 13, 14(1)(b)]

Reports: The committee shall in every year cause the secretary to prepare and send to the registrar the yearly balance sheet together with a detailed statement of the profit and loss account, and to prepare a report on the year's working of the society to be presented to the annual general meeting. [Rule 53]

Inspections: The registrar or his/her appointee shall at all times have access to all the books, accounts, papers

and securities of a registered society, and shall be entitled to inspect the cash in hand; every officer of the society shall furnish such information in regard to the transactions and working of the society as the inspector may require. [Act 35]

The registrar may of his own motion, and shall on application of a majority of the committee, or of not less than one-third of the members of a society, or of a registered society which is a member of the society, hold an inquiry into the business of the society. The registrar shall also inspect the books at the request of a creditor to the society. [Act 36]

Regulations: The minister may make all such Rules as may be necessary to carry out or give effect to the principles and provisions of the act. [Act 50]

Enforcement: Any registered society, or an officer or member thereof, wilfully neglecting or refusing to do any act or to furnish any information required for the purposes of the act by the registrar or his appointees shall be guilty of an offense. Any person disobeying any summons, requisition or lawful written order shall be guilty of an offense. Persons guilty of an offense shall be liable to a fine. [Act 57]

If any person obtains possession of any property of a registered society by false representation, or misapplies such property, he/she may be liable to a fine and be ordered to deliver up such property or repay all moneys applied improperly and in default of such delivery or repayment, to imprisonment for one year. [Act 58]

Whenever it shall appear to the registrar that the committee of a registered society is unable to discharge its duties, or is unable adequately to safeguard the property and business interests of its members, he/she may assume control of such society and may exercise all or any other powers and perform the functions of the committee. [Rules 76, 77, 78, 79]

If after an inquiry or inspection the registrar is of the opinion a society ought to be wound up, he/she may order the registration cancelled and take whatever steps necessary to protect the assets, and appoint a liquidator. [Act 37, 40]

Disputes that touch the business of a society may be referred to the registrar for decision, who may decide them himself/herself or refer them to an arbitrator. [Act 48] [Rule 71, 72, 73, 74]

Membership of Credit Unions

Common Bonds of Association: To be a member a person must be 18 years old and be resident within or in occupation of land within the society's area of operation and must pay the prescribed membership fee or acquire the prescribed

interest in the society. [Act 21, 22] Bylaws shall provide the occupation or residence of members of societies which create funds to be lent to members. [Rule 68(2)(a)]

No person may be a member of more than one registered society whose primary object is to grant loans to its members. [Act 23] Bylaws shall provide for the manner and conditions of election to a registered society. [Rule 12, 68(1)(e)]

A society, other than a society of which a cooperative society is a member, must have at least 10 qualified persons as members to be registered. [Act 5(1)] No society shall fix any limit to the number of its members. [Rule 16]

Non-Natural Persons Eligible: A cooperative society may be a member of another cooperative society. [Act 4, 5]

Liability of Member: Societies may be registered with or without limited liability, provided that the liability of a society which includes at least one registered society among its members shall be limited. [Act 4] Bylaws shall provide for the nature and extent of the liability of members. [Rule 68(1)(f)]

Sums due to the government may be recovered first from the property of the society; secondly, in the case of a society of which the liability of members is limited, from the members subject to the limit of their liability; and thirdly, in the case of other societies, from the members. [Act 51]

The liability of a past member, or the estate of a deceased member, shall continue no more than two years from the date membership ceased or the member died. [Act 28]

Direction and Administration

Annual Meeting of Members: Supreme authority in a registered society shall be vested in the general meeting, at which every member has the right to attend and vote on all questions. Each person entitled to attend may have one vote only which shall be exercised in person and not by proxy. The annual general meeting shall be convened by the committee, or the registrar, after the audit. Special general meetings may be called. [Rule 20, 22, 24]

The committee shall be elected at the annual general meeting. Bylaws shall provide the number of members on the committee. [Rule 30]

Societies which have other societies as members or of which there are branches shall vote according to bylaws. [Act 24] [Rule 68(l)(h)]

Board of Directors and Committees: The committee is the governing body of a society to whom the management of its affairs is entrusted. It shall represent the society before all competent public authorities, and in general

carry out such duties as not given to general meeting or another officer. The committee shall elect its own chairman and shall elect one of its members, not being the chairman, to be treasurer. [Act 2] [Rule 31, 32, 61]

Management and Employees: The committee may appoint such clerks or employees as it considers necessary and fix their remuneration subject to any scales laid down by a resolution of the general meeting, provided that where a society is indebted to the government or to any bank, such appointments are subject to approval of the registrar. [Rule 41]

The committee shall appoint a secretary and, unless the person so appointed is a member of the committee, shall have power to fix the remuneration of his services. The secretary, if a member of the committee, shall be unpaid. Where a society is indebted to the government, the registrar must approve the appointment. [Rule 55] The secretary shall have day-to-day management responsibility for operation of the society. [Rule 60]

Audits: The registrar or his/her appointee shall audit the accounts of every registered society once at least every year. The audit shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the society. The auditor shall have power to summon persons to give necessary information and to require the production of documents for the audit. [Act 34] [Rule 66]

Liability of Officials: Where in the course of winding up a registered society it appears that any person who has taken part in the organization or management of it, or any past or present officer has misappropriated or retained or become liable or accountable for any money or property of such society, or has been guilty of misfeasance or breach of trust, the registrar may order restitution or compensation as he/she thinks just. [Act 46]

Conflicts of Interest: Law and Regulations are silent.

Surety Bond: The secretary and treasurer may be required to give security in such amount as the committee may determine, subject to the approval of the registrar. [Rule 57, 62]

Shares and Deposits

Shares: No member, other than a registered society, shall hold more than one-fifth of the share capital of any cooperative society. [Act 26]

Deposits: Every registered society shall from time to time fix at a general meeting the maximum liability it may incur in loans or deposits whether from members or nonmembers, subject to the sanction of the registrar. [Rule 19] Deposits may be made by minors and on behalf of minors. [Act 18]

Dividends and Interest: After contribution to the reserve fund, the remainder of such profits and any profits of past years available for distribution may be divided among the members by way of dividend or bonus, or allocated to any funds, constituted by the society as prescribed by rules, provided that in the case of a society with unlimited liability, no distribution of profits shall be made without the general or special order of the minister. [Act 33]

Unless authorized by the minister, no dividend or payment on account of profits shall be made by a society registered with unlimited liability until the reserve fund has reached a proportion of not less than one-tenth of the society's total liabilities.

No registered society shall pay a dividend if the rate of interest on loans granted by it to its members exceeds 10 percent per annum. No registered society shall pay a dividend on share capital exceeding 5 percent per annum on the capital actually paid up.

A bonus based on wages or on the value of the products of a member, or a bonus or rebate on patronage, may be distributed periodically to the members from surplus funds after the deduction of all expenditure and after making provision for bad and doubtful debts and making allocation to the reserve fund. [Rule 18]

Bylaws shall provide the maximum rate of interest on deposits. [Rule 68(1)(g)]

Lien on Holdings: Subject to prior claims, any debt or outstanding demand payable to a registered society shall be a first charge on any assets purchased or produced in whole or in part from any loan whether in money or in goods given by the society. [Act 14]

A registered society shall have a charge upon the shares or interests in the capital and on the deposits of a member or past member or deceased member, and upon any dividend, bonus or profits payable in respect of any debt due to the society from such member or past member or estate, and may set off any sum credited or payable in or towards payment of any such debt. [Act 15]

Other than a society's or other specified claims, the share or interest of a member in the capital of a registered society shall not be liable to attachment or sale in respect of a member's debt or liability. [Act 16]

Loans

Purpose and Conditions: Loans may be made to members only. With the consent of the registrar, a loan may be made to another registered society. [Act 29]

No loan shall be made except for a purpose to be approved in each case by the committee; all loans made shall be applied by the borrowing member to the approved purpose. Where a loan has been misapplied, the committee may demand immediate repayment. [Rule 45, 49]

Bylaws shall provide the purposes to which funds may be applied. [Rule 68(1)(d), 68(2)(b)]

Approval Procedure: Members who desire to obtain a loan shall submit an application to the committee stating the amount and purpose for which the loan is required, the term for which it is asked, whether it is desired to repay it by installments and the names of the proposed sureties or any other security which is offered. [Rule 42]

The committee shall consider every application and if satisfied with the trustworthiness of the applicant, the security offered and the prospects of advantage to the borrower in the way of increased production or economy or otherwise, it may sanction the loan. [Rule 43]

Limits, Terms and Security: Bylaws shall provide the maximum amount which may be lent to a member. [Rule 68(2)(b)(ii)]

Loans when approved by the committee shall be granted to members who are able to obtain two sureties approved by the committee or who can give other satisfactory security. [Rule 44]

Except with permission of the registrar, a society shall not lend money on the security of any movable property other than produce or goods in which the society is authorized to deal. The minister may prohibit or restrict the lending of money on mortgage of any description of immovable property by any registered society. [Act 29(2, 3)]

Where a member is in default, and who does not satisfy the committee that the default is due to a good cause, such member shall not be entitled to receive another loan from the registered society. Loan extensions may be granted for good cause. [Rule 47, 48]

Interest Rates and Charges: Bylaws shall provide the maximum rate of interest on loans to members; and the consequences, if any, of default in the payment of any sum due on account of shares. [Rule 68(2)(b)(i), 68(2)(c)]

Loans to Officials: A member of the committee who applies for a loan or who is proposed as surety for a loan must withdraw while the relevant application is being discussed. [Rule 43(2)]

Investment of Funds

Deposit of Funds: The committee may open a banking account, subject to the approval of the registrar. [Rule 40] See also "Authorized Investments" below.

Authorized Investments: A registered society may invest or deposit its funds:

- a. in the Post Office Savings Bank, or with any commercial bank or building society registered in Malawi;
- b. in any Malawi Government Treasury Bills, or in any securities issued by the government of Malawi or for which the government of Malawi is responsible and due for payment or maturing within the next five ensuing years, or in any other securities which have been approved for the purpose by the minister for the time being responsible for finance;
- c. with any other registered society approved for this purpose by the registrar; or
- d. in any other mode approved by the registrar. [Act 32]

Capital Adequacy—Reserves

Initial Organization: Law and Regulations are silent.

Permanent Capital: See “Regular Reserve” below.

Regular Reserve: At least one-tenth of the gross profits of every registered society shall be carried to a reserve fund to be employed as prescribed by the rules. [Act 33]

The reserve fund may be used:

- a. in the business of the registered society;
- b. to meet occasional deficiencies incurred; and/or
- c. to be distributed among the members by way of dividend or bonus to the extent to which the value of the reserve fund exceeds the replacement value of the buildings, machinery and equipment of the society; such uses subject to approval of the registrar. [Rule 65]

Loan Loss Allowance: The committee may with the approval of the registrar, cause bad debts to be written off the books of the registered society. [Rule 52]

Special Reserves: Any registered society may with the sanction of the registrar, after contribution to the reserve fund, contribute an amount not exceeding 10 percent of the remaining net profits to any charitable purpose or to a common-good fund. [Act 33(2)]

Powers of the Credit Union

General Powers: The registration of a society shall render it a body corporate, with perpetual succession and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings, and to do all things necessary for the purpose of its constitution. [Act 8]

Borrowing: The committee may borrow money on behalf of the registered society, in accordance with Rule 19. [Rule 39] Every registered society shall from time to time fix at a general meeting the maximum liability it may incur in loans or deposits whether from members or nonmembers, subject to the sanction of the registrar. [Rule 19]

Bylaws shall provide for the manner of raising funds. [Rule 68(1)(g)]

Merger: Law and Regulations are silent.

Liquidation: The registrar may cancel the registration of a society and order it wound up: after an inquiry or inspection; on application of three-fourths of the members; or if its membership falls below 10 persons. The registrar controls the liquidation and appoints the liquidator, whose powers are detailed. [Act 37-45]

Federation or Association

Purposes: A society established with the object of facilitating the operations of a cooperative society may be registered. [Act 4]

Membership: A cooperative society may be a member of another cooperative society. [Act 4, 5]

Dissolution: Dissolution of a secondary society is according to the same liquidation rules as for primary registered societies. See “Liquidation” above. [Act 4; 37-45]

Central Finance Facility

Purposes: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

MAURITIUS	
<i>Region</i>	Africa
<i>Federation</i>	Mauritius Cooperative Savings and Credit League Ltd. (MACOSCLE)
<i>Legal System</i>	Civil Code and Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	105 (2000)
<i>Number of Members</i>	60,000 (2000)
<i>Total Assets (US\$)</i>	\$13,365,792 (1999)

Rev. 3-92: wj

Legal Authority

Law: Cooperative Societies Act, 1976. [cited as "Act"]

Regulation: No Regulations available.

Definition or Purposes of Credit Union

Definition: A body of persons that has as its object the promotion of the economic interest or welfare of its members in accordance with cooperative principles, or is organized with the object of facilitating the operations of a society, may be registered. [Act 4]

Supervision and Regulation

Government Agency: The registrar of cooperative societies shall have general powers of supervision over the activities of every society. [Act 54]

Other Licenses Needed Law is silent.

Other Institutions Regulated: Consumer, farming, general, housing, industrial, marketing, multipurpose and resource societies are regulated. [Act 5 and Schedule]

Reports: Every society shall furnish to the registrar such information and returns as he/she may require. [Act 51]

Inspections: Where he/she thinks fit, or on application of a creditor, the registrar may inspect the books of a society and report to the society and/or to the creditor. Where he/she thinks fit, or on application of any other society of which the society is a member, or a majority of the members of a committee, or not less than one-third of the members of a society, the registrar shall hold an inquiry into the constitution, working or financial condition of the society. [Act 55, 56]

Regulations: The minister may make such regulations as he/she thinks fit for the purposes of the Act. [Act 86]

Enforcement: Where the responsible officer of a society fails to call a general annual meeting, the registrar may disqualify him from holding office, and recover the penalty for such failure. [Act 43]

The registrar, may for various causes, remove the committee of a society and appoint a manager and take such steps as he/she thinks fit to safeguard the interests of a society. The registrar may appoint a person to keep records of a society if it fails to do so. The registrar may order seizure of records. [Act 49, 51, 52]

Where a defect is found upon inspection, the registrar may bring it to the attention of the society or direct a remedy. Where loss by misfeasance or misapplication of funds is found, the registrar may order restitution. The registrar may apply to a magistrate for a warrant to search and seize records or property of a society if he suspects danger to them. [Act 57, 59, 61]

The registrar may decide disputes or appoint an arbitrator. An aggrieved person may appeal a decision to the minister. A cooperative tribunal is established, appointed by the minister. The registrar, the arbitrator or the tribunal may make interlocutory orders in a dispute, including the grant of temporary injunction, and may provisionally attach property. [Act 62, 65]

The registrar may order a society to be wound up and appoint a liquidator. The registrar may apply to the court for enforcement of its orders. [Act 67, 68]

The court may order an officer imprisoned for fraud on a society. Fines and imprisonment are provided for conviction of various offenses. [Act 72]

Membership of Credit Union

Common Bonds of Association: Members must reside in or occupy land within the proposed area of operations of the society. A society must have at least 10 members, at least five years old in the case of a school society, or at least 18 years old for other societies, or at least two registered societies as member. Associate members are permitted. Jointly held memberships are permitted. [Act 4, 17, 18, 19(3)]

Non-Natural Persons Eligible: Another society, a corporate body or the government may be members of a society. A federal society is where not less than three-fourths of the members are societies. [Act 2, 17]

Liability of Member: A society may be registered with limited or unlimited liability. The liability of a federal society shall be limited. If the government is a member, the liability of the government is limited to the amount of shares held by it.

The liability of a past member or the estate of a deceased member for the debts of a society shall continue for two years, or if it is in liquidation, until the liquidation is terminated. [Act 8, 24]

Direction and Administration

Annual Meeting of Members: Every society shall hold an annual general meeting where it shall elect members of the committee and delegate to its affiliated federal society. It shall approve the programs of activities of the society, consider the financial statement of the society, consider the manner of disposing of the surplus and any other matter raised under the rules. Special general meetings are permitted.

A person must be present at a meeting to vote. A society which is a member may appoint one of its members to vote; if the government is a member, it may appoint a public officer to vote. Where a share is held jointly, only one person may vote. Associate members may not vote. [Act 18, 19, 43, 44]

Board of Directors and Committees: Every society shall be managed and its affairs controlled by a committee, which may appoint subcommittees and delegate powers and functions. Where the government has subscribed to the share capital of a society or has guaranteed its debentures or loan, and advances made, the government may appoint not more than three persons to the society's committee.

No person may be chairman of a primary society for more than three years. No person may be chairman of more than one primary society and one federal society at one time. [Act 45, 46, 47, 48, 50, 89]

Management and Employees: The manager, secretary, accountant or any paid officer of a society must meet registrar's qualifications. The registrar may order the employment of officers. [Act 50]

Audits: The registrar shall audit the accounts of every society at least once a year. No federation society shall appoint an auditor without the approval of the registrar. [Act 51, 53]

Liability of Officials: Where misfeasance by an officer is found, the registrar may order restitution or compensation as he/she thinks fit; or a court may order imprisonment. [Act 59, 72]

Conflicts of Interest: Law is silent.

Surety Bond: Law is silent.

Shares and Deposits

Shares: No member other than the government or a society shall hold more than one-fifth of the share capital of a society. [Act 20(1)]

Deposits: A society may receive deposits under such conditions as the registrar imposes or as specified in its rules. [Act 30]

Dividends and Interest: A society may pay dividend or bonus out of its surplus, with the approval of the Registrar and on recommendation of the general meeting of the society. The maximum rate of dividend shall be prescribed, and shall not in any case exceed 10 percent.

In unlimited societies, no dividends may be paid to a society's debtors before expiration of 10 years from the date of its registration. [Act 38, 39]

Lien on Holdings: A society shall have a charge on any dividend or bonus payable to a member in respect of any debt of the member to the society. A society shall in respect of a loan have a privilege on the crops or produce of the member after taxes or rent. [Act 33, 34]

Loans

Purpose and Conditions: A society may make loans to members only. With the approval of the Registrar, a society may make a loan to another society. [Act 30]

Approval Procedure: Act is silent.

Limits, Terms and Security: A society may not make a loan to a member on security of its own shares. A society may make a loan to a depositor on the security of his deposit. The registrar may prohibit or restrict the lending of money on security of movable property or on the mortgage of immovable property. [Act 30]

Interest Rates and Charges: Law is silent.

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: See "Authorized Investments."

Authorized Investments: A society may invest or deposit its funds in the Mauritius Cooperative Central Bank Ltd. or, with the approval of the Registrar, in:

- a. a government savings bank;
- b. any government security;

- c. the federal society of which it is a member, or in the purchase of the shares of that federal society;
- d. a society with limited liability, or its securities or debentures;
- e. a bank; or
- f. such other manner as may be prescribed. [Act 40]

Capital Adequacy—Reserves

Initial Organization: The registrar shall not register a society where he/she is of the opinion that it is likely to be economically unsound or to have an adverse effect upon any other society or the cooperative movement at large. [Act 7(2a)]

Permanent Capital: See “Regular Reserve” below.

Regular Reserve: Every society which has a surplus from its transactions in any year shall establish a reserve fund and pay not less than 25 percent of the surplus into it. [Act 39]

Loan Loss Allowance: Law is silent.

Special Reserves: Every society that has a surplus in any year shall establish a share transfer fund and pay into it not more than 5 percent of its surplus. A society may establish a contributory provident fund for the benefit of its employees. [Act 39, 41]

Powers of the Credit Union

General Powers: Every society shall be a body corporate. A society may not alienate its property without the approval of the minister. [Act 26]

Borrowing: A society may receive a loan under such conditions as the registrar may impose or as specified in its rules. [Act 30(1)]

Merger: A society may amalgamate itself with another society, transfer its assets and liabilities to another society, divide itself into two or more societies or convert itself into a society of another class. [Act 11]

Liquidation: The registrar may order a society wound up: after an inquiry; or on application of three-fourths of the members; or if it fails to carry on business; or if it has been working mainly to promote the interest of any individual or group and not the members generally; or if it ceases to comply with any condition of its registration, or of the Act. The registrar controls the liquidation and appoints the liquidator, whose powers are detailed. [Act 67-73]

Federation or Association

Purposes: A society may be registered with the object of facilitating the operations of a society. [Act 4(b)]

Membership: The minister may direct every society other than a federal society to be a member of a federal society. At least three-fourths of the members of a federal society must be other societies. [Act 2, 4, 77]

Dissolution: Federal societies and financing banks are registered societies. Dissolution is according to the same liquidation rules. See “Liquidation” above. [Act 2,4]

Central Finance Facility

Purposes: “Financing bank” means a society the objects of which include the creation of funds to be lent to other societies or to members of other societies. [Act 2]

Membership: See “Purposes” above.

Funds: A society may purchase the shares or invest in a federal society. [Act 40]

Share and Deposit Protection

Purposes: The Cooperative Assistance Fund was established by the Finance and Audit Act of 1973. [Act 2, “Fund”]

Coverage: Law is silent.

Membership: Law is silent.

Funds: The surplus of the assets of a society in liquidation shall be paid into the fund. [Act 71(4)]

NAMIBIA

<i>Region</i>	Africa
<i>Federation</i>	Namibia Cooperative Credit Union League
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	18 (1997)
<i>Number of Members</i>	1,908 (1997)
<i>Total Assets (US\$)</i>	\$219,154 (1997)

Rev. 02-02:wj

EXPLANATORY NOTE: This act protects specifically representation of women members by women on the boards of directors and committees of cooperatives. [Act 29, 36]

Legal Authority

Law: Cooperatives Act No. 23 of 1996. [cited as "Act"]

Regulations: No Regulations available.

Definition or Purposes of Credit Union

Definition: Savings and credit cooperatives are provided for. [Act 8(1)(a)(iv)]

A cooperative shall have as its objects the promotion of the economic and social interest of its members by providing services primarily to its members according to sound business principles, carried out according to cooperative principles. Membership of cooperatives shall be voluntary and open to anyone who is able to participate; a cooperative must be democratic and controlled by its members; dividends and share capital shall be limited; education for administration and management of cooperatives shall be provided; cooperatives should actively cooperate with other cooperatives. [Act 9]

Bylaws state the nature of business and the objects of the cooperative. [Act 11(1)(c,d,e)]

Supervision and Regulation

Government Agency: The Minister of Agriculture, Water and Rural Development appoints the Registrar of Cooperatives and the Deputy Registrar, and any other necessary officials. [Act 3]

Provisional and full registration of cooperatives are provided for in the law. For full registration the registrar must be satisfied that the cooperative is in compliance

with the law, that the officers are able to carry out the functions of the business, and that it is likely to be economically viable. [Act 16(1-2)]

External cooperatives, of a higher level than primary cooperatives and registered outside Namibia, may be registered. [Act 19]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: Workers cooperatives and service cooperatives are regulated, including housing, marketing, consumer and such other types as the minister determines. [Act 8]

Reports: A cooperative must submit to the registrar an annual report of its activities, and the audited financial statement and the auditor's report. [Act 69]

Amendment of bylaws by a cooperative must be approved by the Registrar. A cooperative must inform the registrar of its address and the name of its chief executive. It must report the names and certain particulars of its board and supervisory committee members. [Act 12, 26(3), 40]

Donations, grants or other contributions to a cooperative of any kind must be reported to the Registrar by the donor and by the cooperative. [Act 56]

Inspections: The registrar may of his/her own accord, or upon request by 10 percent of the members of a cooperative, or resolution passed by a general meeting or the board of a cooperative, inquire into the affairs of the cooperative relating to the bylaws, management, control, organization or financial position. [Act 70]

The registrar may visit any premises of a proposed cooperative, and call meetings with its officials to discuss any matters related to it. [Act 15(3), 17(2)(b)(iii)]

Regulations: The Minister of Agriculture, Water and Rural Development may make regulations regarding any matters necessary under the act. [Act 107]

Enforcement: If a registrar finds a cooperative in violation of the act or its bylaws, he/she may demand information, or require it to take corrective measures, or prohibit activities, or to take other steps, including realizing assets of the cooperative to be used at the direction of the registrar. The registrar may take over and realize the assets of a cooperative if necessary. [Act 71]

In a dispute between cooperatives or members of a cooperative and the registrar, the dispute may be referred to the minister, whose decision shall be final. [Act 101]

A dispute between a cooperative or a member of a cooperative and another individual besides the registrar may be referred to the Cooperatives Tribunal. [Act 93, 96, 100]

Making false statements in required reports, contravening or failing to comply with provisions of the act are offenses, and persons guilty are liable to fines and imprisonment. [Act 103-104]

Membership of Credit Unions

Common Bonds of Association: At least seven persons may form a primary cooperative. A natural person must be a citizen of Namibia, at least 18 years of age, or if a minor, be assisted by his or her parent or guardian; and comply with the bylaws of the cooperative. School cooperatives may have members who are 14 years old. Corporate persons are allowed. [Act 10]

Bylaws state the requirements and procedure of admission of members, and their rights, duties, liabilities and obligations. A member has the right to inspect the annual financial statement. Procedures to terminate membership are detailed. [Act 11(1)(h)(i-iii), 21, 65]

A member who is a minor has full rights to enter into and enforce agreements with the cooperative, without respect to his or her parent or guardian. [Act 25]

Non-Natural Persons Eligible: Namibian corporate bodies or unincorporated associations of persons, excluding secondary or higher level cooperatives, may be members of primary cooperatives. [Act 10(3)(b)]

Liability of Member: Bylaws of the cooperative state whether the liability of its members is unlimited or limited. [Act 11(1)(h)(ii-iii)]

In a cooperative limited by shares, the liability of a member shall be limited to the nominal value of the shares held, which are not paid up. [Act 22]

A cooperative may fine a member for violation of its bylaws or rules. [Act 23]

Direction and Administration

Annual Meeting of Members: A cooperative must hold an annual general meeting of members, and other general meetings may be held. A cooperative may hold regional or area meetings, where delegates are elected to a general meeting. [Act 41-42, 48]

A cooperative shall be democratically controlled. Each member of a primary cooperative shall have one vote, irrespective of the number of shares held. If a cooperative has more than 1,000 members, a member may appoint one other member to be proxy to speak for and vote for him or her. A member may not be proxy for more than seven other members. Secondary or higher-level cooperatives may arrange voting by delegates or

certain proportional voting, or other procedures by bylaws. [Act 9(b)(iii), 43, 47]

Bylaws provide for the holding of meetings of members of the cooperatives, and procedure at such meetings. [Act 11(1)(i)(ii), 11(1)(j)]

The annual meeting must appoint the auditor or firm of auditors, who must be qualified and registered under the Public Accountants' and Auditors' Act, 1951 (No. 51, 1951) and engaged in private practice.

Board of Directors and Committees: The board must have at least three members, elected by secret ballot at a general meeting of members, unless bylaws provide otherwise. If a cooperative has more than five women as members, or if the membership comprises more than one-third women, whichever is less, and no women are elected to the board, then the cooperative must designate a woman to be a full voting member of the board. The board controls the functions of the cooperative, and reports its activities, plans, and the audited annual financial report to the general meeting of members. Board members may be compensated for expenses. They may be paid an honorarium if authorized by the general meeting. The chief executive officer and other employees of the cooperative may not be board members. Certain government officials are ineligible to be board members. Other requirements of board procedures, and restrictions on board service are detailed. Subcommittees may be appointed, and must include at least one member who is not a member of the board. Representation of women members of the cooperative by women on subcommittees is protected. [Act 29-34, 36, 59(1)(f)]

A cooperative with 40 or more members shall, and with less than 40 may elect a supervisory committee at its general meeting. A member of the board or the chief executive officer or any other officer in the employ of the cooperative may not be elected to the supervisory committee. Compensation rules are the same as for board members. The supervisory committee monitors the activities of the cooperative and reports to the general meeting. It has the right to examine all records, to hire expert services, to attend meetings of the board, and such other powers as conferred on it by the act, bylaws and rules. [Act 37-39, 70]

Bylaws state the manner of election, terms of office, suspension and removal of members of the board and of its supervisory committee, and their meetings, their powers and functions. [Act 11(1)(i)(i-iii)]

Management and Employees: Bylaws provide for the powers and function of the chief executive officer. The executive must be a natural person, and may with the concurrence of the board, appoint other natural persons

as assistants. Incentive bonuses may be paid to employees of a cooperative out of any net surplus. [Act 11(1)(i)(iii)(bb), 26(2), 59(1)(c)]

Audits: A cooperative must cause its financial records to be audited annually. The auditor has full rights of access to accounting records and other information, and to attend and be heard at general meetings. The auditor may consult the supervisory committee, and reports his/her findings to the supervisory committee when the audit is completed. [Act 66-68]

The Act and bylaws provide for keeping and auditing accounts of the cooperative. It must prepare an annual financial statement. [Act 11(1)(l), 62-64]

Liability of Officials: Board members or the chief executive or other officers of a cooperative are personally liable for losses due to their willful misconduct, dishonesty or gross negligence, or if they violate the law or bylaws or rules of the cooperative, and such loss is not covered by a fidelity guarantee policy or similar policy taken out by the cooperative; or if the loss is due to recklessness or fraud. [Act 35]

Conflicts of Interest: The auditor may not be a member of the board, an employee or a member of the cooperative, or closely related to a member of the board. [Act 66(2)(c)]

Surety Bond: A fidelity guarantee policy for members of the board is referred to. [Act 35(a)]

Shares and Deposits

Shares: Dividends and share capital shall be limited in a cooperative. [Act 9(b)(v)]

Bylaws state the minimum number of, and manner of payment for shares which each member will be required to hold. The value of each share shall be at least one Namibia dollar. No member other than a member which is a cooperative may hold more than one-fifth of the share capital of any cooperative. [Act 11(1)(k)(iii), 50(1)(a), 50(2)]

Shares must be paid for in money, only at the nominal value, and may be issued not fully paid-up, with provisions for payment according to the law and bylaws. A cooperative may set off amounts due to a member against any arrears on shares. A cooperative may accept early payment for a member's shares. [Act 52]

A cooperative must keep records of the number and value of shares of each member, and of transfers of shares. Transfers must be made only according to the bylaws. [Act 20, 55]

A member's shares may be cancelled if the member dies, or in the case of a corporate member, if it is wound up,

or on other grounds, according to the bylaws. The amount paid-up on shares that are cancelled must be refunded to the holder. [Act 54]

Deposits: Law is silent.

Dividends and Interest: Dividends and share capital shall be limited in a cooperative. [Act 9(b)(v)]

Bylaws may provide for the allocation of bonus shares to members of a cooperative, in proportion to the member's patronage. [Act 53, 59(1)(g)]

Any surplus of a cooperative shall be used for the development of its business services, or, after reserves are set aside, distributed among the members in proportion to their transactions with the cooperative. The Act and bylaws provide for the manner of distribution of surplus. If a loss is incurred during a fiscal year, no distributions shall be made until the loss is made up. [Act 9(b)(vi), 11(1)(k)(v), 58, 59]

Lien on Holdings: In the case of a member's insolvency, the cooperative shall have a preferent claim upon the insolvent estate after certain expenditures, for any debt owing to the cooperative. [Act 24]

Loans

Purposes and Conditions: Law is silent.

Approval Procedure: Law is silent.

Limits, Terms and Security: Law is silent.

Interest Rates and Charges: Law is silent.

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: Law is silent.

Authorized Investments: Bylaws of a cooperative state the manner in which funds not required for immediate use may be invested. A resolution of the general meeting shall limit the amount a cooperative may invest. [Act 11(1)(k)(vii), 55(2)]

Capital Adequacy-Reserves

Initial Organization: Law is silent.

Permanent Capital: Funds of a cooperative shall comprise moneys obtained by way of shares issued to members; money received as admission fees from members; capital reserve funds out of the net surplus; grants and donations; moneys borrowed from any person; and any other moneys received. [Act 49]

Dividends and share capital shall be limited in a cooperative. [Act 9(b)(v)]

Bylaws state the amount of a cooperative's share capital, the value of the share capital, the division into shares of a fixed amount, the manner in which it may be increased or reduced, and the purposes for which it may be used. [Act 11(1)(k)(i-iv), 50]

Regular Reserve: A capital reserve fund and/or a deferred expenditure fund may be established, using funds set aside out of a cooperative's net surplus. [Act 49(c), 58]

Loan Loss Allowance: Law is silent.

Special Reserves: Special funds may be established under the bylaws and funded out of any net surplus of a cooperative. [Act 59(1)(d)]

Powers of the Credit Union

General Powers: Upon registration a cooperative becomes a corporate body. [Act 17(1)(a)]

Bylaws may provide for matters necessary and expedient to achieve the objects of the cooperative. [Act 11(1)(o)]

Up to 10 percent of the net surplus of a cooperative may be used for grants, donations or other contributions to charitable institutions. [Act 59(1)(e)]

A cooperative shall not advance money to a cooperative of which it is a member, or indemnify its members or any such cooperative against damage or loss. It may not become a surety or give security on behalf of its members or any cooperative except with the authority of a special resolution. [Act 60]

Borrowing: Bylaws of a cooperative state the conditions on which loans may be obtained by or made to it. The amount a cooperative board may borrow is limited by resolution of the general meeting. A cooperative shall not borrow or raise money or overdraw a banking account for an amount exceeding one half of the aggregate of its share capital and general reserve, except under authority of a special resolution. Money standing to the credit of a member in a member's fund administered by a cooperative shall not be deemed to be money borrowed or raised by it. [Act 11(1)(k)(vi), 49(e), 55(1), 61]

A cooperative may be converted into another kind of corporate body, and its registration cancelled, upon consent in writing of two-thirds of its members, and with permission of the registrar. Procedures are detailed. [Act 76]

Merger: Two or more cooperatives may amalgamate, with permission of the registrar, and with special resolutions of the general meetings of the cooperatives. Procedures for amalgamation are detailed. A cooperative may transfer its assets and business to another cooperative. [Act 73, 75]

A cooperative may divide itself into two or more cooperatives, upon special resolution of the general meeting and with permission of the registrar. Procedures for division are detailed. [Act 74]

Liquidation: The registrar may order a cooperative to be wound up on his/her own accord or after enquiry if he/she finds that: the membership has fallen below prescribed numbers; it has not transacted business for six months; its set period of activity has expired; the registration was obtained through fraud; the cooperative cannot carry out its objects according to cooperative principles; it is just and equitable that it be wound up; or on request in writing of two-thirds of all the members of the cooperative. The registrar appoints the liquidator. Procedures for liquidation, and priority of claims are detailed in the act. [Act 77-83]

Federation or Association

Purposes: Law is silent.

Membership: Two or more primary cooperatives may form a secondary cooperative. Secondary cooperatives may form higher level cooperatives. Tertiary and fourth-level cooperatives are allowed in the law. A primary cooperative may join with a higher-level cooperative to form another cooperative. [Act 10(4)]

Dissolution: Law is silent.

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

NIGERIA

<i>Region</i>	Africa
<i>Federation</i>	National Association of Cooperative Credit Unions of Nigeria (NACCUN)
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	15,750 (1992)
<i>Number of Members</i>	2,835,000 (1992)
<i>Total Assets (US\$)</i>	\$39,571,144 (1992)

Rev. 4-92: jc

Legal Authority

Law: Cooperative Societies Law, 1973, Chapter 29. [cited as "Law"]

Regulation: Cooperative Societies Regulation. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: A society which has as its objects the promotion of the economic interests of its members in accordance with cooperative principles, or a society established for the purpose of facilitating the operations of such societies, may be registered under this Law with or without limited liability. [Law 5]

Supervision and Regulation

Government Agency: The state commissioner may appoint a fit person to be registrar of cooperative societies and such other persons to assist him/her as may be necessary. [Law 3]

Other Licenses Needed: Law and Regulation are silent.

Other Institutions Regulated: Law refers to a registered society having as its objects the disposal of agricultural produce, animal husbandry or handicraft. [Law 26]

Reports: A registrar shall have power to give directions prescribing the returns to be submitted by a society to the registrar and persons by whom and the form in which such returns shall be submitted. [Law 29 (1)]

Inspections: The registrar or his/her deputy shall at all times have access to all books, accounts, papers, cash and securities of a society, and every officer of the society shall furnish such information in regard to the transactions and working of the society as the registrar or his/her deputy making such inspection may require. [Law 46]

The registrar or his deputy shall, on the application of a creditor of a registered society, inspect the books of the society, provided the applicant satisfies the registrar that the debt is a sum then due and that he/she has demanded payment and has not received satisfaction within a reasonable time, and the applicant deposits with the registrar a sum to cover the cost of the proposed inspection. [Law 48 (1)(a)(b)]

Regulations: The state commissioner may make regulations for the purposes of this Law respecting the duties and functions of the registrar with regard to all societies registered under this Law. [Law 63 (1)(a)(b)]

Enforcement: If, after an inquiry or an inspection has been made or on receipt of an application from three-fourths of the members of a registered society, the registrar is of the opinion that the society ought to be dissolved, he/she may cancel its registration. [Law 52 (1)]

It shall be an offense, liable to a fine, if a society, officer or member wilfully neglects or refuses to do any act or to furnish any information required by the registrar or his/her deputy. [Law 68]

Membership of Credit Union

Common Bonds of Association: To qualify for membership in a registered society a person must be capable of entering into a legally enforceable contract and a resident within the society's area as defined in its bylaws or, in the case of a society of limited liability, a landholder within such area. (Registrar may waive latter requirement.) [Law 33(1)]

Non-Natural Persons Eligible: Definition includes a registered society being admitted to membership in another society. [Law 2]

Provision is made for voting by a registered society which is a member of another registered society. [Law 37 (2)]

Also, a registered society may hold more than one-fifth of the share capital of any registered society. [Law 35]

Liability of Member: A society may be registered with or without limited liability. [Law 5]

The liability of a past member for the debts of a registered society at the time he/she ceased to be a member shall continue for two years from the end of the financial year of the society following the date of his/her ceasing to be a member. [Law 40]

The estate of a deceased member shall be liable for two years from the time of his/her death for the debts of a society at the time of his/her death. [Law 41]

A society shall make bylaws regarding the nature and extent of the liability of members. [Reg. 4(f)]

Direction and Administration

Annual Meeting of Members: A society shall make bylaws regarding general meetings and the procedure and powers of such meetings. [Reg. 4(j)]

Every society shall hold general meetings as provided in the bylaws to, among other necessary business, fix maximum liability toward nonmembers, set a maximum credit per member, elect officers (except the secretary) and committee (board) members, consider the audited balance sheet and the disposal of the surplus and consider the audit note and any inspection note by the registrar or inspector. [Reg. 9 (1)]

Board of Directors and Committees: "Committee" means the governing body of a registered society to whom the management of its affairs is entrusted. [Law 2]

The committee shall exercise all the powers of the society except those reserved for the general meeting and subject to any instructions or restrictions laid down by the society in a general meeting or in the bylaws. [Reg. 14]

A society shall make bylaws to appoint, suspend and remove members of the committee and officers; to define the powers and duties of the committee and officers; and to authorize an officer to sign documents and to use the seal on behalf of the society. [Reg. 4 (1)(k)(1), 15]

An officer of a society shall not be appointed for an indefinite period or for longer than one year. [Reg. 10]

A member is not eligible for the committee if he/she is under 21, is paid for secretarial or managerial duties or lends money on his/her own account. [Reg. 12(a)(b)(c)]

Management and Employees: Law and Regulation are silent, except for requirement to take adequate security from officer and employees. [Reg. 15(g)]

Audits: The registrar shall audit, or cause to be audited, the accounts of every registered society at least once a year. The auditor can require any officer, agent, servant or member of the society to produce relevant books or documents or any cash or securities. [Law 45]

Liability of Officials: Law and Regulation are silent.

Conflicts of Interest: A member of the committee shall cease to hold office if he/she is entrusted in his/her individual capacity with secretarial or managerial duties (other than the joint business of the committee) and receives pay or an honorarium on that account, of if, in a credit society, he/she lends money on his own account. [Reg. 13(e) (f)]

Surety Bond: The committee has a duty to take adequate security from officers and employees. [Reg. 15(g)]

Shares and Deposits

Shares: A society's bylaws shall determine the manner of raising the share capital, if any, and other funds. [Reg. 4 (1)(i)]

No member, other than a registered society, shall hold more than one-fifth of the share capital of any cooperative society. [Law 35]

Deposits: A registered society shall receive deposits and loans from persons who are not members only to the extent and conditions prescribed by the regulations or bylaws. [Law 18]

Dividends and Interest: No society shall pay a dividend or bonus or otherwise distribute any part of its net surplus except as provided in its bylaws or until the proposed payment or distribution has been approved by the registrar. [Law 27]

The remainder of the net surplus (after mandatory transfer to the reserve fund), plus any balance remaining from previous years and available for distribution, may be divided among the members by way of dividend, bonus, or otherwise, or allocated to any funds constituted by the society, subject to conditions in the regulations and bylaws. [Law 28]

The state commissioner may prescribe the maximum rate of interest which may be paid on deposits with societies and the conditions under which accumulated funds may be distributed to the members and the maximum rate of dividend on shares. [Law 63 (2)(q)(t)]

Interest on deposits made by members or nonmembers shall not exceed 9 percent per annum nor three-fourths of the rate of interest charged by the society on loans to members. [Reg. 24]

No society shall pay a dividend at a rate in excess of 10 percent per annum. [Reg. 29 (3)]

No dividend or payment on account of profits shall be made by a society registered with unlimited liability until the reserve fund has reached a proportion of not less than one-tenth of the society's total liabilities. [Reg. 29 (1)]

No society shall pay a dividend if the rate of interest on loans granted by it to its members exceeds 12.5 percent per annum, if payable annually, or, one kobo in the naira per mensem if payable at intervals of less than one year. [Reg. 29 (2)]

No dividend shall be paid by any society while any claim due from the society to a depositor or lender remains unsatisfied. [Reg. 29 (5)]

Lien on Holdings: A registered society shall have a charge upon the shares or interest in the capital and on the

deposits of a member or past member and upon any dividend, bonus, or accumulated funds payable in respect of any debt due from such member or past member to the society, and may set off any sum credited or payable in or towards payment of any such debt. [Law 22]

Loans

Purpose and Conditions: A registered society shall not make a loan to any person other than a member. The registrar may sanction loans by one society to another. [Law 17 (1)]

If the objects of the society include the creation of funds to be lent to members, it shall make bylaws concerning the conditions on which loans may be made, including the rate of interest, the maximum amount which may be lent to a member, the maximum term, extension of term and renewal of loans, the purposes of loans, security for repayment, the consequences of default in payment and of failure to use a loan for the purpose for which it was granted. [Reg. 4 (2) (a) (b)]

Approval Procedure: Law and Regulation are silent.

Limits, Terms and Security: The registrar shall have power to prescribe the maximum loan which may be made by a society to any of its members without his prior consent. [Law 29 (1)]

The shares of a society may not be pledged to the society by any of its members as security for a loan. [Reg. 24] See also "Purpose and Conditions" above.

Interest Rates and Charges: The state commissioner may prescribe the maximum rate of interest which may be charged on loans by societies. [Law 63 (2) (q)] See also "Purposes and Conditions" above.

Loans to Officials: Law and Regulation are silent.

Investment of Funds

Deposit of Funds: See "Authorized Investments" below.

Authorized Investments: A registered society may invest or deposit its funds in:

- a. the Post Office Savings Bank;
- b. any securities approved by the registrar, issued or guaranteed by a government of a Commonwealth country;
- c. the shares of any other registered society;
- d. with any bank or person carrying on the business of banking, approved for this purpose by the registrar; or
- e. any other mode permitted by the regulations. [Law 25]

Capital Adequacy—Reserves

Initial Organization: Law and Regulation are silent.

Permanent Capital: See "Regular Reserve" below.

Regular Reserve: At least one-fourth of the net surplus for the year shall be carried to a reserve fund. The registrar may, in the case of any society of limited liability, grant exemption from further contributions to the reserve fund or reduce the rate thereof. [Law 28]

The state commissioner may make regulations for the formation and maintenance of reserve funds, the objects to which such funds may be applied and the investment of any funds under the control of the society. [Law 63 (2) (r)]

The reserve fund of a society shall be invested or deposited as provided in section 25 of the Law and shall not be utilized in the business of the society except with the written permission of the registrar. [Reg. 26]

The reserve fund shall be indivisible and no member shall be entitled to claim a specified share in it. [Reg. 27]

On the dissolution of a society, the reserve fund shall be applied to discharging the liabilities of the society and to the repayment of its share capital. [Reg. 29 (1)]

Loan Loss Allowance: Law and Regulation are silent.

Special Reserves: The remainder of the net surplus may be divided among the members by way of dividend, bonus or otherwise or allocated to any funds constituted by the society to such extent or under such conditions as may be prescribed by the regulations and bylaws. [Law 28]

Powers of Credit Union

General Powers: The registration of a society shall render it a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold movable and immovable property of every description, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purposes of its constitution. [Law 9]

Borrowing: A society shall receive deposits and loans from persons who are not members only to such extent and under such conditions as prescribed by the regulations or bylaws. [Law 18]

The state commissioner may direct that any society or class of societies shall not incur a liability towards nonmembers in excess of a sum fixed by the registrar. No society shall receive or renew any loan or deposit which will make its liability to nonmembers exceed the limit thus laid down. [Reg. 7] See also "Loans: Limits, Terms and Security" above.

A society shall make bylaws to fix the maximum liability towards nonmembers. [Reg. 9 (1)(a)]

Merger: Law and Regulation are silent.

Liquidation: The registrar may cancel the registration of a society and order it wound up: after inquiry or inspection; on application of three-fourths of the members; or if its membership falls below 10 persons. The registrar appoints the liquidator, whose powers are detailed. Upon dissolution of a society, its reserve fund shall be applied to discharging the liabilities of the society and to the repayment of the share capital. [Law 52-62; Reg. 28]

Federation or Association

Purposes: A society established to facilitate the operations of any societies which promote the economic interests of their members in accordance with cooperative principles may be registered under this Law with or without limited liability. [Law 5]

“Central society” means a registered society established to facilitate the operations of registered societies in accordance with cooperative principles and includes a central financing society. [Law 2]

Membership: No society established to facilitate the operations of registered societies shall be registered unless it has at least two registered societies as members. [Law 6 (2)]

Dissolution: A central financing society is a registered society, and dissolution is according to the same liquidation rules. See “Liquidation” above. [Law 2; 52-62]

Central Finance Facility

Purposes: “Central financing society” means a registered society of which the principal object is to make loans to other registered societies. [Law 2]

Membership: See “Purposes” above.

Funds: A registered society may invest or deposit its funds in the shares of any other registered society. [Law 25(c)]

Share and Deposit Protection

Purposes: Law and Regulation are silent.

Coverage: Law and Regulation are silent.

Membership: Law and Regulation are silent.

Funds: Law and Regulation are silent.

RWANDA

<i>Region</i>	Africa
<i>Federation</i>	Union des Banques Populaires du Rwanda
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Cooperative Societies Law and Bank Law
<i>Number of Credit Unions</i>	148 (2001)
<i>Number of Members</i>	229,453 (2001)
<i>Total Assets (US\$)</i>	\$30,204,261 (2001)

Rev:3-00:wj

Legal Authority

Law: Law No. 31/1988 on the Organization of Cooperative Societies. [cited as “Law”]

Regulations: Law No. 08/99, Containing Regulations for Banks and other Financial Institutions. [cited as “Reg.”]

Definition or Purposes of Credit Union

Definition: Cooperative societies are associations of individuals or entities whose nature and activities are compatible with the cooperative spirit and who create an enterprise to respond to needs felt by members. The members participate by purchasing of one equity share in adherence to cooperative principles such as free and voluntary membership, democratic voting and control, education and cooperation among cooperatives. The bylaws of credit unions may authorize and limit the subscription of shares. [Law 1]

Groups of a cooperative nature that do not as yet have legal status may also be registered for a limited time, pending attainment of legal status. [Law 3, 53-56]

Supervision and Regulation

Government Agency: The policy of the government concerning cooperative societies is enforced through the minister having cooperatives among his responsibilities. The policy essentially consists of their promotion through assistance in animation, education and technical training. The minister of youth and cooperative movement and the minister of finance and economy are listed in the law. [Law 48, 59]

The Central Bank defines the conditions under which the regulations apply to cooperative savings and credit societies. Enterprises that customarily receive funds from the public and grant loans are considered banks. [Reg. 1-2, 5-6]

The Central Bank monitors the operation of financial institutions. [Reg. 35-36]

Other Licenses Needed: Approval by the Central Bank is required to conduct banking activities. The Central Bank sets conditions for approval, and investigates matters of capital formation and management. [Reg. 8-10]

Other Institutions Regulated: Production cooperatives, consumer cooperatives, service cooperatives and mixed cooperatives are regulated. [Law 4]

Reports: Banks and financial institutions must report to the Central Bank each year: their balance sheet and their off-balance commitments, their operating statement, any other documents requested by the Central Bank and all changes made in these documents. A report on the shareholders' meeting relative to the annual accounts must also be sent. [Reg. 26]

The comptroller must report to the Central Bank on a financial institution's annual bookkeeping and other matters. [Reg. 41]

Changes in financial condition, significant changes in activity or personnel and merger or takeover operations must be reported to the Central Bank. Other reports and conditions may also be required. [Reg. 12, 27-29]

Inspections: The Central Bank may send out inspectors to audit and obtain any information from a financial institution. [Reg. 37]

Regulations: The Central Bank may issue regulations and instructions and make decisions which the banks and financial institutions are bound to conform with; it determines the manner in which they are enforced. The regulations may differ for different types of financial institutions. [Reg. 32]

Regulations are to include equity matters, prudential managerial standards, exchange business and rates and methods of mandatory reserves. [Reg. 33]

Enforcement: Approval by the Central Bank may be withdrawn if a financial institution: no longer meets approval conditions fails to make use of its approval for 12 months or no longer engages in its activity for six months. Any bank or financial institution whose approval has been withdrawn shall go into liquidation. [Reg. 15]

The Central Bank may require a financial institution to reorganize in order to strengthen its financial equilibrium. The financial system as a whole or certain of its components may grant supplementary advances to enable a bank or financial institution in difficulty to cover its commitments particularly vis-à-vis its depositors. [Reg. 44]

The Central Bank may appoint a temporary administrator who has broad powers to manage and correct problems at a financial institution. The Central Bank may

suspend or dismiss board members, executives and managers. [Reg. 45-49]

The Central Bank may set penalties for violation of law or regulations. Violations may result in penalties ranging from a warning to fines to removal from office or withdrawal of business approval. [Reg. 32, 34, 42-43, 74, 75]

Violations of various provisions of the law may result in fines or imprisonment imposed by the court. Persons who have resorted to deceitful or slanted advertising prejudicial to banking or financial activity shall be punished with the same penalties. Criminal actions arising out of financial regulations have a statute of limitations of five years. [Reg. 68-72, 74, 76]

Under exceptional circumstances, the Central Bank may suspend the activity of all banks and financial institutions or certain of their operations for up to six days, with only one six-day extension. [Reg. 80]

Membership of Credit Unions

Common Bonds of Association:

Membership requirements include: the person must be at least 18 years old must possess an interest in the territory of the cooperative and have ongoing transactions with it and may not compete with the cooperative. He/She must agree to channel transactions through it. [Law 11]

Chartering a cooperative requires that there be at least seven members. [Law 7]

Non-Natural Persons Eligible:

Law and Regulation are silent.

Liability of Member: Any member who resigns or is expelled from a cooperative society is entitled to reimbursement of his/her equity shares and other benefits, from which are subtracted any losses suffered by the capital stock or debts contracted with the cooperative, as well as his/her share of the debts, borrowings and obligations incurred by the cooperative prior to the date of his/her withdrawal. [Law 15]

Direction and Administration

Annual Meeting of Members: The members' meeting is composed of all members of the society and is the supreme authority of the cooperative. Each member has one vote. Any member may only represent one other member. Meetings of sections, for election of delegates to the general meeting may be held. [Law 21-22, 28]

The members' meeting is held twice a year, in April and in October. At the April meeting the members: hear the report of the cooperative's activity over the past year; examine, approve and ratify the accounts; set the rate of yield on equity

shares; determine how the surplus will be distributed; and elect board and supervisory committee members.

At the October meeting the members: adopt the action program for the future, draw up the budget, admit new members and deliberate on any other matters. [Law 23]

Extraordinary meetings may be called by the board, by the supervisory committee, at the request of one-third of the members of the cooperative or by the minister. [Law 26]

Board of Directors and Committees: Every cooperative society is administered by a board of at least three and not more than 30 directors, elected at the members' meeting. Board members serve three-year terms and may be reelected. Board members must not be engaged in paid activity with the cooperative or acting in competition with it; they may be disqualified due to certain criminal convictions.

Bylaws determine how the board operates, the number of members of the board and how they are elected and replaced. The board shall elect from among its members a chairman, vice-chairman and secretary. Board members may not be remunerated for their service, but members may be reimbursed for expenses. [Law 30-34]

The board draws up the balance sheet, operating statement, a report of the activities of the year and plans for the future. [Law 40]

Every year the members' meeting shall appoint a supervisory committee of at least two persons. The supervisory committee audits affairs of a cooperative society. It must verify that decisions made at the members' meeting by the board of directors have been implemented, and that the bylaws and internal regulations are observed. Board members, persons who receive remuneration from the credit union and their relatives and close associates may not be members of the supervisory committee. However, the supervisory committee may receive remuneration set at the members' meeting. [Law 35-37]

Management and Employees: The members' meeting shall appoint one or several managers, who may be members, to be responsible for the day-to-day management of the credit union, under the direction of the board of directors. [Law 38]

Cooperative societies may use paid labor, giving employment priority to their members. Bylaws specify conditions for admission of salaried laborers. [Law 17]

Every financial institution must appoint a qualified comptroller from a list regularly issued by the Central Bank. [Reg. 39-40]

Audits: The supervisory committee audits the books, cash and securities of a cooperative society, their inventory and

balance sheets and the accuracy of accounting entries. It may perform an audit at any time. [Law 36]

Liability of Officials: Board members are individually or jointly liable, depending on the case, for any faults they may have committed during the performance of their duties. [Law 32]

When the liquidation of a bank or financial institution discloses insufficient assets, the court may decide, upon petition of the liquidator or the government attorney's office, that the debts shall be borne, fully or partially, jointly or not, by each and every board member or executive, de jure or de facto, remunerated or not, against whom false or serious errors have been proven that have contributed to the failure of the bank or financial institution. [Reg. 65-66]

Conflicts of Interest: A person is not eligible to be a member of the board of directors if he/she engages in activity that competes with that of the cooperative society, union, federation or confederation. [Law 30(3)]

A manager is prohibited from participating in activity in competition with the cooperative society. [Law 38]

A person is not eligible to be a member of the cooperative if he/she is in competition with it. [Law 11(3)]

Transactions between a financial institution and its board members, executives, managers and their associates must be disclosed. Financial institutions may not give favorable rates to their officials. The lending authority of administrators is restricted. [Reg. 18]

No one may simultaneously manage two banks or financial institutions or a bank or financial institution and any other institution. [Reg. 20]

Surety Bond: Law and Regulation are silent.

Shares and Deposits

Shares: Shares are indivisible and non-negotiable, but may be transferred with approval at the members' meeting. Bylaws determine the par value of the equity shares. Bylaws of cooperative savings and credit societies may authorize and limit the subscription of several kinds of shares. [Law 1]

Shares issued by companies engaged in banking must have a definite par value and be issued in the name of the bearer. [Reg. 7]

Banks and financial institutions are prohibited from purchasing their own shares or accepting them as security, unless there is a dispensation by the Central Bank. [Reg. 17]

Deposits: Funds in the form of deposits may be received and refunded by a bank. [Reg. 3]

Those banks or financial institutions designated by the Central Bank are bound to open a deposit account for every person requesting one. They may, however, limit their services. They are obligated to verify the legal source of funds they receive from their clientele. [Reg. 78]

Dividends and Interest: Distribution of the surplus obtained after the deduction of general expenses and other charges of the cooperative shall be as follows: 20 percent allocated to the legal reserve, 10 percent allocated to the Inter-Cooperative Aid Fund and 70 percent allocated by the members' meeting. [Law 42]

Equity shares may only receive a maximum annual interest of 6 percent of their par value. For savings and credit cooperatives, remuneration rates on equity shares and interest on deposits and on loans granted shall be determined by regulations particular to the banking sector. Such distributions may not exceed the surplus earnings of the fiscal year. [Law 45]

Savings and credit cooperatives may not pay any rebates. [Law 44]

Lien on Holdings: A member who resigns or is expelled from a cooperative is entitled, within a period of two years, to reimbursement for his/her equity shares, from which is subtracted any losses suffered by capital stock or debts contracted by the cooperative, as well as his/her share of the debts, borrowings and obligations incurred by the cooperative prior to the date of his/her withdrawal. [Law 15]

Loans

Purpose and Conditions: Transactions involving loans, discounting, taking in pawn, purchase of receivables, financing sales on credit and leasing are particularly considered lending transactions. [Reg. 2, 3]

Approval Procedure: Law and Regulation are silent.

Limits, Terms and Security: Law and Regulation are silent.

Interest Rates and Charges: Law and Regulation are silent.

Loans to Officials: Lending to officials is restricted. A financial institution must disclose certain transactions with officials, and may not grant them favorable rates. [Reg. 18]

Investment of Funds

Deposit of Funds: Banks may conduct transactions related to their activities under conditions defined by the Central Bank, including investments in the form of deposits or other financial assets in any form. [Reg. 4(b)]

Authorized Investments: See "Deposit of Funds" above.

Capital Adequacy-Reserves

Initial Organization: Chartering a cooperative society requires that its capital must be entirely subscribed and paid in. [Law 7.2]

Permanent Capital: The capital stock of cooperative societies consists of the shares subscribed and paid in by each member. Capital may be increased by new contributions or reduced by consolidation of losses or repayment of debts. [Law 19-20]

Capital mobilization must be in accordance with Central Bank approval for a financial institution. [Law 23-24] Central Bank regulations govern equity matters and rates and methods of mandatory reserves to be created with the Central Bank. [Reg. 33]

Regular Reserve: Twenty percent of the surplus of a cooperative shall be allocated to the legal reserve; contributions cease to be mandatory when the amount of the legal reserve equals that of the capital stock. Reserves are collective assets that may not be distributed among the members, incorporated into the capital or used to pay in new shares. [Law 42-43]

Loan Loss Allowance: Law and Regulation are silent.

Special Reserves: Law and Regulation are silent.

Powers of the Credit Union

General Powers: Cooperative societies have a legal existence. They may engage in all of the transactions normally falling within the framework of their corporate mission. They may receive any gift, inheritance or grant. Groups of a cooperative nature but without legal status are also acknowledged. [Law 2-3]

Cooperative societies may do business with nonmembers. [Law 16]

Banks may conduct various financial business, including: management of payment means in all their forms, investments as deposits or other financial assets in all their forms or management and custody of securities and other transactions. [Reg. 2, 4]

The legal format of a joint stock company is not required for savings and credit cooperatives (credit unions) requesting approval as banks. The Central Bank specifies by way of instruction the legal format to be adopted by each category of financial institution. [Reg. 7]

Banks and financial institutions may not engage in agricultural, industrial, commercial, real estate or other services that are not financial, unless these are necessary or accessory to their approved purpose. [Reg. 16]

Foreign exchange and trade activity requires Central Bank approval. [Reg. 79]

Borrowing: Funds from financial instruments and loans are described as characteristic banking operations regulated by the Central Bank and the Law. [Reg. 2-5]

Merger: Law and Regulation are silent. The Central Bank may require reorganization of a financial institution. [Reg. 44b]

Liquidation: Cooperative societies may be dissolved and liquidated either by two-thirds vote of an extraordinary members' meeting or at the request of the Minister. Reasons for dissolution include: expiration of the term for which it was created, failure to comply with provisions of the law, cessation of activity for two years or the loss of three-fourths of the capital stock. The members' meeting or the court appoints the liquidator. Liquidators have broad powers to wind up a society. [Law 51-52]

In the event of loss of half of the capital stock, a members' meeting may be called to decide on possible dissolution of the cooperative. In the event of loss of three-fourths of the capital stock, the ministry may apply to the court for dissolution. [Law 47]

If a cooperative is to be dissolved, the members' meeting decides how reserves will be allocated. [Law 43, 52]

If approval by the Central Bank is withdrawn, the financial institution must go into liquidation. [Reg. 15] The Central Bank supervises financial institutions in liquidation. It may ask the court to order liquidation. Procedures are detailed. [Reg. 50-67]

Federation or Association

Purposes: Cooperative societies may create among themselves unions, federations and confederations for the management and protection of their common interests. These may play the same role with regard to their member societies that the cooperative societies play vis-à-vis their individual members. They may engage in dealings with other similar institutions both at national and international levels. [Law 5-6]

Membership: Unions, federations and confederations may respectively consist of at least three (primary) cooperatives, three unions, or three federations. [Law 7]

Dissolution: See "Liquidation" above.

Central Finance Facility

Purposes: The Inter-Cooperative Aid Fund is established

to aid development of cooperative societies. Its management is determined by presidential decree. [Law 49]

Membership: Membership dues are referred to for the aid fund. [Law 49]

Funds: Funds for the Inter-Cooperative Aid Fund come primarily from membership dues and government subsidies. [Law 49]

Share and Deposit Protection

Purposes: A Deposit Guarantee Fund is established to guarantee deposits by the public and is managed by the Central Bank. [Reg. 30]

The financial system as a whole or certain of its components may grant supplementary advances to enable a financial institution to cover its commitments particularly with regard to its depositors. [Reg. 44]

Coverage: Deposits made by the public are guaranteed by the fund. No maximum amount is specified. [Reg. 30]

Membership: Government, Central Bank and bank representatives make up the board of directors of the fund. [Reg. 31]

Funds: The fund consists of contributions paid in by financial institutions, loans made to the fund, products of investments and any other available resources. [Reg. 31]

SENEGAL

<i>Region</i>	Africa
<i>Federation</i>	Conseil National pour la Promotion et le Développement des Caisses Populaires au Sénégal
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	71 (2001)
<i>Number of Members</i>	22,565 (2001)
<i>Total Assets (US\$)</i>	\$259,548 (1997)

Rev:4-00:rs

Legal Authority

EXPLANATORY NOTE: This country is part of the West African Monetary Union and affected by the common credit union legislation/regulations for the region.

Law: On Regulations of Mutualistic or Cooperative Savings and Credit Institutions (Credit Unions), Law No. 95-03 of January 5, 1995. [cited as "Law"]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: A "mutualistic or cooperative savings and credit institution" or "institution" is defined as a not-for-profit group of persons, with a legal existence as such with variable capital, founded on the principles of union, solidarity and mutual assistance and whose primary goal is to collect the savings of its members and grant them loans. [Law (2)(1)] Such institutions are governed by the principles of mutuality or cooperation. [Law 11]

Supervision and Regulation

Government Agency: The minister for finances has oversight authority over mutualistic or cooperative savings and credit institutions (credit unions) as well as over their unions and federations. [Law 15, 46]

A union of two or several credit unions grouped together also acts as a supervisory and control organization of its affiliated credit unions. A federation may also exercise administrative and financial controls over its affiliated unions. [Law 39, 42]

Other Licenses Needed: The Central Bank of West Africa and the bank commission of the West African Monetary Union establish standards for the internal and external controls exercised over credit unions by any union, federation or confederation. [Law 57, 60, 62]

Other Institutions Regulated: Law No. 95-03 applies only to the regulation of credit unions. However, the government agencies involved in credit union regulation specified above also regulate other deposit-taking and loan-granting institutions and cooperative activities. [Law 3, 8, 9]

Reports: Any union, federation or confederation is obligated to prepare an annual report for every fiscal year of the society on a consolidated basis. Any finance facility or first-tier institution not affiliated to a system shall likewise produce an annual report. The report shall contain, in addition to information on the institution's activities, financial statements approved at the members' meeting and drawn up according to standards determined by instructions from the Central Bank and banking commission. [Law 62]

The reports and annual financial statements shall be communicated to the minister within six months following the close of the fiscal year. Those of the federations, confederations and finance facilities shall, in addition, be communicated to the Central Bank and the banking commission by the same deadline. [Law 64]

Inspections: The minister may undertake or cause to be undertaken any monitoring of the institutions. [Law 66]

The Central Bank and banking commission may, on their own initiative or at the request of the minister, undertake on-site visits of the finance facilities and all societies under the control of the latter. [Law 67]

A union also serves to verify and audit the accounts and financial statements of its members and to inspect them. Similarly, a federation can exercise financial control over and inspect its affiliated unions. [Law 40, 42]

Regulations: The Law defines "regulations" as the internal regulations of the institution. [Law 1(5)] However, any union, federation or confederation may issue manuals on procedures for institutions which must conform to the standards issued by the Central Bank or the banking commission. A federation is specifically charged with defining the guidelines for a code of ethics and applicable rules at the administrative, accounting, and financial levels for its members. [Law 42, 43, 57]

Enforcement: Any violation of the provisions of the law makes the violator liable to disciplinary, pecuniary or criminal sanctions. [Law 73]

The minister may impose these disciplinary sanctions: 1) warning; 2) reprimand; 3) suspension or prohibition of all or part of the operations; 4) the suspension or removal of the responsible leaders; and 5) withdrawal of approval. [Law 74]

The minister may place any institution under temporary administration when the management of the institution

either endangers its financial position or the interests of its members. He/She may decide to implement the liquidation process when the situation of the concerned institution so requires. [Law 69, 72]

Any failure to communicate the required statistical and other information to the minister, the Central Bank or the banking commission as requested by them is subject to fine. Knowingly communicating inaccurate or falsified documents to the minister, Central Bank or banking commission or opposing one of the control procedures (under “Inspections” above) shall be punishable by prison and/or fine. [Law 76, 79]

Membership of Credit Unions

Common Bonds of Association: Persons sharing a common bond under the law may be members of an institution. A common bond includes identity of profession, employer, place of residence, association or objective. The bylaws of the institution shall determine the particular conditions for membership. There is no limit on the number of members. [Law 11, 17, 19, 20]

Non-Natural Persons Eligible: A first-tier institution, such as a credit union, consists primarily of natural persons. [Law 2(2)]

Liability of Member: The financial liability of the members with regard to third parties is committed up to at least the amount of their shares. [Law 22] Any resignation, expulsion or death of a member shall give rise to the discharge of the balance of his/her financial claims and debts with regard to the institution. [Law 21]

Direction and Administration

Annual Meeting of Members: The law contemplates the holding of members' meetings with specific references made to each member being entitled to only one vote and proxy voting allowed only in exceptional cases. It also refers to amending the bylaws at such meetings, as well as setting conditions for deposit accounts and defining loan policies. [Law 11, 18, 24, 25]

Board of Directors and Committees: Within the same institution, the management and monitoring duties are performed by different bodies. The board of directors, acting under the authority of the annual meeting, may be given specific responsibilities with respect to establishing deposit accounts. [Law 23, 24]

Any persons engaged in the duties of direction, administration, control or management of this institution are considered leaders. [Law 26]

Management and Employees: See “Board of Directors and Committees” above.

Audits: The financial statement shall be drawn up and preserved pursuant to the usual standards for the sector of activities. [Law 50]

Among the primary responsibilities of a union is the verification and auditing of accounts and financial statements of its members. A union and/or federation may also inspect their operations. [Law 40, 42]

Internal auditing and inspection reports are to be addressed to the minister, who may undertake appropriate remedial action. [Law 66]

Liability of Officials: Law is silent.

Conflicts of Interest: The persons participating in the direction, administration, control, management or operation of unions, federations or confederations are bound to certain professional confidentiality. Any person included above is prohibited from using the information he/she is aware of in the exercise of his/her duties to obtain personal profits therefrom or to benefit therewith third parties on penalty of being liable to the sanctions provided in the Law. [Law 52, 53]

Surety Bond: An institution may sign insurance contracts in order to cover the risks associated with its activities. [Law 28]

Shares and Deposits

Shares: Institutions are chartered in the form of cooperative or mutualistic societies with variable capital. [Law 16] A decree determines the make-up and characteristics of the capital stock. [Law 12(3)] Each member is to subscribe to at least one share. [Law 19]

Deposits: An institution may open deposit accounts for its members. Such accounts cannot be accessed by check or money order, except for internal payment orders for the exclusive use of the members or the institution. The other conditions and means of operation of these accounts are determined by the members' meeting or board of directors acting under the authority of this meeting. [Law 24]

Dividends and Interest: Remuneration of equity shares is limited, a rule of mutualistic or cooperative action. [Law 11(5)]

Lien on Holdings: The Law is silent, except to declare that any resignation, expulsion or death of a member gives rise to the discharge of the balance of his/her financial claims and debts with regard to the institution. [Law 21]

Loans

Purpose and Conditions: The institution's lending policies shall be defined at the members' meeting or by management acting under the authority of the meeting. [Law 25]

Approval Procedure: See "Purpose and Conditions" above.

Limits, Terms and Security: See "Purpose and Conditions" above.

Interest Rates and Charges: See "Purpose and Conditions" above.

Loans to Officials: Any loans to persons engaged in the duties of direction, administration, control or management of an institution (or to persons whose interests or relationships with the institution are liable to influence its decisions) must be authorized by the body empowered to do so. Approval must be by a qualified majority, as provided for in the bylaws. The outstanding amount of all such loans granted by the institution may not exceed a fraction of their total deposits, as set by decree. [Law 26, 27]

Investment of Funds

Deposit of Funds: See "Central Finance Facility."

Authorized Investments: See "Central Finance Facility."

Capital Adequacy—Reserves

Initial Organization: Law is silent.

Permanent Capital: Unions, federations or confederations shall seek to maintain the financial equilibrium of the organizations that are affiliated with them. In this regard, they must comply with the standards issued by decree. [Law 51]

Regular Reserve: An institution is governed by the principles of mutuality or cooperation, which require the creation of a general reserve. The sums placed in reserve may not be divided among the members. [Law 11(6)]

Loan Loss Allowance: Law is silent.

Special Reserves: Law is silent.

Powers of the Credit Union

General Powers: The approval or chartering of an institution in the form of a cooperative or mutualistic society confers upon it a legal existence. [Law 16]

The institution may conclude agreements with other similar institutions, organizations or financial institutions in order to help its members purchase goods and services offered by third parties within the framework of its objectives.

It may sign insurance contracts in order to cover the risks linked to its activities and may likewise sign any insurance policies to benefit its members either individually or collectively.

The institution may also create service societies in order to satisfy the needs of its members and to achieve its objectives. Furthermore, it may undertake any activity deemed useful for the interest of its members and with appropriate authorization of the minister. [Law 28]

Borrowing: See "Central Finance Facility."

Merger: Some institutions at the same level may merge and form a new institution.

An institution may break up into two or more institutions. The conditions for merger and breaking up are specified by decree. [Law 32]

Liquidation: The dissolution of an institution may be voluntary or forced. Voluntary dissolution requires a three-fourths majority vote of its members at an extraordinary members' meeting. The minister must be informed and may take conservatory measures.

Forced dissolution results from a decision by the minister or judicial authority. The decision to dissolve entails liquidation of the institution, the procedure for which is detailed in the rules for liquidation of commercial societies. [Law 18, 33- 37]

Federation or Association

Purposes: The Law establishes a multi-tiered network of umbrella organizations to serve mutualistic or cooperative institutions: unions, federations and confederations. All of them are subject to government approval, registration and supervision. The first-tier bodies are the institutions themselves (credit unions). The second tier is the *unions*, which are a voluntary grouping of two or more institutions (credit unions).

The mission of unions is to protect and manage the interests of their members to provide them with services of an administrative, professional and financial nature to assist them in achieving their objectives. Unions also have a major role as supervisory, control and representation organizations for mutualistic or cooperative institutions. [Law 39, 40, 46] See also "Supervision and Regulation" and "Audits."

The third-tier organization is the *federation* created by two or more unions coming together. The federation exercises technical, administrative and financial controls over its member unions, their affiliates and, if necessary, over the central financial body. It inspects, monitors and supervises them.

The federation defines the applicable rules at the administrative, accounting and financial level for its member unions and, if necessary, the central financial body. Within this framework, it may define all the prudential standards applicable to its members' participation in a central finance facility. [Law 43]

Two or more federations may combine to create a *confederation*, a fourth-tier organization, which performs all the functions its members entrust to it. A confederation, like a federation and a union, is responsible for monitoring and inspecting the institutions affiliated with it and evaluating financial policies and practices and reliability of accounting systems. A confederation may delegate certain of its monitoring and supervisory powers to a federation, and a federation may make a similar delegation to its member unions. [Law 44, 45, 57, 58, 61]

Membership: See "Purposes" above.

Dissolution: The government approval of a union, federation or confederation may be withdrawn by decree of the minister. It must specify the grounds therefor.

The withdrawal of approval removes the concerned institution from the registry and halts its activities by the deadline set in the withdrawal decree. [Law 47]

Central Finance Facility

Purposes: The primary purpose of a finance facility is to centralize and manage the surplus resources of the various affiliated societies that have created it. Within this framework it may: 1) be a compensatory agent of the institutions and provide them with refinancing under conditions provided in the bylaws; 2) contribute to ensuring the liquidity of member institutions and their internal financial solvency; 3) mobilize outside financing or technical assistance to benefit its members; 4) receive, under the conditions defined by the bylaws, deposits from the public and contribute to the investment of mobilized resources; 5) make any deposits and grant loans; and 6) manage liquidity or guarantee funds and undertake investments.

To achieve their objectives, finance facilities may issue paper and raise loans under the conditions provided under current legislation relative to these matters. [Law 56]

Membership: Any system of institutions (credit unions) affiliated with the same union, federation or confederation may equip itself with a finance facility. [Law 55]

Funds: The finance facility is chartered as a variable capital society following the rules of mutualistic or cooperative action. It has the status of a bank or a financial institution and is governed, except for any dispensations, by the provisions of the Law on Banking Regulations. [Law 55] See also "Purposes" above.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

SEYCHELLES

Region	Africa
Federation	Seychelles Credit Union
Legal System	Common Law
Type of Law	Cooperative Societies
Number of Credit Unions	1 (2001)
Number of Members	9,470 (2001)
Total Assets (US\$)	\$7,285,685 (2001)

1-00:rs

Legal Authority

Law: Cooperatives Act (Chapter 50), February 1, 1988, revised 1991. [cited as "Act"]

Regulations: No regulations available, except for Cooperative (Seychelles Credit Union) Establishment Order, July 18, 1988. [cited as "Ord."]

Definition or Purposes of Credit Union

Definition: The minister may establish a cooperative by an order which sets out the objects of the cooperative. [Act 2(2)(a)]

The objects of the Seychelles Credit Union shall be:

- (a) the promotion of thrift among its members;
- (b) the creation of sources of credit for the benefit of members at a fair and reasonable rate of interest; and
- (c) the use and control of the savings of the members for their benefit. [Ord. 3]

Supervision and Regulation

Government Agency: The minister is empowered to establish cooperatives by making an order under the Act. Agency not specifically identified. [Act 2(1)]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Act refers to cooperative societies in general. Minister can prescribe the purposes. [Act 2]

Reports: The chairman of a cooperative's management committee shall submit a monthly report to the minister, unless otherwise directed. An annual report on the cooperative's activities must be similarly submitted. [Act 7(2)]

The management committee must also prepare a statement of accounts in such form as the minister directs. The chairman of the committee must send the minister a copy of the statement as well as a copy of any report

made by the person appointed by the minister to audit the cooperative. [Act 9(1), (2), (3)]

Inspections: The minister may at any time direct that the accounts and records of a cooperative be examined by a person appointed by him/her. The management committee must grant the person access to the accounts and records. [Act 9(4)]

Regulations: The minister is empowered to make regulations to carry out the purposes of the law. [Act 17(1)]

Enforcement: The minister may give a cooperative directions in writing to be followed in carrying out its objects. The management committee of the cooperative shall comply with those directions. [Act 12]

Any person aggrieved by a decision of the management committee in a dispute determined by the committee may appeal to the minister, whose decision shall be final. [Act 14(3)]

The minister may also dissolve the management committee if it is carrying out the cooperative's activities in a manner contrary to its objects or prejudicial to members' interests, or for any other cause the minister considers reasonable and necessary. [Act 16(1)]

Membership of Credit Unions

Common Bonds of Association: The minister's establishment order under the Act may specify the maximum number of members who shall constitute the cooperative. [Act 2(2)(c)]

The Establishment Order of the Seychelles Credit Union sets 10,000 as the maximum number of members at any one time. [Ord. 5]

Non-Natural Persons Eligible: Law and Regulations are silent.

Liability of Member: Law and Regulations are silent.

Direction and Administration

Annual Meeting of Members: The cooperative shall hold an annual general meeting for the purpose of electing from among its members a management committee. [Act 6(1),(2)]

Board of Directors and Committees: The management committee of a cooperative shall meet at least once in every quarter of each year and at other times as the chairman may determine. [Act 8(1)]

Applications for membership [Act 6, 7, 9] are to be made to the chairman of the committee. The committee can also remove a member for cause. [Act 4, 6, 2, 9, 15]

Management and Employees: The chairman of the management committee is the chief executive officer of the cooperative. He/She has supervision over and direction of the day-to-day management. [Act 7(1)]

Audits: The management committee is responsible for keeping proper accounts and records of a society and for preparing a statement of accounts, which is to be audited by a person appointed by the minister. [Act 9] See "Inspections."

Liability of Officials: Law and Regulations are silent.

Conflicts of Interest: Provision is made for settlement of disputes by the management committee. Any member of the management committee who has a direct interest in any matter connected with a dispute shall not take part in the deliberations of the committee regarding that matter. Where more than one-half of the members are so disqualified, the dispute shall be referred by the committee to the minister for determination whose decision on the matter shall be final. [Act 14(1), (2), (4)]

Surety Bond: Law and Regulations are silent.

Shares and Deposits

Shares: Among the assets of a cooperative is any money paid as contributions by members of the cooperative. [Act 5(1)(b)(iv)]

Deposits: Among the assets of a cooperative are any moneys paid to the cooperative by the government or received by the cooperative in carrying out the objects of the cooperative. [Act 5(1)(b)(i), (iii)] See also "Shares."

Dividends and Interest: Moneys earned by a cooperative in carrying out its objectives may be distributed among its members in accordance with a scheme to be prescribed by regulations. Other than the right to receive a share of the money earned by the cooperative, the members will have no right to the assets of the cooperative. [Act 5(2), (3); 17(2)(a)]

Lien on Holdings: Law is silent; however a member removed from membership for due cause may lose all rights to any share of the cooperative's money due to him under a distribution scheme. [Act 15]

Loans

Purpose and Conditions: The objects of a cooperative include the creation of sources of credit for the benefit of the members of the cooperative at a fair and reasonable rate of interest. [Ord. 3(b)]

Approval Procedure: Law and Regulations are silent.

Limits, Terms and Security: Law and Regulations are silent.

Interest Rates and Charges: Law and Regulations are silent.

Loans to Officials: Law and Regulations are silent.

Investment of Funds

Deposit of Funds: Law and Regulations are silent.

Authorized Investments: Law and Regulations are silent.

Capital Adequacy-Reserves

Initial Organization: Law and Regulations are silent.

Permanent Capital: Law and Regulations are silent.

Regular Reserve: Law and Regulations are silent.

Loan Loss Allowance: Law and Regulations are silent.

Special Reserves: Any moneys received by a cooperative in carrying out the objects of the cooperative, net of reasonable expenses, is available as authorized by the management committee, in consultation with the minister before distribution to members. [Act 5(2)]

Powers of the Credit Union

General Powers: A cooperative shall have power to do all things necessary or convenient to be done in carrying out its objects. [Act 3(2)] Cooperatives established under the Act are bodies corporate and may hold both movable and immovable property. [Act 3(1), 5(1)]

At the request of a cooperative, the government, in consultation with the minister, may permit the use and occupation of any land of the Republic, including any buildings thereon, by the cooperative for the purpose of carrying out its objects. [Act 11(1)(a)]

Borrowing: A cooperative may, with the approval of the minister, borrow money. [Act 3(2)]

At the request of a cooperative, the government, in consultation with the minister, may make payments to the cooperative, subject to such terms and conditions of repayment of the moneys. [Act 11(1)(b)]

Moneys of the cooperative fund may be applied for the grant of loans to a cooperative. [Act 10(3)(a)]

Merger: Law and Regulations are silent.

Liquidation: Where the minister is of opinion that:

1. a cooperative is carrying on its activities in a manner contrary to its objects or prejudicial to the interests of its members; or

2. for any other cause, the minister considers reasonable, it becomes necessary to do so, he may dissolve the cooperative and appoint a liquidator. [Act 16(1)]

Federation or Association

Purposes: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Dissolution: Law and Regulations are silent.

Central Finance Facility

Purposes: The Act establishes a cooperative fund. The moneys of which would be utilized to grant loans to cooperatives and for other purposes determined by the minister. [Act 10(1), (2), (3)]

The cooperative fund is under the control and management of the accounting office of the Ministry responsible for cooperatives. It is in charge of the accounting of the fund and for having it audited by the auditor-general. [Act 10(5)]

Membership: The cooperative fund shall include money paid into it by each cooperative, according to regulations of the minister. [Act 10(2)(b), 17(2)(b)]

Funds: The cooperative fund consists of moneys paid into it by the government and by each cooperative as contributions out of moneys received by the cooperative in carrying out its objects. Contributions may also be made by any other person either in or outside Seychelles. [Act 10(2), (4); 17(2)(b)]

Any moneys of the fund not immediately required for loans or other purposes may be invested in such manner as the minister, in consultation with the minister responsible for finance, may determine. [Act 10(4)]

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

SIERRA LEONE

<i>Region</i>	Africa
<i>Federation</i>	National Savings and Credit Cooperative League of Sierra Leone (NASCCLOS)
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	53 (1997)
<i>Number of Members</i>	4,136 (1997)
<i>Total Assets (US\$)</i>	\$118,650 (1997)

Rev. 4-92: wj

Legal Authority

Law: Cooperative Societies Act, 1977. [cited as "Act"]

Regulation: Cooperative Societies Rules, 1978. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: A society which has as its object the promotion of the economic interests of its members in accordance with cooperative principles, or a society established for the purpose of facilitating the operations of such society, may be registered with limited or unlimited liability. [Act 5]

Supervision and Regulation

Government Agency: The president may appoint a fit and proper person to be registrar of cooperative societies for Sierra Leone, and his/her assistants, and confer all the powers of the registrar in the act. The minister of trade and industry is referred to. [Act 2, 3].

Other Institutions Regulated: Agricultural and housing societies are referred to, also societies to supply commodities to their members, and for marketing produce or handicrafts or mineral products or fishing. [Act 19, 43(4), 49]

Reports: The registrar shall give directions prescribing the returns to be submitted by a society.

The society must prepare and send to the registrar a yearly balance sheet together with a detailed statement of the profit and loss account.

Estimates of income and expenditure, approved by the general meeting, must be submitted to the registrar, at least once a year, whose approval of the estimates is required before expenditures may be made. [Act 21(b)] [Reg. 17(a), 73]

Inspections: The registrar or his/her appointee may inspect the affairs of a registered society at any time, and officers must furnish any information required.

The registrar may on his/her own motion, and shall on the application of a majority of the committee or of not less than one-third of the members, hold an inquiry or direct an appointee to inquire into the constitution, working and financial condition of a society.

An inspection may be called for by a creditor of the society, and the results communicated to him. [Act 59, 60, 61].

Regulations: The minister may from time to time make rules for the better carrying into effect of this Act. [Act 79]

Enforcement: The registrar, for various reasons and after prescribed consultations, may dissolve the committee and call for the election of new officers, or appoint suitable persons to perform the functions of the committee and the manager on an interim basis. An appeal of such action may be made to the minister. Before his/her term of office is completed, the interim manager must call for the election of a new committee according to the bylaws.

The registrar may order the dismissal of committee members or other officers.

Fraud or misappropriation of funds or property of a society may be punished by fines or imprisonment and restitution may be ordered.

If upon audit or winding up a society, a past or present officer or manager is found to owe the society property or money, the registrar may order restitution.

Various offenses relating to compliance with the Act are listed that result in fines or imprisonment. Interfering with a society's contracts is an offense subject to fines.

Except for disputes relating to ownership, possession or occupation of land, the registrar may decide disputes or refer them to arbitrators. The registrar may order conditional attachment of property in disputes.

If the registrar, after an inquiry or inspection, or on application of three-fourths of the members of a registered society, is of the opinion that the society ought to be dissolved, he/she may cancel the registration of the society. An appeal of such order lies with the minister.

Upon a cancellation the registrar may appoint a liquidator who shall have full powers to wind up the affairs of the society subject to the registrar's supervision. Appeals in a liquidation lie within the High Court. [Act 13, 41, 42, 54, 55, 56, 57, 68, 69, 71, 72, 73, 74, 80, 81] [Reg. 24, 52, 74, 75, 76]

Membership of Credit Unions

Common Bonds of Association:

Bylaws of a society shall provide for the area of its operation, the objects for which it was established and the qualifications for membership. In lending societies,

the bylaws shall prescribe the occupation or residence of members. A person may be a member of only one society that grants loans.

A society other than a society composed of registered societies must have at least 10 qualified persons as members.

Members must be capable of entering into a legally enforceable contract, and be a resident within or in occupation of land within the area of operations of the society, provided that the registrar may exempt the residency requirement in the case of a limited liability society.

School pupils may be members of a school cooperative society. [Act 6(1), 25, 28] [Reg. 13(2)(i)(c,d,f), 13(2) (ii)(k)]

Non-Natural Persons Eligible: Central societies must have at least two member registered societies.

Registered societies may invest in the shares of any other registered society, and vote in them by proxy. [Act 6, 29, 47]

Liability of Member: Societies may be registered with limited or unlimited liability. Bylaws shall provide for the nature and extent of liability of members.

The liability of a past member, or of the estate of a deceased member, shall continue for two years after he/she ceased to be a member.

Members may be liable for sums due the government if the society's property is not sufficient to meet the charge. [Act 5, 32, 33, 88] [Reg. 13(2)(i)(h)]

Direction and Administration

Annual Meeting of Members: The supreme authority of a registered society shall be vested in the general meeting of its members at which every member shall have the right to attend and vote on all questions. Each member shall have one vote in the affairs of the society, and except for registered societies who are members, may not vote by proxy. Any questions submitted to the meeting are decided by a majority of votes unless otherwise dealt with in the rules.

A report of the year's working of the society must be presented at the annual general meeting. The committee is elected by the general meeting. Special general meetings may be called, by the committee, the registrar or the members. [Act 29, 36] [Reg. 17(2), 29, 30, 33, 34(2)]

Board of Directors and Committees: Every registered society shall have a committee of such members as may be prescribed in the bylaws to which the management of the society is entrusted. Committee members serve three-year terms and may be reelected.

The committee of a registered society shall have a chairman, and may also have a vice-chairman, elected from among the committee either by the members of the general meeting, or if not by them by the committee.

The committee shall elect one of its members not the chairman to be treasurer.

If the society receives financial assistance from the government, the registrar may appoint special members to the committee, not exceeding one-third of the total committee members.

The committee shall generally carry out the management of the society not assigned to the general meeting or to an officer. [Act 37, 85] [Reg. 36, 37, 49]

Management and Employees: The committee shall appoint a secretary to whom management of the affairs of the society is entrusted.

The committee may, with the approval of the registrar, appoint a suitable person to administer and manage the affairs of the society and may employ other functionaries. The registrar may order termination of employees. [Act 39] [Reg. 43, 48, 57]

Audits: The registrar or his/her appointee shall audit the accounts of every registered society at least once a year. The audit shall include an examination of overdue debts and a valuation of assets and liabilities. The auditor shall have power to summon all necessary persons and require production of information for the audit. [Act 58] [Reg. 18]

Liability of Officials: If upon audit or winding up of a society, a past or present officer or manager is found to owe the society property or money, the registrar may order restitution. [Act 55]

Conflicts of Interest: A person may not be a member of the committee if he/she is in default of payment due the society, acquires interest in any subsisting contract with the society or carries on a business in conflict with the society's. [Act 38]

Surety Bond: The secretary may be required to give security in such amount as the committee may determine, subject to the approval of the registrar. The treasurer may also be required to give surety, determined by the committee. [Reg. 45, 50]

Shares and Deposits

Shares: No member other than a registered society shall hold more than one-fifth share of the share capital of any cooperative society.

The bylaws of a society shall provide for the raising of funds to finance its activities either by the issue of shares or by access or levy on produce or handicrafts marketed through the society or a combination of these methods, or other methods approved by the registrar.

The share capital may not be reduced without the consent of the registrar. [Act 27, 48 (1,2)] [Reg. 13(2)(i)]

Deposits: A registered society may receive deposits from persons who are not members as may be prescribed in the rules or bylaws. Deposits may be received from or on behalf of a minor.

Every registered society shall fix at a general meeting its maximum liability in loans or deposits, subject to the approval of the registrar. [Act 44, 45] [Reg. 54]

Dividends and Interest: No society shall pay a dividend if the ordinary rate of interest on loans granted by it to its members exceeds 15 percent per annum.

No society shall pay a dividend on a share capital exceeding 8 percent per annum on capital actually paid up.

No dividend or payment on account of profits shall be made by a society registered with unlimited liability until the reserve fund has reached a proportion of not less than one-tenth of the society's total liabilities.

The bylaws of a society shall prescribe the maximum rate of interest on deposits. [Reg. 13(2)(i)(i), 53]

Lien on Holdings: A registered society shall have a charge upon the shares or interest in the capital and on the deposits of a member or past member and upon any dividend, bonus or accumulated funds payable to a member or past member in respect of any debt due from such member or past member to the society, and may set off any sum credited or payable to a member or past member in or towards payment of any such debt.

Subject to any prior claims of the government and to any claims in respect of rent, debts due a society shall be a first charge upon crops, cattle or other agricultural produce, or other assets supplied to the member by a society or purchased by him/her with a loan given by the society.

Other than the society's claims, a member's share or interest in the capital of a registered society shall not be liable to attachment. [Act 18, 19, 20]

Loans

Purpose and Conditions: Loans may be made to members only, or with the approval of the registrar, to another registered society.

A society's bylaws shall prescribe the conditions on which loans may be made. [Act 43(1)] [Reg. 13(2)(ii)(1)]

Approval Procedure: Members who desire to obtain a loan shall submit an application to the committee stating the amount and the purpose for which the loan is required, the term for which it is asked, whether it is desired to repay it by installments and the names of the proposed sureties or any other security which is offered.

The committee shall consider the application and may sanction the loan. Only the committee members, the

secretary and the registrar and his/her staff may be present at any loan consideration meeting and its proceedings must be secret. [Act 58, 59]

Limits, Terms and Security: The registrar shall give directions prescribing the maximum loan which may be made by a registered society to any of the members without the prior consent of the registrar. Bylaws of a society shall prescribe the maximum amount which may be lent to a member.

Save with the sanction of the registrar, a registered society with unlimited liability shall not lend money on the security of moveable property. The registrar may prohibit or restrict the lending of money on a charge of immoveable property.

Loans when approved shall be granted to persons who obtain sureties satisfactory to the committee. Loans must be made for a purpose approved by the committee and applied to that purpose. [Act 21(c), 43(2,3)] [Reg. 13(2)(ii)(1)(ii), 60, 61, 65]

Interest Rates and Charges: Bylaws of a society shall fix the rate of interest on loans to members, and the consequences, if any, of default in the payment of any sum due on account of shares. If interest rates on loans to members exceeds 15 percent per annum, no dividend on shares may be paid. [Reg. 13(2)(ii)(1)(i, iii), 53]

Loans to Officials: Law and Regulation are silent.

Investment of Funds

Deposit of Funds: The committee may open a banking account, subject to the approval of the registrar. See also "Authorized Investment." [Reg. 56]

Authorized Investments: A registered society may invest or deposit its funds:

- a. in deposit accounts with the National Cooperative Development Bank;
- b. in deposit accounts with the Post Office Savings Bank;
- c. in deposit accounts with the National Commercial Bank;
- d. in the shares of any other registered society;
- e. in any securities, approved by the registrar, issued or guaranteed by the government;
- f. in any other way permitted by the rules; and/or
- g. with any bank or persons carrying on the business of banking approved for this purpose by the registrar.

In addition, investment may be made with any other registered society approved for the purpose by the registrar, or otherwise with the specific approval of the registrar obtained on each occasion. [Act 47] [Reg. 72]

Capital Adequacy—Reserves

Initial Organization Law and Regulation are silent.

Permanent Capital: See "Regular Reserve" below.

Regular Reserve: Every society which does or can derive a surplus from its transactions shall maintain a reserve fund. Any society with unlimited liability which advances money or goods to any member in excess of the money or goods deposited by him/her, shall carry one-fourth of the annual net surplus to the reserve fund. All other societies shall carry to the reserve fund such portion as may be prescribed by the rules and bylaws. Use of the reserve fund is subject to the sanction of the registrar. [Act 51] [Reg. 71]

Loan Loss Allowance: The committee may, with the approval of the registrar, cause bad debts to be written off the books of a registered society. [Reg. 68]

Special Reserves: Law and Regulation are silent.

Powers of the Credit Union

General Powers: Registration renders a society a body corporate, with perpetual succession; with the power to hold moveable and immoveable property of every description; to enter into contracts; to institute and defend suits and other legal proceedings; and to do all things necessary for the purposes of its constitution. [Act 9]

Borrowing: Every registered society shall fix at a general meeting its maximum liability in loans or deposits. The committee may borrow money on behalf of the society. [Reg. 54, 55]

Merger: Two or more registered societies may amalgamate, by resolution of their general meetings, and with the approval of the registrar. With similar conditions, a society may split itself into two or more new societies. [Act 65, 66] [Reg. 79, 80, 81, 82]

Liquidation: The registrar may order a society wound up and its registration cancelled, after inquiry or inspection; or on application of three-fourths of its members; or if its membership falls below 10 persons; or if it fails to carry on business. The registrar appoints the liquidator, whose powers to wind-up the society's affairs are detailed. [Act 68-78]

Federation or Association

Purposes: A central society is a registered society established to facilitate the operations of registered societies in accordance with cooperative principles.

An audit fund, and a society for the purpose of supervision and audit is referred to, funded by contributions from every society. [Act 2] [Reg. 19]

Membership: Registered societies may be members of central societies.

Every society must contribute to the audit fund at the direction of the registrar. [Act 2, 6] [Reg. 19]

Dissolution: Central societies are registered, and dissolution procedures are according to the same liquidation procedures as for registered societies. See "Liquidation" above. [Act 2, 68-78]

Central Finance Facility

Purposes: A central financing society means a central society of which the principal object is to make loans to other registered societies. [Act 2]

Membership: Registered societies may be members of a central society. [Act 2, 6]

Funds: Law and Regulation are silent.

Share and Deposit Protection

Purposes: A share transfer fund shall be set up and maintained to meet expenditure which may be incurred by the society in purchasing the shares of members whose membership has been terminated. [Act 48(2)(b)] [Reg. 70]

Coverage: Law and Regulations are silent.

Membership: Every society with a surplus must contribute to the share transfer fund. [Reg. 70]

Funds: The amount in a share transfer fund shall include the value of any unallocated shares purchased from members, not to exceed 10 percent of the subscribed share capital.

Every society shall allocate for the share transfer fund out of its surplus, if any, an amount determined by the registrar not exceeding 5 percent of its share capital. [Act 48(2)(d)] [Reg. 70]

SOUTH AFRICA

<i>Region Federation</i>	Africa Savings and Cooperative Credit League of South Africa
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Ministerial Designation under Banks Act
<i>Number of Credit Unions</i>	28 (2001)
<i>Number of Members</i>	12,252 (2001)
<i>Total Assets (US\$)</i>	\$1,494,841 (1999)

Rev: 3-00:rd

Legal Authority

Law: South African Reserve Bank, Ruling No. 2173, December 14, 1994: "Designation of an Activity Not Falling within the Meaning of 'The Business of A Bank' (A group of persons between the members of which exists a common bond)." Based on the Banks Act, 1990, Act No. 94 of 1990. [cited as "DA"]

Regulations: Bylaw (No. 3 and 4) to Savings and Credit Cooperative League Statutes, October 1998. [cited as "BL"]

Definition or Purposes of Credit Union

Definition: The characteristics of a designated activity are the acceptance and pooling of money by or on behalf of a group, between the members of which there exists a common bond and the utilization of the money for one or more designated objectives. Among those objectives are relief or maintenance of family members, acquisition of goods or land, insurance, recreational or social expenses, education or training, establishing a business or community development. [DA 2]

Supervision and Regulation

Government Agency: The Savings and Credit Cooperative League of South Africa (SACCOL) is approved by the registrar of banks as the self-regulatory body for credit unions or savings and credit cooperatives. As a condition of designation, they must be members of or be affiliated with SACCOL or a similar representative self-regulatory body. [DA 11 (d), 3(d)]

Other Licenses Needed: Some savings and cooperative credit organizations are registered with the registrar of cooperatives. [BL No. 3]

Other Institutions Regulated: Also designated are certain employee savings and credit schemes; groups known as “stokvels” with entertainment, social and economic functions and groups for raising and holding funds for housing of members. [DA 1]

Reports: Copies of the audit report are to be submitted within 60 days of completion of the audit to SACCOL or a similar body. [DA 3(1)(iv)]

A credit union must report changes to its statutes and policies to SACCOL. [BL C(4)]

Inspections: SACCOL examines its affiliated credit unions. During the course of an examination written notice will be made presenting the examiners findings to the board of directors. [BL Proc. Guidelines]

A group must keep accounting records as necessary to fairly reflect the state of affairs and business of the group and to explain transactions and financial position. [DA 3(f)]

Regulations: SACCOL has adopted bylaws as regulator of savings and cooperative credit organizations (SACCOs) and credit unions. These contain penalties for failure to maintain prudential standards of operation and for non-compliance with the Reserve Bank’s rules (No. 2173), or SACCOL or CFF Statutes. [BL No. 3]

Enforcement: SACCOL Bylaw (No. 3) provides four categories of infringements by a SACCO or credit union:

Category A - Does not meet administrative requirements of Model Statutes.

Category B - Does not meet requirements of SACCOL and CFF Statutes.

Category C - Does not meet requirements of the Reserve Bank’s designation of activities. (No. 2173)

Category D - Fails to maintain minimum prudential standards.

Penalties are graduated in severity. The lesser ones give a SACCO three to six months to rectify an infringement. More severe penalties are imposed after failure to rectify. These include suspension, expulsion or administration with immediate effect. Appeal procedures are specified within the SACCOL organizational structure or under the Cooperative Act of 1990 for a SACCO that is registered with the registrar of cooperatives. [BL (No. 3)]

Membership of Credit Unions

Common Bonds of Association: Members of a group using the name “credit union” or “savings and credit cooperative” must:

- 1) consist of persons of similar occupation or profession or who are employed by a common employer or within the same business district;
- 2) have common membership in an association or organization, including religious, social, cooperative, labor or education; or
- 3) reside within the same defined community, rural or urban district. [DA 1(d)]

Non-Natural Persons Eligible: The term “group” in the definition means a number of natural persons. [DA 1(d)]

Liability of Member: Law and Regulation are silent.

Direction and Administration

Annual Meeting of Members: SACCOL requires a properly convened annual general meeting. The Model SACCO Statutes require a nominating committee for the annual general meeting. [BL No. 3]

Board of Directors and Committees: The Model SACCO Statutes provide for an elected board of directors, credit committee, supervisory committee and an education and promotion committee. Minutes and registers of these bodies with the terms to be served are also required. [BL No. 3]

Management and Employees: Law and Regulation are silent.

Audits: A SACCO or credit union must keep accounting records that fairly reflect its state of affairs and financial position. Groups with less than R1 million in shares and savings must have a registered accountant draw up their financial statements within a prescribed period.

Groups with more than R1 million in shares and savings must have an auditor draw up the statements. Copies of the audited statements must be presented to SACCOL and to the group’s members. [BL No. 3]

Liability of Officials: Law and Regulation are silent.

Conflicts of Interest: Law and Regulation are silent.

Surety Bond: Law and Regulation are silent.

Shares and Deposits

Shares: A credit union or SACCO receives funds from members against the issue of stock or by means of the subscriptions of members. [DA 1(d)]

Deposits: See “Shares” above.

Dividends and Interest: An objective of a credit union or SACCO is to provide a means whereby members may receive interest or a dividend on their respective contributions. [DA 2(r)]

Lien on Holdings: Rules of a group shall not entitle a member at any time to withdraw the full amount of his/her contributions. [DA 3(b)]

Loans

Purpose and Conditions: SACCOL requires 70 percent to 80 percent of an affiliate's assets to be on loan. Model SACCO statutes require a loan policy, an acknowledgment of debt form and a loan register. [BL No. 3]

Approval Procedure: Model SACCO statute requires appointment of a credit committee. [BL No. 3]

Limits, Terms and Security: Law and Regulation are silent.

Interest Rates and Charges: A SACCO may not charge interest rates on loans below what a bank is paying interest on 32-day notice savings accounts. [BL No. 3]

Loans to Officials: Law and Regulation are silent.

Investment of Funds

Deposit of Funds: Law and Regulation are silent.

Authorized Investments: A SACCO may not invest in speculative financing. [BL No. 3]

Capital Adequacy-Reserves

Initial Organization: Law and Regulation are silent.

Permanent Capital: See "Regular Reserve".

Regular Reserve: A SACCO must put 10 percent of net income into reserves until the reserves and retained earnings equal ten percent of total assets. [BL No. 3]

Loan Loss Allowance: Law and Regulation are silent.

Special Reserves: Law and Regulation are silent.

Powers of the Credit Union

General Powers: Law and Regulation are silent.

Borrowing: Law and Regulation are silent.

Merger: Law and Regulation are silent.

Liquidation: Law and Regulation are silent.

Federation or Association

Purposes: A credit union or SACCO must be a member of the Savings and Credit Cooperative League of South Africa (SACCOL) or a similar representative, self-regulatory body approved by the registrar. [DA 3(1)]

Membership: See "Purposes" above.

Dissolution: Law and Regulation are silent.

Central Finance Facility

Purposes: Law and Regulation are silent.

Membership: Law and Regulation are silent.

Funds: Law and Regulation are silent.

Share and Deposit Protection

Purposes: Law and Regulation are silent.

Coverage: Law and Regulation are silent.

Membership: Law and Regulation are silent.

Funds: Law and Regulation are silent.

SWAZILAND	
<i>Region</i>	Africa
<i>Federation</i>	Swaziland Association of Savings and Credit Cooperatives (SASCCO)
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	25 (1999)
<i>Number of Members</i>	20,200 (1999)
<i>Total Assets (US\$)</i>	\$16,965,738 (1999)

Rev. 4-92: wj

Legal Authority

Law: Cooperative Societies Proclamation, 1964 [cited as "Proc."]

Regulation: Cooperative Societies Regulations, 1964 [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: A society maybe registered which has as its object the promotion of the economic interest of its members in accordance with cooperative principles, or the facilitating of the operations of such a society. Bylaws shall prescribe the purpose for which funds may be applied. [Proc. 4] [Reg. 4(1)(k)]

Supervision and Regulation

Government Agency: The commissioner (minister) shall appoint a registrar of cooperative societies and persons to assist the registrar. [Proc. 3]

Other Licenses Needed: Law and Regulation are silent.

Other Institutions Regulated: Societies for the disposal of a commodity produced or obtained by the work or industry of its members; of agriculture, animal husbandry, forestry, fisheries, handicrafts, mining or other activities are referred to. [Proc. 14]

Reports: The committee of a registered society shall keep accounts and submit such returns as the registrar may direct.

A society shall submit an annual estimate of income and expenditure for the ensuing year to the registrar for his/her approval and may not incur further expenditure without further approval. [Reg. 11, 12(1)(2), 53]

Inspections: The registrar or his/her appointee shall at all times have access to and may take possession of any of the books, accounts, papers and securities of a registered society.

He/She may inspect the cash in hand and require persons involved with the society to furnish material information.

The registrar may on his/her own motion, and shall on application of a majority of the committee or of not less than one-third of the members of a registered society, hold an inquiry into the constitution, working and financial condition of a society, and communicate the results to the society.

The registrar or his/her appointee shall inspect the books of a society on application of a creditor and communicate the results to him/her. [Proc. 46, 47]

Regulations: The commissioner (minister) may make regulations as may be necessary for the purpose of giving effect to the principles and provisions of the Proclamation. [Proc. 62]

Enforcement: If after inspection, the registrar is of the opinion that the committee is not performing its duties properly, he/she may order the committee dissolved and appoint a suitable person to operate the society. The appointee must arrange for the appointment of a new committee in accordance with the bylaws of the society.

Non-compliance with direction of the registrar or provisions of the Proclamation are offenses punishable by fines or imprisonment.

The registrar may after an inquiry or on application made by three-fourths of the members of a registered society order the dissolution of the society and appoint a liquidator.

Liquidation decisions may be enforced by the courts. Decisions of the liquidator may be appealed to the registrar. An order of liquidation may be appealed to the commissioner (minister).

Disputes may be referred to the registrar, who may decide them himself/herself, or refer them to arbitrators. The registrar may appeal questions of law to the High Court in Appeals. [Proc. 37, 38, 47, 48, 50, 51, 52, 54, 55, 60, 61] [Reg. 59, 60, 61]

Membership of Credit Unions

Common Bonds of Association: Primary societies must have at least 10 individual members. Individuals must be 18 years old and a resident within, or own or occupy land within, the area of operation of the society as described in its bylaws.

No person may be a member of more than one registered society of which the liability is not limited or the primary objects include the granting of loans. Regulations may prescribe the conditions of admission to a society.

Bylaws shall prescribe the area to which membership of the society is confined, the qualifications for membership, the terms of admission and the manner of election.

Except with the approval of the registrar, a registered society shall not fix any limit to the number of its members. [Proc. 5, 25, 26, 62] [Reg. 4(1) (c) (e), 23]

Non-Natural Persons Eligible: Registered societies may be members of other societies. Except with written permission of the registrar, no company or association, whether or not incorporated, shall become a member of a registered society. No company or association with limited liability shall be a member of a registered society with unlimited liability. [Proc. 4] [Reg. 18(2,3)]

Liability of Member: Societies may be registered with or without limited liability, provided that the liability of a society which includes at least one registered society among its members shall be limited. Bylaws shall prescribe the nature and extent of liability of members.

Liability of a past member for the debts of a society as they existed on the date on which he/she ceased to be a member shall not continue for a period of more than two years from then. The liability of the estate of a deceased member shall not continue for more than one year from the date of his/her decease.

Sums due to the government from a society may be recovered, first from the property of the society; secondly, in the case a society with limited liability, from the members subject to the limit of their liability; and thirdly, in the case of other societies, from the members. [Proc. 4, 33, 64] [Reg. 4(1)(f)]

Direction and Administration

Annual Meeting of Members: Control of the affairs of a registered society is vested in the general meeting of the members. A member has a right to attend a general meeting and vote on all questions.

The committee shall call an annual general meeting to consider the reports of the committee; appoint, suspend or remove members of the committee; dispose of surplus funds; fix the maximum liability to be incurred from nonmembers; and fix the maximum amount of credit to be allowed to a member.

Bylaws shall prescribe the holding of general meetings, the powers of the meetings, representation and voting. Special general meetings may be called.

Individual members may have one vote only in a registered society. Registered societies which are members of other societies shall vote as prescribed in the bylaws. Except with the approval of the registrar, voting by proxy shall not be allowed. [Proc. 28, 29, 34] [Reg. 4(1)(m), 25(4,5), 26, 27, 28]

Board of Directors and Committees: The committee shall maintain accurate accounts and records and the full and proper administration of the society, subject to the regulations, the bylaws and any restrictions passed at a general meeting. In a credit society, the committee shall ensure that loans are properly applied and proper security has been taken.

Bylaws shall prescribe the appointment, suspension and removal of the committee and officers, and their powers and duties. The committee shall consist of at least five members, including the chairman and vice-chairman, appointed or removed by majority vote of the general meeting. The registrar may nominate a non-voting member of the committee. [Proc. 35, 72] [Reg. 4(1)(n, o), 31, 34]

Management and Employees: The committee shall appoint an officer or officers to discharge such duties as are by the Proclamation imposed on a registered society. The committee shall appoint a secretary and other employees as necessary.

Bylaws shall prescribe the appointment, suspension and removal of officers, and their powers and duties. [Proc. 35] [Reg. 4(1) (n, o), 38, 39, 40]

Audits: At least once a year the registrar shall audit or cause to be audited, or permit the society to name a person to audit the accounts of every registered society and may operate such fund as may be prescribed to collect and pay any charges incurred.

The audit shall include an examination of overdue debts, if any, and a report on the method used to establish the value of assets and liabilities as shown on the balance sheet. The registrar and auditor shall have the power to summon persons involved with the society to give material information and to require production of documents relating to the society's affairs. [Proc. 45]

Liability of Officials: In the conduct of the affairs of a registered society the members of the committee shall exercise the prudence and diligence of ordinary men/women of business and are responsible for any loss sustained through any of their acts which are contrary to law, the bylaws or the directions of the general meeting.

Where in the course of winding up of a registered society it appears that a person who has taken part in the organization or management of a society, or a past or present officer of the society, has misappropriated or retained or become liable or accountable for any money or property of the society, or has been guilty of misconduct or a breach of trust in relation to the society, the registrar may order him/her to repay or restore the money or property as he/she thinks just. An appeal of such an order may be made to the commissioner (minister). [Proc. 56] [Reg. 34(2)]

Conflicts of Interest: Subject to provision in the regulations or without the approval of the registrar, members of the committee shall not hold any office or profit under the society or receive any honoraria upon retirement or relinquishment or office or on any other occasion.

A member of a registered society may not be a member of the committee if he/she undertakes for his/her private profit any trade or business in which the society itself is engaged. [Proc. 36] [Reg. 32, 33]

Surety Bond: A registered society may require any officer or employee to furnish such amount and manner of security as it considers necessary. [Reg. 41]

Shares and Deposits

Shares: The bylaws of a society may, with the approval of the registrar, provide for the raising of funds to finance its activities by the issue of shares. Bylaws shall prescribe the consequences of default in payment of any sum on account of shares. No member, other than a registered society, shall hold more than one-fifth of the share capital of any cooperative society.

In the case of a society with unlimited liability, a member shall not transfer any share held by him or his other interest in the capital of the society or any part thereof unless he/she has held that share or interest for not less than one year, and the transfer or charge is made to the society or a member of it or a person whose application for membership has been accepted. [Proc. 31, 32, 39] [Reg. 4(1)(h)]

Deposits: A registered society may receive deposits from nonmembers as may be prescribed in regulations or bylaws. Bylaws shall prescribe the manner of raising funds, including the maximum interest payable on deposits. [Proc. 41] [Reg. 4(1)(j)]

Dividends and Interest: After allocation to the reserve fund and certification of the balance sheet by the registrar, the remainder of profits from a society's operation may be divided among the members by way of dividend or bonus, or be allocated to any fund constituted by the society as may be prescribed in bylaws or regulations.

No society shall pay a dividend to members exceeding the maximum rate prescribed, which rate shall not in any case exceed 10 percent per annum. A registered society shall not pay a dividend exceeding 5 percent per annum on the capital actually paid up. A registered society shall not pay a dividend if the rate of interest on loans granted by it to its members exceeds 10 percent per annum.

With the special permission of the registrar, bonuses may be paid.

No society without limited liability, which advances money or goods to any member in excess of money or goods deposited by him/her, shall, without specific sanction of the registrar, pay a dividend before the lapse of 10 years from the date of its registration. Bylaws shall prescribe the disposal of accumulated funds. [Proc. 44] [Reg. 4(1)(1), 54]

Lien on Holdings: A registered society shall have a charge upon the share or other interest in the capital of the society and on the deposits therein of a member or past member or deceased member and upon any dividend, bonus or profits payable by the society, in respect of any debt due from the member or past or deceased member, and may set off any sum credited or payable toward payment of such debt.

A society may sell the share of a debtor to satisfy its claim, under certain conditions.

Subject to any prior claim of the government on the property of the debtor and to the lien or claim of landlord in respect of rent, and in the case of immovable property to any prior charges thereon, a society shall have a charge on assets of a debtor which were purchased or produced from any loan given him by the society.

Shares or interest in the capital of a society are not otherwise liable to attachment. [Proc. 16, 16, 17] [Reg. 17]

Loans

Purpose and Conditions: Loans may be made to members only, or with the consent of the registrar, to another registered society.

Bylaws shall be made regarding the purposes of loans or advances. [Proc. 40] [Reg. 4(2)(a)]

Approval Procedure: A member who desires a loan from the society shall submit an application to the committee stating the amount of the loan desired, the purpose of the loan, the term and whether it is desired to repay by installments and the names of the proposed sureties, being not less than two, or other security proposed.

The committee shall consider the loan application.

Minutes of proceedings with regard to the consideration of loans to members are secret and shall not be disclosed to unauthorized persons. [Reg. 35(2), 42, 43]

Limits, Terms and Security: Bylaws shall prescribe the maximum amount which may be lent to a member, or the maximum percentage of the local market value which

may be advanced to members against the agricultural produce, handicrafts or minerals delivered to the society; the security for repayment of loans; and the maximum period for which loans may be made.

The annual general meeting shall fix the maximum amount which may be lent to a member.

Unless the committee accepts other security, a loan shall be guaranteed by two sureties approved by the committee. Two members of a society may not stand surety for each other.

Except with the approval of the registrar, a society shall not lend money on the security of any movable property other than the produce or goods in which the society is authorized to deal. The commissioner (minister) may prohibit or restrict the lending of money. [Proc. 40(1, 2, 3)] [Reg. 4(2) (b,c,d), 26(4)(g), 44]

Interest Rates and Charges: Bylaws shall prescribe the rate of interest chargeable on loans, or the method of computing the rate of interest.

Bylaws shall prescribe the consequences of default in payment of any sum due on account of loans or any sum due to the society. [Reg. 4(1)(p), 4(2)(f)]

Loans to Officials: A member of the committee who applies for a loan or is proposed as surety for a loan shall withdraw while the relevant application is under consideration. [Reg. 43(3)]

Investment of Funds

Deposit of Funds: Subject to the approval of the registrar, a society may open a banking account in respect of which the checks shall, except as otherwise provided by regulation, be signed by two members of the committee and the secretary. Also see "Authorized Investments." [Reg. 37]

Authorized Investments: A registered society may invest or deposit its funds:

- a. with the Post Office Savings Bank of Swaziland, a bank licensed under a law in Swaziland relating to the licensing of banks or such other bank as the registrar may approve for the purpose;
- b. with such other registered society as the registrar may approve for the purpose;
- c. in any security issued or guaranteed by the government of such country or territory as the commissioner (minister) may approve for the purpose; or
- d. in such other manner as the registrar may approve.

The registrar may allow a society to purchase shares in a company incorporated and registered under the Companies Proclamation if he/she is satisfied that the purchase is necessary and will be to the advantage of the society and the commissioner (minister) approves. [Proc. 43] [Reg. 51]

Capital Adequacy—Reserves

Equity Reserves: At least one-fourth of the net profits of a society as ascertained by the audit shall be carried to a reserve fund, which shall be employed in the manner prescribed.

The reserve fund may be used either in the business of the society or in capital expenditure, as the registrar may approve. Unless the registrar sanctions otherwise, all withdrawals from the reserve fund shall be made good from the next accruing available funds in the following financial year. The reserve fund is indivisible and no member is entitled to a specified share in it.

In the case of a registered society that does not normally make a profit from its business with or on behalf of its members, the society shall create a reserve fund of such amount as the business of the society may determine and the registrar may approve. [Proc. 44(1, 7)] [Reg. 55, 56, 57]

Loan Loss Allowance: The committee may, with the approval of the registrar, cause bad debts to be written off the books of the registered society in such manner and at such times as the registrar may deem fit. [Reg. 12(3)]

Special Reserves: Where the funds of a society are obtained by issuance of shares, a share transfer fund shall be set up, for the purpose of purchasing shares of members whose membership has been terminated with the consent of the committee.

The amount standing to the credit of the share transfer fund shall include the value of any unallocated shares purchased from members, and the amount shall not exceed 10 percent of the subscribed share capital of a society.

Powers of the Credit Union

General Powers: Registration of a society shall render it a body corporate, with perpetual succession and the power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings, and to do all things necessary for the purpose of its bylaws. [Proc. 8]

Borrowing: A registered society may receive loans from nonmembers as may be prescribed in bylaws or regulations:

The committee may borrow money on behalf of the registered society to a maximum amount fixed by the general meeting. The registrar may reduce the maximum amount from time to time. [Proc. 41] [Reg. 26(4)(f), 36, 52]

Merger: A registered society may divide itself into two or more societies, or two or more registered societies may amalgamate, with the approval of the registrar and the resolution passed by three-fourths majority of special general meetings held for the purpose. [Proc. 22, 23]

Liquidation: The registrar may order a society wound up and cancel its registration: after an inspection or inquiry, on application of three-fourths of the members of the society or if its membership falls below 10 persons. The registrar appoints the liquidator, whose powers to wind-up the society's affairs are detailed. [Act 49-59]

Federation or Association

Purposes: A secondary society may be formed to facilitate the operations of primary societies. [Proc. 4(b)]

Membership: Registered societies may be members of other registered societies. [Proc. 4]

Dissolution: Secondary societies are registered under the Proclamation. Dissolution is the same as for registered societies. See "Liquidation" above. [Proc. 3, 49-59]

Central Finance Facility

Purposes: Law and Regulation are silent.

Membership: Law and Regulation are silent.

Funds: Law and Regulation are silent.

Share and Deposit Protection

Purposes: Where the funds of a society are obtained by issuance of shares, a share transfer fund shall be set up for the purpose of purchasing shares of members whose membership has been terminated with the consent of the committee. [Proc. 39(2)(b), 45(1)]

Coverage: Law and Regulations are silent.

Membership: See "Purposes" above.

Funds: The amount standing to the credit of the share transfer fund shall include the value of any unallocated shares purchased from members, and the amount shall not exceed 10 percent of the subscribed share capital of a society. [Proc. 39(2)(e)]

TANZANIA

<i>Region</i>	Africa
<i>Federation</i>	The Savings and Credit Coop Union League of Tanzania Limited (SCCULT)
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	476 (2001)
<i>Number of Members</i>	136,750 (2001)
<i>Total Assets (US\$)</i>	N/A

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Legal Authority

Law: Tanzania Cooperative Societies Act, 1991. [cited as "Act"]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: A cooperative society is a group of persons who have voluntarily joined together with an object of promoting the economic and social welfare of its members. The society shall be operated democratically in accordance with cooperative principles to improve the material living conditions of its members, to satisfy the cultural needs of its members as well as to increase their social and political awareness and to promote cooperative education among its members. [Act 4]

A "savings and credit society" means a registered society whose principal objects are to encourage thrift among its members and to create a source of credit to its members at a fair and reasonable rate of interest. [Act 2]

Supervision and Regulation

Government Agency: The minister shall take such measures as he/she deems necessary to encourage the development of cooperative societies as a means of, among other things, improving the economic situation of their members and increasing personal and national capital resources by the encouragement of thrift, the prevention of usury and the wise use of credit. The minister may assist the organization of cooperative societies, facilitate the financing of societies, provide advice to assist officers and members of societies, provide or authorize such other services as may be necessary in carrying out the provisions of the Act and give directions to the registrar on matters relating to cooperative development. [Act 7(a,c), 8(a,b,c,g,h)]

Other Licenses Needed: The application for registration must include a report of a feasibility study indicating the viability of the society and the registrar must be satisfied of this. [Act 29-30]

The president shall appoint public officers to be registrar of cooperative societies and deputy registrar, and the minister shall appoint such number of assistant registrars as may be required. [Act 11(1)]

Other Institutions Regulated: The kinds of societies which may be formed and registered under the Act shall not be restricted in any manner. The Act enumerates various examples of societies which may be included, such as agricultural cooperatives, savings and credit societies, consumer cooperatives and industrial cooperatives, among others. [Act 21(1,2)(a,b,c,d)]

Reports: As soon as the annual accounts of a registered society have been audited the society shall cause to be sent to the registrar a copy of the audited balance sheet and statement of income and expenditure prepared in respect of that year together with any report made by the auditors thereon. [Act 48(4)]

The registrar may prescribe the returns to be submitted by registered societies to the registrar and the persons who have to submit those returns and the form in which those returns are to be made. [Act 51]

Inspections: The registrar may of his/her own motion direct some person to hold an inquiry into the constitution, activities and financial affairs of a registered society. The registrar may also make or cause to be made continuous inspection of a registered society. All officers and members of the society shall produce such books and documents and furnish such information as the inspector may require. [Act 93(1,2), 94(1)]

Regulations: The minister may, for any registered society or class of such societies, make rules to carry out the purposes of the Act. [Act 123(1)]

Enforcement: It shall be an offence under the Act if a registered society or any officer or member thereof wilfully neglects or refuses to do any act or furnish any information required for the purpose of the Act by the minister, the registrar or any other person duly authorized by either of them; or if a registered society or officer or member thereof wilfully makes a false return or furnishes false information; or if a registered society or officer or member thereof performs any act which requires the consent of the registrar without first having obtained such consent. Other offenses by act or neglect are defined. Fines and penalties are set. [Act 127(1,2)]

If the registrar, after an inquiry or an inspection, is of the opinion that a registered society ought to be dissolved,

he/she may by order in writing cancel the registration of the society. [Act 100]

Membership of Credit Unions

Common Bonds of Association: A person may not be a member of a primary society unless he/she is 18 years of age and of sound mind, is following a trade or occupation relevant to the society's object as defined in the bylaws, has a common need which the society seeks to satisfy and can pay fees and acquire shares. [Act 14(2)(b)]

Non-Natural Persons Eligible: "Primary society" means a registered society all of whose members are individual persons. "Secondary society" means a registered society whose membership is open only to primary societies. [Act 2]

Liability of Member: The liability of a member, present or past, shall be limited to the amount, if any, unpaid on the shares held by him/her, and his/her liability shall be known as liability limited by shares, unless the bylaws define member liability to be a greater amount, which shall be known as liability by guarantee. [Act 40(1,2)]

Direction and Administration

Annual Meeting of Members: The control of the affairs of a registered society shall be vested in the general meeting of the members summoned in accordance with the bylaws of the society and the rules. Such meeting shall have the following functions:

- a. the election, suspension or removal of members of the committee;
- b. the consideration and adoption of the annual balance sheet;
- c. the disposal of sums available for distribution;
- d. determining the amount of honoraria, if any, for unsalaried officers and committee members; and
- e. the acquisition or disposal by the society of all immovable property and of movable property above a prescribed value.

Every society shall hold a general meeting at least twice a year. [Act 62(1,2,3)]

Board of Directors and Committees: "Committee" means the governing body of a registered society to whom the management of its affairs is entrusted. The committee shall exercise all powers necessary to ensure the full and proper administration of the society subject to the bylaws, the rules and any resolutions passed at the general meeting. [Act 2, 64(1)]

Management and Employees: The committee may, in consultation with the apex society, if any, appoint a suitable person to administer and manage the affairs of the society and may employ such number of persons as the committee may think fit to assist such person in the discharge of his/her functions. [Act 64(2)]

Audits: The accounts of every registered society shall be audited at least once per year by the corporation or any such competent and qualified auditor appointed by general meeting and approved by the registrar. [Act 48(3)]

Liability of Officials: If a past or present officer has made or authorized an unlawful payment or by negligence or misconduct caused a deficiency or loss to the society, the registrar may surcharge such person for the cost of the loss or deferring. [Act 96]

Where a society is wound up and the registrar finds that any official is liable for any money or property, or is guilty of breach of trust or misfeasance, the registrar may order the person(s) to compensate the society as the registrar thinks just. [Act 110]

Conflicts of Interest: No member of the committee of a registered society shall hold any office of profit under the society. [Act 65(1)]

Surety Bond: Law is silent.

Shares and Deposits

Shares: The bylaws of a registered society shall provide for the raising of funds by issue of shares. [Act 69(1)(c)]

Deposits: A regular obligatory deposit shall be made in accordance with the bylaws and may not be withdrawn except under conditions specified in the rules, on termination of membership, or to secure a loan. Voluntary deposits may be withdrawn, subject to conditions in the bylaws. [Act 70(b,c)]

The bylaws of a registered society shall provide for the raising of funds to finance its activities by all revenue accruing to the society from savings and deposits made by its members. [Act 69(1)(e)]

Dividends and Interest: No society shall pay a dividend or bonus or distribute any part of its accumulated funds before the balance sheet has been audited by a duly authorized auditor and approved by the general meeting. No society with unlimited liability which advances money or goods to any member in excess of the money or value of the goods deposited by him shall pay a dividend during the period of 10 years from the date of its registration. [Act 79(1,2)]

Lien on Holdings: A registered society shall have a charge upon the shares or interest in the capital and on the deposits of a member and may set off any sum credited or payable to a member towards payment of any debt. [Act 55]

Loans

Purpose and Conditions: A registered society shall not make a loan to any person other than a member, or with the approval of the general meeting, another registered society. [Act 71(1)]

Rules of the minister may prescribe the payments to be made and the conditions to be complied with by a loan applicant. [Act 123(q)]

Approval Procedure: Law is silent.

Limits, Terms and Security: Rules of the minister may prescribe the period for which loans may be made, the amount and the manner of repayment. [Act 123(q)]

Except with the permission of the registrar a society shall not lend money on the security of any movable property other than produce or goods in which the society is authorized to deal. [Act 71(2)]

Interest Rates and Charges: The bylaws of a registered society shall provide for the raising of funds by revenue accruing from loans to nonmembers as provided under the bylaws and with the approval of the registrar. [Act 69(1)(d), 71(1)]

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: A registered society may invest its funds in interest-bearing deposit in the Cooperative Financial Institutions, Cooperative Rural Development Bank, the National Bank of Commerce or any financial institution such as may be approved by the minister. [Act 74(1)(a)]

Authorized Investments: A registered society may invest its funds:

- a. in the shares of any other registered society;
- b. in government bonds or other securities; or
- c. in such other investments as the minister may declare to be authorized. [Act 74(1)(b,c,d)]

Capital Adequacy—Reserves

Initial Organization: Law is silent.

Permanent Capital: See “Regular Reserve” below.

Regular Reserve: Every society which can or does derive a profit from its transactions shall maintain a reserve fund. A society with unlimited liability which advances money to a member in excess of his deposits shall carry one-fourth of the annual net surplus in the reserve fund. All other societies shall carry to the reserve fund such portion of the annual net surplus as may be prescribed by the rules and bylaws. [Act 80(1,2,3)]

The rules of the Minister may provide for the formation and maintenance of reserve funds and the objects for which the funds may be applied. [Act 123(r)]

Loan Loss Allowance: See "Permanent Capital."

Special Reserves: Law is silent.

Powers of the Credit Union

General Powers: The registration of a society shall render it a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings, to do all things necessary for the purposes laid down in its constitution. [Act 35]

Borrowing: The bylaws of a registered society shall provide for the raising of funds by borrowing from lending institutions or any other source under its general powers of raising money by borrowing. [Act 69(1)(g)]

Merger: Any two or more registered societies may resolve to amalgamate as a single society. Where the Registrar is satisfied with such resolutions and the proposed bylaws of the proposed amalgamated society and that the proposed amalgamation is not against the interests of the members involved, he/she may, by order published in the Gazette, amalgamate the societies. [Act 97(1,2)(a,b,c)]

Liquidation: The registrar may cancel the registration of a society, after an inquiry or inspection, or on application of three-fourths of its members, or if its members fall below 10 persons or if it fails to carry on business. The registrar appoints a liquidator, whose powers to wind-up its affairs are specified, depending on the circumstances which prompted the liquidation. [Act 100-122]

Federation or Association

Purposes: The objects of a secondary society are to facilitate operations of primary societies; provide services; and procure, process and sell all of members' products. [Act 17]

The objects of an apex society are to facilitate operation of secondary societies, provide them services, organize and coordinate their activities, render services designed to ensure efficiency and uniformity in conduct of business, represent them in collective bargaining and provide consultative or other auxiliary services. [Act 18]

A federation, when formed and registered, shall provide, organize and supervise effective centralized services for the member societies and for cooperative education and training and such other services as may be necessary or expedient for its members. [Act 20(1)]

Membership: Primary societies may form secondary societies, and secondary societies may form Apex societies. Apex societies may join and form a Federation. [Act 15]

Dissolution: Secondary societies, apex societies, and federations are registered societies. Dissolution procedures are the same. See "Liquidation" above. [Act 1, 15, 17-18, 20, 100-122]

Central Finance Facility

Purposes: See "Federation or Association" above.

Membership: See "Federation or Association" above.

Funds: Law is silent.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

TOGO	
<i>Region</i>	Africa
<i>Federation</i>	Fédération des Unions Coopératives d'Epargne et de Crédit du Togo
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	152 (2000)
<i>Number of Members</i>	133,461 (2000)
<i>Total Assets (US\$)</i>	\$21,041,785 (1999)

Rev: 3:00:alc

Legal Authority

EXPLANATORY NOTE: This country is part of the West African Monetary Union and affected by the common credit union legislation/regulations for the region.

Law: Savings and Credit Mutuals Act N° 95-014 of July 14, 1995. [cited as "Act"]

Ancillary Regulations to the Savings and Credit Mutuals and Cooperatives Act N° 95, Decree N° 96-038 of April 14, 1996. [cited as "Decree"]

Regulations: Cooperative Ordinance N° 13 of December 4, 1967. [cited as "Ord."]

Definition or Purposes of Credit Union

Definition: Savings and credit cooperatives (credit unions) and savings and credit mutuals, with variable shares, are capital-variable, non-profit corporate bodies organized with the purpose of mobilizing members' savings to grant credit among their members, based on mutual and cooperative principles. [Act. 2, 1] The Act also applies to their unions, federations and confederations.

Savings and credit cooperatives and mutuals remain regulated by the banking policies and/or agreements entered with the ministry. [Act 6]

The Act prevails over mutuals and savings and credit cooperative acts and banking regulations. [Act 8]

Supervision and Regulation

Government Agency: The Ministry of Finance [Act 15] is in charge of supervision and control of unions, federations or a confederation formed by savings and loan cooperatives and mutuals and, through them, supervises their affiliates. Supervision duties include verification and control of financial statements and examination. [Act 40]

At their own initiative or upon request from a ministry, the Central Bank and the banking commission may also directly inspect central finance facilities and all affiliated societies. [Act 67]

Other Licenses Needed: Savings and credit cooperatives fall under the jurisdiction of the Finance Ministry, from which they receive their incorporated status. [Act 15, 16] A central finance facility also requires authorization to operate from the banking commission. A confederation operating in several countries requires the authorization of the West African Monetary Union. Togo, being a member of this union, must register its financial institutions with the Union Central Bank and banking commission.

Other Institutions Regulated: Savings and credit mutuals also fall under the same jurisdiction as savings and credit cooperatives (credit unions). [Act 15]

Reports: Unions, federations and confederations in charge of supervising their affiliates may require them to file reports to fulfill their supervisory duties and powers [Act 57, 58]. Also, the ministry, (West African States) Central Bank and banking commission have the authority to demand all reports, documentation, statistics and any other information required for the same purpose [Act 64] from cooperatives, unions, federations, confederations and facilities. [Act 62] The financial statements must follow the normal standards of the activity. [Act 50]

Internal supervision reports must be filed with the ministry and those for central finance facilities must also be filed with the Central Bank and banking commission. [Act 65]

Inspections: Unions, federations and confederations are in charge of exercising supervisory powers over their affiliates and their central financial facilities (see below); they must elaborate their operational manuals and procedures under the condition that they conform to Central Bank and banking commission regulations. They should inspect at their affiliates at least once a year [Act 57]: financial practices and policies; reliability of accounting; credibility of internal supervision; and cooperative policies and procedures should be reviewed. [Act 58] The Central Bank and the banking commission may at their own initiative or upon request of the ministry conduct inspections of both central finance facilities and their affiliates. [Act 67]

Regulations: The Central Bank and the Banking Commission shall issue the rules and regulations required by and falling under their respective jurisdiction [Act 83]. Additional ancillary decrees shall regulate the proper application of the Act. [Act 82]

Enforcement: In case of proven infractions of the Act, supervised organizations are subject to disciplinary, monetary and penal sanctions. [Act 73, 76] According to their seriousness, such sanctions are: warnings, suspensions of directors, temporary intervention or cancellation of registration. [Act 74] The disciplinary sanctions shall be imposed by the banking commission. [Act 75] Enforcement measures apply equally to all institutions falling under the Act. [Act 65]

Membership of Credit Unions

Common Bonds of Association: Potential members may meet requirements of a common bond: professional, place of employment, residence, membership or purpose. [Act 20] The bylaws must provide for members' eligibility requirements. [Act 17, Decree 4.1]

Non-Natural Persons Eligible: Collective persons and corporations may become members if they meet the residence test within the cooperative's domicile. [Ord. 8]

Liability of Member: The members' liability is limited to the amount of their shares. [Act 22]

Direction and Administration

Annual Meeting of Members: The annual meeting is the highest administrative authority of the cooperative. It elects its governance bodies, controller and credit committee. [Decree 6, 14, 15]

Board of Directors and Committees: The board of directors is in charge of the sound management of the society and the setting interest rates and carries out the decisions made at the annual meeting. [Decree 13] The supervisory committee is in charge of supervision and verifying accounts, books and operations. [Decree 15] The credit committee approves loan applications under defined policies and procedures. [Decree 14]

Management and Employees: The cooperatives may be managed by directors/managers or by persons hired and appointed by the board of directors. [Ord. 15]

Audits: Act 95 distinguishes two types of audits. Annual internal audits of affiliated cooperatives are to be performed by a union, federation or confederation, following regulations issued by the Central Bank or the banking commission. The scope of the audits includes financial policies and procedures, reliability of accounting, efficiency of internal controls and cooperative policies and procedures. [Act 58] External audits may be performed by the Central Bank or the

banking commission in the cases of central finance facilities and any other societies under their overall supervision. [Act 67]

Liability of Officials: Directors are personally and jointly liable for willful and negligent acts. [Decree 24]

Conflicts of Interest: The same person cannot be a member of administration and supervision at any level of the network. [Decree 21]

Surety Bond: Laws and Regulation are silent.

Shares and Deposits

Shares: Registered, personal, non-negotiable and not-subject-to-encumbrances-by-third-parties shares, in the amount established by the bylaws, are contributions to capital. [Decree 3]

Deposits: No explicit provisions were found regarding deposits for either members or nonmembers.

Dividends and Interest: The bylaws of the society must contain rules regarding the payment of dividends after allocation to the legal reserve [Decree 4], which is also left to the annual meeting decision. [Decree 8.7] No provisions were found regarding interest rates on deposits.

Lien on Holdings: In the case of a member's withdrawal, expulsion or death, to the extent allowed, credit balances will be offset by debits. The member has no other claim against the organization. [Act 21]

Loans

Purpose and Conditions: The annual meeting has the legal power to determine the credit policies of the society. [Act 25, Decree 8.8] No other specifics were found.

Approval Procedure: The credit committee elected by the annual meeting has the authority to approve loan applications. [Decree 14] The loan policies shall be determined by the members meeting or by resolution of the administrative bodies. [Act 25]

Limits, Terms and Security: Loans to individuals may not exceed 10 percent of deposits, unless some collateral exists. Other limitations apply through Central Bank regulations. [Decree 53, 54, 55 and 56]

Interest Rates and Charges: The only explicit reference to interest rates obligates the board of directors not to allow the charging of usurious rates. [Decree 13.2]

Loans to Officials: A loan application by any official (director, administrator, supervisor or manager) must be approved by majority vote of the governance body

authorized to do so [Act 26], and the amount may not exceed his/her deposits as determined by regulation. [Act 27] The aggregate loans to officials may not exceed 20 percent of deposits. [Decree 52]

Investment of Funds

Deposit of Funds: No provision was found regarding the short-term placement of funds or demand funds.

Authorized Investments: Laws and Regulation are silent.

Capital Adequacy—Reserves

Initial Organization: No minimum capital is required by the Act.

Permanent Capital: Unions, federations and confederations must ensure that their affiliates maintain a balanced financial structure and must respect the standards. [Act 51]

Regular Reserve: The establishment of a legal reserve is compulsory, but the amount is not quantified. [Act 11.6]

Loan Loss Allowance: Laws and Regulation are silent.

Special Reserves: The annual meeting may decide the creation of voluntary reserves including a guaranty fund. [Decree 8.4]

Powers of the Credit Union

General Powers: Conditions and modalities of operation shall be determined by decision of the members' meeting or the board of directors by delegation. [Act 24] Savings and loan cooperatives may also enter into any agreement with similar bodies for the benefit of their members or their corporate purposes, including the purchase of individual or group insurance for their membership and their operations. [Act 28]

Borrowing: No explicit authority to borrow was found in the bylaws, annual meeting or board or director powers. However, a financial facility can grant loans to its affiliates as part of its purpose. [Act 56]

Merger: Two or more cooperatives may merge to form a new one [Act 32]; the merging procedures are established by Decree 26.

Liquidation: The Act allows cooperatives to be liquidated compulsorily by the ministry or voluntarily by members. [Act 33] Unless otherwise contained in the Act, the liquidation procedure to be followed is the same as that applicable to commercial corporations. [Act 37]

Federation or Association

Purposes: Two or more cooperatives may establish a union. [Act 38] The most relevant purposes of a duly-registered union are to verify and control the accounts and financial statements of the affiliates and to examine their operations. This includes the corporate financials. [Act 40, 2]

Two or more unions may establish a federation. A duly-authorized federation performs with affiliate unions similar administration, technical and financial supervision as unions perform with cooperatives. [Act 42] Unions and federations have some explicit regulatory powers related to administration, to accounting and financial planning and to defining prudential rules to be applied by the financial corporate, if there is one. [Act 43]

To operate in more than one country, a federation and or confederation must first obtain an authorization from the West African Monetary Union. [Act 46]

Membership: See "Purposes" above.

Dissolution: Voluntary and compulsory dissolution are dealt with by Acts 33 and 34. Union, federation or financial facilities affiliates may request their participation. [Act 35]

Central Finance Facility

Purposes: A central financial facility is a corporate structure created by a network of organizations with the purpose of centralizing and managing the resources of such a network. A network is a group of cooperatives or mutuals affiliated with a union, federation or confederation. [Act 2.6, 2.8, 56] The facility's purposes are to centralize and manage the excess liquidity of its affiliates, to act as a clearinghouse and to administer guaranty funds.

Membership: See "Purposes" above.

Funds: The central financial facility may issue shares and obtain loans under legislated conditions and is authorized to receive deposits from the public. [Act 56]

Share and Deposit Protection

Purposes: Laws and Regulation are silent.

Coverage: Laws and Regulation are silent.

Membership: Laws and Regulation are silent.

Funds: Laws and Regulation are silent.

UGANDA

<i>Region</i>	Africa
<i>Federation</i>	Uganda Savings and Credit Union Ltd. (UCSCU)
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	243 (2001)
<i>Number of Members</i>	307,500 (2001)
<i>Total Assets (US\$)</i>	\$5,190,311 (2001)

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Legal Authority

Law: The Cooperative Societies Act , 1970. [cited as "Act"]

Regulation: The Cooperative Societies Regulations, 1971 [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: A society which has for its object the promotion of the economic interests of its members in accordance with cooperative principles and which in the opinion of the registrar is capable of promoting those interests may be registered.

Bylaws shall provide for the objects for which a society is established. [Act 2] [Reg. 6(1)(c)]

Supervision and Regulation

Government Agency: The minister of agriculture, forestry and cooperatives may delegate any of the functions exercisable by him to the registrar.

The commissioner and deputy commissioner for cooperative development shall be the registrar and deputy registrar for cooperative societies. [Act 1, 84]

Other Licenses Needed: Act and Regulations are silent.

Other Institutions Regulated: Societies to dispose of agricultural produce and to supply commodities to members are referred to. [Act 31, 42(3)]

Reports: Results of the annual audit shall be reported to the minister.

Annual estimates of income and expenditure by a society, and any supplementary estimates, confirmed by a general meeting of the society, must be submitted to the minister for approval, and no expenditure may be made without the minister's approval.

Regulations may prescribe the returns to be submitted to the registrar. [Act 21, 23, 79(2)(w)] [Reg. 12(4), 16, 36]

Inspections: The minister may, of his/her own motion, and shall, on the application of not less than two-thirds of the members present at a general meeting, hold an inquiry or direct some person to do so, into the constitution, working and financial condition of a registered society.

The registrar may inspect the books of a society on application of a creditor, and communicate the results to him/her.

All persons involved with a society must produce all documents and cash and furnish any information as required by the registrar. [Act 28, 51, 54]

Regulations: The minister may make regulations for the carrying out of the provisions and purpose of the Act. [Act 79(1)]

Enforcement: The minister may on his/her own motion or after an inquiry convinces him/her the working or financial condition of a registered society is unsatisfactory, appoint a person to manage and administer the affairs of the society. He/She may dissolve the committee or remove any member of it. He/She may call a general meeting to elect a new committee or appoint an interim committee from among the members of the society.

When a supervising manager has been appointed, the registrar shall report to the annual general meeting of the society the state of the affairs of the society.

If the minister, after an inquiry or inspection, or on receipt of an application made by three-fourths of the members of a registered society, is of the opinion the society ought to be dissolved, he/she may order cancellation of its registration. Upon cancellation, the registrar may appoint a liquidator to wind up the society's affairs under the registrar's supervision.

Disputes touching the business of a society may be referred to the registrar, who may decide them himself/herself, or refer them to an arbitrator or arbitrators. Appeals from registrar's decisions lie to the minister. Points of law in a dispute may be referred to the High Court.

Contravening or failure to comply with reporting provisions of the Act, or with provisions regarding directed amalgamation or division of a society, are offenses punishable by fines. Improper payment by or receipt of remuneration by a society may result in fines or imprisonment or both, and restitution may be ordered. Various listed offenses carry punishments of fines or imprisonment or both. [Act 23, 27(8), 52, 53, 57, 63, 64, 65, 68, 70, 71, 72, 73, 77, 81, 82]

Membership of Credit Unions

Common Bonds of Association: A society must have at least 10 persons as members to register, or it must have at least one registered society as one of its members.

Persons must be 18 years old, and a resident within or occupy land within the society's area of operation as described by the relevant bylaw. Bylaws shall define the qualifications for membership.

Save with the consent of the registrar, no person shall be a member of more than one registered society having the same or similar objects. A registered society may, with the approval of the registrar, limit the number of its members for economic reasons.

Regulations may prescribe the conditions to be complied with by persons applying for admission to a society and for the election and admission of members. [Act 3, 12, 16, 79(2)(c)] [Reg. 6(1) (d, e), 11]

Non-Natural Persons Eligible: No company incorporated or registered under the Companies Act, and no unincorporated body of persons, shall be entitled to become a member or a registered society, except with the written permission of the registrar.

A registered society may be a member of another registered society. [Act 3, 15]

Liability of Member: Societies may be registered with or without limited liability provided that a cooperative union or apex society shall be registered with limited liability.

Bylaws shall define the nature and extent of liability of members. No person shall be a member of more than one registered society with unlimited liability.

The liability of a past member for the debts of a society as they existed at the time he/she ceased to be a member shall continue for two years. The liability of the estate of a deceased member shall continue for one year after the time of his/her decease. [Act 2, 16, 36, 37] [Reg. 6(1)(g)]

Direction and Administration

Annual Meeting of Members: Supreme authority in a registered society shall be vested in the general meeting. The committee shall convene an annual general meeting, or if it fails to do so, the registrar may convene it. Special general meetings may be called.

The chairman, treasurer and members of the committee are elected at the annual general meeting.

Regulations and bylaws shall provide for general meetings of the members and for the procedure at such meetings and the powers to be exercised at such meetings.

Each member shall have one vote as a member in the affairs of a registered society, provided that a registered society, a cooperative union or an apex society which is a member of any other registered society shall have as many votes as prescribed by the bylaws. [Act 17, 79(2)(e)] [Reg. 6(1) (j,k), 6(3)(a), 17, 18, 20, 21]

Board of Directors and Committees: Every registered society shall elect a committee consisting of a chairman, vice-chairman, treasurer and not less than two nor more than six members or such other number as the registrar may specify. The committee shall be the controlling authority of the society.

No officer or member of a registered society shall receive any remuneration for services to the society, or from any person other than the society, in respect to the society's business, unless approved by resolution passed at a general meeting after consultation with the registrar.

Regulations and bylaws shall provide for the appointment, suspension and removal of members of the committee and other officers and their powers and duties. [Act 77, 79(2)(f)] [Reg. 6(1)(k), 6(3)(c), 24, 25, 26, 30]

Management and Employees: The committee shall appoint a secretary. If the secretary is a paid employee he/she shall not become a voting member of the committee. The registrar shall determine the qualifications of the secretary, manager, accountant or any other officer of a society.

The minister may appoint a secretary/manager, factory manager, accountant or other officer whom he may think fit for any society or cooperative union. Bylaws shall provide the terms and conditions of employment (to be approved by the registrar) for any paid staff. [Act 79(2)(f), 86] [Reg. 6(3)(b); 27(1,3)]

Audits: The minister shall cause the accounts of every registered society to be audited at least once a year. The audit shall include an examination of overdue debts, if any, and of the valuation of the assets and liabilities of the society. The auditor shall at all times have access to all books, accounts, papers and securities of a society, and every officer shall furnish such information as required. Results of the audit shall be communicated to the minister and the committee of the society.

Regulations may provide for audit of the accounts and books to be kept by a society. Bylaws shall provide the manner in which books of account shall be kept. [Act 21, 79(2)(g)] [Reg. 6(1)(o), 12(1, 2, 3)]

Liability of Officials: Members of the committee shall be jointly and severally liable for any loss sustained by the registered society through any act which is contrary to law, the bylaws of the society or the directions of any general meeting.

Where it appears that any person who has taken part in the organization or management of a registered society or any past or present officer of the society has misappropriated or retained or become liable or accountable for any money or property of the society or has been guilty of misfeasance or breach of trust in relation to the society, the registrar may order him/her to repay or restore the money or property, or contribute such sum as he/she thinks just by way of compensation. Any person aggrieved by such order may appeal to the minister. [Act 70, 71] [Reg. 26(4)]

If an officer of a cooperative society being dissolved is found to have misappropriated or retained or become liable or accountable for any money or property, or has been guilty of misfeasance or breach of trust, the registrar may order the person(s) to compensate the society as the registrar thinks just. [Act 70]

Conflicts of Interest: No person shall be eligible for membership of a committee of a registered society if, in the case of a society that lends money to its members, he/she lends money on his/her own account. [Reg. 25(d)]

Surety Bond: The committee may require any person appointed secretary to give such security as it thinks fit for the honest and diligent carrying out of his/her duties. [Reg. 27(2)]

Shares and Deposits

Shares: No member other than a registered society shall hold more than one-fifth of the paid-up share capital of any cooperative society.

Regulations may prescribe the manner in which funds may be raised by means of shares or debentures or otherwise. [Act 13, 79(2)(d)]

Deposits: Bylaws shall provide the manner raising funds, including the fixing of the maximum rate of interest on members' deposits, if any.

A registered society shall receive deposits and loans from persons who are not members only to such extent and under such conditions as the minister may direct. [Act 43] [Reg. 6(1)(i)]

Dividends and Interest: No registered society shall pay a dividend or bonus or distribute any part of its accumulated funds without the prior written consent of the registrar that a balance-sheet has been lodged with him/her disclosing the surplus funds out of which the dividend, bonus or distribution is to be made.

No registered society shall pay a dividend to its members exceeding the maximum rate prescribed by regulations, which rate shall not in any case exceed 10 percent per annum.

No society with unlimited liability which advances money or goods to a member in excess of money or goods deposited by him/her shall pay a dividend before 10 years from the date of its registration without the sanction of the registrar.

Subject to the above provisions and after contributions to reserve funds, a net balance may be distributed as prescribed by regulations and bylaws.

Bylaws shall provide the maximum rate of interest on members' deposits, if any. [Act 46, 48, 79(2)(t)] [Reg. 6(1)(i), 39]

Lien on Holdings: A society shall have a first charge on the shares or interest in the capital and on the deposits of a member or past member and upon any dividend, bonus or accumulated funds payable to a member or past member in respect of any debt due from such member or past member to the society, and may set-off any sum credited or payable in or toward payment of such debt.

Shares or interest in the capital of a registered society shall not be otherwise liable to attachment.

Subject to prior claims of the government or of landlords in respect of rent, a society shall have a first charge on produce or other assets obtained with money lent by the society. [Act 31, 33, 34, 35]

Loans

Purpose and Conditions: Bylaws shall provide for the purposes of loans. No loans may be made save in accordance with those purposes. A registered society shall not make a loan to any person other than a member, provided that with the sanction of the registrar, a society may make a loan to another society.

The minister may restrict or prohibit the lending of money on a charge of immovable property.

A society among whose objects is the supply of commodities to its members shall not make any loan or allow any credit without the sanction of the minister.

Regulations may fix the conditions under which a society may grant loans to its members. [Act 42, 79(2)(q)] [Reg. 6(2)(d), 38(1)]

Approval Procedure: Regulations may fix the conditions to be complied with by members applying for loans. [Act 79(2)(q)]

Limits, Terms and Security: Regulations may fix the maximum amount of loans and the amount which may be lent to an individual member and prescribe payments to be made and the period for which loans may be made.

Bylaws shall fix the maximum amount which may be lent to a member and the security for repayment. [Act 79(2)(q)] [Reg. 6(2)(b,c,e)]

Interest Rates and Charges: Bylaws shall provide the rate of interest on loans. [Reg. 6(2)(a)]

Loans to Officials: A member of the committee of a registered society may not borrow any money from the society without the registrar's written approval. [Reg. 38(2)]

Investment of Funds

Deposit of Funds: See "Authorized Investments".

Authorized Investments: A registered society may invest or deposit its funds only (a) in a registered cooperative bank; (b) in any registered company or statutory corporation approved in writing by the minister; (c) in any bank or financial institution incorporated in Uganda; (d) in and upon such investment of trust funds; or (e) in such other mode as may be approved by the Minister.

Regulations may provide for the investment of any funds under the control of the society. [Act 45, 79(2)(r)] [Reg. 32, 34(3)]

Capital Adequacy — Reserves

Equity Reserves: Every society shall maintain a reserve fund to which shall be paid 25 percent of the net gain or surplus resulting from its operations during the financial year, or such lesser amount as the registrar may approve.

A society with unlimited liability which advances money or goods to a member in excess of money or goods deposited by him, shall carry at least one-fourth of the net surplus in each year to the reserve fund. [Act 47, 79(2)(r)] [Reg. 34]

Loan Loss Allowance: Law and Regulations are silent.

Special Reserves: Every society shall maintain a share transfer fund and allocate annually to it out of its surplus, if any, an amount to be determined by the registrar, not exceeding 5 percent of the registered society's share capital. [Reg. 42]

Powers of the Credit Union

General Powers: A society on registration shall become a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold movable and immovable property of every description, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purpose of its constitution. [Act 29]

Borrowing: A registered society shall receive deposits and loans from persons who are not members only to such extent and under such conditions as the minister may direct.

Regulations may prescribe the manner in which funds may be raised by means of shares or debentures or otherwise. Charges to secure debentures or book debts of a registered society or for other purposes, must be registered. [Act 43, 79(2)(d), Schedule 1] [Reg. 37]

Merger: Any two or more registered societies may amalgamate; a society may transfer its assets and liabilities to another society, with the approval of resolutions passed by three-fourths majority of general meetings and the approval of the registrar.

A society may divide itself into two or more societies, with the approval of resolution passed in general meeting by three-fourths majority, and a confirming resolution passed not less than three months later by at least two-thirds majority, and the approval of the registrar.

Where the minister is satisfied that it is in the public interest, or it is in the interest of the cooperative movement, or it is for the purpose of securing proper management of any society, he/she may direct that any two or more societies shall amalgamate or be divided. [Act 24, 25, 26, 27] [Reg. 15]

Liquidation: The minister may order cancellation of a society's registration, after an inspection or inquiry, or on application by three-fourths of the members of the society. The registrar may order a registration canceled, if the number of members in a society falls below 10 persons.

Where a society is to be wound up, the registrar appoints the liquidator, whose powers are specified. Upon dissolution, the reserve funds shall be applied to discharging the liabilities of the society and repayment of the share capital. Provisions of the Companies Act apply to dissolution of cooperative societies. [Act 57-64, Reg. 35, 44-46]

Federation or Association

Purposes: Cooperative unions and apex societies are referred to. Approval of the Minister is required before registering an apex society or cooperative union. An apex society includes a society established to serve the cooperative movement by providing facilities for banking, insurance and the supply of goods or services. [Act 2, 5, 87]

Membership: Cooperative union is a registered society the membership of which is restricted to primary societies. An apex society's membership is restricted to cooperative unions. [Act 87]

Dissolution: Apex societies and cooperative unions are registered societies. Dissolution is according to the same liquidation requirements. See "Liquidation" above. [Act 2]

Central Finance Facility

Purposes: See "Federation or Association" above.

Membership: See "Federation or Association" above.

Funds: Law and Regulation are silent.

ZAMBIA

<i>Region</i>	Africa
<i>Federation</i>	Credit Union Savings Association of Zambia
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	603 (1995)
<i>Number of Members</i>	304,650 (1995)
<i>Total Assets (US\$)</i>	\$4,215,361 (1995)

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Share and Deposit Protection

Purposes: An apex society is defined to serve the cooperative movement by providing facilities for insurance. [Act 79(2)(i), 87] [Reg. 41]

Coverage: Law and Regulation are silent.

Membership: Membership in an apex society is restricted to cooperative unions. [Act 87]

Funds: Law and Regulation are silent.

Legal Authority

Law: Cooperative Societies Act, 1972.[cited as "Act"]

Regulation: Cooperative Societies Rules, 1972.[cited as "Reg."]

Definition or Purposes of Credit Union

Definition: A credit union may be registered for the promotion of thrift among its members and the creation of a source of credit for its members at controlled rates of interest exclusively for provident or productive purpose. [Act 53]

Supervision and Regulation

Government Agency: The director of cooperative societies and a registrar of cooperative societies and their appointees and deputies are named to carry out the functions prescribed in the Act. [Act 8, 9]

Other Licenses Needed: Act and Rules are silent.

Other Institutions Regulated: The Act regulates but is not limited to:

societies for rural development; cooperative services for produce of natural products; building construction and housing societies; artisans', craftsmen's and contracting societies; consumers' societies; and community service societies. The Act provides that the other societies regulated may provide credit and savings services to their members. [Act V, VI, VII, IX, X, XI]

Reports: The annual audit and financial statements, and any other returns he/she may require shall be presented to the registrar. [Act 140(4), 143(2), Reg. 54(e)(d)]

Inspections: The registrar may order an investigation of the affairs of a credit union to safeguard the interests of the members or the rights of creditors. He/She shall have at all reasonable times access to all documents and information necessary to the investigation. The registrar

has the power to summon officers, employees or members; to require the production of documents; and to examine officers of the society on oath. The results of an investigation may be reported to the members in a special general meeting. [Act 140, 142]

Regulations: The minister may make rules for carrying out the provisions of the Act. [Act 156]

Enforcement: Where the registrar is of the opinion that the manner or amount of loans being made threatens the financial stability of a credit union he/she may suspend loaning operations.

Anyone who falsifies documents, or fails to obey or contravenes the Act, is subject to fines or imprisonment or both. Restitution may be ordered if misfeasance or misappropriation is discovered.

Registration may be cancelled for failure to file returns.

The registrar may order dissolution of a society if it exists for illegal purposes, if its registration was obtained by fraud or mistake, if it contravenes the Act, if it no longer operates in accordance with cooperative principles, if its membership falls below the minimum number required, if it goes out of business or cannot continue in business.

The registrar may decide disputes or refer them to an arbitrator. Questions of law in a dispute may be referred to the High Court.

Officers or elected directors may be removed from office by the registrar for misfeasance, and new officers or directors appointed in their place. The registrar may appoint an administrator to operate a society to safeguard its interests until the registrar is satisfied management can be resumed by a society's own personnel, or until a liquidator is appointed.

Where registration is ordered cancelled, the registrar shall appoint a liquidator. [Act 143, 146, 147, 154, 155, 162, 163, 170, 171] [Reg. 66]

Membership of Credit Union

Common Bonds of Association: Any 10 or more persons or two or more societies desiring to associate themselves together to form a society in accordance with cooperative principles may register. Members must be at least 16 years old or, if bylaws permit, may be under 16.

Credit union membership shall be drawn from groups of persons having a common bond of occupation or association, or from groups living within a well-defined neighborhood or community, or within a rural or urban district. Members must be residents or occupy land within the society's areas of operation. Bylaws shall

specify the common bond of occupation or association or residence. [Act 10, 55, 93, 94, 95] [Reg. 12, 58(2)]

Non-Natural Persons Eligible: With the approval of the registrar, a municipality or other public body or labor, agricultural, benevolent or fraternal, charitable, educational or community welfare organization may join a credit union. Membership of the organizations must come from the same general groups as the credit union. Another credit union or registered society may join a credit union. [Act 56] [Reg. 59]

Liability of Member: All societies under the Act are of limited liability. Every member shall be individually liable to the creditors of a society for the debts and liabilities of the society in a sum not exceeding the amount, if any, unpaid on the shares allotted to him/her, if any, or on his/her membership fee, as the case may be, until the whole amount of his/her shares or membership fee has been paid up. Liability of a past member or the estate of a deceased member shall continue for two years. [Act 12, 15, 107]

Direction and Administration

Annual Meeting of Members: Authority of the members as joint owners of the business and property of a society shall be vested in the annual general meeting and any special meetings. If a society fails to hold an annual meeting the registrar may convene it. Every society shall provide in its bylaws for an annual general meeting, and other meetings.

At its annual and other general meetings, the board of directors is elected. The credit committee is also elected, (unless the bylaws provide that the credit committee shall be appointed by the board of directors), and the supervisory committee (unless the bylaws provide that one member of the supervisory committee shall be appointed by the board of directors). The term in office of the directors shall be prescribed in the bylaws.

Each member has one vote only. Voting by proxy is prohibited. A society which is a member votes as prescribed in the bylaws. [Act 56, 61, 99, 101, 115, 123, 127, 128] [Reg. 16]

Board of Directors and Committees: Bylaws shall prescribe the composition of the board of directors and their terms in office. A director must be a member of a society or a delegate to it. No employee of the credit union, other than the secretary shall be a director. No director nor member of the credit committee may be a member of the supervisory committee. The registrar may appoint special directors, not to exceed one-third of the number on the board, and special officers, if the government is involved in financing the society, or if he/she see fit.

The board of directors shall determine the maximum individual shareholdings, maximum individual loans

and aggregate loans, determine interest rates on loans and deposits, declare dividends, make and have charge of investments other than loans to members.

The credit committee shall have general supervision of all loans. The credit committee shall report monthly to the board of directors and annually to the general meeting.

The supervisory committee shall regularly examine into affairs of the credit union. It may suspend officers and may call general meetings and send to the registrar reports of its examinations.

The board of directors may appoint special committees. [Act 20 second schedule (11, 15), 61, 62, 63, 73, 74, 116, 161] [Reg. 40]

Management and Employees: A society has the power to appoint employees, fix terms and conditions of employment and pay them. The board of directors shall have power to appoint officers. [Act 19 first schedule (x)] [Reg. 48(b)]

Audits: The supervisory committee shall conduct an annual audit, unless the registrar appoints an auditor, where the share capital and deposits combined exceed such an amount as prescribed by the minister, he/she may require an audit by a professional accountant. The annual audit is to include an evaluation of all loans. The report of the auditor must be presented to the annual general meeting. [Act 74, 75, 140] [Reg. 54, 96, 97]

Liability of Officials: An officer or employee who lends credit union funds without the required approvals is guilty of an offense.

Directors or other officers of a society are jointly and severally liable for transactions made in contravention of the Act. [Act 71, 119]

Conflicts of Interest: A director must disclose any interest in any society company or organization with which his/her society proposes to enter into a contract, and shall not vote in respect to such contract.

Officer or employees in competition with a society's business or trade for profit must vacate their offices, or be liable to removal by the registrar or the directors. [Act 113(3)] [Reg. 57]

Surety Bond: Directors shall require persons who handle money to give security or fidelity bond. [Act 121] [Reg. 48(d)(i)]

Shares and Deposits

Shares: A credit union has the power to receive savings of its members as payments on shares and as deposits. Bylaws shall prescribe the value of each share and the terms of ownership, including transfer and redemption. Shares may be paid for in installments. Bylaws may prescribe the minimum number of shares. No member

other than a society may hold more than one-fifth of the shares of a society. [Act 19, first schedule (g), 20 second schedule (4)(6), 57, 76, 104]

Deposits: A credit union may receive deposits from its members, from other societies, from the government of Zambia or its agencies, from municipalities and from any company the majority of whose shareholders are members of the credit union.

Deposits received for a stipulated term, prescribed in the bylaws, shall not in aggregate exceed the paid up share capital of the credit union. [Act 57(a), 77(3)] [Reg. 60]

Dividends and Interest: After determining the net surplus, the board of directors shall present a declaration to the annual general meeting which may provide a dividend of not more than 6 percent per annum on all paid up shares, and that the remainder be divided amongst the members as a borrower dividend in proportion to the amount of interest paid by them on all loans or on specified classes of loans during the preceding financial year. [Act 79(2)]

Lien on Holdings: Every society shall have a lien on the shares or other interest of a member for debts. Subject to prior claims a society shall have a charge on crops or other assets purchased or produced from any loan by the society.

Shares are not liable to attachment in court proceedings. [Act 98, 105, 108]

Loans

Purpose and Conditions: A credit union may make loans to its members for provident or productive purposes. Loans may be made to members only, but a guarantor who endorses repayment of a loan need not be a member.

Loans may be made for purchase of land and erection of buildings for farming, personal or business use, as prescribed by the rules, but not for business operations except as allowed by rules.

Where there are more applications for loans than funds available, preference shall be to smaller loans and loans for individual members other than for business purposes. [Act 19 first schedule (f) 57(b), 64(1)(8), 67, 70] [Reg. 61, 62, 65, 76]

Approval Procedure: Application for a loan shall set forth the purpose of the loan, the security offered and such other information as the credit committee requires.

In the case of loans for land or buildings for farming, personal or business use, approval must come by majority vote of the following persons meeting together: a majority of the credit committee, two or more directors and one member of the supervisory committee. [Act 64(3), 68]

Limits, Terms and Security: Except for loans of small amounts as may be prescribed in the rules, the credit committee shall require security for loans.

Lending on mortgage of immovable property shall be subject to approval of the registrar.

No loans may be made to a borrower if the aggregate loaned to the borrower is in excess of 8 percent of the paid up capital, surplus and deposits of the credit union. However, if the bylaws permit, a greater amount may be loaned to a municipality or government agency, provided the aggregate does not exceed one-quarter of the paid-up capital, surplus and deposits.

Loans made to member society or other organization may not exceed one-quarter of the combined paid-up capital and deposits of the credit union.

A credit union shall not make any loans if the aggregate of its reserves is less than 10 percent of its paid-up capital and deposits.

Total loans for land and buildings may not exceed one-fourth of the paid-up capital, surplus and deposits. [Act 56(3), 64(4)(7), 65(1), 66, 67(3)] [Reg. 61, 62]

Interest Rates and Charges: The interest rates on loans shall not exceed 1 percent per month on unpaid balances. [Act 72]

Loans to Officials: No officer is allowed to borrow in excess of his/her shares and deposits and assigned other assets unless the application is approved by a majority vote taken in the absence of the official, of: a majority of the members of the credit committee, two or more directors and one member of the supervisory committee. [Act 69] [Reg. 64]

Investment of Funds

Deposit of Funds: A credit union may deposit money in commercial banks in Zambia, the Post Office Savings Bank, registered building societies, loan companies and trust companies authorized to receive money on deposit, and with any federation registered under Part XII and authorized to receive money on deposit. [Act 57(c)]

Authorized Investments: A credit union may invest in any stocks, bonds or securities of the government of Zambia, and with the approval of the registrar, to an extent not exceeding one-quarter of its capital, in paid-up shares of other credit unions or in securities issued by and secured by first mortgage on immovable property of a society, or to an extent not exceeding one-half of its capital in paid-up shares of any federation registered under Part XII, with objects of making loans to and accepting deposits from its members societies.

Provided that the total amount of investments made by a credit union under this paragraph, other than in stocks, bonds and securities of the government of Zambia, shall not exceed one-half of its capital. [Act 57(d)] [Reg. 101]

Capital Adequacy—Reserves

Initial Organization: The registrar may require information before registering a cooperative society showing whether the capital to be furnished initially by the applicants and other persons expected to become members is sufficient for the commencement of operations. [Act 11(1d)]

Permanent Capital: See "Regular Reserve" below.

Regular Reserve: Every society which derives a surplus from its yearly transactions shall maintain a reserve fund. Bylaws prescribe constitution of the reserve. The reserve fund is used to protect the financial position of the society. Where a reserve fund is depleted or reduced, the registrar may direct that a greater portion or all of the surplus be transferred to the reserve. [Act 20-second schedule, 23; Reg. 100]

Loan Loss Allowance: A credit union shall set aside 20 percent of the year's surplus in a reserve fund against uncollectible loans and probable future losses, until it equals 10 percent of the outstanding loans repayable to the credit union, or such other greater amount as the bylaws or rules prescribe.

Where the total charged to the fund are greater than the amount in it, no further payments may be made to members until the charges are paid off. [Act 79] [Reg. 95]

Special Reserves: Every credit union shall maintain a reserve to meet withdrawals of moneys in share and deposit accounts, not less than 10 percent of the share and deposit liabilities. [Act 78(1)]

Powers of Credit Union

General Powers: Registration renders a society a body corporate, with limited liability, the power to hold property, enter into contracts, institute and defend legal proceedings and do all things necessary to achieve its objects. [Act 13, 60]

Borrowing: A credit union may borrow against its assets so long as the balance owing by the credit union in respect of all money borrowed at no time exceeds one-half of its combined capital, assets and deposits. [Act 57, 58]

Merger: Societies may amalgamate, transfer their engagements to another society or divide themselves

into two or more societies, with the approval of the registrar and by special resolution of the membership. [Act 144, 145]

Liquidation: The registrar may cancel the registration of a society if satisfied that: the registration was obtained by fraud or mistake; the society exists for an illegal purpose; the society contravenes the Act, Rules or bylaws; it no longer operates in accordance with cooperative principles; the number of members has fallen below the prescribed minimum; the society is no longer in business or operation; or the results of an investigation show that the society is unable to continue in business. The registrar controls the liquidation, and appoints the liquidator, whose powers are detailed. [Act 146-153]

Federation or Association

Purposes: A federation may be registered to carry on cooperative enterprises for agriculture, cooperative savings and credit services, and other activities including education on cooperative principles and operations, managerial efficiency and uniformity and provision of bookkeeping and auditing services. Audits by a federation may be required. [Act 19 first schedule (j,k), 91, 141] [Reg. 107]

Membership: Societies and cooperative unions may be members. Rules may require membership in a federation which provides auditing services. [Act 19 first schedule (j, k), 91]

Dissolution: Federations or cooperative unions, as registered societies, are dissolved in the same way as primary societies. See “Liquidation” above. [Act 91, 146-153]

Central Finance Facility

Purposes: See “Federation or Association” above.

Membership: See “Federation or Association” above.

Funds: See “Federation or Association” above.

Share and Deposit Protection

Purposes: See “Federation or Association” above.

Coverage: Law and Regulation are silent.

Membership: See “Federation or Association” above.

Funds: See “Federation or Association” above.

ZIMBABWE

<i>Region</i>	Africa
<i>Federation</i>	National Association of Cooperative Savings & Credit Unions of Zimbabwe
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	46 (2001)
<i>Number of Members</i>	35,159 (2001)
<i>Total Assets (US\$)</i>	\$5,841,193 (2001)

Rev. 3-00:rs

Legal Authority

Law: The Cooperative Societies Act, Chapter 24:05. [cited as “Act”]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: In addition to operating according to cooperative principles, every cooperative society shall have these objects:

- 1) promoting the economic and social interests of its members in accordance with government policy;
- 2) performing any economic or social activity in the interests of its members; and
- 3) participating in the overall economic and social development of the nation by increased production, improvement of supply and marketing channels and the mobilization of human resources. [Act 7, 8]

Their bylaws shall include the objects of the society. [Act 23(1) Schedule (A)(3)]

Supervision and Regulation

Government Agency: The administration of the Act is assigned to the minister of community and cooperative development and women's affairs (or any other minister the president may assign). The minister may delegate any of his functions to the registrar of cooperative societies, except the making of regulations. [Act 2, 121(1)]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: The Act regulates any form of cooperative society, specifically referring to one which disposes of any commodity or article produced or obtained by the work or industry of its members. [Act 29(1)]

Reports: Every registered society shall submit to the registrar an annual report on its activities during the year, together with copies of the audited financial statement of the society and the audit report for that year. He/She may also require advance notice, agendas, etc. of all general meetings and meetings of the management committee. Other returns and information may also be required by the registrar. [Act 36, 119(d), (e)]

Inspections: The registrar may at any time: 1) inspect the records, books and accounts of any registered society; and 2) carry out a physical check of the property and assets, including stock and cash in hand, held by a registered society. [Act 112]

The registrar may also at any time conduct an inquiry into the constitution, administration, management or finances of a registered society, or audit the accounts of a registered society. [Act 113(1)]

Regulations: The minister may make regulations providing for all matters which by the Act are required or permitted to be prescribed or which in his opinion, are necessary or convenient to be provided for in order to carry out the provisions of the Act. [Act 124(1)]

Enforcement: The Act provides fines and/or imprisonment for offences in connection with a wide range of activities, including hindrance of the registrar's powers in relation to inspection, inquiry or audit (fine and/or imprisonment) [Act 114], and improper use of the word cooperative (fine). [Act 122]

The registrar may attend any meeting of a supervisory committee [Act 69], any general meeting [Act 119(a)(i)] and any meeting of the management committee [Act 119(a)(ii)]. He/She may rescind any resolution or action [Act 119(c)] and administer the affairs of the society under certain specified conditions. [Act 120]

He/She may also wind-up a society and cancel its registration under conditions specified in the Act. [Act 102-110]

Membership of Credit Unions

Common Bonds of Association: A person is qualified for membership in a primary society if he/she is a natural person of legal age and a citizen of or ordinarily a resident of Zimbabwe. He/She must also satisfy such other requirements with regard to residence, employment, profession or other matters as may be prescribed in the bylaws of the society. No person shall be a member of more than one registered society having the same objects, except with the consent of the registrar. [Act 38, 39]

The bylaws of every registered society shall include requirements for membership with regard to:

- 1) residence, occupation or other requirements;
- 2) entrance fees and affiliation fees, if any payable; and
- 3) minimum shareholding or subscriptions to be paid by each member. [Act 23(1) Schedule (B)(7)]

Non-Natural Persons Eligible: Primary societies shall be qualified for membership in another registered society if they are registered in the same economic sector as the registered society. [Act 38(3)] A secondary society is a society formed by primary societies which operate in accordance with cooperative principles. [Act 27]

Primary societies and secondary societies shall be qualified for membership in a registered apex organization if they are registered in the same economic sector as the apex organization. [Act 38 (4)]

Liability of Member: The present or past members of a registered society shall not by reason of their membership be liable for the debts or obligations of the society beyond the amount, if any, unpaid on the shares held by them (subject to the Act). [Act 22] Liability of a past member or deceased member's estate is limited to a maximum of two years. [Act 44]

The bylaws of every registered society shall include the liability of members and past members for debts of the society. [Act 23(1) Schedule (B) (10)(b)]

Direction and Administration

Annual Meeting of Members: The general meeting is a meeting of members of a registered society or a meeting of delegates and includes a first general meeting, an annual general meeting or a special general meeting. [Act 2]

The annual general meeting must be held not later than six months after the end of each financial year. [Act 48] The supreme authority of a registered society vests in the general meetings of its members. Every member shall have the right to attend and vote at all general meetings, subject to the Act. [Act 45(1), (2)]

Among the purposes of the annual general meeting: elect officers and committees; consider and approve reports by the auditor; and management committee; decide on distribution of any net surplus; amend the bylaws; and determine limits on borrowing. [Act 48]

Board of Directors and Committees: Every registered society at a general meeting shall elect a management committee composed of a chairman, vice chairman, secretary, treasurer and such other members as the general meeting

may decide, being not fewer than three but not more than nine. The bylaws of every registered society shall include the methods of election and terms of office.

The management committee is the governing body of a registered society. It is vested with the conduct and management of the affairs and business of the society and may exercise all powers that are necessary to achieve the objects of the society. [Act 2, 57(1)]

A society which grants loans to members must elect a supervisory committee which is responsible for ensuring that the business and affairs are conducted properly and in accord with the bylaws and general meeting resolutions. Among its duties are supervising the operations of the management committee, the officers and employees and examining the accounts to ensure the finances are handled properly. [Act 65]

Management and Employees: The manager is responsible for managing the business and property of a society and assuring the books are properly kept. Where a society appoints a manager, he/she also assumes the duties of the secretary and treasurer. With the consent of the management committee, the manager recruits employees of the society and may suspend or dismiss them. [Act 64]

The bylaws of every registered society shall include:

- 1) methods of appointment, suspension and removal of the manager, if any;
- 2) functions of the manager, where applicable; and
- 3) the recruitment and dismissal of employees other than the manager. [Act 23(1) Schedule (C) (24), (25), (29)]

Audits: Every registered society shall ensure that its accounts and records are kept to the satisfaction of the registrar and in accordance with generally accepted accounting practice to ensure that the accounts give a true and fair view of the state of the financial affairs of the society. [Act 34]

Every registered society shall have its books and accounts audited once a year. The auditor shall make a report to the minister on the financial statement of the society. [Act 35(1), (3)]

The registrar may determine the accounts and books to be kept by a registered society and require the periodic publication of a balance sheet showing the assets and liabilities of a society. [Act 119 (f)]

Liability of Officials: The members of the management committee discharge their duties diligently and shall be liable jointly and severally to the society for any loss incurred by the society due to their negligence default, breach of duty, breach of trust or due to any action taken

by them contrary to the Act, the bylaws or a direction given by a general meeting. [Act 59(1)]

The bylaws of every registered society shall include the powers, duties and liabilities of the management committee and of the chairman, secretary, treasurer and other officers of the society. [Act 23(1) Schedule (C) (20)]

Conflicts of Interest: Law is silent.

Surety Bond: Law is silent.

Shares and Deposits

Shares: The interest of each member of a registered society in the assets of the society shall be expressed in the form of a share. A share shall be movable property, transferable to the extent and in the manner provided by the Act and bylaws. [Act 72(1), (2)] The bylaws of every registered society shall prescribe the minimum number of shares in the society that shall be held by each member. [Act 73 (2)(a)]

No member of a primary society shall hold more than one-fifth of the share capital of the society. [Act 41] Shares are not liable to attachment or forced sale. [Act 77]

The bylaws of every registered society shall include:

- 1) the obligation of members to make contributions to the funds of the society as prescribed in the bylaws;
- 2) the value of each share and modes of payment of share contributions;
- 3) the conditions under which shares may be transferred or redeemed; and
- 4) the consequences of default in payment of any sum due to the society in respect of shares, subscriptions or fines. [Act 23(1) Schedule (B) (10) (c); (E) (32), (33); (G) (44)]

Deposits: A registered society may receive deposits from persons who are not members only to such extent and under such conditions as may be prescribed by its bylaws. [Act 83(1)]

The bylaws of every registered society shall include the maximum liability which the society may incur in deposits from members and nonmembers. [Act 23(1), Schedule (F) (36) (d)]

Dividends and Interest: A dividend is a share of the net surplus of a society paid to members in proportion to the shares held by them. A patronage bonus is a portion of the surplus of a society divided amongst its members in proportion to the amount of business they have done with the society. [Act 2]

The bylaws of every registered society shall include the distribution of net surplus, including among other ways as:

- 1) dividend on paid-up share capital;
- 2) patronage bonus; and
- 3) issue of bonus shares to members. [Act 23(1) Schedule (E) (35)]

No registered society shall pay a dividend or issue paid-up share capital exceeding any maximum amount or rate prescribed by the minister. [Act 87 (2)]

Lien on Holdings: A registered society shall have a lien over the shares, deposits, dividend, patronage bonus or surplus in respect of any debt and may set off any sum credited or payable toward payment of such a debt. [Act 31]

Loans

Purpose and Conditions: A registered society shall grant a loan or allow credit to a member of the society only in accordance with its bylaws. [Act 82] In the case of societies having as their object the issuing or receiving of loans or deposits, the bylaws shall include conditions under which loans may be made to members or non-members, including: 1) the maximum rate of interest; 2) the maximum period of the loans and their repayment; 3) the purpose of the loans; and 4) the security required. [Act 23(1) Schedule (F) (36)(a)]

Approval Procedure: See "Purpose and Conditions" above.

Limits, Terms and Security: See "Purpose and Conditions" above.

Interest Rates and Charges: The bylaws are to include the maximum rate of interest. Imposition of fines is allowed by the Act. [Act 23(i), 32]

In the case of societies having as their object the issuing or receiving of loans or deposits, the bylaws shall include the consequences of default in the payment of any sum due. [Act 23(1) Schedule (F) (36)(e)]

Loans to Officials: The Act also has approval restrictions on loans to an employee, management committee members and supervisory committee members. [Act 82]

Investment of Funds

Deposit of Funds: See "Authorized Investments" below.

Authorized Investments: The bylaws shall include provisions dealing with the banking and investment of funds. [Act 23(1) Schedule (A) (5), (C) (27)]

A registered society may invest or deposit its funds:

- 1) in the Post Office Savings Bank;

- 2) with any bank registered under the Banking Act (Chapter 188); and
- 3) in the same manner as the moneys in the guardian's fund may be invested under the administration of Estates Act;
- 4) in the shares of any other society; and
- 5) in such manner as may be approved in writing by the registrar. [Act 84]

Capital Adequacy-Reserves

Initial Organization: The registrar may require a society applying for registration to furnish information on the availability of capital or other resources for the commencement of operations. [Act 14(4)(c)]

Permanent Capital: Law is silent.

Regular Reserve: Every registered society shall establish and maintain a reserve fund which shall be used in the manner prescribed in the society's bylaws and to which the society shall allocate annually at least 20 percent of the surplus raised from the society's operations during the financial year. But where the assets of the society exceed its liabilities, the society may allocate a minimum of 5 percent. [Act 85(1)]

The bylaws shall provide for the establishing, operating and allocating of the reserve fund; the manner of fixing the amount to be contributed thereto; and the amount of the reserve fund to be retained as liquid assets. [Act 85(2)]

Loan Loss Allowance: Law is silent.

Special Reserves: The remainder of the surplus after contributions have been made to the society's reserve fund and to the Central Fund, may, subject to this Act and the society's bylaws, be allocated to any other fund constituted by the society.

A registered society may establish a pension or provident fund for the benefit of its members and/or employees. [Act 86(1)]

Powers of the Credit Union

General Powers: Every society shall on registration be a body corporate with perpetual succession and be capable of holding property, entering into contracts, of suing and being sued and subject to the Act, of performing all other acts that bodies corporate may by law perform. [Act 21]

The Act provides for restrictions on disposal of property by registered societies. [Act 80]

Borrowing: In the case of societies having as their object the issuing or receiving of loans or deposits, the bylaws shall include:

- 1) conditions under which loans may be received from nonmembers; and
- 2) the maximum liability which the society may incur in loans or deposits from members and nonmembers. [Act 23(1) Schedule (F) (36) (c), (d)]

A registered society which has the power in terms of its bylaws to borrow money shall determine at a general meeting the maximum liability which it may incur in loans or deposits from members and nonmembers and shall inform the registrar accordingly. [Act 83]

Merger: Any two or more registered societies which wish to amalgamate may apply to the registrar as detailed by the Act. [Act 98, 99] A society may also divide. [Act 100]

The bylaws of every registered society shall include amalgamation, transfer and division of societies. [Act 23(1) Schedule (G) (48)]

Liquidation: No registered society shall be wound up or dissolved except by order of the registrar in terms of this Act. [Act 101]

Federation or Association

Purposes: An apex organization is a society formed by primary or secondary societies or by both primary and secondary societies to carry out the functions specified by the Act. [Act 2, 6(c)]

Every apex organization shall have any or all of the following objects and functions:

- 1) providing information, education, training and advice to its member societies;
- 2) assisting formation committees and emerging societies through the process of registration;
- 3) auditing the books and accounts of its member societies through persons competent and authorized to carry out such audit;
- 4) providing services to its member societies, including:
 - a) the joint supply of inputs and pooling of raw materials;
 - b) the joint marketing of products;
 - c) loan facilities for the use of its member societies; and
- 5) carrying out any other activities incidental to its objects. [Act 9]

A federation is the National Cooperative Federation, which constitutes the supreme representative organ of the cooperative movement at national and international levels. [Act 2, 90]

Membership: Primary societies and secondary societies shall be qualified for membership in a registered apex organization if they are registered in the same economic sector as the apex organization. [Act 38(4)]

To be registered an apex organization requires at least 25 primary societies or two secondary societies registered in the same economic sector. [Act 13(1)(c)]

Dissolution: A secondary society can be wound up in the same manner as a primary society. A federation's constitution is to provide for winding up of the federation. [Act 2, 89]

Central Finance Facility

Purposes: The objects of the central fund shall be to finance all or any of the following:

- 1) the education and training of members and prospective members of registered societies;
- 2) research in relation to any activity carried on or likely to be carried on by registered societies;
- 3) the audit of accounts and books of registered societies; and
- 4) the general development of the cooperative movement. [Act 91(2)]

Membership: The central fund shall be vested in a committee which shall consist of:

- 1) two persons appointed by the minister as his/her representatives; and
- 2) three other persons appointed by the minister from a list of persons nominated by the federation. [Act 92(1)]

Funds: There shall be a fund to be known as the central cooperative fund, consisting of:

- 1) mandatory contributions of 5 percent of surplus to be made annually by every registered society; and
- 2) any other moneys to which the central fund may be entitled, such as fees payable to it and donations from any person. [Act 91(1), 93(1)]

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

ASIA

Region Includes:

Bangladesh
Hong Kong
India
Indonesia
Japan
Korea
Malaysia
Nepal
The Philippines
Republic of Uzbekistan
Singapore
Sri Lanka
Taiwan
Thailand

BANGLADESH

<i>Region</i>	Asia
<i>Federation</i>	Coop Credit Union
<i>Legal System</i>	League of Bangladesh, Ltd.
<i>Type of Law</i>	Common Law
<i>Number of Credit Unions</i>	Cooperative Societies
<i>Number of Members</i>	399 (2001)
<i>Total Assets (US\$)</i>	106,580 (2001)
	\$12,120,615 (2001)

Rev.5-00:wj

Legal Authority

Law: Cooperative Societies Ordinance, 1984. [cited as "Ord."]

Regulations: Cooperative Societies Rules, 1987. [cited as "Rule"]

Definition or Purposes of Credit Union

Definition: A society may be registered which has as its object the promotion of the common interests of its members in accordance with cooperative principles, or a society may be established with the object of facilitating the operation of such a society. [Ord. 8(1)]

A credit cooperative society has the primary object of creating funds to be lent to its members. [Rule 2(2) (vi)]

Supervision and Regulation

Government Agency: The government may appoint a person to be the Registrar of Cooperative Societies for Bangladesh and persons to assist him/her. [Ord. 6]

Other Licenses Needed: If a cooperative society is to be a member of a financing bank, a copy of its approved bylaws must be sent to the financing bank. [Rule 9(5)]

Other Institutions Regulated: Central societies, cooperative land mortgage bank, financing bank and national society are defined as cooperative societies. [Ord. 2]

Agricultural, industrial, general purpose, fishermen's and other prescribed cooperative societies are detailed in the Rules. [Rule 2(2)]

Reports: The statement of the audit officer shall be submitted to the registrar. [Ord. 79]

Every cooperative society shall send to the registrar such statements and returns and in such form as he/she may direct; and within one month of the close of the fiscal year, it shall send an annual return including a cash account, a balance sheet, a profit and loss account and a

profit and loss appropriation account. Central and national societies must in addition file prescribed quarterly returns. [Rules 63-64]

Inspections: Every cooperative society shall be liable at any time to inspection by the registrar or his/her appointee and by the financing bank or national society or central society of which it is a member or to which it is a debtor. The results of the inspection shall be communicated to the society and to the financing bank or national society or central society and to the registrar if so required by him/her.

An inspection may be made on the application of a creditor and the results communicated to the creditor and to the financing bank, if any, of which the society is a debtor.

The registrar may hold an inquiry into the constitution, working and financial condition of a cooperative society at any time on his/her own motion, or at the request of the deputy commissioner, and shall do so on application of the financing bank, if any, of which the society is a member or to which it is a debtor; or a majority of the members of the managing committee; or one third of the members of the society, each of whom has been a member of the society for at least a year; or creditors representing not less than one-half of the borrowed capital of the society, and communicate the results to the party who applied for the inquiry. [Ord. 82, 83, 84]

Regulations: The government may make rules to carry out the purposes of the Ordinance. [Ord. 139]

Enforcement: If, after audit or inquiry, the registrar or the government is satisfied the cooperative society is insolvent or its affairs mismanaged, the managing committee may be dissolved, an interim manager or managing committee may be appointed and a special general meeting may be called to reconstitute the managing committee. The government may disqualify a person from membership on a managing committee.

If the government holds a share of the society, the registrar may dissolve the committee by written order. In any order of dissolution, the managing committee must be given an opportunity to be heard.

The registrar may order a cooperative society wound up if he/she thinks fit, after inspection or inquiry, or on application of three-fourths of the members of a society or on his own motion, and may appoint a liquidator.

Every officer and every member of a cooperative society shall furnish such information in regard to the transaction or working of the society as may be required of him/her by the registrar or an audit officer, arbitrator, liquidator, or any person conducting an inspection or inquiry.

The registrar may under certain conditions direct the amendments of a society's bylaws.

Disputes touching the affairs of a cooperative society or of the liquidator of a society shall be referred to the registrar, who may decide the dispute himself/herself, or refer it to an authorized person or to one or more arbitrators.

Where various offenses under the Ordinance are discovered, the registrar may order payment of such sum as he/she thinks fit to the assets of the affected society as penalty. Fines are prescribed for scheduled offenses. [Ord. 12, 22, 23, 41, 87, 90, 91, 122, 123, 127, 135, 139, Schedule 4]

A financing bank may require a cooperative society that is indebted to it to amend its bylaws in respect of the constitution of its managing committee, the investment of its funds and recovery of investment. [Rule 14]

Membership of Credit Unions

Common Bonds of Association: The government may prescribe the qualifications for membership of any class of cooperative societies. The Ordinance refers specifically to the registration of societies composed of employees and workers employed by the government or any public or private industry or commercial firm. [Ord. 8(2), 9]

A primary society must have at least 10 members to be registered. [Rule 6(1)]

Members must be 18 years old, unless their legal guardian stands surety for them. Each member must deposit in the savings account opened with the society an amount equivalent to the paid up value of at least one share. No person who is a member of a primary society shall be admitted to membership of any other such society other than a cooperative land mortgage bank. [Rule 10(2-3)]

Bylaws of a cooperative society prescribe its area of operation, the objects for which it is established, the purposes for which its funds may be employed and the qualifications of membership. [Rule 11(b, c, d)]

Non-Natural Persons Eligible: Cooperative societies may be members of other cooperative societies. [Ord. 2, 60]

Liability of Member: No society shall be registered with limited liability if it has withdrawable share capital, except as prescribed in the rules; or with unlimited liability if any member is a cooperative society. A society may change its form of liability.

Upon the winding up of a society, the members shall be jointly and severally liable to contribute to any deficiency in the assets of the society, in the case of a society with unlimited liability, without limit; and in the case of a society with limited liability, subject to such limitation of amount as may be provided in the bylaws. Provided that where any share of a cooperative society is pur-

chased by another society or government, the liability in respect of such share shall be limited to the amount paid in respect of the share.

A past member or the estate of a deceased member shall be liable for the collective debts of the society as they existed at the date the membership ceased for a period of two years. [Ord. 9, 43, 65, 66]

Bylaws set forth the rights and liabilities of membership. [Rule 11(e)]

Direction and Administration

Annual Meeting of Members: Final authority of every cooperative society shall be vested in the general body of members in a general meeting. An annual general meeting shall be called, where audit and budget reports shall be considered; and special general meetings may be called. The members of a managing committee shall be elected by direct election in a general meeting. Members shall have one vote only in its affairs, except for voting by delegates as prescribed. [Ord. 15, 16, 60]

Rules prescribe annual meetings and other meetings, and their powers and voting procedures. General meetings by delegates are allowed for cooperative societies with 1,500 or more members and required for societies with 3,000 or more members. Bylaws set forth the mode of summoning and conducting meetings, and the right of voting. [Rules 11(1h), 11(2c), 26-37, 106-107]

The managing committee must present the balance sheet to the general meeting of members. The maximum a society may borrow is determined annually at a general meeting of members. [Rules 70-71]

Board of Directors and Committees: Management of every cooperative society shall be vested in a managing committee which shall exercise the powers specified in the ordinance, rules and bylaws. If the government holds more than 50 percent of the paid-up share capital of the society, or if more than 50 percent of the loans and advances of a cooperative society is given or guaranteed by the government, in the case of a national society, and the registrar, in any other case, shall nominate one-third of the members of the managing committee. [Ord. 18, 28]

Bylaws set forth the mode of appointment and removal of the officers of the cooperative society, the duties and powers of the managing committee and the general conduct of business of the cooperative society. [Rule 11(1g, I), 11(2d, e)]

The managing committee has overall responsibility for the financial and business activity and legal requirements of the society. The managing committee shall

have between six and 12 members. Managing committee members may be paid for services, except if the cooperative society has incurred a loss during two preceding years. [Rules 38-40, 49]

Management and Employees: The registrar may, on application of a cooperative society and on such conditions as may be prescribed, depute a government servant to the service of the society for the purpose of managing its affairs. [Ord. 21]

The registrar may specify the qualifications of paid staff of a cooperative society. Every society shall determine the minimum number of paid staff required for its business and employ such staff. Provided that the working capital or annual transactions amounting to taka 10 lakhs or more, the minimum number of staff shall be one office secretary, one accountant and one cashier. [Rules 59-60] Duties of an appointed principal officer are detailed. [Rule 53]

Audits: The registrar or his/her appointee shall audit the accounts of every society at least once a year, and shall report the results to the society and the registrar. Any defects or irregularities found in the audit must be remedied by the managing committee. The balance sheet authenticated by the audit officer shall be annually published by every cooperative society in the prescribed manner. [Ord. 31, 76, 79, 80]

A cooperative society may make bylaws to regulate the internal supervision and audit of accounts. [Rule 11(3b)] Rules detail the timing, procedures and scope of audits. [Rules 115-127]

Liability of Officials: Where the registrar finds that any past or present officer has made or authorized any payment contrary to the ordinance, rules, or bylaws; or, because of culpable negligence, caused loss to the society; or failed to bring into account any sum which ought to have been; or misappropriated or fraudulently retained any property of the society, the registrar may order such officer to pay compensation or restore such property as he/she thinks fit. The registrar may impose fines upon officers to enforce the timely carrying out of duties. [Ord. 126, 128]

Conflicts of Interest: Restrictions apply to the qualifications for election to office in a cooperative society or a central or national society. [Rule 17]

Surety Bond: Law and Regulation are silent.

Shares and Deposits

Shares: Where the liability of a society is limited by shares, no member, except another society, shall hold more than one-fifth of the share capital.

The government may take shares in any cooperative society. Membership rights may not be exercised until payment has been made or an interest in the society has been acquired, as prescribed in the rules and bylaws. [Ord. 38, 61, 67, Rule 110]

Each member must deposit in the savings account opened with the society an amount equivalent to the paid up value of at least one share. [Rule 10(3d)]

Deposits: Any cooperative society may accept deposits from any persons who are not members only as allowed by the rules and bylaws. [Ord. 32]

Bylaws of a credit cooperative society shall set forth the promotion of thrift and savings deposit of the members. [Rule 11(2n(vii))]

Dividends and Interest: After contributions to reserve and other funds, the balance of net profits together with undistributed profits from past years, may be distributed as dividend or bonus or remuneration.

No dividend or bonus shall be paid otherwise than out of profits certified by the audit officer to have been actually realized or without the previous sanction of the registrar if the audit officer reports that any asset is bad or doubtful and recommends that it is necessary. No profits may be distributed without previous losses, if any, being fully set off out of net profits earned. [Ord. 56, 59]

Dividends may be paid in any cooperative society with shares, up to 50 percent on the amount of paid-up shares, or to a maximum of 60 percent with the approval of the registrar. Societies with unlimited liability must have permission of the registrar to pay any dividend. A cooperative society may set aside not more than 6.25 percent of its net profit for the payment of bonus to the extent of the amount of one month's salary to its salaried officers and employees. [Rule 101]

Bylaws set forth the manner of disposal of profits and the maximum rate of dividend. [Rule 11(1j), 11(2k)]

Lien on Holdings: A cooperative society shall have a charge upon the share or interest in the capital and on the deposits of a member or past or deceased member and on any amount payable out of profits in respect of any debt due the society, and may set off any sum in or towards payment of such debt.

Subject to prior government claims, sums due to a society recoverable as debt or demand shall be a first charge upon assets of the member for which the loan or advance was used. Shares or interest are not otherwise liable to attachment. [Ord. 46, 49, 64]

Loans

Purpose and Conditions: A cooperative society shall not make loans to any person other than a member. Loans must be used for the stated purpose. [Ord. 39]

Bylaws of a credit cooperative society shall set forth the conditions of granting loans and the purposes for which they may be granted. Loan applications must state the purpose of a given loan. Rules prescribe the procedure where a loan is not used for its stated purpose. [Rule 11(2n)(i, iii), 78, 109]

Approval Procedure: A full, true and accurate statement of assets and liabilities shall be furnished by a member of a society together with any application for a loan or for acceptance as a surety. [Ord. 62(c)]

Rules prescribe the form of loan applications and the information required of an applicant. [Rule 78]

Limits, Terms and Security: A cooperative society shall not make loans to a member in excess of the maximum prescribed by rules or, except with sanction of the registrar, on the security of any movable property. The government may prohibit or restrict the lending of money on mortgage of immovable property by any society or class of societies other than a cooperative land mortgage bank.

If a member of a society, which includes among its objects the advance of loans to its members, intends to apply for a loan from any person other than the society, he/she must notify the society. [Ord. 39, 44]

Rules and bylaws of a credit society shall set forth the determination of the maximum and normal credit of members; the maximum loan admissible to a member; the security for repayment; the period of repayment and extension of renewal of loans. A member must furnish security for every loan as required by bylaws or the managing committee. [Rules 11(2n(iv-vi)), 79-83]

Interest Rates and Charges: Bylaws of a credit society shall set forth the rate of interest on loans. [Rule 11(2n(ii))]

The registrar may direct payment by any member of a cooperative society found in default or by the surety for such member for recovery of a loan. Salaries may be attached, and crops or produce distrained, to recover delinquent loans. [Ord. 125, 129, 130]

Loans to Officials: Law and Regulation are silent.

Investment of Funds

Deposit of Funds: A cooperative society may invest or deposit its funds:

a. in a government savings bank;

- b. in any of the securities specified in section 20 of the Trusts Act, 1882;
- c. with sanction of the registrar, in the shares or debentures or on the security of any other cooperative society with limited liability; or
- d. in any other manner prescribed. [Ord. 54]

Permitted deposits and investments include: with a scheduled bank, Bangladesh Krishi Bank or Rajshahi Krishi Unnayan Bank, or any other manner approved by the registrar. [Rule 99]

Authorized Investments: Reserve funds may be invested in the government savings bank, any of the securities specified in section 20 of the Trusts Act, 1883 (11 of 1882) other than those specified in clause (e) of that section, or in any other bank approved by the registrar. See also: "Deposit of Funds." [Ord. 54]

Bylaws set forth the mode of custody and investment of funds outside the business. [Rule 11(2h)]

Capital Adequacy-Reserves

Initial Organization: Applicants for registration of a cooperative society shall satisfy the registrar as to the manner in which they will meet the cost of running it, including the source of funds, for the next two cooperative years. [Rule 9(2)]

Permanent Capital: Owned capital means the total paid up share capital and accumulated reserve fund and other funds created out of profits of a cooperative society. [Rule 2(g)]

Regular Reserve: Every cooperative society shall maintain a reserve fund. It shall contribute at least 15 percent of net profits from its transactions to the fund. Except as prescribed, no part of the reserve fund may be used in the business of the cooperative society. Subject to the approval of the registrar, and to such conditions as he/she imposes, a cooperative society may use its reserve fund in the business of the society, where the owned funds and borrowed capital are in specified proportions. Bylaws set forth the formation and use of the reserve fund. [Ord. 55(1-3); Rule 11(2k), 100]

Loan Loss Allowance: Every financing bank shall maintain a bad debt fund and shall carry to it each year out of the net profits, if any, not less than 10 percent or such higher proportion as may be prescribed. [Ord. 55(5), 55(6)(a)]

Special Reserves: After contributions to the reserve funds, a cooperative society shall contribute an amount not less than 5 percent of the balance of the year remaining profits for cooperative education or for other cooperative purpose as may be prescribed. Contributions to charitable purposes of not more than 10 percent of such

balance may also be made. A cooperative society may also establish a provident fund for its members.

A cooperative society shall make provision for maintenance of liquid resources in respect to loans and deposits from non-members as may be prescribed. [Ord. 32, 55(5), 55(6)(b), 57, 58]

A credit cooperative society may be required by the registrar to maintain fluid resources or liquid cover in prescribed amounts and in prescribed forms. [Rule 74-75]

Powers of the Credit Union

General Powers: Registration renders a society a body corporate, with perpetual succession and a common seal, and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purposes for which it was constituted. [Ord. 14]

Borrowing: A cooperative society shall receive deposits and loans from persons who are not members only to such extent and under such conditions as may be prescribed in the rules or bylaws.

A society may issue debentures guaranteed by the government under special conditions as prescribed. Upon issue of debentures, the holders of the debentures shall have a floating charge on the assets of a society. The government may grant loans or assistance in any other form to any cooperative society. [Ord. 32, 33, 34, 37, 38]

Bylaws set forth the manner in which capital may be raised and the manner in which charge may be made over by the managing committee. [Rule 11(1)(f,k)]

The maximum amount that a society may borrow is determined annually by a general meeting of members. The general meeting fixes the maximum liability a society may incur from persons who are not members. [Rule 71]

Societies with limited liability may not incur liabilities by accepting deposits or loans or in any other way, exceeding 20 times the sum of the paid-up share capital and reserve fund for the time being separately invested outside the business of the society. The registrar may permit the maximum to be raised to 40 times that sum. The restriction on borrowing shall not apply in the case of loans obtained from the government, Bangladesh Bank, Bangladesh Krishi Bank, Rajshahi Krishi Unnayan Bank and other scheduled banks. [Rule 73]

Rules detail conditions on debentures and details of permitted government assistance to societies. [Rules 76-77]

Merger: Societies formed by the division of existing cooperatives societies, or by the amalgamation of two or

more societies into one, may be registered. [Ord. 8(1)]

Liquidation: The registrar may order a society wound up and appoint a liquidator after an inquiry by the registrar which shows a society is not operating or fails to comply with conditions of the Ordinance or rules or bylaws, or on application by a resolution of three-fourths of the members of the society. Powers of the liquidator and procedures of winding-up, including compromise procedures with creditors, are detailed. [Ord. 53, 90-95; Rules 92-98, 139-154, 174]

Federation or Association

Purposes: A “national society” means a cooperative society, the primary object of which is to facilitate the operation of central societies throughout Bangladesh and which has central societies as members. A “central society” is a cooperative society of which at least 10 members are cooperative societies. [Ord. 2(c)(k)]

Membership: See “Purposes.”

Dissolution: National or central societies are dissolved according to rules for registered societies. See “Liquidation.”

Central Finance Facility

Purposes: A “financing bank” is defined as a cooperative society, the object of which includes creation of funds to be loaned to other cooperative societies. Any cooperative bank may loan money to a depositor society or person, whether such person or society is a member or not of the bank, up to 75 percent of the deposit. [Ord. 2(h), 39]

The purpose of the central cooperative bank is to create funds to be lent to other cooperative societies which are its members. [Rule 2(2) (iv)]

The national cooperative bank is the principal cooperative society in Bangladesh, whose primary object is to finance and facilitate the working of central banks and other societies in Bangladesh. [Rule 2(2) (xx)]

Membership: See “Federation or Association.”

Funds: See “Purposes.”

Share and Deposit Protection

Purposes: Law and Regulation are silent.

Coverage: Law and Regulation are silent.

Membership: Law and Regulation are silent.

Funds: Law and Regulation are silent.

HONG KONG

<i>Region</i>	Asia
<i>Federation</i>	Credit Union League of Hong Kong
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	37 (2001)
<i>Number of Members</i>	60,141 (2001)
<i>Total Assets (US\$)</i>	\$282,451,467 (2001)

Rev. 12-99:rs

Legal Authority

Law: Credit Unions Ordinance (Chapter 119), amended June 1, 1995. [cited as "Act"]

Regulations: Credit Unions (Forms) Regulations, February 28, 1970. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: "Credit union" means a credit union registered under the Act. [Act 2] The objects of a credit union shall be:

- a. to promote thrift among its members;
- b. to receive the savings of its members either as payment on shares or as deposits; and
- c. to make loans to members, exclusively for provident or productive purposes. [Act 3(2)]

Supervision and Regulation

Government Agency: "Registrar" means the registrar of Credit Unions, who is a public officer appointed by the Chief Executive. [Act 2, 82]

Other Licenses Needed: Only registration by registrar referred to. [Act 4, 5]

Other Institutions Regulated: Law and Regulations are silent.

Reports: A record of the name, occupation and address of each officer of a credit union shall be furnished to the registrar. A copy of the audit report and balance sheet submitted to the annual meeting shall be furnished to the registrar. A credit union shall furnish the registrar with statements with respect to its business, finances and other affairs and with such other information as he/she may require. [Act 50, 51, 53]

Inspections: The accounts of a credit union shall be examined at least once every year by the registrar. The examination shall include an inquiry into overdue debts

and a valuation of the assets and liabilities of the credit union. [Act 52(1)(2)]

The registrar may inquire into the condition and affairs of a credit union; shall be given access to all books, records and documents; and may make such inquiries as are necessary to ascertain its financial condition, its ability to provide for the payment of its liabilities as they become due and whether it has complied with the Act. [Act 54(1)]

The registrar may, for an appropriate cause, appoint an auditor to make such inquiry and audit of the affairs of the credit union as is necessary. [Act 54(2)] The Chief Executive in Council may make regulations for the examination of the accounts of credit unions by the registrar or under his direction. [Act 85(c)]

Regulations: The Chief Executive in Council may make regulations. [Act 85]

Enforcement: If, after an inquiry, continuance in business of a credit union would not be in the interests of its members or of the public, the registrar may order the credit union to suspend business. [Act 54(3)] The registrar may cancel the registration of a credit union. [Act 58] The Act prescribes penalties for various offenses by officials of the credit union such as for making illegal loans, making false returns to the registrar, improperly disclosing confidential information, failing to report a closure resolution, using the expression "credit union" improperly and failing to comply with an order of the registrar. Penalties for offenses against the Act shall be fines unless otherwise specified. [Act 75, 76, 77, 78, 79, 79A, 80]

Membership of Credit Unions

Common Bonds of Association: The membership of a credit union shall be limited to persons having a common bond of occupation, employment, association, or residence within a defined neighborhood, community, or rural or urban area. A member who ceases to have the common bond may not obtain a loan exceeding the value of his shares. [Act 15]

Non-Natural Persons Eligible: A credit union may become a member of any other credit union for the purpose of carrying out its objectives. [Act 10(c)]

Liability of Member: The liability of a credit union member shall be limited to the amount of shares held by him/her. [Act 6(3)] A past member shall not be released from any remaining liability of the credit union. [Act 21]

Direction and Administration

Annual Meeting of Members: There shall be an annual meeting of the members of a credit union. If it is not

practicable for all members to be present because of the nature of the common bond, up to two separate meetings may be held. [Act 25(1), 25(3)] No members shall have more than one vote and no voting by proxy shall be allowed. [Act 26(1)]

Board of Directors and Committees: The board of directors shall be responsible for the general management of the affairs, funds and records of the credit union and shall exercise and perform all of the powers and duties conferred by the Act, a number of which are specified. [Act 33] The board of directors shall consist of five to 15 directors as provided in the bylaws. [Act 28(1)(a)]

The supervisory committee shall examine and audit the credit union's books and records, prepare a balance sheet, suspend directors or credit committee members and call special meetings. [Act 34] The supervisory committee shall consist of no more than five members. [Act 28(1)(b)]

The credit committee shall have general supervision of all loans. [Act 35] The credit committee shall consist of no more than five members. [Act 28(1)(c)]

The board shall appoint from among its members a president, vice president, treasurer and secretary. [Act 29(1)]

Management and Employees: The treasurer may be remunerated, as determined by the annual meeting. [Act 32]

Audits: The supervisory committee shall carry out an examination of the affairs and an audit of the accounts of the credit union and prepare a balance sheet on those accounts at least once in each quarter of every financial year. They shall make or provide for an annual audit of the accounts and submit a report thereon together with a balance sheet to the annual meeting of the credit union. [Act 34]

Liability of Officials: Every offense committed by a credit union shall be deemed to have been also committed by each officer of the credit union who is bound by the Act or the bylaws of the credit union to fulfill the duties in the area where the breach occurred. If there is no such officer, then each director and member of the supervisory and credit committees is jointly liable, unless such officer, director or member is proved to have been ignorant of, or to have attempted to prevent, the commission of such offense. [Act 81]

Conflicts of Interest: Law and Regulations are silent.

Surety Bond: The board of directors shall fix from time to time the amount of any surety bond which shall be required with respect to any officer or member concerned with the receipt, management, or expenditure of money for or on behalf of the credit union, and for such purposes may authorize the payment of any premium on such bonds by the credit union. [Act 33(1)(g)]

Shares and Deposits

Shares: The capital of a credit union shall be unlimited in amount and shall be divided into shares of a value of five dollars each. [Act 11] Shares in a credit union may be allotted, subscribed and paid for in the manner provided in the bylaws. [Act 12(1)] The board of directors shall determine the maximum number of shares that may be held by any one member, which shall not, without permission of the board, exceed 20 percent of the shares of the credit union and which shall apply to all members. [Act 33(b)]

Deposits: An objective of a credit union is to receive savings of members either as a payment on shares or as deposits. [Act 3(2)]

Dividends and Interest: After provision is made for the reserve fund, the board may recommend to the annual meeting that a dividend not exceeding 6 percent per annum shall be paid from the remainder of the net earnings. The dividend, which shall not exceed that recommended by the board, shall be approved at the annual meeting. [Act 46]

Lien on Holdings: A credit union shall have a lien on shares of a member for any debt owed to it and may use any credit of a member toward the payment of a debt. [Act 22(2)] The Act also prohibits a member from transferring or withdrawing shares below his/her total liability to the credit union. [Act 13(4)]

Loans

Purpose and Conditions: No loan shall be made to a member of a credit union under the Act other than for a provident or productive purpose. [Act 39] A credit union shall not make a loan to any person who is not a member. [Act 40(1)] A loan shall not be made by a credit union to a member thereof if this would cause the member to owe the credit union more than 10 percent of the aggregate amount of the share balance, the reserve fund and any other funds of the credit union. [Act 40(2)]

Approval Procedure: No loan shall be made to a member of the credit union except with the prior and unanimous approval of the credit committee. [Act 36] The credit committee, with the prior approval of the board, may appoint its members as loan officers to act under the committee's supervision. A loan officer may make loans to members of the credit union in the manner prescribed in the bylaws. [Act 38]

Limits, Terms and Security: The credit committee shall have general supervision over all loans made to the members of the credit union and shall fix the amount thereof, decide on the security (if any) required thereon

and determine the conditions for repayment thereof. [Act 35] The board of directors shall determine the maximum length of time which loans made by the credit union to its members may remain outstanding, in whole or in part, and shall determine the maximum amount of loans which may be made to members, with or without security. [Act 33(d), 33(e)] In addition to or in lieu of any other form of security, the credit committee may accept an endorsement of a note by a member as guarantor or a pledge of shares by a member as security for a loan. [Act 37]

Interest Rates and Charges: The board of directors shall determine the rates of interest payable during any specified period on loans. [Act 33(f)] The interest rate on any loan made by a credit union to a member thereof shall not exceed 1 percent per month on the unpaid balance of any such loan plus all charges (if any) incurred by the credit union in making the loan. The interest rate determined with respect to loans made to members of a credit union during any specified period shall be the same for all such loans. [Act 41]

Loans to Officials: No director or member of the supervisory or credit committee may obtain a loan from the credit union in excess of the value of his/her shares except on the unanimous vote of a majority of the board and the supervisory and credit committees together. Said director or member may not be present when the vote is taken. [Act 42]

Investment of Funds

Deposit of Funds: The bylaws of a credit union may or, at the registrar's bidding, shall include provision for the depositing of all or any specified funds of a credit union in a bank in the Hong Kong Special Administrative Region approved by the registrar. [Act 47(2)(a)]

Authorized Investments: For the purpose of carrying out its objective, a credit union may:

- deposit money in any bank in the Hong Kong Special Administrative Region approved by the registrar; and
- invest in any stock, debenture stock, funds, or securities in which a trustee may invest by virtue of the Trustee Ordinance. [Act 10(a), 10(b)]

Capital Adequacy-Reserves

Initial Organization: To register a credit union, the registrar must be satisfied that the applicant has reasonable prospects for carrying out its objectives. [Act 5(2)(d)]

Permanent Capital: See "Regular Reserve" below.

Regular Reserve: The board shall set aside a reserve fund, into which shall be paid:

- all entrance fees and fines collected from members; and
- during each financial year, not less than 20 percent of the net earnings for the previous financial year, before the declaration or payment of any dividend in relation to that year, until the reserve fund is equal to at least 10 percent of the share balance of the credit union; and further net earnings shall be paid into the fund every year as may be necessary to maintain that percentage. [Act 45(1)] Any income received from any part of the reserve fund that is deposited or invested shall be paid as general revenue of the credit union. [Act 45(3)]

The reserve fund shall not be used in making loans to members of the credit union. [Act 45(2)]

Loan Loss Allowance: The reserve fund shall be kept as a reserve against losses incurred from loans made by the credit union which remain outstanding after the time for their repayment in full has expired and for losses other than excess expenditure over income incurred by the credit union. It shall not be used for any other purpose except the winding up of the credit union or with prior approval in writing of the registrar. [Act 45(4)]

Special Reserves: Law is silent.

Powers of the Credit Union

General Powers: Upon its registration, a credit union shall be a body corporate with perpetual succession and shall be capable of suing and being sued in its registered name. [Act 6(1)]

A credit union may execute notes and own and dispose of land. [Act 10(f), (g)]

Borrowing: A credit union may borrow money for the carrying out of its objective, but no money shall be borrowed by a credit union without a resolution of its board, nor may a credit union borrow money so that its total indebtedness would, in consequence, exceed 50 percent of its share balance. A credit union may not borrow money so that its total indebtedness would, in consequence, exceed 25 percent of its share balance, except upon a resolution passed by the members in addition to the board's resolution. [Act 43]

Merger: Law and Regulations are silent.

Liquidation: No credit union shall be wound up unless the registrar has made an order canceling its registration. [Act 55] A credit union may resolve to be wound up with the consent of three-fourths of the members in writing or at a special meeting. [Act 57] Various grounds for cancellation by the registrar are specified. [Act 58] The registrar has various powers specified to control liquidation. [Act 61B]

Federation or Association

Purposes: The objects of the Credit Union League of Hong Kong are:

- a. to protect and assist the credit unions that are members of the League;
- b. to provide educational and advisory services for credit unions;
- c. to encourage and assist in the organization of credit unions;
- d. to arrange for bonds and insurance on behalf of credit unions and their employees;
- e. to set up a stabilization fund in accordance with Act 72; and
- f. to undertake such other services for credit unions and the credit union movement as shall be consistent with the Act. [Act 64]

Membership: A credit union may become a member of the Credit Union League of Hong Kong. [Act 70] A credit union that is a member of the League may, for the purpose of financing the League, provide in its bylaws for a yearly levy on each of its members. [Act 71(1)]

Dissolution: Law and Regulations are silent.

Central Finance Facility

Purposes: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

Share and Deposit Protection

Purposes: The Credit Union League of Hong Kong may set up a fund to be known as the stabilization fund. [Act 72(1)] The stabilization fund may be used to provide interest-free loans to a member credit union for the purpose of avoiding a liquidation thereof or for assisting in any matter connected with such liquidation. [Act 72(2)]

Coverage: Law and Regulations are silent.

Membership: See "Federation or Association - Membership."

Funds: The Credit Union League of Hong Kong may borrow money for the carrying out of its objects. [Act 72A(1)] Otherwise, law is silent.

INDIA

<i>Region</i>	Asia
<i>Federation</i>	Association of Asian Confederations of Credit Unions (ACCU)
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	3,242 (1996)
<i>Number of Members</i>	378,682 (1996)
<i>Total Assets (US\$)</i>	N/A

Rev. 6-92: FTCA

Legal Authority

Law: Multi-State Cooperative Societies Act 1984. [cited as "Act"]

This multi-state law was enacted by the Indian national government, the Union of India, and applies to societies not confined to one state of India and serving the interests of members in more than one state. Each of the 25 states constituting the Union of India has its own law for organization and regulation of cooperatives, including credit unions. Most of them are similar to the multi-state law. Ninety percent of Indian cooperatives, including credit unions, operate under the state laws.

Regulation: Multi-State Cooperative Societies (Registration, Membership, Direction, Management, Settlement of Disputes, Appeal and Revision) Rules 1985. [cited as "Rule I"]

Multi-State Cooperative Societies (Privileges, Properties, Funds, Accounts, Audit, Winding Up and Execution of Decrees, Orders & Decisions) Rules 1985. [cited as "Rule II"]

Definition or Purposes of Credit Union

Definition: A primary society which has as its objects the promotion of the economic and social betterment of its members through mutual aid in accordance with the cooperative principles may be registered under the Act. [Act 5(2)]

Supervision and Regulation

Government Agency: Registrar of Cooperative Societies, appointed by the Union Government; even though administratively accountable to the Union Government, the registrar is an independent statutory authority. [Act 3(1), 4]

Other Licenses Needed: Most cooperatives and credit unions are registered under state Cooperative Society Acts. See "Legal Authority-Law."

The Reserve Bank of India is referred to as having supervisory powers over various aspects of cooperative society financial affairs. [Act 78; Rule II - 13]

Other Institutions Regulated: All cooperatives registered or deemed to have been registered under the Act. [Act 3(g)]

Reports: The defects pointed out by the auditors shall be considered by the board and a compliance report explaining the measures taken to rectify the defects be submitted to the registrar within three months of the receipt of the audit reports. [Rule II, 17]

Any change in the address of a cooperative shall be communicated to the registrar within a month of such change. [Rule II, 26]

Inspections: The registrar or her/his agent may inspect a cooperative. [Act 68(1)]

Of her/his own motion or on the request of a majority of the members of the board or of one-third of members, the registrar or her/his agent may hold an inquiry into the constitution, working and financial condition of a cooperative. [Act 69(1)]

On the request of a creditor, the registrar or her/his agent shall inspect the books of a cooperative. [Act 70(1)]

During an inquiry or an inspection, the registrar or her/his agent shall have access to all books and records, cash and securities, stocks and other property of the cooperative. [Act 68(2)(a), 69(2)(a)]

Regulations: The Union Government may make rules to carry out the provisions of the Act. [Act 109]

Enforcement: The registrar may remove the board of a cooperative and appoint one or more administrators, if, in her/his opinion, the board is persistently making default or is negligent. [Act 48(1)]

If the outgoing board refuses to hand over charge of records and properties of the cooperative to those entitled to receive such charge, the local magistrate, on an application made by the registrar, may authorize a police officer to seize such records and properties and hand over to those entitled to receive such charge. [Act 49]

The registrar shall have the power to summon and enforce the attendance of any person and examine him on oath. [Act 106]

The registrar may cancel the registration of a cooperative after considering the report of the liquidator. [Act 82, Rule I, 19(o)]

The registrar may wind up a cooperative after conducting an inquiry and after giving the cooperative a reasonable opportunity. [Act 77, Rule II, 19]

Membership of Credit Union

Common Bonds of Association: To be admitted as a member to a cooperative, an individual must be competent to contract under Act II of the Indian Contracts Act, 1872. [Act 19(9)]

No member of a cooperative shall exercise the rights of a member unless he/she has paid to the cooperative in respect of membership or has acquired such interest in the cooperative, as may be specified in the bylaws. [Act 20, Rule I, 11]

Non-Natural Persons Eligible: The Union Government, a state government, the National Cooperative Development Corporation, any government company, any corporation owned or controlled by government and any association of persons as may be permitted by the Union Government will be eligible to become a member of a cooperative. [Act 19(c), (d), (e), (f), (g), (h)]

Liability of Member: A cooperative will be registered with limited liability. [Act 13(1)]

The bylaws shall provide for the liabilities of members. [Rule I, 7(v)]

The liability of a past member or the estate of a deceased member will be for a period of two years from the time he/she ceased to be a member for the debts of the cooperative as they existed on the date on which he/she ceased to be a member. [Act 28(1)]

Direction and Administration

Annual Meeting of Members: Every cooperative shall hold the annual general meeting within six months of the close of the cooperative year. [Act 30, Rule I, 20]

A special general meeting shall be convened within one month of the receipt of a requisition from the registrar or from such number of members or a proportion of the total number of members as may be provided in the bylaws. [Act 31(1)]

If a special general meeting is not convened in pursuance of a requisition, the registrar shall have the power to call such meeting. [Act 30(2)]

Every member shall have one vote. A member shall vote in person and no member shall vote by proxy. A cooperative which is a member of a secondary cooperative may appoint its representative to vote on its behalf in the affairs of the secondary cooperative. [Act 22, 23]

Board of Directors and Committees: For every cooperative there shall be a board of directors consisting of such number of members as may be provided under the bylaws. [Act 32, Rule I, 28]

The board of a cooperative may constitute an executive committee and other committees as may be considered necessary. [Act 46, Rule I, 34]

The executive committee or other committees shall perform such functions as assigned to them in accordance with the bylaws. [Act 46(2)]

The board of a cooperative may exercise all such powers as may be necessary for the purposes of carrying out the functions under the Act. [Act 42, Rule I, 32]

The chief executive shall be a member of the board and of committees constituted by the board in accordance with the bylaws. [Act 44(2)]

Management and Employees: Every cooperative shall have a chief executive, appointed by its board of directors. [Act 44]

The Union Government shall make rules for regulating the recruitment, remuneration and other conditions of service of officers and other employees of cooperatives. [Act 50]

The board of a cooperative shall appoint a chief executive and such other employees of the cooperative as are not required to be appointed by the chief executive. [Act 42(d), 44, Rule I, 35 (3)]

Audits: The Registrar shall audit, or cause to be audited, the accounts of every cooperative at least once in each year. [Act 67(1)]

Liability of Officials: The board of a cooperative may provide for disciplinary action against its employees. [Act 42(e)]

If an employee of a cooperative has made any payment contrary to the Act, the Rules, or the bylaws, or has caused any deficiency in the assets of the cooperative by breach of trust or wilful negligence or misappropriation, the registrar, after conducting an inquiry, may order him/her to repay the money to the cooperative with interest. [Act 73(1), (2)]

Conflicts of Interest: Having regard to the fact that the interest of any person or class of persons conflicts or is likely to conflict with the objects of any cooperative or class of cooperatives, the Union Government may declare that such person or class of persons are disqualified from being admitted or for continuing as members of such cooperative or class of cooperatives. [Act 19(6)]

Surety Bond: Law and Regulations are silent.

Shares and Deposits

Shares: Except the Government or any corporation owned and controlled by a State or Union Government, no member of a cooperative shall hold more than such portion of the share capital as may be prescribed by the Union Government, in no case exceeding one-fifth of the paid up share capital. [Act 24, 19(1)]

Deposits: A cooperative shall receive loans and deposits in accordance with its bylaws. [Act 24, Rule II, 12]

Dividends and Interest: Subject to such conditions as may be prescribed, a cooperative may pay a dividend to its members on their paid-up share capital. [Act 64, 2(a)]

After contribution to a reserve fund, a cooperative may pay a dividend to its members [Act 61(2)(a)]

Lien on Holdings: A society shall have a charge on the shares or contributions or interest on the capital and on the deposits of a member, or past member, and on any dividend or bonus payable, for any debt due from the member or past member. [Act 53]

Loans

Purpose and Conditions: A cooperative shall not make a loan to a member on the security of his/her share or on the security of a non-member. A cooperative shall not make a loan to a non-member. A cooperative may make a loan to a depositor on the security of his/her deposit. [Act 63(1), (2)] A cooperative may make loans to another cooperative, with the registrar's approval. [Act 63(1)(b)] A cooperative shall not make a loan to a non-member or to a member on the security of its own shares. [Act 63, Rule II (9)]

Approval Procedure: Procedure of applying for a loan, recovery, etc., should be laid down in the bylaws. [Rule II, 10]

Limits, Terms and Security: In any cooperative with limited liability, no loan shall be granted to a member exceeding 10 times the amount of share capital paid by him/her. [Rule II, 10(4)]

For every loan from a cooperative, a member shall furnish such security as may be required under bylaws. [Rule II, 10(2)]

Interest Rates and Charges: The bylaws of a credit union should specify the maximum rate of interest on loans granted to members. [Rule I, 7(xxi), (b)]

Loans to Officials: The board of a cooperative shall lay before every annual general meeting a statement showing details of the loans or goods on credit, if any, given to members of the board during the preceding year or outstanding. [Act 30(2)]

Investment of Funds

Deposit of Funds: A cooperative may invest or deposit its funds in a cooperative bank; securities specified in the Indian Trust Act; shares and securities of a cooperative; a bank; shares, securities or assets of any institution with

the registrar's approval and such other mode as may be prescribed by the Union Government.

Authorized Investments: See "Deposit of Funds."

Capital Adequacy-Reserves

Initial Organization: The Central Registrar must be satisfied that a multi-state cooperative has reasonable prospects of becoming a viable unit, in order to register the cooperative. [Act 7(1e)]

Permanent Capital: See "Regular Reserve".

Regular Reserve: A cooperative shall, out of its net profits in any year, transfer an amount not less than 25 percent to the reserve fund. The reserve fund is used for unforeseen losses claims of creditors of the society which cannot otherwise be met, and other needs in times of financial scarcity. [Act 61(1a), Rule II-7(1)]

Loan Loss Allowance: A cooperative's net profit is calculated after deducting from the gross profit, apart from other provisions, price fluctuation fund, share capital redemption fund, etc. [Act 60(2)]

Special Reserves: Every multi-state cooperative society which obtains any portion of its working capital by deposits shall maintain liquid resources in such form as may be specified by the Reserve Bank of India or the Central Registrar. It may use only such portion of its working capital in its lending business and distribute its assets in accordance with such standards as may be specified by the Central Registrar. [Rule II: 13]

Powers of the Credit Union

General Powers: The registration of a society as a cooperative under the Act shall render it a body corporate, having perpetual succession and a common seal and with power to hold property, enter into contract, institute and defend suits and other legal proceedings and to do all things necessary for the purposes for which it is constituted. [Act 52]

Borrowing: A cooperative may receive deposits and loans only to such extent and under such conditions as may be specified in the bylaws. [Act 64]

Merger: Any two or more cooperatives may amalgamate themselves and form a new cooperative with the approval of the registrar and by a resolution passed by a majority of not less than two-thirds of the members present and voting in a general meeting. [Act 14(2)]

Liquidation: The Central Registrar may order a multi-state cooperative wound up under specified circumstances, including after an inspection or inquiry;

on application of three-fourths of the members; where the number of members has fallen below the prescribed minimum; or if the cooperative fails to carry on business. Winding up of a cooperative bank must have the approval of the Reserve Bank, and provisions of the Deposit Insurance Guarantee Corporation Act apply to the liquidation of cooperative banks. The Central Registrar appoints the liquidator, whose powers in winding up a society are detailed. [Act 77-84, Rule II: 19-21]

Federation or Association

Purposes: A secondary cooperative may be established under the Act with the object of facilitating the operations of its member-cooperatives. [Act 5(2)]

Membership: A member-cooperative will be represented by its chairperson or chief executive in the general body or board meetings of its secondary cooperative. [Act 29(3)]

A secondary cooperative may provide for an equitable system of voting having regard to the membership of and the extent of business carried on by its member-cooperatives and other relevant circumstances. [Act 22(d)]

Dissolution: Secondary cooperative societies registered under the Act are dissolved according to the same provisions as primary societies. See "Liquidation". [Act 5, 77-84]

Central Finance Facility

Purposes: See "Federation or Association."

Membership: See "Federation or Association."

Funds: See "Shares and Deposits" and "Powers of the Credit Union-Borrowing."

Share and Deposit Protection

Purposes: The Law and Regulations are silent.

Coverage: The Deposit Insurance and Credit Guarantee Corporation is referred to. In winding up a cooperative bank where the Corporation becomes liable to the bank's depositors, the Corporation has a claim upon the liquidator. [Act 79]

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

INDONESIA

<i>Region</i>	Asia
<i>Federation</i>	Credit Union Coordination of Indonesia
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Cooperative Law
<i>Number of Credit Unions</i>	1,071 (2001)
<i>Number of Members</i>	295,924 (2001)
<i>Total Assets (US\$)</i>	\$34,704,828 (2001)

Rev. 2-00:wj

Legal Authority

Law: Law Number 25 of the year 1992 Concerning Cooperatives, October 21, 1992 (In view of Art. 5(1), 20(1) and 33 of the 1945 Constitution). [cited as "Law"]

Government Ordinance No: 9/1995. The Implementation Procedure of Savings and Loan Business Activities by Cooperatives. [cited as "Ord."]

Regulations: Executory regulations of the Law Number 12 of the Year 1967, concerning basic regulations for cooperatives, is still valid as long as it is not in conflict with or replaced by the 1992 law. [Law 66] No regulations available.

Definition or Purposes of Credit Union

Definition: A cooperative society is a business enterprise having individuals or registered cooperative societies as members. Its activities are based on cooperative principles and simultaneously as a people's economic movement based on the principle of brotherhood. The cooperative society has the objectives to improve the members' welfare in particular and that of the society in general and build their economic potential and capability. [Law 1-4, 43]

A cooperative society can collect funds and funnel them through the savings and loan business from and for the members of the cooperative, as one of its activities (a savings and loan unit), or as its only activity (a savings and loan cooperative). Government regulation arranges for the savings and loan function. [Law 44, Ord. 1, 2]

Savings and loan business shall be performed by and for the members, prospective members of the cooperatives concerned and other cooperatives. The business shall be to collect savings and deposits and extend loans. [Ord. 18]

Supervision and Regulation

Government Agency: Promotion and supervision of savings and loan cooperatives and units is performed by

the minister, through the Department of Cooperatives. An act of establishment of a savings and loan cooperative unit is required. [Ord. 3, 4, 5, 24]

The government assists the cooperative movement and institutionalizes cooperative values; it assists education and business development and gives problem-solving assistance. It may decide the fields of economic activities which can only be handled by the cooperative societies, as arranged by government regulation. [Law 60-64, Ord. 38]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Cooperative societies engaged in various forms of business enterprise are regulated. [Law 1]

Reports: Savings and loan cooperatives and units shall submit periodic and annual reports to the minister. [Ord. 26(1)]

For amendment of bylaws concerning amalgamation, division and change of the field of business of the cooperative societies, legalization shall be requested from the government. [Law 12(2)]

Inspections: The minister shall inspect savings and loan cooperatives and units at any time if necessary. [Ord. 27]

Regulations: The government may regulate fields of activity for cooperative societies. Other regulations authorized concern legalization of articles of incorporation share capital, and dissolution procedures. [Law 13, 42, 48, 63]

Enforcement: In case the savings and loan units have problems that disturb the flow of business, the minister shall advise the board of directors to increase own capital or equity capital; replace the manager; merge with other cooperatives; sell a part of the fixed assets and take other steps based on legislation in effect. [Reg. 28]

Members of the board of management may be sued by the public prosecutor for acts done purposefully which result in loss to the cooperative society. [Law 34(2)]

The government may order a cooperative dissolved for illegal activity, failure to meet the provisions of the act, or if its survival is unlikely. [Law 47, Ord. 28]

Administrative sanctions determined by the minister may be imposed for various offenses. [Ord. 37]

Membership of Credit Unions

Common Bonds of Association: Membership is voluntary and open, according to cooperative principles. The type of a cooperative society is based on the similarity of activities and economic interests of its members. [Law 16, 19(1)]

A primary cooperative society is established by at least 20 members. Indonesian citizens of legal capability may

be members. Associate memberships are allowed. A secondary cooperative society is established by at least three cooperative societies. Bylaws of a cooperative society establish the purpose, objectives and provisions on membership. [Law 6, 8c-d, 18]

The members are the owners of a cooperative society and simultaneously users of its services. Membership can be obtained and terminated as arranged by bylaws. Membership cannot be transferred. Each member has similar obligations and rights in the cooperative society as arranged in the bylaws. [Law 17, 19]

Non-Natural Persons Eligible: Cooperative societies may join secondary societies. [Law 1, 6]

Liability of Member: Where a cooperative society is dissolved, the members bear only the burden of loss to the limit of basic savings, compulsory savings and share capital which they own. [Law 55]

Direction and Administration

Annual Meeting of Members: The members' meeting is the highest authority in the cooperative. It is held at least once a year. The meeting to ratify the board of management's report is held within six months after the fiscal year ends. Special meetings may be called. Decisions are taken based on deliberation to reach consensus or by majority vote. Each member has one vote.

The members of the board of management and the committee of supervision are elected in a members' meeting. The members' meeting must approve the appointment of a manager. Loan provisions are decided on by the members' meeting. [Law 22, 24-29, 32(2), 38, Ord. 21, 23, 29]

Each member has the right to attend the members' meeting, express his opinion and give a vote; to elect officers or become an officer; to call a special meeting or make suggestions to the board and to utilize the cooperative society and receive equal services among fellow members. [Law 20]

Bylaws of a cooperative society establish provisions on the members' meeting. Amendment of bylaws is made by the members' meeting. The members' meeting also approves the work plan, budget and financial reports. It decides on the distribution of net surplus and on the amalgamation, merger, division or dissolution of the cooperative. Arrangement for voting in secondary societies is provided for in the bylaws. [Law 8e, 12, 22, 23, 24, 28]

Board of Directors and Committees: The management of savings and loan activities shall be carried out by the board of directors. [Ord. 8]

Board of management terms of office are no more than five years. Qualifications are provided in the bylaws. The board manages the cooperative society and its business; holds a members' meeting; submits a draft of work plan and revenue and budget plan to the members' meeting; submits a financial report and report concerning the implementation of its duties; administers financial accounting and inventory properly and decides on membership and other duties. [Law 30, 31]

The committee of supervision, is responsible to the members' meeting, supervises the implementation of policy and management of the cooperative, examines records and reports to the members' meeting. Qualifications for members of the supervisory committee are provided for in the bylaws. [Law 38-39]

Management and Employees: The board of management may appoint a manager, subject to approval of a members' meeting. The manager may be an individual or a business entity. An individual manager must be qualified, has never committed financial fraud or been convicted of fraud, has good conduct and moral, and has necessary financial expertise. If the manager is a business entity, it must have sufficient financial capabilities and qualified staff. The management of savings and loan units shall be performed separately from other business units. [Law 32, 33, Ord. 8-12]

In carrying out his/her business, the manager shall consider the capital, liquidity, solvability and rentability aspects to safeguard the soundness of the business and interest of all parties concerned. Bylaws establish provisions on management. [Law 8f, Ord. 14]

Audits: After the fiscal year ends – at latest one month before the annual meeting – the board must prepare a report of the balance sheet and business situation of the cooperative. This must be audited and announced by a certified public accountant. [Law 35-37, Ord. 26(2)] A cooperative society can ask the public accountant for an audit service. [Law 40]

Liability of Officials: The members of the board of management, collectively and individually, are responsible for the loss suffered by the cooperative society due to acts of negligence or carried out purposefully. [Law 34]

Approval of the annual report means accepting the liability report of the board of management concerning its duties and that the board is released from its responsibility for what was done during the year. [Law 36]

Conflicts of Interest: If the management of a savings and loan is performed by more than one person, there shall be no family relationship vertically as well as horizontally among managers. [Ord. 11b]

Surety Bond: Law and Regulations are silent.

Shares and Deposits

Shares: The capital of a cooperative society includes basic savings and compulsory savings. Savings cannot be removed from the cooperative while a person is a member. [Law 41(2)a,b]

A cooperative society can strengthen its capital originating from share capital, according to government regulations. [Law 42, Ord. 12]

A "Memorandum of Elucidation of the Law Concerning Cooperatives", regarding Law (42), provides that risk-bearing share capital may be raised from the government and the society. The owner of such shares does not have a vote in the members' meeting nor in deciding cooperative policy as a whole. The owner of such share capital shares can be involved in the management and supervision of investment business supported by the capital.

Deposits: Time savings are those made once and then withdrawn only at a fixed time according to the agreement between the depositor and the cooperative. Cooperative deposits are those made in installments; the withdrawals are made only according to specific requirements agreed upon between the depositor and the cooperative. [Ord. 1(5,6)]

Dividends and Interest: The distribution of surplus is done justly in proportion to the amount of business contribution of each of the members. Bylaws of a cooperative establish provisions on distribution of surplus. Distribution of surplus takes place after contribution to the reserve fund. [Law 5(1)c, 8j, 45]

Revenue of savings and loan units after deducting operational costs shall be utilized for the following necessities: to be proportionally divided among the members based on the transaction value to strengthen the capital of the units and to finance other supporting activities. The balance of income after deducting the above distribution shall be divided among all members of the cooperative. Costs for education and training and incentives for managers and employees are also listed as permitted disbursements. [Ord. 12, 13]

Lien on Holdings: Law and Regulations are silent.

Loans

Purpose and Conditions: Loans shall be provision of funds or receivables considered based on a savings and loan agreement between the cooperative and other parties requiring the debtor to settle after a certain period of time with interest. [Ord. 1(7)]

When making loans, priority shall be given in the following order: first to members, then prospective members, other cooperatives and their members. Loans to members of other cooperatives shall be granted through their cooperatives. [Ord. 20]

Approval Procedure: In extending loans, the cooperative or unit shall take the feasibility and the capacity of the loan applicants into consideration. [Ord. 19(2)]

Limits, Terms and Security: The members' meeting determines the maximum limit of loan issue. [Ord. 21] Accumulation of loan capital and equity capital shall be based on the capacity of repayment. The ratio between loan and equity capital and assets shall balance. [Ord. 14(1,4)]

Interest Rates and Charges: Loan agreements require a debtor to settle after a certain time with interest. [Ord. 1(7)] Collection and distribution of funds shall be performed by extending fees, as determined by the members' meeting. [Ord. 23]

Loans to Officials: The same maximum loan limits set for members shall be set for directors or members of the board of supervisors. [Ord. 21(2)]

Investment of Funds

Deposit of Funds: In case of surplus of funds, savings and loan cooperatives and units shall make demand deposits, time deposits and other savings instruments and develop deposit funds through other investment facilities. The minister may make provisions on investments. [Ord. 22]

Authorized Investments: A savings and loan cooperative or unit may purchase stock through the capital market, as provided for by the minister. [Ord. 22]

Capital Adequacy-Reserves

Initial Organization: The capital of a cooperative society consists of its own capital and borrowed capital. Its own capital can come from basic savings, compulsory savings, reserve funds and grants. [Law 41]

Savings and loans cooperatives shall provide their own capital, which may be supplemented by equity capital. Savings and loan units' capital shall consist of fixed capital and variable capital. The capital of a savings and loan unit shall be managed separately from other units of the cooperative. The amount of own capital and fixed capital shall be no less than the original amount. Provisions concerning paid-in capital at the initial period of establishment will be regulated by the minister. [Ord. 16(6)]

Savings and loan cooperatives and units collect loan capital from the members, other cooperatives and their members, the banks and other financial institutions, the issuance of bonds and other commercial letters and other commercial sources. [Ord. 17]

Permanent Capital: Bylaws of a cooperative establish provisions on capital. [Law 8g]

The manager of a savings and loan shall consider the capital aspect of the business, including that the cooperatives' equity capital shall be increased, not decreased, additional equity capital shall be made available with the opening of every service network and equity capital and loan capital shall balance. [Ord. 14(1)]

Regular Reserve: The amount of the reserve fund accumulated is decided at the members' meeting. [Law 45(3)]

Loan Loss Allowance: See "Special Reserves."

Special Reserves: The manager of a savings and loan must consider the liquidity of the business, including sufficient current assets to cover short term liabilities and the ratio between the loan and deposit. [Ord. 14(1,3)]

Powers of the Credit Union

General Powers: The cooperative society acquires legal body status after legalization of its articles of incorporation by the government. [Law 9]

Branch offices of a savings and loan, sub-branches and unit offices may be established under certain conditions. [Ord. 6, 7]

Borrowing: Borrowed capital can come from the members, other cooperative societies and/or their members, banks and other financial institutions, the issuance of bonds and other securities and other legal sources. [Law 41(3)]

To safeguard business soundness, the savings and loan cooperatives or units shall not mortgage or pawn their assets. [Ord. 14(6)]

Issuance of bonds and other commercial letters shall be made in accordance with the provisions of the legislation's of the capital market. [Ord. 17(3)]

Merger: The amalgamation, division and merger of cooperative societies is permitted; they require approval of a members' meeting and government approval. [Law 12(2), 14]

Liquidation: Dissolution of a cooperative society can be done based on decision of the members' meeting or by decision of the government. Dissolution procedures are

arranged by government regulation. Liquidation conditions are detailed in the law and the regulations. The liquidator shall try to avoid bankruptcy. [Law 46, 47, Ord. 29-35]

Bylaws of a cooperative establish provisions on duration of existence. [Law 8h]

Federation or Association

Purposes: The cooperative societies jointly may establish a single organization as an association to struggle for the interest of and act as the spokesman of the aspirations of cooperative societies. In addition to education, the organization develops cooperation among cooperatives and with other business enterprises. [Law 57, 58]

Secondary societies are provided for in the law. [Law 1, 6(2), 15]

Membership: A secondary society is established by at least three cooperatives. [Law 6(2)]

Dissolution: For a secondary society, see "Liquidation."

Central Finance Facility

Purposes: See "Federation or Association."

Membership: See "Federation or Association."

Funds: An association of cooperative societies implements its activities by jointly accumulating cooperative funds. [Law 58]

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

JAPAN	
<i>Region</i>	Asia
<i>Federation</i>	Japan Credit Union (JCU)
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Money Lending Business
<i>Number of Credit Unions</i>	30 (2001)
<i>Number of Members</i>	4,587 (2001)
<i>Total Assets (US\$)</i>	\$10,412,720 (2001)

Rev. 6-92: wj

Legal Authority

Law: Money Lending Business Control Act (1983). [cited as: "Act"]

Regulations: No regulation available.

Definition or Purposes of Credit Union

Definition: In this act "money lending business" means the occupation of lending money or of mediating a money loan. [Act 2]

Supervision and Regulation

Government Agency: One who wants to operate a money lending business must register with the Minister of Finance if he/she wants to set up offices in two or more prefectures, or with the governor if in only one prefecture.

The minister can delegate his/her authority to the Financial Director of Bureau or the Financial Director of the Fukuoka Branch office.

Other Licenses Needed: Law is silent.

Other Institutions Regulated: Money lending institutions are regulated, with certain exceptions, such as public bodies, community buyers or sellers, employees lending to employees and those regulated by other government ordinance. [Act 2]

Reports: The minister or the governors may request registered businesses to report on their operations. [Act 42]

Inspections: The minister can ask the federation, and the governors can ask the associations, to turn in their data; or investigate notes, papers, or other related information; or let the person concerned ask the persons concerned questions. Government staff may enter the offices of associations and the federation to investigate but not for crimes.

Individual businesses are subject to inspection, and the governors may investigate notes, papers, or other related

information by entering offices or by asking the persons concerned questions but not for crimes. [Act 35, 42]

Regulations: Law is silent.

Enforcement: The minister or the governors can order suspension of a business if a registered money lending business engages in violations of the act. [Act 36, 41]

Membership of Credit Unions

Common Bonds of Association: Law is silent.

Non-Natural Persons Eligible: Law is silent.

Liability of Member: Law is silent.

Direction and Administration

Annual Meeting of Members: Law is silent.

Board of Directors and Committees: Law is silent.

Management and Employees: Law is silent.

Audits: Law is silent.

Liability of Officials: Law is silent.

Conflicts of Interest: Law is silent.

Surety Bond: Law is silent.

Shares and Deposits

Shares: Law is silent.

Deposits: Law is silent.

Dividends and Interest: Law is silent.

Lien on Holdings: Law is silent.

Loans

Purpose and Conditions: Law is silent.

Approval Procedure: Law is silent.

Limits, Terms, and Security: Money lending businesses must examine the funds, the credibility, the borrowing conditions and the plans for payment, etc. of customers or guarantees. They cannot make contracts of lending which exceed their ability of payment.

Money lending businesses must display clear signs of the duration of loan and the schedule of payments at each office. [Act 13, 14]

Interest Rates and Charges: Money lending businesses must display clear signs of the rate of lending at each office.

If a debtor had paid interest exceeding the limit of the Interest Limit Act, the excess payment can be effective under certain circumstances. [Act 14, 43]

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: Law is silent.

Authorized Investments: Law is silent.

Capital Adequacy-Reserves

Initial Organization: Law is silent.

Permanent Capital: Law is silent.

Regular Reserve: Law is silent.

Loan Loss Allowance: Law is silent.

Special Reserves: Law is silent.

Powers of the Credit Union

General Powers: Law is silent.

Borrowing: Law is silent.

Merger: Elimination of a legal person because of a merger must be reported to the governor or the minister by an official who is the representative of this legal person. [Act 10 (I)(2)]

Liquidation: Law is silent.

Federation or Association

Purposes: Money lending businesses can form a money lending business association in each prefecture, and there should be one in each prefecture. The purpose of the association is to invest for the proper management of money lending businesses and for the prevention of unethical financing.

The functions of the association include compliance and guidance on related acts and regulations; research and guidance on protecting the interests of customers or making the content of contracts appropriate; solving debtor complaints about money lending practices; management training and curbing excessive credit granting through credit information organizations.

The minister or the governors can make the associations cooperate with them about applications of registration or other necessary subjects for a smooth execution of the act.

Associations can establish a legal person named the National Federation of Money Lending Business Associations, whose purpose is to make contacts and adjustments and to guide the management of the associations.

The minister can ask the federation, and the governors can ask the associations, to turn in their data, investigative notes, papers or other related information. [Act 25, 27, 28, 29, 31, 33, 35]

Membership: Money lending businesses may join the association. Associations may join the federation. [Act 25, 33]

Dissolution: Law is silent.

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

KOREA	
<i>Region</i>	Asia
<i>Federation</i>	National Credit Union Federation of Korea
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	1,268 (2001)
<i>Number of Members</i>	5,371,919 (2001)
<i>Total Assets (US\$)</i>	\$16,720,000,000 (2001)

Rev. 10-99:wj

Legal Authority

Law: Credit Union Act, wholly amended by Act No. 5506, on January 13, 1998; and amended by Act No. 5739 February 1, 1999 and Act 5982 May 24, 1999. [cited as "Act"]

Regulations: Enforcement decree of the Credit Union Act, wholly amended by presidential decree [PD] NO. 15, 753 on April 1, 1998; amended by PD NO. 16, 249 on April 19, 1999 and by PD NO. 16 323 on May 24, 1999. [cited as "PD"]

Definition or Purposes of Credit Union

Definition: The purpose of this Act is to improve members' socio-economic conditions through sound promotion of credit unions based on common bonds and to contribute to the development of the regional economy by providing a full array of financial services to the community residents. [Act 1]

The term "credit union" refers to a not-for-profit juridical person established under this Act, in order to attain the purpose of the Act. [Act 2]

Supervision and Regulation

Government Agency: The Financial Supervisory Service (FSC) may supervise the businesses of the credit unions and the National Federation. [Act 83(1)]

The power of the FSC mentioned in this Act may be commissioned in whole or in part to the Governor or the President of the National Federation. The FSC may order the Governor or the President of the National Federation to conduct an examination. [Act 96(1), (2), PD 24]

Other Licenses Needed: Only the FSC grants authorization to operate. [Act 8]

Other Institutions Regulated: Agricultural, fisheries, livestock, forestry and ginseng co-operatives shall be

deemed credit unions under the Credit Union Act when they conduct general savings and loan business authorized for a credit union. [Act 95]

Reports: The FSC may have a credit union or the National Federation report on the matters concerning its operations and property status. A credit union shall make public disclosure of important information and data on its management status as determined by the FSC. [Act 83, 83-2]

A credit union or the National Federation shall register with the FSC details of incorporation, establishment of branch offices, changes in incorporation data or location, mergers and divisions, dissolution, termination, liquidation and changes of title. [PD 2, 3, 4, 5, 6, 7, 8, 9, 10]

Inspections: The FSC may have the Governor examine the books, documents and other necessary items of a credit union or the National Federation. [Act 83(2)]

The FSC may order an external audit of a credit union. [Act 47(5)]

Regulations: The National Federation Board of Directors shall enact standard regulations and articles of incorporation of a credit union. [Act 2(7), 75(1) 1, 2, 3, 75(2)]

Enforcement: The FSC may order a correction or necessary measures according to reports or examination results. [Act 83(3)]

The FSC may call for change of Articles of Incorporation or standard regulations of the National Federation. Other matters of registration shall be prescribed in the PD. [Act 4(3), 75(2)]

The FSC may, when officers or employees of a credit union or the National Federation fail to follow the procedures and obligations prescribed in this Act or orders, Articles of Incorporation or regulations thereunder, require re-election, suspension from office, or reprimand, in the case of officers, and disciplinary dismissal, suspension from office and salary reduction or reprimand, in the case of employees. A temporary officer can be appointed by the FSC. [Act 84(1)(3)]

The FSC may suspend all or part of the business of a credit union if it fails to follow orders or the Act. [Act 85]

The FSC shall order a management supervision of a credit union in the case of illegal or bad loans that endanger the equity capital; in the case of losses incurred through illegal and unjust practices by its officers; if the credit union has a high probability of bankruptcy; or if the president of the National Federation recommends it. During such supervision, the FSC may suspend payment of liability or duty to the officers for six months. [Act 86(1) 1, 2, 3, 4; 86(2)]

The FSC may revoke authorization of incorporation under certain circumstances. [Act 87(1)]

Fines or imprisonment may be imposed on persons for violations of the Act, misconduct, or obstructing supervisory institutions. [Act 99, 100]

Membership of Credit Unions

Common Bonds of Association: The common bond of a credit union shall be determined in the Articles of Incorporation (AI) in consideration of its administrative district, economic sector, living area, or occupation and association, etc. The scope and qualifications of the various kinds of common bond are prescribed in the PD. They include community credit unions, workplace credit unions and associations such as religious groups, market merchant organizations, groups of licensees or incorporated membership associations. [Act 9(1), 11(2), PD 12, 13]

A member shall be the person who belongs to a common bond of credit union and has paid the first share subscription. [Act 11(1)]

A credit union shall have 100 or more members. [Act 11(3)]

A member shall have an equal resolution right and suffrage, regardless of the number of share subscriptions. Rights of minors may be restricted. A member may make his/her agent exercise the resolution right and suffrage, except if the member's common bond is a region or association. [Act 19(1)(2)]

Non-Natural Persons Eligible: Law and Regulation are silent.

Liability of Member: The responsibility of a member shall be limited to his/her share subscriptions. [Act 20]

Direction and Administration

Annual Meeting of Members: A general meeting shall be established in a credit union. An annual general meeting shall be convened by the president once every fiscal year. Special general meetings may be called. [Act 23(1)(2), 26]

Functions of the general meeting are prescribed in the Act and include: election and removal of officers; any amendments to the articles of incorporation; decisions on business plan and budget; approval of various reports; dissolutions, mergers, or divisions of a credit union, or suspension of work; expulsion of members; formation, amendment or repeal of arrangements, and other matters described in the articles of incorporation. [Act 24(1), 27(2)(3)]

A quorum of a general meeting consists of the presence of a majority of a credit union's members. Where the membership exceeds 500, a quorum consists of 251 or more members present. Resolutions shall be adopted by a majority of those present. A two-thirds majority of those present is required for dissolution, merger, division, or suspension of work. [Act 25(1)(2)]

Board of Directors and Committees: A credit union shall have five to nine directors, including one president, one vice-president and two or three supervisors. The president shall represent the credit union and exercise general control over the business thereof. The position of an officer shall be honorary; however, they may be compensated for actual expenses, as prescribed in the AI. [Act 27(1)(3)(6) 34(1)(2)]

Management and Employees: A credit union may have a general manager or deputy general managers. The President of the National Federation shall determine standards of appointment and dismissal. The president of the credit union shall appoint the qualified general manager and deputy general managers and discharge them with the resolution of the Board of Directors meeting. [Act 30 (1)(2)(4)]

Audits: A supervisor shall, at least once a quarter, audit the business operation, property status and books and documents of a credit union after making notice of an audit. He/she shall submit quarterly reports to the board meeting and annual reports to the general meeting. These audits shall be made jointly by at least two supervisors. If they disagree they may issue separate opinions. [Act 37(1)(3)]

A supervisor shall, at least once a year, without notice, investigate the deposit books and other documents of a considerable number of members against books and records of the credit union. [Act 37(2)]

Liability of Officials: The FSC shall take actions for covering the loss such as property through attachment against officers or employees who have caused loss to the credit union through illegal and unjust activities. [Act 86(3)]

Conflicts of Interest: In a board meeting, a director shall not take part in the matters that involve a conflict between his/her own individual interest and interest of the credit union. [Act 34(3)]

Surety Bond: Law and Regulation are silent.

Shares and Deposits

Shares: A member shall have one or more share subscriptions, with the value of a share determined by the Articles of Incorporation. [Act 14(1) (2)]

A member may not own more than one-tenth of the total number of share subscriptions. [Act 14(3)]

The minimum limit of the total amount of share subscriptions is determined in PD for community, workshop and association credit unions. See “Capital Adequacy - Reserves.” [Act 14(4), PD 14]

Share subscriptions of a member may be transferred to other members, in accordance with the Articles of Incorporation. A member may not hold share subscriptions in common. [Act 15(1) (2) (3)]

Deposits: A credit union shall conduct general savings and loan business, including receiving deposits and installment savings from members. [Act 39(1) 1.a.]

Dividends and Interest: A credit union shall not dispose of profits unless it has compensated for a loss. The profits remaining after deducting required reserves shall be distributed to members in proportion to their paid-in share subscriptions. [Act 53(1)(2)]

Lien on Holdings: Law and Regulation are silent.

Loans

Purpose and Conditions: A credit union shall achieve its purpose by, among other business, making loans to members. [Act 39(1) 1.b.]

Approval Procedure: Law and Regulation are silent.

Limits, Terms and Security: A credit union shall not make a loan to a single borrower that exceeds 15 percent of its equity, except with the approval of the President of the National Federation, in accordance with FSC standards. [Act 42]

Interest Rates and Charges: Law and Regulation are silent.

Loans to Officials: Law and Regulation are silent.

Investment of Funds

Deposit of Funds: A credit union shall invest surplus funds in any of the following methods:

- a. deposit at the National Federation;
- b. deposit at the financial institutions determined by the order of the ministry of Finance and Economy (OMOFE); and
- c. purchase of Government bonds, public bonds, or securities determined by the OMOFE. [Act 44]

Authorized Investments: See “Deposit of Funds.”

Capital Adequacy-Reserves

Initial Organization: The minimum limit of the total number of share subscriptions shall be determined in the PD. [Act 14(4)]

The minimum amount on the sum of share subscriptions pursuant to [Act 14(4)] shall be:

- a. community credit union: in the case of a special city and a metropolitan city, 300 million won; in the case of a city, 200 million won; and in the case of eup and myun (including the eup and myun of a metropolitan city or city, the same hereinafter) 50 million won;
- b. workshop credit union: 40 million won; and
- c. association credit union: in the case of a special city and a metropolitan city, 100 million won; in the case of a city, 80 million won; and in the cases of eup and myun, 50 million won. [PD 14]

Permanent Capital: The equity capital of a credit union shall be the aggregate amount of share subscriptions paid by members. [Act 13]

In case a credit union has incurred losses over many fiscal years, and there is no reserve to cover it, with approval of a general meeting two-thirds majority, and the President of the National Federation, it may decrease its paid-in share capital, and such decrease may be deemed a reduction of the members' paid-in share subscription. [Act 52]

Regular Reserve: A credit union shall accumulate at least one-tenth of the profits of each fiscal year as legal reserves until the accumulation reaches the total paid-in share subscription. Except in the case of division or dissolution, it shall not use this reserve or appropriate to cover dividends. [Act 49(1) (2)]

Loan Loss Allowance: A loss incurred in a credit union's fiscal year shall be covered by appropriating funds from: 1) unappropriated retained earnings, 2) special reserves and 3) voluntary reserves. Any remaining uncovered loss shall be carried over to the following fiscal year. [Act 52(1)]

Special Reserves: A credit union shall hold as reserve for redemption at least one-tenth of the balance of deposit and installment savings, as prescribed in the PD, and deposit a part of the reserve at the National Federation, as prescribed by the Ministry of Finance and Economy. [Act 43(1)(2), PD 17]

Each fiscal year, a credit union may accumulate part of the profits for business purposes as a voluntary reserve. [Act 50]

Each fiscal year a credit union may accumulate a special reserve for covering loss and unavoidable incidents, such as robbery and fire. [Act 51]

Powers of the Credit Union

General Powers: In addition to engaging in the general savings and loan business for members, a credit union is authorized to engage in a wide range of financial and business activities, such as domestic exchange; fiscal agent for government, public organizations, the national federation and financial institutions and custodial services and discount of bills. It is also empowered to provide many other communities, educational, insurance and welfare services, and business entrusted to it by the government or the national federation. [Act 39(1) (2) (97), PD 16(1) 1, 2, 3]

A credit union may establish its branch offices with approval from the president of the national federation. [Act 9(3)]

A credit union shall not own real estate except when it is necessary for its business operation or for discharge of liabilities. [Act 45]

Borrowing: The board of directors shall decide on borrowing of required funds and in the case of borrowing from the national federation, the maximum limit. [Act 36(1)4]

A credit union may borrow from the person designated in the Ministry of Finance and Economy and from the national federation up to the sum of its total share capital and reserves. A credit union may borrow in excess of the limit of its equity capital with approval of the president of the national federation and within the standard determined by the FSC, or when it is borrowing funds from the Korea Deposit Insurance Corporation for the purpose of merger of a credit union. [Act 41(1) (2)]

Merger: A credit union may be merged or divided by resolution of a general meeting or order of the government or the national federation. The surviving or newly established credit union shall succeed to the common bond, rights and obligations of the credit union that ceases to exist. [Act 55(1)(2)]

The merger of community credit unions that share the same administrative districts, economic boundaries and life spheres shall be limited to the parts of the common bonds of the merging credit unions which are in the same city (if it is not divided into city districts), county (gun), or city district (gu). [PD 11(2)]

Liquidation: A credit union may be dissolved according to its Articles of Incorporation, by resolution of a general meeting, in merger or bankruptcy, or because of revocation of established official permission. [Act 54(1)]

In case there is no credit union president to administer a liquidation, the president of the national federation may appoint a liquidating agent. [PD 19]

Federation or Association

Purposes: In order to guide and supervise the operation of credit unions, increase their common interests and promote their sound development, a national federation shall be established composing the credit unions as its members. [Act 61]

The national federation is a non-for-profit juridical person. [Act 2.2]

The national federation shall make efforts to promote mutual cooperation, mutual profits and joint-project development with other cooperatives under other laws for the development of a credit union. [Act 5(1)]

The national federation conducts a wide range of promotional, educational, research and business support activities for credit unions, including interlending and mutual insurance. It also examines and supervises credit unions. The national federation may borrow funds and invest funds in other corporations. The president of the national federation may guide and supervise a credit union, require reports and have an employee examine the business of a credit union. He/she may order necessary measures, such as rectification, request measures against officers and employees, appoint temporary officers and suspend the business of a credit union. [Act 78(1,2,3), 89(1,2,3,4,5) 97]

Other supervisory functions of the Federation President include approving amendments to the articles of incorporation by a general meeting, receiving annual account settlement reports; and supervising liquidation of a credit union. [Act 24(2), 47(4), 56]

Membership: All credit unions shall be members of the national federation. [Act 62]

Officers, including the president, of the national federation are elected from among the members of the credit unions. [Act 71(2)]

Dissolution: Matters concerning the dissolution of the national federation shall be prescribed by the law. [Act 67]

Central Finance Facility

Purposes: The national federation purposes include various interlending, depository and exchange services, including:

- a. receiving deposits, installment savings and reserve for redemption from credit unions and investment thereof;
- b. making loans to credit unions;
- c. domestic and foreign exchange business for credit unions and their members;

- d. acting for business of the government, public organizations, or financial institutions;
- e. payment guarantee and discount bills for credit unions; and
- f. underwriting or secondary distribution of securities pursuant to the Securities and Exchange Act 2(1) 1 and 2. [Act 78(5)]

The interlending business sector of the national federation, relative to the domestic exchange business and to serving as a fiscal agent for government and public organizations, is deemed a financial institution under section (2) of the Banking Act and section (11) of the Bank of Korea Act. [Act 6(3)]

Membership: Membership in the national federation is required of all credit unions. [Act 62]

Funds: The paid-in share capital of the national federation shall be a paid-in share subscription of the credit unions. [Act 63]

The national federation may receive deposits, installment savings and reserve for redemption from credit unions and investment thereof. [Act 78(1) 5a]

Share and Deposit Protection

Purposes: A credit union pays contributions and insurance premiums to the Korea Deposit Insurance corporation under the Depositors Protection Act in order to protect the property of its members and non-members. The Corporation guarantees a refund of the members' share subscriptions, deposits and installment savings in the credit union. [Act 90]

The former Stabilization Fund of the national federation was transferred to the Korea Deposit Insurance Corporation(KDIC) upon enforcement of this act (April 1, 1998). All rights and obligations of the national federation in regard to the Stabilization Fund were comprehensively succeeded by the KDIC. [Act Addenda 2(1)]

Coverage: Law and Regulation are silent.

Membership: Law and Regulation are silent.

Funds: Law and Regulation are silent.

MALAYSIA

<i>Region</i>	Asia
<i>Federation</i>	Association of Asian Confederation of Credit Unions
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	507 (2000)
<i>Number of Members</i>	35,490 (2000)
<i>Total Assets (US\$)</i>	\$12,166,500 (2000)

Rev. 2-00:rs

Legal Authority

Law: Cooperative Societies Act (Act 502), 1993, as amended to September 1, 1999. [cited as "Act"]

Regulations: Cooperative Societies Regulations, January 1, 1995. [cited as "Reg."]

Cooperative Societies (Cooperative Development Trust Fund) Regulations, 1996. [cited as "Reg. II"]

Cooperative Societies (Fees) Regulations, 1997. [cited as "Reg. III"]

Cooperative Societies Tribunal Regulations, 1998. [cited as "Reg. IV"]

Cooperative Societies (Fees) Regulations, 1999. [cited as "Reg. V"]

Definition or Purposes of Credit Union

Definition: A society which consists of individual persons only and having as its objects the promotion of the economic interest of its members in accordance with cooperative principles may be registered under the Act as a primary society. [Act 4(1)]

A society shall provide in its bylaws the objects for which the society is established and the purposes to which its fund may be applied. [Reg. 5(c)]

Supervision and Regulation

Government Agency: The Registrar-General of Cooperative Societies for Malaysia is appointed by the Yang di-Pertuan Agong. The Minister who is charged with the responsibility for cooperative development is also mentioned. [Reg. 2]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: A registered society which has as one of its objects the disposal of any article produced or obtained by the work or industry of its members, whether the produce of agriculture, animal husbandry, forestry, fisheries, handicrafts, or otherwise. [Act 20(1)]

Reports: A society is required to furnish the Registrar-General timely information about the credit union such as board members' names, minutes of meetings, the constitution, membership and financial conditions, as well as notices of all general meetings. [Act 14, 41, Reg. 17, 47]

A report on the audit of accounts and balances is also required along with reports from the board and internal audit committee. [Act 59(1)(c), Reg. 30, 32(2)]

Inspections: The accounts and other records of a cooperative society are to be open to inspection by the registrar or his/her agent. The registrar may also audit, or cause to be audited, the accounts of any society. He/ She has access to all books, accounts, documents and securities. The registrar may also hold an inspection on the request of creditors. [Act 58, 60(2), 64-66, 68]

Regulations: The Minister may make all such regulations as may be necessary to carry out or give effect to the principles or provisions of the Act. [Act 86(1)]

Enforcement: The registrar may communicate the result of an inspection or inquiry and order any officer to take appropriate action. He/She may suspend society activities, suspend or dissolve the board, freeze bank accounts and remove any officer for five years. Finally, he/she may revoke the charter of any registered society. [Act 3(3), 67, 69(1, 6), 70, 81, Reg. 48]

Any officer, employee, or member of a society guilty of a general offense under the Act is liable to fine or imprisonment. General offenses are specified in the Act. [Act 91, Reg. 49]

Membership of Credit Unions

Common Bonds of Association: To qualify for membership in a cooperative society, a person must be at least 18 years of age, a Malaysian citizen and resident, be employed, or own land within the society's area of operation. Certain exceptions are made for school cooperatives serving students. No person may be a member of more than one society whose primary object is granting loans to members. [Act 26, 29]

Disqualifying conditions include mental disability, bankruptcy, conviction for an offense, or expulsion from membership within one year. [Act 27] A society shall provide membership qualifications in its bylaws. [Reg. 5(d)] To be registered a society must have at least 100

individuals, but a special exception allows as few as 20 persons. [Act 5, 8]

Non-Natural Persons Eligible: A primary society consists only of individual persons. [Act 4]

Liability of Member: Every registered society shall be with limited liability. [Act 7(2)]

Direction and Administration

Annual Meeting of Members: The ultimate authority of a society is vested in the general meeting of its members. Such meeting shall be held annually with the members or by delegates of members. [Act 36, 39] Among the functions of the general meeting are electing members of the board and internal audit committee, considering reports of those bodies and the observations of the Registrar-General, approving the annual budget and approving a panel of at least two audit firms to audit the society's accounts. [Reg. 12, 13]

Board of Directors and Committees: The board is the governing body of the society which directs, manages and supervises its business, funds and property. [Act 44]

Management and Employees: The board shall ensure the full and proper administration and management of the affairs of the society. [Act 44]

Audits: Every registered society shall cause its accounts to be audited at least once every financial year by some person approved by the Registrar-General. [Act 60(1)] It must maintain such accounting and other records as can be conveniently and properly audited. [Act 58(1)] The audited accounts and balance sheet are to be submitted before the general meeting to members and to the Registrar-General. [Act 59(2)]

Liability of Officials: A member of the board or an employee of a registered society shall indemnify the society for any loss incurred by the society as a result of a transaction executed by him/her without the authority of the board. [Reg. 18] Board members shall exercise the prudence and diligence of ordinary men/women of business and shall be jointly and severally liable for any loss sustained through failure to do so or through any act contrary to the Act, Regulations, bylaws or general meeting. [Act 45(1)]

Conflicts of Interest: Law and Regulations are silent except that a person may not be an auditor of a society who is indebted to it in excess of 10,000 Ringgit or is an officer of the society or a business partner of an officer. [Act 62]

Surety Bond: Law and Regulations are silent, except for reference to sureties in connection with obtaining their consent to an amalgamation of societies. [Reg. 34(f)(g)]

Shares and Deposits

Shares: The minimum number of shares that must be subscribed to and paid for by a member are prescribed in the bylaws. They are withdrawable only on termination of membership. A society with the object of promoting thrift and creating credit may raise funds by subscription capital. [Act 50] No one member may hold more than one-fifth of the share capital. [Act 33]

Deposits: A deposit is money deposited by any person with a society in a fixed deposit account, savings account, or other deposit account, but it does not include a share or subscription or specific savings. The bylaws shall specify the plans relating to deposits from members and non-members. [Act 2, 50(e), Reg. 26(d)]

The Minister may prescribe the maximum rate of dividend on share capital. That rate is 10 percent except with approval of the Registrar-General. [Act 86(2)(i), Reg. 24]

The board reports to the general meeting on the dividends paid, declared, or recommended. The members must consider and approve the distribution of profits. Only audited net profits may be used. [Act 59(3), Reg. 12 (1)(ja)]

Lien on Holdings: A society shall have a lien upon the share, subscription, or interest in the capital and deposits of a member for any debt due the society from the member. [Act 22]

Loans

Purpose and Conditions: No registered society shall grant any loan or other credit facility except to its members, its employees (subject to regulations), its subsidiary or subsidiaries, or another registered society. Such loans shall be subject to the regulations and bylaws. [Act 51(1)]

Approval Procedure: The Registrar-General must approve loans to a subsidiary, subsidiaries, or another registered society. [Act 51(1)]

Limits, Terms and Security: The Minister may prohibit or restrict the lending of money on a charge or mortgage of immovable property by any registered society or class of registered societies. [Act 51(3)] The shares of a registered society shall not be hypothecated to that society by its members as security for a loan. [Reg. 23]

Interest Rates and Charges: Law and Regulations are silent.

Loans to Officials: Law and Regulations are silent.

Investment of Funds

Deposit of Funds: See "Authorized Investments."

Authorized Investments: The general meeting considers and approves the scope and limit of investments financed by surplus funds of the society. [Reg. 12(h)] A registered society may invest or deposit its surplus funds, subject to the regulations and its bylaws in: 1) any financial institution licensed under the Banking and Financial Institutions Act 1989; 2) any financial institution established by the Federal Government; 3) any registered society approved by the Registrar-General; 4) any bonds or securities issued in Malaysia and approved by Bank Negara Malaysia; 5) new shares approved under the Securities Industry Act 1983; or 6) such other investments and securities as are, for the time being, authorized under any written law for the investment of trust funds. [Act 54(1)]

No registered society shall invest in any other mode except with the approval of the Registrar-General in: a) the shares or securities of any other registered society; b) the share capital or convertible or redeemable debenture stock of any company other than those specified in items 1 through 6 above; c) any joint venture company; or d) its subsidiaries. [Act 54(3)]

Capital Adequacy-Reserves

Initial Organization: The minimum number of shares that must be subscribed to and paid for are prescribed in the bylaws. They may be withdrawn only on terminating membership. A thrift and credit cooperative society may also raise funds by subscription capital. [Act 50]

Permanent Capital: Law and Regulations are silent.

Regular Reserve: Every registered society shall pay into its Reserve Fund not less than 15 percent of its audited net profits for each financial year. [Act 57(1)] The Minister may make regulations prescribing the purposes for which the funds in the Reserve Account, other than those arising from capital gains, may be used. [Act 86(2)(j)]

Loan Loss Allowance: The audited net profits of a registered society for each financial year shall be determined after allowing for operational expenses, provision for bad and doubtful debts, depreciation of assets and diminution of investments. [Act 56]

Special Reserves: The board's report for the general meeting shall state, apart from the Reserve Account required under the Act, the amount, if any, which is proposed to be carried to any other fund or reserve account. [Act 59(3)(e)]

Powers of the Credit Union

General Powers: The registration of a society shall render it a body corporate by the name under which it is registered with perpetual succession and a common seal and with power to hold movable and immovable property of every description; to enter into contracts; to institute and defend suits and other legal proceedings and to do all things necessary for the purposes for which it is constituted. [Act 9] Every society registered shall be with limited liability. [Act 7(2)]

The transactions of a registered society with persons other than its members shall be subject to such prohibitions and restrictions as may be prescribed by its bylaws. [Act 53]

Borrowing: A registered society may, subject to the approval of its general meeting or special general meeting, borrow funds from its members and non-members to be used for a specific purpose in its business. The general meeting sets the maximum limit of indebtedness in borrowings and deposits which may be incurred in the coming year. [Act 52]

Merger: A registered society may: 1) amalgamate with another registered society or other registered societies to form one single society; 2) transfer its assets and liabilities to another registered society; or 3) divide itself into two or more societies, in accordance with the regulations the Minister may make. [Act 85, 86(2)(g), Reg. 34]

Liquidation: No society shall be closed except by an order of the Registrar-General. [Act 69(5), 71(6)] This may be done after an inspection, inquiry, or an application made by three-fourths of the members. [Act 71(1)] The Act also details dissolution in certain specific circumstances. [Act 71A] The registrar may also revoke the registration of a society due to lack of membership. The society then ceases to exist as a corporate body and the Registrar-General may appoint a liquidator whose powers are detailed. The Registrar-General has the power to control liquidation. [Act 72-76]

Federation or Association

Purposes: The objects of a secondary or tertiary society, which represents the cooperative movement as an apex body at the national or international levels, must include the promotion of cooperative principles and the facilitation of the operations of registered societies. [Act 57(3), Reg. II 2]

Membership: A secondary society consists of primary societies only. A tertiary society may consist of secondary societies only or of secondary and primary societies.

[Act 4(2,3) The bylaws of the apex society must provide for affiliation of all registered societies without any restrictions or the payment of any fee except entrance fees. [Act 57(3)(b)]

Each year, registered societies pay into the Cooperative Development Trust Fund which can be used to fund a secondary and tertiary apex body. The Minister makes regulations prescribing how these funds shall be administered and used. [Act 57(2), Reg. II 2, 6]

Dissolution: See "Liquidation."

Central Finance Facility

Purposes: A registered society may grant loans or other credit facility to another registered society subject to regulations, bylaws and the approval of the Registrar-General. This shall not apply to a registered society that is permitted to grant any loan or other credit facility in accordance with the provisions of any other law governing its operations. [Act 51(1), (2)]

The Minister may make regulations prescribing the manner in which the Cooperative Central Fund and the Cooperative Societies Liquidation Account shall be held, administered and used. [Act 86(2)(j)] The administration of the Cooperative Central Fund is detailed. [Reg. 35]

Membership: All registered societies must be affiliated with an authorized apex body. [Act 57(3)(b)]

Funds: Any unclaimed funds remaining two years after the liquidation of a registered society shall be credited into the Cooperative Central Fund. [Act 79(4)]

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

NEPAL	
<i>Region</i>	Asia
<i>Federation</i>	Nepal Federation of Savings & Credit Cooperative Unions Ltd.
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Act
<i>Number of Credit Unions</i>	334 (2000)
<i>Number of Members</i>	32,000 (2000)
<i>Total Assets (US\$)</i>	\$4,050,445 (2000)

Rev: 3-00:wj

Legal Authority

Law: Cooperative Act 1992. [cited as "Act"]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: Parliament has made the act to provide for the formation and operation of various types of cooperative societies and unions for the social and economic development of the country's farmers, artisans, people possessing inadequate capital and low-income groups, workers, landless and unemployed people, or social workers, or general consumers on the basis of mutual cooperation and cooperative principles. [Act Preamble, 3]

Supervision and Regulation

Government Agency: His/Her Majesty's government may appoint a registrar for registration of societies or unions and for such other functions as specified under the Act and Rules. The registrar may delegate his/her powers. [Act 21-22]

Other Licenses Needed: Permission from the Nepal Rastra Bank is required for a society or union to undertake banking transactions. [Act 26(2)]

Other Institutions Regulated: Various types of cooperative societies and unions are regulated. Societies engaged in industrial business are referred to. [Act Preamble 38(4)]

Reports: Every society or union shall submit an annual report of its transactions, the audit report, a report of policies and plans to distribute surplus and other matters to the registrar. [Act 34]

Inspections: The registrar or an authorized officer may carry out an inspection of a society or union.

The registrar or his/her appointee may, if he/she suspects the business of a society is unsatisfactory, or on application

of at least 5 percent of the members, hold an inquiry into the affairs of a society or union. The concerned authority may suggest corrections. [Act 35, 36]

Regulations: His/Her Majesty's government may frame necessary rules to implement the objects of the Act, such as registration forms; power and working procedures of general meetings; management and mobilization of financial resources of societies or unions and inspection and supervision. [Act 48]

Enforcement: Failure to furnish required reports or information or misuse of the name 'Shakari' may result in fines. [Act 44-45]

Membership of Credit Unions

Common Bonds of Association: A primary society with at least 25 persons as its members may be formed. Persons who register a society, persons residing in the area of operation of the society expressing a desire to get services of it by purchasing shares and who accept responsibilities and other conditions of the bylaws and prescribed agencies which purchase shares may be members. [Act 9(1), 23]

Non-Natural Persons Eligible: Prescribed agencies which purchase shares may be members. [Act 9(1c)]

Liability of Member: A society or union shall have limited liability. [Act 8(1)]

Direction and Administration

Annual Meeting of Members: Each society shall have a general assembly of all members, held annually within six months of the end of the fiscal year. The general assembly approves the annual audit report, elects the board of directors and the accounts committee, discusses reports, decides on amendment of bylaws and decides questions of amalgamation or dissolution. Special general meetings may be called. [Act 12, 13, 14, 15]

Voting in connection with the operation of a society shall be only according to the principle of one vote per person, irrespective of the number of shares purchased by a member. [Act 23(4)]

Board of Directors and Committees: Each society shall have a board of directors, whose functions, duties and powers shall be as specified in the bylaws. Terms of office of board members shall not exceed five years. [Act 16]

The general assembly may form an accounts committee consisting of three members, which may have the internal audit of the society conducted regularly. It may give suggestions to the board and shall submit its report concerning accounts to the general assembly. [Act 17]

The board may form subcommittees under the bylaws to conduct the affairs of the society. [Act 19]

Management and Employees: A society may frame its bylaws to regulate its affairs, management and operation, subject to the Act and Rules. Bylaws must be approved by the registrar. [Act 12]

Employees are referred to, relative to restrictions on contracts. [Act 29]

Audits: Every society or union shall have its accounts audited within three months of the end of the fiscal year by an auditor approved by the registrar. The general assembly may, with permission of the registrar, order an audit. The audit report shall be submitted to the general assembly. [Act 37]

Liability of Officials: Law is silent.

Conflicts of Interest: A society or union cannot grant a contract to any of the members of its board or accounts committee or to any employees. [Act 29]

Surety Bond: Law is silent.

Shares and Deposits

Shares: A society may collect share capital by selling its shares to persons within its area of operation who are eligible to become members, to its members and to other prescribed agencies. No person or agency, except the government or a government-owned agency, may hold more than 20 percent of the total share capital of a society. [Act 23(1, 3)]

A society may issue its shares, not exceeding 20 percent of its total share capital, to any foreign cooperative society or union which is a member of the International Cooperative Alliance. [Act 23(2)]

Deposits: A society or union may accept savings and deposits from its members or other persons and may undertake banking transactions with permission of the Nepal Rastra Bank. [Act 26]

Dividends and Interest: After 25 percent has been transferred to permanent reserves, the surplus may be used for creating additional reserves or distributing dividends or bonus within the limits specified in the bylaws, provided that the amount of dividend on shares shall not exceed 15 percent of the share capital. [Act 27(2)]

Lien on Holdings: If a member defaults on a loan from a society or union, it shall have a preemptive right to that member's assets after government claims are satisfied. [Act 40]

The shares or rights of any member in the principals capital of a society or union shall not be auctioned in consideration of any loan or liability other than those of the society or union itself. [Act 30]

Loans

Purpose and Conditions: A society may make loans to its members. [Act 26(1)]

Approval Procedure: Law is silent.

Limits, Terms and Security: Law is silent.

Interest Rates and Charges: Law is silent.

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: Law is silent.

Authorized Investments: Law is silent.

Capital Adequacy-Reserves

Initial Organization: Law is silent.

Permanent Capital: See "Regular Reserve."

Regular Reserve: After at least one-fourth of the net surplus of any year is transferred to the reserve fund, a society or union may use the balance to create funds as prescribed. [Act 27(1)]

Loan Loss Allowance: See "Regular Reserve."

Special Reserves: Funds other than the reserve fund may be created. [Act 27(1)]

Powers of the Credit Union

General Powers: A society or union shall be an autonomous body corporate with perpetual succession. It may acquire, use and otherwise dispose of any movable and immovable property. It may sue and be sued. It shall have limited liability. [Act 7-8]

A society or union may undertake banking transactions with the permission of the Nepal Rastra Bank. [Act 26(2)]

A society or union shall not be allowed to provide donations or any other type of economic assistance to any political party or any other institution or association that works for a particular religion or sect. [Act 28]

Borrowing: A society or union may issue debentures and accept loans from any national or foreign banks or from any other agencies. Permission from His/Her Majesty's government is required while issuing debentures or accepting a loan from a foreign bank. The government may guarantee such debentures or loans from foreign banks and make conditions on them. [Act 24-25]

Merger: Two or more societies may be amalgamated, or one society may be divided, with two-thirds votes of the general assemblies of each society concerned. Resulting societies must be registered by the registrar. [Act 31]

Liquidation: A society or union may be dissolved by a two-thirds resolution of its members or by the registrar where he/she finds that it has remained defunct and done no business for two years or it has performed against its objectives. The registrar appoints the liquidator. [Act 42]

Federation or Association

Purposes: A single-purpose union with at least five societies as its members; a district cooperative union that includes primary societies and single-purpose unions, no less than five; a central cooperative union with at least 25 societies or five single-purpose unions may be formed. Only one single-purpose union or district cooperative union of the same nature in the same district and one central cooperative union of the same nature shall be formed.

The National Cooperative Federation with at least 15 unions of the above types may be formed. [Act 3]

Membership: Single purpose societies in the area of operation of a single-purpose union may become its members; all societies and single purpose unions in the concerned district may become members in a district cooperative union; and single purpose unions and societies may become members of a central cooperative union, according to their bylaws.

All unions and other agencies as specified in bylaws may become members of the National Cooperative Union. Agencies which purchase shares may become members of the concerned union. [Act 10, 23(1)]

Dissolution: Law is silent on dissolution, but unions may be amalgamated or divided. [Act 31]

Central Finance Facility

Purposes: See "Association or Federation."

Membership: See "Association or Federation."

Funds: A society or union may issue debentures and accept loans from any national or foreign banks or from any other agencies. Permission from the government is required to issue debentures or accept loans from foreign banks. His/Her Majesty's government may guarantee such debentures or loans from foreign banks and make conditions on them. [Act 24-25]

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

PHILIPPINES

<i>Region</i>	Asia
<i>Federation</i>	Philippine Federation of Credit Cooperatives (PFCCO)
<i>Legal System</i>	Civil Code and Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	271 (2000)
<i>Number of Members</i>	69,972 (2000)
<i>Total Assets (US\$)</i>	\$11,125,936 (2000)

Rev. 9-92: jc, wj

EXPLANATORY NOTE: New legislation on credit unions was being considered by the Congress of the Philippines as this law Guide was being published. If it is enacted into law, some topics covered in the Guide will be affected. They will be revised at a later date by WOCCU.

Legal Authority

Law: Cooperative Code of the Philippines, 1990. [cited as "Act"]

Regulation: Rules and regulations implementing certain provisions of the cooperative code, 1990. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: A cooperative is a duly registered association of persons with a common bond of interest who have voluntarily joined together to achieve a lawful common social or economic end, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles. [Act 3]

The primary objective of every cooperative is to provide goods and services to its members and thus enable them to attain increased income and savings, investments, productivity and purchasing power and promote among them equitable distribution of net surplus through maximum use of economies of scale, cost-sharing and risk-sharing. The business of a cooperative is to be conducted not for profit, not for charity, but for service with the object of allowing lower-income groups to increase their ownership in the wealth of the Filipino nation. [Act 7]

A credit cooperative is one which promotes thrift among its members and creates funds in order to grant loans for productive and provident purposes. [Act 23(a)] Another objective is to provide related services to enable its members to maximize the benefit from such loans. [Act 111(3)]

Supervision and Regulation

Government Agency: Cooperative Development Authority [cited as "Authority"]. [Act 5(8)]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Banking, production, marketing, goods and services, educational, housing, insurance, wholesale and retail, agricultural/industrial processing cooperatives are mentioned. [Act 6]

Reports: Every cooperative shall draw up and publish an annual report of its affairs as of the end of every fiscal year and furnish copies to all its members. A copy thereof shall be filed with the Cooperative Development Authority within 60 days of the end of every fiscal year. Failure to file the required annual report shall be a ground for revocation of authority of the cooperative to operate as such. [Act 54], [Reg. 2]

Inspections: Every cooperative shall have the following open to representatives of the Authority for inspection during reasonable office hours at its official address: a copy of the articles of cooperation and bylaws of the cooperative; a registrar of members; the minutes of the meetings of the general assembly, board of directors and committees; share books, where applicable; financial statements and such other documents as may be prescribed by laws or the bylaws. [Act 53(1)]

Regulations: The Cooperative Development Authority may issue regulations to implement those provisions of the Code which expressly call for the issuance thereof. [Act 123]

Enforcement: If a cooperative fails to make, publish and file its annual report, or fails to include therein any matter required by law, the Cooperative Development Authority may petition the court for a mandamus to compel the cooperative and its officers to comply and require those at fault to pay all the expenses of the proceeding. [Act 54(2)]

The Cooperative Development Authority may suspend or revoke the certificate of registration of a cooperative if it obtained its registration by fraud; existed for an illegal purpose; willfully violated its bylaws or the Code; dispute or notice of the Authority. [Act 68]

Membership of Credit Unions

Common Bonds of Association: Any natural person who is a citizen of the Philippines shall be eligible for membership in a cooperative if the applicant meets the qualifications prescribed in the bylaws. [Act 26]

The Articles of Cooperation shall specify the common bond of membership. [Act 14(2)]

A cooperative may have two kinds of members: regular, who are entitled to all the rights and privileges of membership, and associate, who have no right to vote or be voted upon and shall be entitled only to those rights and privileges as the bylaws may provide. [Act 27]

Non-Natural Person Eligible: Any cooperative or any nonprofit organization with juridical personality that meets the qualifications prescribed in the bylaws is eligible for membership. [Act 26]

Liability of Member: A member shall be liable for the debts of the cooperative to the extent of his/her contribution to the share capital of the cooperative. [Act 30]

Direction and Administration

Annual Meeting of Members: The general assembly shall be composed of such members who are entitled to vote under the articles of cooperation and bylaws of the cooperative. [Act 33] The general assembly shall be the highest policy making body of the cooperative and shall have exclusive power to determine and approve amendments to the articles of cooperation and bylaws; to elect or appoint the members of the board of directors and to remove them for cause and to approve developmental plans of the cooperative and such other matters requiring a two-thirds vote of all the members of the general assembly. [Act 34]

A regular meeting shall be held annually by the general assembly on a date fixed in the bylaws or, if not fixed, on any date within 90 days after the close of each fiscal year. [Act 35(1)] Each natural person member shall have one vote. Member cooperatives shall have only five votes. No proxy voting is allowed unless provided for in the cooperative's bylaws. [Act 37(1)(3)]

Board of Directors and Committees: The conduct and management of the affairs of a cooperative shall be vested in a board of directors which shall be composed of not fewer than five nor more than 15 members elected by the general assembly for a term fixed in the bylaws but not exceeding two years. No director may serve for more than three consecutive terms. [Act 38]

Regular meetings of the board shall be held monthly, unless the bylaws provide otherwise. [Act 41]

The board shall elect from among themselves only the chairman and vice-chairman and elect or appoint other officers from outside the board in accordance with their bylaws. [Act 43] Government officers and employees, except barangay (town council) officials, shall be ineligible to become officers and directors of cooperatives. [Act 28]

The bylaws shall provide for the creation of an audit committee and such other committees as may be necessary for the proper conduct of the cooperative's affairs.

[Act 44(2)] The chairman of the audit committee of a cooperative shall be responsible for its books and records of account in accordance with general accounting practices. He/She shall also be responsible for the production of the same at the time of audit or inspection. [Act 53(2)]

Management and Employees: Unless already fixed in the bylaws, the compensation of other employees shall be determined by the board of directors. [Act 47(2)(3)]

Audits: Cooperatives shall be subject to an annual audit by an auditor who is independent of the cooperative being audited and of any of its subsidiaries and is a member of any recognized professional accounting or cooperative auditors' association with similar qualifications. [Act 81] The auditor shall submit to the audit committee a report of the audit which shall contain a statement of the assets and liabilities of the cooperative, including earnings and expenses, amount of net surplus as well as losses and bad debts, if any. The audit committee shall forthwith furnish the board of directors with a copy of the audit report which the board shall present to the general assembly at its next meeting. [Act 82]

Liability of Officials: Directors, officers and committee members who willfully and knowingly vote for or assent to patently unlawful acts or who are guilty of gross negligence or bad faith in directing the affairs of the cooperative or acquire any personal or pecuniary interest in conflict with their duty as such directors, officers, or committee members shall be liable jointly and severally for all damages or profits resulting therefrom to the cooperative, members and other persons. [Act 46]

Conflicts of Interest: When a director, officer or committee member attempts to acquire or acquires, in violation of his/her duty, any interest or equity adverse to the cooperative in respect to any matter which has been reposed in him/her in confidence, he/she shall, as a trustee for the cooperative, be liable for damages and for double the profits which otherwise would have accrued to the cooperative. [Act 46]

Surety Bond: Every director, officer and employee handling funds, securities, or property on behalf of any cooperative shall execute and deliver adequate bonds for the faithful performance of his/her duties and obligations. The board of directors shall determine the adequacy of such bonds. [Act 57]

Shares and Deposits

Shares: Registered cooperatives may derive their capital from members' share capital. [Act 73(1)] The term "share" refers to a unit of capital the par value of which

may be fixed at any figure. The share capital of a cooperative is the money paid or required to be paid for to conduct its operations. The method of issuing the share certificates may be prescribed in the bylaws of the cooperative. [Act 77]

Registered cooperatives may also derive their capital from revolving capital which consists of deferred payment of patronage refunds or interest on share capital and subsidies, donations, legacies, grants, aids and such other assistance from any local or foreign institution, public or private. [Act 73(3)(4)]

No member of a cooperative, other than a cooperative, shall own or hold more than 20 percent of the share capital of the cooperative. [Act 74]

Common and preferred shares are provided for. [Reg. 3]

Deposits: Registered cooperatives may derive their capital from loans and borrowings including deposits. [Act 73(2)]

Dividends and Interest: Interest on share capital shall not exceed the normal rate of return on investments as determined by the Cooperative Development Authority and such interest shall be noncumulative. [Act 76]

Computation of share interest is provided in the regulations. [Reg. 4]

The remaining net surplus shall be made available to the members in the form of interest not to exceed the normal rate of return on investments and patronage refunds. [Act 87(4)]

Lien on Holdings: Any debt due a cooperative from a member shall be the first lien upon any raw materials, production inputs and products produced, or any land, building, facilities, equipment, goods, or services acquired and held by such member through the proceeds of the loan or credit granted by the cooperative to him/her for as long as the debt is not fully paid. [Act 58(1)]

A cooperative shall have a primary lien upon the capital, deposits, or interest of a member for any debt due to the cooperative from such a member. [Act 60]

Loans

Purpose and Conditions: Law is silent.

Approval Procedure: Law is silent.

Limits, Terms and Security: A member of a cooperative may execute an instrument in favor of the cooperative authorizing his/her employer to deduct from the salary or wages payable to him/her by the employer and pay to the cooperative such amount as may be specified in satisfaction of any debt or other demand due from the

member to the cooperative. [Act 59(1)] “Employer” includes all private firms and national and local governments and government-owned or controlled corporations. [Act 59(3)]

Interest Rates and Charges: Law is silent.

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: Law is silent.

Authorized Investments: A cooperative may invest its capital in: (a) shares or debentures or securities of any other cooperative; (b) any reputable bank in the locality or any cooperative; (c) securities issued or guaranteed by the government; (d) real estate primarily for the use of the cooperative or its members; or (e) any other manner authorized in the bylaws. [Act 79]

Capital Adequacy-Reserves

Initial Organization: A group intending to form a cooperative must submit to the Authority a general statement describing the economic feasibility of the proposed organization. [Act 11]

Permanent Capital: See “Regular Reserve.”

Regular Reserve: Net surplus shall be distributed as an amount for the reserve fund, which shall be at least 10 percent of net surplus; the reserve fund shall be used for the stability of the cooperative and to meet net losses in its operations. The general assembly may decrease the amount allocated to the reserve fund when the reserve fund already exceeds the share capital. Any sum recovered on items previously charged to the reserve fund shall be credited to such fund. [Act 86, 87(1)]

Loan Loss Allowance: Law is silent.

Special Reserves: Net surplus may also be distributed as an amount for the education and training fund, which shall be not more than 10 percent of net surplus. Half of the amounts transferred to the fund may be spent by the cooperative for education, training and other purposes, while the other half shall be credited to the cooperative education and training fund for the federation or union of which the cooperative is a member. [Act 87(2)]

Net surplus may also be distributed to an optional fund, land and building, community development and any other necessary fund the total of which may not exceed 10 percent. [Act 87(3)]

Powers of the Credit Union

General Powers: A registered cooperative shall have the following powers and capacities: (1) to sue and be sued; (2) of succession; (3) to amend its articles of cooperation in accordance with the Act; (4) to adopt bylaws not contrary to law, morals, or public policy and to amend and repeal the same in accordance with the Act; (5) to buy, sell, lease, mortgage and pledge real and personal property as its affairs may require; (6) to enter into division, merger or consolidation; (7) to join federations or unions; (8) to receive grants, donations and assistance from foreign and domestic sources and (9) to exercise such other powers granted by the Act or necessary to carry out its purpose(s) as stated in its articles of cooperation. [Act 9]

Borrowing: Credit cooperatives and/or federations shall be entitled to loans, credit lines, rediscounting of their loan notes and other eligible papers with the Development Bank of the Philippines and other financial institutions, except the Central Bank of the Philippines. [Act 63(8)]

The general assembly of any cooperative may authorize the board of directors to raise a revolving capital to strengthen its capital structure by deferring the payment of patronage refunds and interest on share capital. The board of directors shall issue revolving capital certificates with serial number, name, amount and rate of interest and shall distinctly set forth that the time of retirement of such certificates and the amounts to be returned are at the discretion of the board of directors. [Act 80]

Cooperatives may obtain loans from a cooperative bank. Loans granted by a cooperative bank shall be reported to the Central Bank of the Philippines. [Act 104]

Merger: Two or more cooperative may merge into a single cooperative, but a merger shall not be valid unless approved by two-thirds of all members eligible to vote. The Authority shall issue the guidelines for the procedure of the merger and shall validate it by issuing a certificate of merger. [Act 9, 21] The surviving cooperative shall be responsible for all the liabilities and obligations of each of the constituent cooperatives. [Reg. 6]

Liquidation: Voluntary dissolution of a cooperative, where no creditors are affected, may be made by vote of the board of directors and two-thirds of the members. Where creditors are affected by a dissolution, a cooperative, after approval by the board and the members, must petition the Authority for permission to dissolve. Involuntary dissolution may be made by order of the Court on grounds of violation of any law, regulation, or provision of its bylaws, or insolvency.

The Authority may suspend or revoke registration on grounds of the cooperative society having obtained its registration by fraud; it exists for an illegal purpose; violation of the Act or its bylaws; failure to operate on a cooperative basis; the number of its members falls too low; and/or failing to carry on business.

Where dissolution is voluntary, the members elect a board of liquidators. Where dissolution is involuntary, the Authority appoints the liquidator. Functions, powers and obligations of the liquidators are detailed in regulations. [Act 65-71, Reg. 8]

Federation or Association

Purposes: A federation of cooperatives may be registered to carry on any cooperative enterprise authorized under the Act or to carry on, encourage and assist educational and advisory work relating to its member cooperatives. [Act 24(1)(a)(b)]

Unions may do cooperative research and promotion, advise authorities, raise funds through membership fees, dues and contributions and subsidies from local and foreign sources, either private or government. [Act 25]

Credit cooperatives may organize chapters or subsidiaries or join leagues and federations for the purpose of providing commonly needed services such as interlending surplus funds, deposit guarantee, bonding, education, training, professional and technical assistance, research and development, representation in legislative matters and other services needed to improve their performance. [Act 113]

Membership: Registered cooperatives may organize a federation at the provincial, city, regional and national levels according to the type of business carried on. [Act 24(2)] Both cooperatives and federations may organize or join cooperative unions to represent the interest and welfare of all types of cooperatives at the provincial, city, regional and national levels. [Act 25]

Dissolution: Federations, unions and leagues as registered societies are dissolved according to the same rules as primary societies. See "Liquidation". [Act 24-25, 65-71, 113; Reg. 8]

Central Finance Facility

Purposes: A cooperative bank is one organized by cooperatives primarily to provide financial and credit services to cooperatives. The majority shares of the bank are owned and controlled by cooperatives. It may carry

on banking and credit services for cooperatives; receive financial-aid loans from the Government and the Central Bank of the Philippines for and in behalf of the cooperative banks and primary cooperatives and their federations engaged in business and supervise the lending and collection of loans; mobilize savings of its members for the benefit of the cooperative movement; act as a balancing medium for the surplus funds of cooperatives and their federations; discount bills and promissory notes issued and drawn by cooperatives; issue negotiable instruments to facilitate the activities of cooperatives; issue debentures subject to the approval of the Government; borrow money from banks and other financial institutions and carry out all other functions as may be prescribed by the Authority. [Act 100]

Membership: Membership in a cooperative bank shall include only cooperatives and federations of cooperatives. [Act 102]

Funds: Minimum authorized share capital for both national and local cooperative banks is prescribed. [Act 106]

Cooperative banks may rediscount notes with the Central Bank, the Land Bank of the Philippines and other government banks and may act as a depository of government funds. [Act 108]

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

REPUBLIC OF UZBEKISTAN

<i>Region</i>	Asia
<i>Federation</i>	
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	5 (2002)
<i>Number of Members</i>	2800 (2002)
<i>Total Assets (US\$)</i>	\$65,471 (2002)

Rev.1/04wj

Legal Authority

Law: The law of the Republic of Uzbekistan on Credit Unions, 2002. Cited as: [Law]

(EXPLANATORY NOTE: The law refers to the credit union's individual founding document as the "statute". This "statute" is akin to the credit union bylaws of other jurisdictions. References to it in the International Digest are followed by the term "(bylaws)" to avoid confusion.)

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: A credit union is a credit organization established by legal entities and private individuals based on a voluntary membership whose main purpose is to pool and mobilize monetary funds to make loans to its members. [Law 3]

Supervision and Regulation

Government Agency: The Central Bank of the Republic of Uzbekistan registers and licenses credit unions. [Law 4,5]

Other Licenses Needed: Any international agreements by the Republic of Uzbekistan regarding credit unions, take precedence over the Credit Union Law. The law refers to other, unspecified legislative acts governing credit unions. [Law 2]

Other Institutions Regulated: Law is silent.

Reports: The Central Bank shall establish accounting and reporting rules, receive information, and review reports by credit unions. [Law 6]

Inspections: The Central Bank shall inspect credit unions. The credit union must ensure access to documents and other information to representatives of the Central Bank. [Law 6,11]

Regulations: The Central Bank shall establish economic norms and rules for performance of financial operations, maintenance of accounting and reporting which are mandatory for all credit unions. [Law 6]

Enforcement: The Central Bank may deny state registration of a credit union for failure to comply with procedural or financial requirements. [Law 5]

The Central Bank shall issue instructions on elimination of violations identified in credit union activity. It has the power to impose restrictions on performance of definite financial operations for up to six months, and to suspend or cancel a credit union's license. [Law 6]

Explanatory note: The Law "On The Central Bank of Uzbekistan", as amended, gives the Central Bank the right to impose fines on credit unions.

Disputes relating to credit union activity shall be settled according to legislation. [Law 29]

Persons violating credit union legislation bear responsibility in the established order. [Law 30]

Membership of Credit Union

Common Bonds of Association: Credit union members consist of legal entities and private individuals who make payments of ownership shares into the statutory fund of the credit union. A credit union must have at least 50 members. [Law 7]

Non-Natural Persons Eligible: Legal entities are allowed to be members of credit unions. [Law 7]

Liability of member: Credit union members bear responsibility for the credit union's liabilities, to the extent of their paid-up ownership shares. [Law 12]

Direction and Administration

Annual Meeting of Members: The general meeting of members of the credit union has ultimate authority over its activities. It must meet at least once a year, not later than six months after the close of the fiscal year. Other meetings may be called, by at least ten percent of the members, or by the Audit Commission. Each member present has one vote, regardless of the size of his/her shares. Institutional members vote by a representative. Decisions are by majority vote. The law requires that minutes of the general meetings be made. [Law 18,20]

The general meeting amends the statute (bylaws) except changes on the increase or decrease of the statutory

fund; approves distribution of surplus to members; approves financial statements; elects members to the Board, the Audit Commission and the Credit Committee; chooses the auditor and approves the auditor's contract; decides on liquidation or reorganization; and other functions specified by law or statute (bylaws). [Law 19,26]

The General meeting of members approves the credit union statute, (bylaws) which is the founding document. [Law 14]

Members have the right to receive services from the credit union, and participate in the management. They have the right to receive reliable information about the activities of the credit union, and to withdraw from it, and may have other rights established by law and the credit union's statute (bylaws). [Law 8]

Members must observe the statute (bylaws), which establishes their rights and duties, and fulfill the decisions of the general meeting and committees. They must assist to build up the reputation and creditworthiness of the credit union, and may have other obligations established by law and statute (bylaws). [Law 9,14]

Board of Directors and Committees: The number of members of the Board, the Credit Committee and the Audit Commission, along with their authorities and election procedures are established by statute (bylaws). [Law 14]

The Board of the credit union must have an odd number of members, at least five, elected by the general meeting. It oversees credit union activities, and reports to the general meeting of members; designates executive management; sets policy and interest rates on deposits and loans; decides on admission, withdrawal and expulsion of members; decides on changes to the statutory fund and appropriate changes to the statute (bylaws); and other functions. [Law 21]

The credit committee decides on issuing loans, and controls timely repayment of them. Committee members include the chief executive, and four members of the credit union elected at the general meeting. It reports monthly to the Board. [Law 23]

The Audit Commission regularly examines the accounts and records of the credit union. It has at least three members, elected by the general meeting. Its members should have special background or experience in accounting and finance. The audit commission may call a general meeting of members, and its members may participate in meetings of the Board with an advisory vote. [Law 24]

Management and Employees: Executive management carries out the decisions of the general meeting. Its structure, rights and duties are established by law and statute (bylaws). The head and members of management must sign a labor contract with the credit union Board. The head of management works without the power of attorney on behalf of the credit union. [Law 14,22]

The Central Bank has the power to establish qualifications for the head of executive management. [Law 6]

Audits: See duties of the Audit Commission above.

The Commission has access to all accounting, financial, payment and other credit union documents, and presents reports on its examinations to the general meeting and the Board. The general meeting names the audit company and defines the terms and conditions of the contract with it. [Law 14]

Procedure, preparation and review and approval of annual reports are established by the credit union statute (bylaws). [Law 14]

A credit union must maintain bookkeeping, statements and other documents, and publish statements in the established order. [Law 11]

Liability of Officials: Law is silent.

Conflicts of Interest: A board member, or member of the credit committee or Audit Commission who is delinquent in his/her obligations to the credit union is suspended from the body, and expelled from it if delinquent for more than three months. [Law 21,23,24]

No one member of the Board, or of the credit committee or of the Audit Commission may serve in other bodies of the credit union. [Law 21,23,24]

Surety Bond: Law is silent.

Shares and Deposits:

Shares: The credit union statute (bylaws) establish the minimum and maximum size of the ownership share, and procedures for change of ownership of shares. [Law 14]

Deposits: A credit union may attract funds in the form of deposits. The Board defines the deposit activity. [Law 10,21]

Dividends and Interest: The Board sets interest rates on deposits. [Law 21]

Dividends may be paid to members by decision of the annual general meeting, after payment of all expenses and formation of required reserves. Dividends are accrued

proportionally to the size of the member's ownership shares. Penalties for late payment of dividends are established. [Law 26]

Members have the right to receive part of the earnings of the credit union. Distribution of income, dividends and loss recovery is established by the credit union statute (bylaws). [Law 8,14]

Lien on Holdings: A credit union must charge against a member's ownership shares, owned deposits, and any dividends or interest payable to the member, for any non-performance of an obligation to the credit union. [Law 11]

Upon withdrawal or expulsion of a member, his/her share amounts should be returned after deduction of any indebtedness to the credit union. [Law 16,17]

Loans

Purpose and Conditions: A credit union may make loans to members. The Board defines activity on loan making. [Law 10,21]

Approval Procedure: The credit committee decides on issuing loans and controls their repayment on a contract basis. [Law 23,25]

Limits, Terms and Security: Loans are issued on principles of urgency, return and repayment defined by statute (bylaws), credit policy and the law. Secured and unsecured loans may be made. Loans may be secured by a member's ownership shares or deposits. Guarantees issued by persons other than credit union members are not admitted. Members are obliged to make repayment of a full loan amount in a due time. A member may be expelled for non-fulfillment of his/her obligations. [Law 9,17, 25]

Interest Rates and Charges: The Board sets interest rates on loans. A credit union may establish charges for a member's failure to fulfill obligations. [Law 10,21]

Loans to Officials: Law is silent, except for references to expulsion for loan delinquency exceeding three months. [Law 21,23,24]

Investment of Funds

Deposit of Funds: A credit union may open bank accounts in the territory of Uzbekistan. [Law 3]

Authorized Investments: Law is silent.

Capital Adequacy - Reserves

Initial Organization: Application for state registration of a credit union must include a business plan, documents that confirm the financial performance of the founding members and founding legal entities, and bank confirmation of complete formation of the statutory fund. [Law 4]

The size of the statutory fund shall be set forth by the statute (bylaws) at the time of organization. [Law 14]

Permanent Capital: A credit union must maintain a statutory fund, which is the aggregated amount of the membership ownership shares. Increases or decreases of the fund may occur through attraction of new members, or withdrawal or expulsion of members. Its minimum size is established by the Central Bank. If the fund falls below its established minimum, the credit union is subject to reorganization or liquidation. Changes to the fund are made by changes to the statute (bylaws), which decision is made by the Board of Directors. The Central bank must be informed about any changes to the statutory fund. [Law 11,14,15,21]

A credit union will bear responsibility on its liabilities within the total amount of its statutory fund, reserves, retained income (earnings) and other equity. [Law 12]

Regular Reserve: See above, "Permanent Capital".

Loan Loss Allowance: Law is silent.

Special Reserves: Law is silent.

Powers of Credit Union

General Powers: Upon registration, a credit union receives the rights of legal entities. [Law 4]

The Board defines types of financial services by the credit union. [Law 21]

A credit union may open bank accounts in the Republic of Uzbekistan, in the established order. It may not carry on manufacturing, insurance, trade and other activities not stipulated by this law. [Law 3]

A credit union may enter into contracts and perform other transactions stipulated by its statute (bylaws). It may receive grants and other sponsored funds; supply consultancy services; and have other rights according to law and its statute. [Law 10]

Borrowing: A credit union may borrow money. [Law 10]

The Central Bank shall establish economic norms and rules for the performance of financial operations of credit unions. [Law 6]

Merger: Reorganization of a credit union in the form of merger, affiliation, segregation, division or transformation shall be performed on decision of the general meeting of members, with the approval of the Central Bank, and in the order established by law. Procedures are established by statute (bylaws). Two-thirds of the members must approve a reorganization. [Law 14,27]

Liquidation: A credit union may be liquidated voluntarily by decision of two-thirds of its members. Liquidation shall also occur if a credit union's license is canceled by the Central Bank, or in case of bankruptcy. Procedure on liquidation shall be determined by legislation. [Law 28]

Procedures for liquidation or merger of a credit union are established by its statute (bylaws), in accordance with the law. [Law 14, 27]

A member may receive part of the property of a credit union in liquidation, in proportion to his/her paid-up shares. [Law 8]

Federation or Association

Purposes: Law is silent.

Membership: Law is silent.

Dissolution: Law is silent.

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

SINGAPORE

<i>Region</i>	Asia
<i>Federation</i>	N/A
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	16 (1997)
<i>Number of Members</i>	44,000 (1997)
<i>Total Assets (US\$)</i>	\$124,179,104 (1997)

Rev. 5-92: rs

Legal Authority

Law: Cooperative Societies Act, 1980 (1985 Edition). [cited as: "Act"]

Regulation: No regulations available.

Definition or Purposes of Credit Union

Definition: A society of at least 10 persons which has as its object the promotion of the economic interests of its members in accordance with cooperative principles or which also has the promotion of the economic interest of the public may be registered. [Act 4(1), 5(a)]

Supervision and Regulation

Government Agency: The registrar of cooperative societies and the assistant registrars of cooperative societies appointed by the Minister are responsible for administration of the Act. [Act 2, 3(1)]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: Any form of cooperative society. [Act 4]

Reports: Every society shall submit to the registrar the minutes of meetings and such information, returns and statements as may be called for under section 93(b) and (c). [Act 32] The registrar shall have power to prescribe the returns to be submitted by a society to the registrar and the form in which the returns shall be submitted. [Act 93(b)] The registrar shall have the power to prescribe any form to be used for any purpose under the Act. [Act 93(c)] A society shall submit to the registrar an annual report of its activities during the year with two certified true copies of the audited financial statements of the society and audit report for that year. [Act 34(1)]

Inspections: The registrar shall at all reasonable times have access to all books, accounts, papers and securities of a

society, and every officer, agent, employee, or member of the society shall furnish such information in regard to the transactions and working of the society as the person making the inspection may require. [Act 77]

The registrar may hold an inquiry into the constitution, working and financial condition of a society; and all officers, employees and members of the society shall produce such books, accounts, papers and securities of the society and shall furnish such information in regard to the affairs of the society as the registrar may require. [Act 31, 79(1)] The registrar shall communicate the results of the inquiry to the society. [Act 79(2)] The registrar shall, on the application of an unsatisfied creditor of a society, examine the books of a society. [Act 80]

Regulations: The Minister may make rules for the purpose of carrying out and giving effect to the provisions of the Act. [Act 95]

Enforcement: If an audit, inquiry, or examination of books discloses any defects in the working of a society, the registrar may bring the defects to the notice of the society, and if the society is affiliated with a secondary society or apex organization, to the notice of that other society. [Act 81(1)] The registrar may make an order directing the society or its officer to take action to remedy the defects disclosed in the audit, inquiry, or examination of books. [Act 81(2)]

The registrar, after holding an inquiry, examination, or on receipt of an application made by 75 percent of the members present and voting at a meeting, may issue an order directing the society to be wound up. [Act 83(1)] The registrar may, on his/her own motion, make a winding-up order in respect of a society which has ceased working or which is reduced to less than the minimum membership. [Act 83(2)] A liquidator shall exercise his/her powers subject to the control and supervision of the registrar, and an order made by a liquidator or award of an arbitrator regarding liquidation is enforceable. [Act 85, 86]

The registrar shall have the power to rescind a resolution or action of a society which is outside the objects of the society as defined in the bylaws. [Act 93(h)] The registrar shall have the power to freeze the bank account of a society when such a measure is necessary to prevent losses or misuse of funds. [Act 93(i)] The registrar may remove the committee of management or suspend all or any of the activities of a society. [Act 94(1)] Offenses for noncompliance by officials which subject one to fines are specified,. See “Direction and Administration-Liability of Officials”). [Act 100]

Membership of Credit Union

Common Bonds of Association: In order to qualify for membership in a primary society, an individual shall be a citizen of Singapore or resident in Singapore and meet other requirements with regard to residence, employment, profession, etc., as prescribed by the bylaws. [Act 39] Except with the consent of the registrar, no society whose primary object is to grant loans to its members shall admit as a member any person who is already a member of another society with a similar primary object. [Act 41]

Non-Natural Persons Eligible: The Act refers to institutional members of a primary society. Such a member is defined as a society or trade union. [Act 2, 42] Membership in a secondary society shall be restricted to registered cooperative societies and trade unions. [Act 39(2)] Membership in an apex organization shall be restricted to primary and secondary societies registered under the Act. [Act 39(3)]

Liability of Member: The liability of a member shall extend to the nominal value of any shares held or subscribed to for him/her, and where, in the bylaws, a greater amount of liability is expressed, then the liability of the member shall extend to such greater amount. [Act 46] The liability of past members and decreased members shall not continue for more than two years. [Act 47]

Direction and Administration

Annual Meeting of Members: The supreme authority of a society shall be vested in the general meeting of its members at which every member has the right to attend and to vote. Each member has one vote. [Act 42(1), 50] If a primary society has more than 3,000 members, the general meeting of members may be replaced by a meeting of not less than 20 elected delegates. [Act 51] Every society shall provide in its bylaws for an annual general meeting. [Act 53] Functions of the annual meeting are specified in the Act, which include the election of the committee of management. [Act 54]

Board of Directors and Committee: “Committee of Management” means the governing body of a society, which is responsible for the management of the affairs of the society. “Officer” includes a chairman, a vice-chairman, director, secretary, assistant secretary, treasurer, assistant treasurer, member of committee of management, employee, internal auditor, or other person empowered under the Act, the Rules, or the bylaws, to give directive in regard to the business of a society or to supervise the business. [Act 2]

Management and Employees: The committee of management may appoint a manager to administer and manage the affairs of the society and may employ such other persons as the committee considers necessary to assist the manager in the discharge of his/her duties. [Act 61(4)] The committee of management shall elect a secretary and treasurer from among its members, but if the committee appoints a full-time manager, all or any of the secretary and/or treasurer's duties may be delegated to the manager. [Act 65(2)] The offices of secretary and treasurer may be held by the same person. [Act 65(3)] Duties of chairman, secretary, treasurer and manager shall be as provided in the Rules and bylaws. [Act 65(4)]

Audits: Every society shall have its books and accounts audited by the registrar or an auditor authorized by him/her at least once in every year. [Act 33] The society shall prepare and submit annual financial statements to the auditor who shall audit and report on them. [Act 34(3)] Duties and powers of the auditor are specified. [Act 35, 36] The power of the registrar to audit accounts of societies is specified in detail. He/She shall delegate that power, totally or in part, to an apex organization that has an audit section with competent staff. [Act 78]

Liability of Officials: Members of the committee of management shall be jointly and severally liable for any loss sustained through failure to exercise the prudence and diligence of ordinary men/women of business or through any act which is contrary to the Act, Rules, bylaws, or directions of a general meeting. [Act 63] When an audit, inquiry, or examination of the books discloses that an organizer, manager, or officer has misappropriated, retained, become liable, or accountable for any money or property of the society, or has been guilty of misfeasance, dishonesty, or breach of trust, the registrar may make an order requiring him/her to repay or restore the money or property with interest, and property may be attached if necessary. [Act 90]

Conflicts of Interest: Receipt of an honorarium by a member of the committee of management must be authorized by a general meeting and may not exceed an amount set by the registrar. [Act 64]

Surety Bond: Law is silent.

Shares and Deposits

Shares: No member of a society shall exercise any of the rights of a member unless he/she has made such payment to the society in respect of membership or has acquired such shares or interest in the society as may be prescribed

under the Act or by the bylaws. [Act 40] No member, other than a society or trade union, shall hold more than 20 percent of the share capital of any society. [Act 43] In the case of societies which have as their object the promotion of thrift among their members and the creating of a source of credit for their members, subscription capital may be raised. [Act 66(c)]

Deposits: Capital may be raised by voluntary savings deposits from members which shall be withdrawable subject to conditions laid down in the bylaws. [Act 66(d)] Capital may be raised by deposits or loans from non-members subject to such restrictions as are laid down in the Act and the bylaws. [Act 66(e), 68(1)] A society may receive deposits from or for the benefit of minors and pay them the interest which may become due on the deposits. [Act 27(1)]

Dividends and Interest: "Dividend" means a portion of the net surplus of a society distributed among the members in proportion to the paid-up share capital or subscription capital held by them in the society. [Act 2] The Minister may prescribe the maximum rate of dividend on share capital or subscription capital which may be paid by the societies. [Act 95(2)(b)]

Lien on Holdings: A society shall have a charge upon the share or interest in the capital, on the deposits of a member, past member, or deceased member and upon a dividend or patronage refund payable to a member, past member, or estate of a deceased member in respect of a debt due to the society from the member, past member, or estate, and may set off a sum credited or payable for the payment of any such debt. [Act 24]

Loans

Purpose and Conditions: A society shall not make a loan or allow any credit to any person other than a member, except that with the written consent of the registrar a society may make loans to another society. [Act 67(1)]

Approval Procedure: Law is silent.

Limits, Terms and Security: Except with the permission of the registrar, a society shall not lend money on the security of any moveable property other than produce or goods in which the society is authorized to deal. [Act 67(2)] The Minister may prohibit or restrict the lending of money on a mortgage or charge of immovable property by any society or class of societies. [Act. 67(3)]

Interest Rates and Charges: Law is silent.

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: See “Authorized Investments.”

Authorized Investments: A society may invest or deposit its funds in:

- a. the Post Office Saving Bank;
- b. such investments and securities as are for the time being authorized for the investment of trust funds;
- c. any bank registered under the Banking Act;
- d. the shares of any other society approved for this purpose by the registrar;
- e. the purchase or leasing of land or buildings or in the construction of buildings necessary for the conduct of the business and the welfare of the cooperative movement with the previous sanction of the registrar; and
- f. such other manner as may be approved in writing by the registrar. [Act 69]

Capital Adequacy-Reserves

Initial Organization: The registrar may require a proposed society to furnish a statement regarding the need for and viability of its activities, and the availability of sufficient capital for the commencement of operations. [Act 8(a-c)]

Permanent Capital: See “Regular Reserve.”

Regular Reserve: Every society which derives a surplus from its transactions shall maintain a reserve fund which shall be used in such manner as may be prescribed in the Rules. [Act 70(1)] The reserve fund shall be kept in the form of liquid assets. [Act 70(2)] Every society shall pay into the reserve fund at least 20 percent of the surplus resulting from operations of the society during the financial year provided that when the reserve fund has reached an amount that is equal to 10 percent of its paid-up share capital or subscription capital, the society may carry 5 percent of its surplus to the reserve fund. [Act 70(3)] The reserve fund shall be indivisible and no member shall be entitled to claim a specific share of it. [Act 70(4)] Surplus carried to the reserve fund shall be indivisible social capital of the society. [Act 66(1)(f)]

Loan Loss Allowance: Law is silent.

Special Reserves: There should be a fund established to be known as the Central Cooperative Fund, to which every society shall contribute 5 percent of the surplus resulting from the operations of the society to further cooperative education, training, research, audit and the general development of the cooperative movement in Singapore. [Act 71]

Powers of the Credit Union

General Powers: A society upon registration shall become a body corporate by the name under which it is registered with perpetual succession and with power to hold property, to enter into contracts, to sue and be sued and to do all things necessary for the purposes of its constitution. [Act 11]

Borrowing: A society may receive loans from persons who are not members only to such extent and under such conditions as may be prescribed by its bylaws. [Act 68(1)] The registrar shall have power to reduce the maximum limit of borrowing from members and non-members and to impose such conditions as may be necessary. [Act 93(d)]

Merger: By a vote of not less than three-quarters of the members present at an extraordinary general meeting, two or more societies may amalgamate into one, or a society may transfer its assets and liabilities to another society. [Act 74, 75]

Liquidation: The registrar may order a cooperative society wound up after an inquiry or inspection; on application by 75 percent of the members; where it has ceased working; or the membership falls below the prescribed minimum. The registrar controls the liquidation, and appoints the liquidator whose powers in winding-up are detailed. [Act 83-90]

Federation or Association

Purposes: “Apex organization” means an organization established to facilitate the operations of all primary and secondary cooperative societies in Singapore. [Act 2] The apex organization shall provide, organize and supervise effective centralized services for cooperative education and training, supplies, marketing, banking, transport, accounting, audit and such other services as may be necessary for its members. [Act 13] “Secondary Society” means a registered society all of whose registered members are cooperative societies and trade unions and which has as its object the facilitation of the operations of primary societies. [Act 2]

Membership: “Institutional Member” means a society or a trade union. [Act 2] Societies may form secondary societies and an apex organization. [Act 13]

Dissolution: Secondary and apex societies as registered societies are dissolved according to the same rules as for primary societies. See “Powers of the Credit Union-Liquidation.” [Act 2, 13, 83-90]

Central Finance Facility

Purposes: With consent of the registrar, a society may make loans to another society.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

SRI LANKA

<i>Region</i>	Asia
<i>Federation</i>	Federation of Thrift & Credit Cooperative Societies, Ltd.
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	8,320 (2001)
<i>Number of Members</i>	788,143 (2001)
<i>Total Assets (US\$)</i>	N/A

Rev. 1-00:rd

Legal Authority

Law: Cooperative Societies Law No. 5 of 1972 as amended by Act No. 32 of 1983 and Act No. 11 of 1992. [cited as "Law"]

Regulations: Cooperative Societies Rules, No. 93/5, 1976. [cited as "Rule"]

Definition or Purposes of Credit Union

Definition: A registered society has as its object the provision, in accordance with cooperative principles, of specified services contributing to the economic, social, educational and cultural welfare of its members. [Law 3(1)(a)]

Supervision and Regulation

Government Agency: The Registrar and Commissioner of Cooperative Development are responsible for registration and regulation of cooperative societies. [Law 2]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Other types of societies mentioned in the Law and Rules are those engaged in agriculture, animal husbandry and industry [Law 21(1)] and those composed of weavers and school children. [Rule 21(iii)]

Reports: The Minister of Foreign and Internal Trade (Minister) may make rules prescribing the returns to be submitted by the registered societies to the registrar and their form. [Law 61(2)(n,o)]

Inspections: The registrar shall audit registered societies at least once a year. This includes examination of such areas as delinquency, verification of assets and liabilities, systems and procedures and conformity with the law and regulations. [Law 44 to 47]

Regulations: The Minister may make all such rules as may be necessary for the purpose of carrying out or giving effect

to the principles and provisions of the Law, including requirements for lending, distributions of net income, bylaws, reserves, accounting and forms. [Law 61]

Enforcement: If an inquiry or inspection shows the governing committee is not performing its duties, the registrar is empowered to replace it with an interim board selected either by a general meeting of the members or appointed by him/her to temporarily manage the affairs of the society. [Law 48]

Similarly, if any officer or employee is not performing his/her duties properly, the registrar may suspend, interdict, or remove that person after an inquiry. [Law 60B]

After an audit, if the registrar is of the opinion that the society ought to be dissolved with the consultation of the general body, he/she may cancel the registration of the society. This is subject to an appeal to the Minister. [Law 49(1)]

Disputes touching the business of a registered society shall be decided by the registrar or referred to arbitrators. Decisions by the registrar shall be final and not subject to judicial review. [Law 58-60]

Membership of Credit Unions

Common Bonds of Association: If the society consists only of natural persons, it must consist of at least 10 persons, who are over 18 years of age or reside or are employed or own real estate within the area of operation of the society. [Law 4]

A registered society shall make bylaws in respect to qualifications for membership. [Rule 29]

A society may admit as an associate member someone who contracts to transact business with the bylaws of the society. [Law 12(1)]

Non-Natural Persons Eligible: Another registered society may become a member of a credit union if it has limited liability. [Law 3]

Liability of Member: A society may be registered with or without limited liability. [Law 3]

Members that are other registered societies may only have limited liability. [Law 3(1)]

Direction and Administration

Annual Meeting of Members: Every registered society shall from time to time hold general meetings as provided in its bylaws for the disposal of necessary business,

including the election of members of the committee. Questions before a general meeting shall be decided, unless otherwise specifically stated in the bylaws, by a majority of those present and voting. [Rule 17]

No member shall have more than one vote and must vote in person unless the bylaws allow voting by proxy or through delegates. [Law 16]

Board of Directors and Committees: The committee means the governing body of a registered society to whom the management of its affairs is entrusted and includes the board of directors and persons appointed by the Registrar. [Law 75]

The committee of management shall, subject to the bylaws, exercise all powers of the society except such that are reserved for the general meeting of the society. [Rule 23]

The committee of management is to manage the finances of the society, keep a correct register of members, monitor loans to be sure they are being applied for the purpose for which the loan was granted and report at the general meeting the financial status of the society. [Rule 24]

Management and Employees: A registered society shall not appoint any person as an employee of that society except in accordance with the provisions of the Cooperative Employees Commission Act, No. 12 of 1972. [Rule 28]

Where a registered society performs services as an agent of the government or a state corporation it shall be the duty of the committee of management and of every officer and employee to perform such services in accordance with such instructions as may be issued by such authority. [Rule 25]

Audits: The committee of management shall keep a true account of assets and liabilities and present to the general meeting of members an audited profit and loss account and balance sheet. [Rule 24(b,c,f)]

The registrar shall audit or cause to be audited by some authorized person the accounts of every registered society at least once in every year. See "Supervision and Regulation-Inspections." [Law 44(1)]

Liability of Officials: The committee of management of the society shall be jointly and severally liable for any loss sustained or any penalty incurred by the society in consequence of their failure to exercise due diligence or to observe the Law, the Rules, the bylaws, the working rules of the society and any general directions of the registrar. [Rule 26]

If, at the conclusion of an audit, it is found that any person who was entrusted with the management of the society has misused funds, the person will be charged the

amount of the loss. The registrar makes the surcharge on the offender subject to an appeal to the Minister whose decision is final. [Law 44(6)]

Conflicts of Interest: Members of the governing committee must make an annual disclosure to the commissioner of personal assets and liabilities, including those of family members. [Law 66A]

An elected member of the committee of management shall cease to hold such office if he/she commences or acquires any interest in any trade or other activity which, in the opinion of the general meeting of the society, conflicts with the interests of the society. [Reg. 21(ii)(e)]

Surety Bond: Law and Regulations are silent.

Shares and Deposits

Shares: A member may commence payment for the purchase of any share with an initial payment of 10 rupees and shall increase payment of such installment to 100 rupees within one year from the date of the initial payment. The total value of a share may be paid in a single installment. [Law 11A]

In a society with limited liability, no member (other than another society) may hold more than one-fifth of the total share capital. [Law 11(1A), Rule 14]

Deposits: A registered society shall receive deposits from persons who are not members only to such an extent as is prescribed in the rules or bylaws. [Law 40]

Dividends and Interest: The balance of net profits may be utilized for the payment of dividends to members on their paid-up share capital at a rate not exceeding the rate prescribed in the rules, after reserve transfers and any required contribution to the Cooperative Fund. [Law 43]

No dividend shall be paid while any claim due from the society to a depositor or lender remains unsatisfied. [Rule 15(iii)] No dividend shall be paid exceeding 10 percent on share capital actually paid up. [Rule 15(iv)]

The registrar may direct by general or special order that any registered society, as long as it receives loans, deposits or other credit facilities from any non-member other than a bank, either not pay any dividend or pay a reduced dividend as the registrar may determine. [Rule 15(v)]

A registered society shall make bylaws in respect of the manner of raising of funds, including the maximum rate of interest on deposits. [Rule 29(ix)]

Lien on Holdings: A registered society shall have a charge upon the shares or other interests in the capital, deposits, dividend, bonus or profits payable to a member in respect of any debt due to the society. [Law 25]

Loans

Purpose and Conditions: A registered society shall not make any loan to a non-member provided that, with the approval of the general body, it may lend to another registered society. A registered society shall not lend money on the security of any movable property other than agricultural produce. [Law 39]

A registered society shall make bylaws concerning the conditions and purposes for which loans may be made to members. [Rule 29(xiv)]

Approval Procedure: The regulations may prescribe loan approval requirements. [Law 61]

Limits, Terms and Security: The maximum credit which may be made to each member shall be determined at the general meeting of the society. [Rule 17(I)(b)]

Any debt due to a registered society by any member or past member shall be a first charge upon agriculture, cattle, equipment, or raw materials raised or purchased in whole or in part with a loan taken from the society. [Law 24(a)(i,ii)]

Interest Rates and Charges: A registered society shall make bylaws in respect of the rate of interest to be charged on loans to members and the consequences of default. [Rule 29 (XIV, XV)]

Loans to Officials: The debts of the members of the management committee shall not in the aggregate exceed 25 percent of the working capital of the society. [Rule 27]

Investment of Funds

Deposit of Funds: See "Authorized Investments."

Authorized Investments: A registered society may invest or deposit its funds in any of the securities other than the first mortgage of immovable property, with any banker, in the shares and securities of any other registered society, or in any other mode permitted by the rules. [Law 42(1)]

A registered society may, with the approval of the registrar, invest its funds in any public or private institution provided that specific provision has been made in such public or private institution to enable such investment. [Rule 36]

Capital Adequacy-Reserves

Initial Organization: All the members signing the application for registration must complete the payments in respect to their membership. [Law 4(1 f)]

Permanent Capital: Law and Regulations are silent.

Regular Reserve: Every registered society shall, out of its net profits in any financial year, transfer an amount not less than 25 percent of the net profits to the reserve fund of the society. [Law 43(1)(a)]

Loan Loss Allowance: The reserve fund may be used in the business of the society. [Rule 46]

Special Reserves: Every registered society shall, when called upon to do so by the registrar, make annually a contribution to the Cooperative Fund of a specific amount as the registrar may determine. The Cooperative Fund is to be used for cooperative education and development and to assist existing societies. [Rule 43(i,ii)]

Powers of the Credit Union

General Powers: The registration of the society shall render it a body corporate with power to hold property, enter into contracts, to institute and defend suits and to do all things necessary for the purpose of its constitution. [Law 20]

Borrowing: A registered society may receive loans from non-members up to amounts determined by the general meeting. [Rule 16, 17(i)(a)]

A registered society may obtain a loan, advance, or grant from the Government, subject to monitoring of the use of the funds by the registrar. [Law 60A]

Merger: Any two registered societies may, with the prior approval by the registrar and by a resolution passed by two-thirds majority of the members or delegates eligible to be present and vote at a general meeting of each such society, amalgamate themselves and form a new society. [Law 9]

Liquidation: The registrar may dissolve a society after an inquiry or inspection, upon an application from three-fourths of the members, where there are less than 10 members, when operations failed to start one year after registration or when the society has ceased operations for two years. The registrar may appoint one or more liquidators whose powers are prescribed in the Law. [Law 49 to 57]

Federation or Association

Purposes: A society may be registered consisting of registered societies as members for the purposes of providing cooperative education, training, promotion and advisory services. [Law I(3)(c)]

Membership: See "Purposes."

Dissolution: See "Powers of the Credit Union-Liquidation."

Central Finance Facility

Purposes: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

Share and Deposit Protection

Purposes: Deposits may be insured under Part II of Chapter V of the Monetary Law Act. Assets relating to deposits insured under that Act shall not be utilized for any purpose other than to meet the liabilities relating to such deposits. [Law 71]

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

TAIWAN (REPUBLIC OF CHINA)

<i>Region</i>	Asia
<i>Federation</i>	The Credit Union League of the Republic of China
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	352 (2002)
<i>Number of Members</i>	185,825 (2002)
<i>Total Assets (US\$)</i>	\$598,399,522 (2002)

Rev. 12-03:wj

Legal Authority

Law: Credit Union Act of 1997, as amended 2000, and 2002. Cited as: [“Law”]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: A credit union is a legal person, specifically a non-profit corporation, organized by natural persons and other non-profit corporations in common bond. [Law 2]

A credit union receives money from members as the shares; provides loans to members; participates in various mutual funds and financing programs run by the League; acts as agent to collect utility fees, tuition, taxes and fines for its members; purchases government bonds and other related items approved by the competent authority. [Law 9]

Supervision and Regulation

Government Agency: The competent regulatory authority of credit unions for the central government is the Ministry of the Interior; and for local governments is the governing body of municipalities, counties or cities. The League has supervisory and audit functions, and is supervised and assisted by the Ministry of the Interior. [Law 5, 27]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: Law is silent.

Reports: The League shall present information on credit unions to the competent authority within three months of the end of every year. [Law 28]

Inspections: The League supervises and audits credit unions. [Law 27.4]

Regulations: Regulations are made by the Federation (CULROC), subject to approval by the Ministry of the Interior. [Law 7]

Explanatory note: CULROC advises that such regulations currently in force deal with the establishment, management, and supervision of credit unions. These regulations were not available to us at the time of this revision.

Enforcement: Where a credit union violates regulations or bylaws, or can't operate well, to the harm of the rights and interests of its members, the competent authority, or the League with the authority's approval, may take disciplinary measures, including: cancel resolutions reached at meetings; suspend or discharge board or supervisory members; mandate credit unions to punish personnel who neglect their duties; suspend part of business activities; compulsory dissolution; or other necessary dispositions. Board and supervisory members may be fined between NT\$60,000 and NT\$300,000 for violations. [Law 29]

Fines or imprisonment may be imposed for violating the law regarding naming of a credit union or its purpose, or for other violations. [Law 31-32]

The League may impose fines for various violations of business regulations. [Law 33]

The League may be fined by the competent authority for violations relating to unapproved business, and presenting false information. [Law 34]

Membership of Credit Union

Common Bonds of Association: Common bond of a credit union means people who work in the same company, factory or a career group, who participate in the same club, religious or aboriginal group or who live in the same country or town. People without the common bond are not qualified, and a credit union may not accept shares or provide loans to them. [Law 2, 12]

Non-natural Persons Eligible for Membership: Other non-profit organizations are referred to as eligible to form a credit union. [Law 2]

Liability of member: Credit unions are established with limited liability, and members are liable to the extent of their own shares. [Law 3]

Direction and Administration

Annual Meeting of Members: Supreme authority in the credit union is vested in the General Meeting of members. One fifth of all members or a certain number of adult members must be present to convene the meeting. Each member has one vote, and proxy voting isn't allowed. An annual meeting must be called within two months

after the end of the fiscal year. Other general meetings may be called in accordance with related regulations. [Law 16,17]

Board of Directors and Committees: A board of directors of seven to twenty-one members, shall be elected at the general meeting. It executes the resolutions of the general meeting, and takes responsibility for the credit union. Board members serve terms of three years, and may be re-elected. The board elects a president, who should be re-elected once. [Law 18]

A supervisory committee of five to fifteen members, is elected by the general meeting. Members serve for terms of three years, and may be re-elected. [Law 19]

Board and supervisory committee members are volunteers, and may not receive any salary or wages. [Law 20]

Management and Staff: Employees are referred to with respect to penalties for unlawful acts. [Law 32]

Audits: The League audits the credit union. [Law 27.4]

Liability of Officials: All of the board and supervisory members shall have limited joint liability for any loss suffered by the credit union. A board or supervisory member is liable for losses caused by decisions taken that are against regulations and bylaws, unless the member has voted against the decision. If supervisory committee members neglect their duties and let the credit union fall upon any loss, they shall be liable to pay compensation. [Law 21,22]

Conflicts of Interest: Law is silent.

Surety Bond: Law is silent.

Shares and Deposits:

Shares: A credit union receives money from its members as shares. Shares shall be a value of NT\$100. Total value of shares held by one member shall not exceed 10 percent of the total share balance of the credit union. [Law 9.1, 13]

Total share of each member shall not exceed NT\$1,000,000. [Law 13-1]

A member may withdraw from the credit union, upon written application and consent of the board of directors. The board may delay payment for withdrawn shares for up to 60 days. When a member applies to withdraw during a critical operation crisis, the board shall suspend withdrawal applications, and convene the general meeting of members within one month. [Law 14]

Deposits: Law is silent, but prohibits a credit union from offering a guaranteed capital or fixed returns on shares. [Law 9]

Dividends and Interest: A credit union may pay interest refund out of its annual surplus, after compensating losses. It may pay a dividend after other requirements for distribution of surpluses are met. [Law 15]

Commitments such as a guaranteed investment contract or fixed profits are not allowed to members when their shares are accepted by a credit union. [Law 9]

Dividends paid on up to one million dollars of a member's shareholdings is exempt from personal income tax. [Law 13-1]

If a member withdraw shares from the credit union, he is not entitled to dividends for that year. [Law 14]

Lien on Holdings: Law is silent.

Loans

Purpose and Conditions: A credit union provides loans to its members. [Law 9.2]

Approval procedure: Law is silent.

Limits, Terms, Security: Loans to a single member may not exceed 10 percent of the total shares and reserves of the credit union. Total amount of loans shall not exceed its ownership capital. [Law 11]

Interest Rates and Charges: Law is silent.

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: Law is silent.

Authorized Investments: A credit union participates in various mutual funds and financing programs, run by the League, and purchases government bonds. [Law 9.3,9.5, 9.6]

Capital Adequacy - Reserves

Initial Organization: Law is silent.

Permanent Capital: Ownership capital of the credit union includes shares, dormant account, capital reserves, reserves, special reserves, undistributed net income, and net income for the year. [Law 11]

Regular Reserve: A credit union must set aside more than 20 percent of its annual surplus as Reserve, after compensating losses and paying interest refund. This percentage may be reduced when the reserve is equal to 20 percent of the share balance. [Law 15]

Loan Loss Allowance: First claim upon any annual surplus is to compensate accumulated losses. [Law 15.1]

Special Reserves: A credit union must allot at least five percent of its annual surplus to the Public Welfare and Education Fund, after other requirements are met, and before it pays dividends. [Law 15]

Powers of the Credit Union

General Powers: A credit union is a non-profit corporation and a legal person. [Law 2]

Credit union organizations will be exempted from income and business taxes. [Law 8]

Borrowing: Law is silent.

Merger: Law is silent.

Liquidation: A credit union shall be dissolved if the general meeting so resolves. Such a resolution must be passed by more than two thirds of those present, who shall be more than three fourths of all members. A credit union shall also dissolve if it falls below fifty members; if it declares bankruptcy; or if the League commands it. The General Meeting elects the liquidator, or if there is no election, one of the board members shall be liquidator. The League supervises the liquidation. The credit union covers losses with reserve funds, and any surplus shall be distributed according to the shares of the members. The liquidator reports to the League, which reports to the competent authority, and a copy of the report ought to be delivered to each member. [Law 23-26]

Federation or Association

Purposes: The Credit Union League of the Republic of China is organized by credit unions, and carries on management and supervision of them according to the law. All credit unions ought to join the League. [Law 4]

The League is in charge of establishment, management, supervision, guidance and assistance of credit unions, as approved by the competent authority. [Law 7]

Missions of the League are: assist credit unions in making their own bylaws; conduct education training programs on mutual aid; examine and support credit unions to be established and protect their rights and interests; supervise, audit and assist all credit unions; process various mutual funds on behalf of credit unions; manage reserves allotted by credit unions; conduct capital financing of credit unions; and other approved items. The tasks of the League are supervised and assisted by the Ministry of the Interior. [Law 27]

Membership: All credit unions ought to join the League. [Law 4]

Dissolution: Law is silent.

Central Finance Facility

Purposes: See above regarding Federation Purposes. The League has various financial functions relating to credit union operations. [Law 27]

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

THAILAND

<i>Region</i>	Asia
<i>Federation</i>	Credit Union League of Thailand (CULT), Federation of Savings and Credit Cooperatives of Thailand (FSCT)
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	1,322 (2001)
<i>Number of Members</i>	2,157,146 (2001)
<i>Total Assets (US\$)</i>	\$8,495,857,604 (2001)

Rev. 5-92:jc

Legal Authority

Law: The Cooperative Societies Act B.E. 2511 (1968). [cited as "Act"]

Regulation: The regulation on the establishment of Saving and Credit Cooperatives in communities B.E. 2521 (1978). [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: "Cooperative Society" means a group of persons who jointly conduct affairs for mutual assistance and are registered under this Act. [Act 4]

Supervision and Regulation

Government Agency: The Ministry of National Development (aka: Ministry of Agriculture and Cooperatives). [Act 6]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Cooperatives of all kinds of limited and unlimited liability. [Act 6, 7]

Reports: The limited cooperative society shall keep a register of its members and shares at its office and shall send copies thereof to the registrar within 90 days of registration. [Act 37]

A limited cooperative society shall send copies of its annual report and balance sheet to the Registrar of Cooperative Societies within 30 days from the date of the general meeting. [Act 39]

Inspections: The Registrar of Cooperative Societies or his/her deputies have the power to enter and inspect the office of any limited cooperative society during its working hours, and the persons concerned shall provide

facilities or assistance or give explanation to such persons as may be appropriate. [Act 36]

Regulations: The Minister of National Development shall have the power to issue Ministerial Regulations for the purpose of carrying out this Act. [Act 5]

Enforcement: Fines are provided for failure to appear for an inquiry or to send required documents or information, or for obstruction of an inquiry. [Act 116, 117, 118]

The registrar may reject amendments to a society's rules or revoke general meeting resolutions that violate the law or regulations. [Act 41, 46]

If a society fails to comply with any order to rectify failures in performance, the registrar may dismiss the board, suspend certain acts deemed prejudicial or mistakes, or suspend operations until action to rectify is taken. If the entire board is dismissed, the registrar may appoint an interim board. [Act 47, 48]

The registrar has the power to order the dissolution of a limited cooperative society when it is unable to operate successfully or its operation will be prejudicial to itself or common interest. [Act 51]

Membership of Credit Union

Common Bonds of Association: All members of an unlimited cooperative society must be residents of the same or neighboring tambons, as the registrar thinks fit. [Act 57]

A Savings and Credit Cooperative in a community (aka: a Credit Union Cooperative) may consist of persons of all careers who either have their domicile or main occupations or common bond in the working area of the established cooperative. This shall be prescribed in the bylaws of the cooperative. [Reg. 3]

A group that applies for registration of a Credit Union Cooperative shall:

- a. consist of at least 50 members and 500 potential members;
- b. have an annual plan to increase membership;
- c. be supported by volunteers or any institution for a working place and personnel, especially during its early stage where there is not enough income to hire a manager;
- d. consist of members who pass the primary course on principles and philosophy, bylaws and regulations according to the curriculum of the Credit Union League of Thailand, Ltd; and
- e. have written approval for registration and support from the Credit Union League of Thailand, Ltd. [Reg. 6]

Non-Natural Persons Eligible: Members must be natural persons. [Act 11(2), 54(2)]

Liability of Member: There are two kinds of cooperative societies: 1) a limited cooperative society, the liability of a member of which is limited to the amount of money remaining unpaid on the shares held by him/her; and 2) an unlimited cooperative society, in which the liability of all members is joint and unlimited for all its obligations. [Act 7]

Direction and Administration

Annual Meeting of Members: The founding committee of a limited cooperative society shall call the first ordinary general meeting within 90 days from the date of registration of the society in order to appoint a board and hand over all matters to it. Subsequent ordinary general meetings shall be called by the Board at least once a year within 150 days from the last day of each accounting year of the society. [Act 27]

Each member, regardless of the number of shares he/she holds, shall have one vote. No proxy voting is allowed. [Act 30]

The board of directors of a limited cooperative is elected by the members at a general meeting. [Act 24]

Not less than two-thirds of the total number of members shall constitute a quorum. [Act 59]

A limited cooperative society with more than 500 members may provide in its regulations for attendance by representatives of members. [Act 26]

Board of Directors and Committees: There shall be an executive board of a limited cooperative society, consisting of directors elected from members by the general meeting to carry on activities of and represent the society in matters concerning third persons. [Act 24]

Management and Employees: The regulations of a limited cooperative society must contain the appointment, term of office, vacation of office, prescription of power, duty and responsibility of the Manager. [Act 14(10)]

Audits: The Registrar of Cooperative Societies shall appoint an auditor to audit the accounts of the cooperative societies at least once a year. [Act 44]

A limited cooperative society may have an inspector or inspectors elected from members or third persons by the general meeting to examine its activities and to report its findings to the general meeting. [Act 25]

Liability of Officials: Law and Regulations are silent.

Conflicts of Interest: Law and Regulations are silent.

Surety Bond: Law and Regulations are silent.

Shares and Deposits

Shares: A group of not fewer than 10 persons which may be registered as a limited cooperative society must have capital which is divided into shares of equal value and each prospective member must hold at least one share but not more than one-fifth of the total number of shares. [Act 11(3)]

The regulations of a limited cooperative society must contain particulars about capital which is divided into shares, value of shares, payment of share value in cash or in kind, sale and transfer of shares as well as repayment of share value. [Act 14(5)]

Deposits: A limited cooperative society may receive savings or fixed deposits from members. [Act 21(5)]

Dividends and Interest: A dividend not exceeding 8 percent per annum may be paid from net profit after reserves are set aside. [Act 31(1)]

The balance of the net profit may be appropriated by the general meeting as dividend on paid-up shares, as rebate to members in proportion to business done with the society during the year, as bonus to board members and officials of the society not exceeding 10 percent of the net profit, or as accumulated funds for operation of any activity of the society. [Act 31(2)(3)(4)]

Lien on Holdings: Law and Regulations are silent.

Loans

Purpose and Conditions: A limited cooperative society may guarantee loans or credit of members and guarantee hire-purchase or lending of other property by members. [Act 21(4)]

Approval Procedure: Law and Regulations are silent.

Limits, Terms and Security: A loan or guarantee raised or given by a limited cooperative society shall be limited to the amount approved by the Registrar of Cooperative Societies. [Act 22]

Interest Rates and Charges: Law and Regulations are silent.

Loans to Officials: Law and Regulations are silent.

Investment of Funds

Deposit of Funds: See "Authorized Investments."

Authorized Investments: A limited cooperative society may invest or deposit its money in the Government Savings Bank or a cooperative federation; or purchase Government securities, or deposit it in any other cooperative society or bank approved by the registrar. [Act 33]

A limited cooperative society may purchase shares of a bank whose object is to provide financial assistance to cooperative societies; purchase shares or debentures of a cooperative federation; or purchase shares of any other cooperative societies or institution whose business is to facilitate or promote the activities of cooperative societies. [Act 21(6)(7)(8)]

Capital Adequacy-Reserves

Initial Organization: Law and Regulations are silent.

Permanent Capital: See “Regular Reserve” and “Special Reserves.”

Regular Reserve: At least 10 percent of the net profit of a limited cooperative society shall be set aside as reserves and 5 percent shall be subscribed to the Cooperative League of Thailand. [Act 31]

Loan Loss Allowance: Withdrawals may be made from the reserve account only for the purpose of compensating a loss. [Act 32, 62]

Special Reserves: The annual net profit of an unlimited cooperative society shall be appropriated as follows:

- a. five percent as a contribution to its public fund;
- b. five percent to the central fund of all unlimited cooperative societies;
- c. five percent as a subscription to the Cooperative League of Thailand; and
- d. not less than 85 percent as its reserves. [Act 61]

Powers of the Credit Union

General Powers: A registered cooperative society is a juristic person. It may:

1. acquire, purchase, hold ownership, raise a loan, borrow, hire, mortgage and sell property; and
2. lend, let, give credit to members, transfer or take mortgage or pledge property of members and lend money to any other cooperative societies. [Act 18, 21(1)(2)]

Borrowing: A cooperative society may borrow and lend money to any other cooperative society with approval of the registrar. [Act 21(1)(3)]

Merger: Two or more cooperative societies of the same kind may be amalgamated by resolution of a general meeting of each cooperative society and approval of the registrar. Two-thirds of the members present at the meeting of limited cooperative societies must approve the resolution. In the case of unlimited cooperative societies, the vote must be unanimous. [Act 81]

The cooperative societies established by amalgamation must be registered as a new cooperative society of the same kind as their original by filing an application for registration with the registrar. [Act 84]

Liquidation: A cooperative society may be dissolved in cases provided by its regulations; when its membership falls below prescribed numbers; by resolution of a general meeting; upon being bankrupt; or by order of the registrar. The registrar may also order a society wound up if it fails to carry on business; if it is unable to operate successfully; or if its operation will be prejudicial to itself or the common interest.

Liquidation of a bankrupt society shall be in accordance with the law on bankruptcy. The general meeting with the approval of the registrar will be called, or the registrar shall appoint the liquidator, whose duties and powers are detailed. [Act 50-53, 70-71, 87-103]

Federation or Association

Purposes: Three or more cooperative societies wishing to operate business jointly so as to accomplish their common objects may establish a cooperative federation. [Act 72] A registered cooperative federation shall be a juristic person and a limited cooperative society. [Act 77]

There shall be an institution called the “Cooperative League of Thailand,” consisting of members which are cooperative societies having the objects of promoting the activities of every type of cooperative throughout the kingdom without sharing profit or income. [Act 104] The League shall be a juristic person. [Act 105]

The scope of the League’s activities shall include promotion, public relations, education and training, research, certain technical advice and assistance, purchasing, etc. [Act 106] Its income may be derived from subscriptions, government subsidies, donation of money or property, proceeds from sales of publications and documents, remuneration for services rendered, or benefits derived from its property.

After the Registrar of Cooperative Societies has registered a credit union cooperative, it shall be the duty of the Credit Union League of Thailand, Ltd. to give advice in planning, managing, accounting and finance, as well as giving education to the officers of the cooperative until the cooperative becomes self-reliant. [Reg. 11]

After the first general meeting, which must be held within 90 days of registration, it shall be the duty of the Credit Union League of Thailand, Ltd. and the provincial cooperative officers to control and promote the cooperative. [Reg. 12]

Membership: See "Purposes."

Dissolution: Provisions in the Act on liquidation of societies apply to the Cooperative League of Thailand. [Act 87-103, 113]

Central Finance Facility

Purposes: A limited cooperative society may purchase shares of a bank whose object is to provide financial assistance to cooperative societies. [Act 21(6)]

If it appears that any unlimited cooperative society is heavily in debt and it is considered unreasonable for the members to contribute all or part of the difference of the assets of the society to pay the debts, the registrar is empowered to withdraw money from the central fund to pay the society's debts. [Act 64]

Membership: All unlimited cooperative societies must belong to the Central Fund. [Act 64]

Funds: An unlimited cooperative society must contribute 5 percent of its net profit to the Central Fund. [Act 61(2)]

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

CARIBBEAN

Region Includes:

Antigua & Barbuda
The Bahamas
Barbados
Belize
Bermuda
Cayman Islands
Dominica
Grenada
Guyana
Jamaica
Netherlands Antilles
Puerto Rico
St. Kitts & Nevis
St. Lucia
St. Vincent & the Grenadines
Suriname
Tortola
Trinidad & Tobago

ANTIGUA AND BARBUDA

<i>Region</i>	Caribbean
<i>Federation</i>	Antigua/Barbuda Co-op CU League, Ltd.
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	5 (2001)
<i>Number of Members</i>	15,084 (2001)
<i>Total Assets (US\$)</i>	\$15,159,421 (2001)

Rev. 2-00:rs

Legal Authority

Law: The Cooperative Societies Act, 1997. [cited as "Act"]

Regulations: The Cooperative Societies Regulations, 1999. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: "Cooperative Society" means a body corporate registered under the Act, which consists of a group of people, small or large, with a commitment to joint action on the basis of democracy and self-help in order to secure a service or economic arrangement that is both socially desirable and beneficial to all taking part. Cooperative principles are detailed in the Act and shall be conformed to.

"Credit Union" means a registered society whose objects and services include the promotion of thrift and the creation of a source of credit for its members for provident and productive purposes. [Act 2(1), 3, 4]

Supervision and Regulation

Government Agency: "Minister" means the minister to whom the responsibility of cooperative societies has been assigned. [Act 2]

The registrar of cooperative societies shall register, supervise and liaise with all societies. [Act 5(1), (2)]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Cooperative societies engaged in various forms of cooperative business, such as marketing, produce, housing, consumer products, etc. are also regulated. [Act 101(1), 202-213]

Reports: A society must file with the registrar an annual return including a copy of the financial statement distributed at its last annual meeting. It must also file a monthly return with the registrar who may require a special return on any subject connected with the business and affairs of a society. In addition, notice of any change of directors must be provided. [Act 81, 85, 141(1), (2), (3), Reg. 9(3)]

A society must file comparative financial statements that include a balance sheet, a statement of income, a statement of retained earnings, or a statement of changes in financial position. It may also include the PEARLS monitoring indicators.

Inspections: The registrar may examine any of a list of records specified in the Act, which shall be available at all reasonable times at the registered office of the society. [Act 18, 19]

The registrar may, of his/her own notion or on application of the lesser of 25 members or 10 percent of the members, appoint a person to make an examination of the books and affairs of the society. [Act 180(1)] He/She may also apply to the court for an order directing an investigation. [Act 181(1)]

Regulations: For the purpose of carrying out the Act, the minister may make regulations in a number of areas specified in the Act, such as defining terms, fees, appeals, etc. He/She may also exempt any society or class of societies from any provisions of the Act and make regulations prescribing any other matter or thing required or authorized to be prescribed by the Act. [Act 238]

Enforcement: The registrar may suspend the registration of a society if it:

- 1) is in breach of any condition of registration;
- 2) fails to conform to cooperative principles;
- 3) has failed or refused to comply with the Act, Regulation, or bylaws; and
- 4) does not return any notice or other document or fee required. He/She may subsequently cancel the registration of the society if it does not correct the circumstances that lead to its suspension. [Act 20(1), (5)]

The registrar may order a general meeting to be called, held and conducted in any manner he/she directs. [Act 41(1)] He/She may appoint a receiver-manager of a society pursuant to an examination to protect members' interests. [Act 150, 153]

The registrar may dissolve a society that has not commenced business or carried on business in two years or that has failed to account for business transacted. A court may also dissolve a society. [Act 160(1), 161, 162] Other offences involving corrupt practices or bribery are detailed in the Act along with their penalties. [Act 218-227]

Membership of Credit Unions

Common Bonds of Association: To qualify for membership, a natural person must be a citizen or resident of Antigua and Barbuda, of sound mind, of legal age (14 years) and not an undischarged bankrupt.

The bylaws shall include the qualifications for membership. [Act 2(1), 10(1)(a)(ii), 23(2)]

No person shall be a member of more than one registered society whose primary object is to grant loans without the registrar's permission. [Act 16(4), 23(4)]

A society conforms to cooperative principles if its membership is voluntary and available without any artificial restriction or any unlawful basis of discrimination to any person who can use its services and is willing to accept the responsibility of membership. [Act 3(d)]

In the case of financial cooperative, no society may be registered unless it consists of at least 50 members. Exceptions to the Act's membership requirements are allowed for members of a school, a club, or a cultural club consisting of minors. [Act 2(1), 12(1)(a)(c), 2]

Non-Natural Persons Eligible: The term "member" includes a registered society. [Act 2(1)] Members' voting rights are detailed in the Act. [Act 33] Without permission of the registrar, a registered society may not become a member of another society of the same type. [Act 23(4)]

Liability of Member: "Limited" must be the last word of the name of a society to be registered with limited liability. [Act 12(1)(f)]

Subject to the Act, the liability of a current member of a society is limited to the unpaid amount of his/her subscription for shares. Liability of a past or deceased member shall continue for two years. [Act 26]

Direction and Administration

Annual Meeting of Members: A society shall hold an annual meeting in each year not later than three months after the end of the financial year of the society. [Act 39(1)] A majority of the members who are present and cast votes shall decide all questions. [Act 35(3)] Where the bylaws provide for delegates, the delegates shall exercise the powers of membership. [Act 46(1)(a)]

A member who is entitled to vote may submit any matter that he/she proposes to amend or repeal, or he/she may confirm any matter raised at the meeting. [Act 47(1)(a)] The members also have the power to make bylaws, remove members of the supervisory committee and elect directors. [Act 48(1), 68, 69]

Board of Directors and Committees: The board of directors is the body to whom the management of the affairs of a society is entrusted. [Act 2(1), 50(10)] A registered society's bylaws shall include provisions respecting directors, officers and members of the committee of directors. [Act 10(1)(b)]

The board shall consist of not less than five nor more than 13 directors. [Act 50(2)] Their election must take place annually and, unless the registrar permits otherwise, at the annual general meeting, and no director or committee member shall be paid any remuneration. [Act 69(1)(a), 88(1); Reg. 12(10)]

Every credit union shall have a supervisory committee elected by the members. It shall examine the books of the credit union; confirm the cash instruments, property and securities of the credit union; confirm the deposits by the members and perform other such duties prescribed by the Act, Regulations, or bylaws. [Act 56, 62, 63]

Every credit union shall have a credit committee elected by its members. It shall consist of a number of members fixed by the bylaws, but no fewer than three. No person who is a member of the board or of the supervisory committee or who is an employee of the credit union shall be a member of the credit committee. The credit committee shall consider all applications for loans, make recommendations to the board in respect of loan applications and perform such duties as are prescribed by the Act, Regulations and bylaws. [Act 56(1), (3) 60(1), 61 Reg. 32]

Management and Employees: Every society is required to have a president, treasurer and secretary and may have any additional officers provided for in the bylaws. A director may be an officer. [Act 51(1), (2)(b)]

The directors shall fix the salary of any officers appointed by them and shall approve a scale of remuneration for any employees of a society. [Act 89]

Audits: The members shall appoint an auditor at each general meeting. [Act 129 (1)(b)] If not, the registrar may do so. [Act 133]

The auditor shall make the examination that is, in his/her opinion, necessary to enable him/her to report in the prescribed manner on the financial statements required by the Act to be placed before the members at the annual meeting. [Act 124(1)(a), 137, Reg. 9, 10]

Liability of Officials: A director or officer who misuses confidential information for personal benefit or advantage is liable to compensate for losses incurred and is also accountable to the society. [Act 77]

Conflicts of Interest: The Act specifies a duty of care of directors and officers. [Act 74] A society may require an annual signed declaration. [Act 49]

A director or officer, who is party to a material contract with the society or has a material interest in such a contract, must disclose this in writing to the board. He/She may only participate in the consideration of such a contract in certain limited situations. [Act 78]

Surety Bond: The directors may require every person appointed to an office who receives, manages or handles goods or merchandise or who manages or handles the expenditure of money on behalf of the society to give security or a bond in the prescribed amount. Those covered and the amount of the blanket security or fidelity bond is detailed in the Regulations. [Reg. 8]

Shares and Deposits

Shares: A society may sell shares at their par value to members only. [Act 90(1)] When a member is terminated, all shares shall be repurchased. [Act 28 (2)(a)(i)] A registered society shall specify in its bylaws the minimum value of shares that may be held by each member. [Act 10(1)(v)] Members may not exercise the rights of membership until due payment has been made. [Act 25(1), 37]

Deposits: A society may receive deposits from persons who are not members of the society for the purpose of the meeting of any obligation or discharging of any of its functions under the Act. A society may receive deposits from minors. [Act 117(i), 118(1)]

Terms and conditions for the receipt of deposits shall be set out in the bylaws and a maximum liability on deposits is detailed in the Regulations. Without the registrar's approval, no credit union can offer checking accounts or a deposit term longer than five years. [Reg. 34, 35]

Dividends and Interest: Subject to Reserve Fund liquidity and adequacy of capital, and subject to the Development Fund, any surplus may be distributed as a dividend or bonus at such rate as may be prescribed. A bonus is a share of the profits divided among members in proportion to the volume of business done with the society by them. A dividend is a share of the profits of a registered society divided among members in proportion to the share capital held by them. [Act 2(1), 123(1)]

The Regulations provide that no society shall pay a dividend on its share at a rate that is greater than 2 percent above the savings rate set by the Eastern Caribbean Central Bank. [Act 3(e), (f)(iii), f(iv), Reg. 6]

Lien on Holdings: A registered society has a lien on a share or any amount outstanding to the credit of a member or his/her legal representative for a debt due by that member to the society. [Act 109(1)]

No transfer of a share shall be registered if made by a member indebted to the registered society without the written permission of the board. [Act 95(4), Reg. 7(2)]

Loans

Purpose and Conditions: A society may give loans, guarantees, advances and other forms of financial

assistance to its members. Except for a loan to another society, no loan may be made to a person who is not a member of that society. [Act 115(1) (2), 197(1)]

Approval Procedure: The board may authorize the credit committee to approve loans to members. The credit committee may authorize the treasurer, manager, or other employees of the credit union to approve loans to members. Any person authorized to approve loans shall submit a written monthly report to the credit committee stating the number of loan applications received, the number of loans granted and the security, if any, obtained for such loans. [Act 58]

An application for a loan must be made on a form provided by the society and must state the purpose for which the loan is required and the security offered, if any. [Reg. 22(1)(a)(b)]

Limits, Terms and Security: Subject to any restrictions that may be prescribed in the Regulations, the credit union may take any security for loans that it considers advisable and keeping with sound business practices. [Act 196] The regulations require establishment of a policy on security for loans. [Reg. 24]

The bylaws shall provide for limits on the amount of loans to any one member or on any type of loans. [Act 197(2)] Loan terms and conditions are detailed in the Regulations. Total indebtedness of a member may not exceed 10 percent of a society's share capital, retained earnings and reserves. A mortgage on land or buildings may be taken as security for a loan not to exceed 75 percent of the market value. [Reg. 26, 27, 28]

A registered society may require a member to give a bond with or without sureties as additional security for the repayment of any loan. [Act 108(1)]

Interest Rates and Charges: Law and Regulations are silent.

Loans to Officials: A loan to a director, a credit committee member, an employee of a credit union, or any person connected with one of them must be approved in the manner prescribed in the Regulations. [Act 195(1)(2)]

In general, an insider cannot be present while his/her loan application is being considered and cannot borrow more than the value of his/her holdings in the society. [Act 115(3)(4), Reg. 22(4), 23(1)]

Investment of Funds

Deposit of Funds: Moneys not required for current purposes of the credit union may be deposited or invested in:

- 1) any registered society or bank approved by the registrar;
- 2) any securities issued or guaranteed by the government;

- 3) in the shares or on the security of any society with limited liability; or
- 4) in any other manner permitted by the registrar, including shares and debentures in a suitably established Stabilization Fund.

Authorized Investments: See “Deposit of Funds” above.

Capital Adequacy-Reserves

Initial Organization: No society may be registered or, having been registered, continue to be registered under the Act unless it is considered to be economically viable by the registrar and has provision for equity capital expansion and continuous business growth. [Act 12(1)(b)]

Permanent Capital: At no stage are statutory and other reserves to be less than 20 percent of a credit union’s total liabilities. [Act 119(3), 193(1)]

See also “Regular Reserve.”

Regular Reserve: Where a society realizes a surplus from its transactions, that society shall establish and maintain a Reserve Fund which shall be administered by the National League or National Council. At least 25 percent of that net surplus shall be credited to the Reserve Fund. Subject to the approval of the registrar, the Fund may be used in the business of the society, including unforeseen losses, unexpected short falls in liquid cash, capital retention, repair and maintenance and the avoidance of external borrowing. [Act 119(1), (2)]

Loan Loss Allowance: Every credit union shall make an allowance for doubtful loans in accordance with the requirements set out in the regulations. [Act 194] The Regulations detail this exhaustively . [Reg. 28, 29, 33]

Special Reserves: Every credit union shall maintain a liquidity reserve that is no less than 20 percent of its members’ shares and deposits. [Act 119(3), 193(1)]

A credit union shall have in its possession at all times liquid assets and/or shall maintain a line of credit in an amount sufficient to enable the society to meet its normal cash flow requirements as estimated by the society. [Reg. 21(2)]

Every society shall establish and maintain a Development Fund. [Act 120(1)]

A society may establish a contributory Pension Fund. [Act 121(1)]

Powers of the Credit Union

General Powers: The registration of a society renders it a body corporate. It has the capacity, rights, powers and privileges of an individual. [Ac16(1)]

A credit union may, with the registrar’s permission, do all other acts and things as are incidental or conducive to or consequential to attainment of its objects. It may not, however, underwrite insurance or the issuance of shares of another person or act as an insurance agent. [Act 192]

Borrowing: A registered society shall include in its bylaws provisions respecting its borrowing powers and the procedure for exercising them. [Act 10(1)(f)] Subject to the bylaws, the board has certain enumerated borrowing powers without authorization of the members of the society. A society may receive deposits and loans from persons who are not members. [Act 71, 117(1)]

Merger: One society may amalgamate with another to form a single society. The assets of one society may be transferred to another or a society may divide into two or more societies. [Act 142]

Liquidation: A registered society shall include in its bylaws provisions respecting the distribution of the property of the society on dissolution thereof. [Act 10(1)(e)]

Dissolution may be:

- 1) by authorization of the members (subject to registrar approval);
- 2) by action of the Registrar for reasonable cause;
- 3) for failure to account for business transacted; and
- 4) by action of the court upon application of the registrar or an interested person. [Act 158, 160, 161, 162]

Federation or Association

Purposes: Registered societies may establish an apex body which may be called the National League or National Council. It shall be composed of member representatives of all societies in Antigua and Barbuda. [Act 214]

The National League or National Council shall coordinate, assist and promote all registered societies and shall perform such functions as may be determined by its constituent members. It shall also have responsibility for the administration and management of the Development Fund. [Act 215]

Membership: See “Purposes” above.

Dissolution: The registrar may not cancel the registration of a registered society serving as an apex body because of a reduction in membership. [Act 20(2)]

The National League or National Council shall regulate its own procedure. [Act 216(2)] Otherwise, Law and Regulations are silent regarding dissolution.

Central Finance Facility

Purposes: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: A credit union may deposit or invest in accordance with the Act, in shares and debentures, in a suitably established Stabilization Fund. [Reg. 30] Otherwise, Law and Regulations are silent.

BAHAMAS

<i>Region</i>	Caribbean
<i>Federation</i>	Bahamas Cooperative League
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	16 (2001)
<i>Number of Members</i>	25,571 (2001)
<i>Total Assets (US\$)</i>	\$116,388,588 (2001)

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Legal Authority

Law: Cooperative Societies Act, 1974. [cited as "Act"]

Regulation: Cooperative Societies Regulation, 1974. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: A society which has as its object the promotion of the economic interests of its members in accordance with cooperative principles, or a society established with the object of facilitating the operations of such a society, may be registered. [Act 4]

Supervision and Regulation

Government Agency: A Director of Cooperative Development shall be appointed to perform duties under the act, subject to the direction and control of the Minister of Agriculture and Fisheries and Local Government. [Act 2, 3, Reg. Title]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Societies to dispose of articles produced by its members, whether the produce of agriculture, animal husbandry, fisheries, handicrafts, or otherwise, are referred to. [Act 14]

Reports: Regulations of the Minister may prescribe the returns to be submitted by societies to the Director. [Act 49(r)]

A registered society shall send the yearly balance sheet, together with a detailed statement of the profit and loss account, to the Director. [Reg. 51]

Inspections: The Director or his/her appointee shall, at all times, have access to all the books, accounts papers and securities of a registered society and shall be entitled to inspect the cash in hand; and every officer shall furnish such information as required.

The director may, of his/her own motion, and shall, on application of a majority of the committee or of not less than one-third of the members of a registered society, hold an inquiry into the constitution, working and financial condition of the society. An inspection may be made on application of a creditor. [Act 36, 37]

Regulations: The Minister may make regulations for the purpose of carrying out or giving effect to the Act. Specific matters to be covered are detailed. [Act 49]

Enforcement: If in any society, in the opinion of the Director, any member of the committee or other officer is unfit for the discharge of his/her duties, the society shall, on requirement of the Director dismiss, him/her.

Disputes touching the business of a registered society shall be referred to the Director, who may decide them him/herself or refer them to an arbitrator or arbitrators. Questions of law in a dispute may be referred to the Supreme Court.

Offenses listed under the Act are punishable by fines or imprisonment.

After inquiry or inspection or on application of three-fourths of the members, the Director may order the registration of a society cancelled and may appoint a liquidator. [Act 38, 41, 47, 48, 58, 59, Reg. 63, 70, 71]

Membership of Credit Union

Common Bonds of Association: Societies must have at least 10 persons as members. No person other than a registered society shall be a member of a registered society unless he/she is 16 years of age, and there exists between him/herself and the other members of the society some common bond of occupation or association or of residence in a defined neighborhood, community, or district.

Bylaws shall provide for the qualifications of membership. If the objects of a society include the creation of funds to be lent to members, the bylaws of the society shall contain provisions respecting the occupation or residence of members. No person may be a member of more than one society whose primary object is to grant loans to its members.

A person may not exercise the rights of membership until he/she has paid the prescribed fee or acquired the prescribed interest in a society. [Act 5, 22, 23, 24, Reg. 67(1)(e), 67(2)(a)]

Non-Natural Persons Eligible: Registered societies may be members of other societies. [Act 22]

Liability of Member: Societies may be registered with or without liability as the Director may decide. The liability of a society, which includes at least one registered society among its members, shall be limited.

Bylaws shall provide for the nature and extent of liability of members.

The liability of a past member or of the estate of a deceased member shall continue for two years after the date on which membership ceased or the member died. [Act 4, 29, Reg. 67(1)(g)]

Direction and Administration

Annual Meeting of Members: The supreme authority of a registered society shall be vested in the general meeting of members, at which every member has a right to attend and to vote on all questions.

A member shall have one vote only in the affairs of the society and shall not vote by proxy. A registered society which is a member of another shall vote as prescribed in the regulations or bylaws.

The annual general meeting shall be convened by the committee as soon as the audit is received. Special general meetings may be called.

The committee is elected at the annual general meeting from among the members. [Act 25, Reg. 19, 21, 23, 29, 67(1)(f)]

Board of Directors and Committees: The committee shall represent the society before competent authorities and shall carry out such duties not assigned by the regulations or bylaws to the general meetings or to any other officer. The committee shall meet at least monthly.

Bylaws shall provide for the composition of the committee and the mode of election thereto.

The committee shall elect its own chairperson and shall appoint one of its members, not being the chairperson, to be treasurer. [Act 30, 31, Reg. 60, 67(1)(f)]

Management and Employees: The committee shall appoint a secretary, subject to the approval of the Director. If the secretary is a member of the committee, he/she shall be unpaid.

The committee may appoint such clerks or employees as it considers necessary and fix their compensation. [Reg. 39, 54]

Audits: The Director or his/her appointee shall audit the accounts of every registered society at least once a year. The audit shall include an examination of overdue debts, if any, verification of cash balances and a valuation of

the assets and liabilities of the society. The auditor shall have power to summon persons involved in the society to give information and require production of books and documents. [Act 35, Reg. 65]

Liability of Officials: Costs of an inquiry or inspections may be apportioned against an officer or former officers as appropriate. [Act 37(4)]

Conflicts of Interest: Law and Regulation are silent.

Surety Bond: The secretary may be required to give security in such amount as the committee may determine, subject to the approval of the Director.

The treasurer may be required to give security to the satisfaction of the committee. [Reg. 57, 61]

Shares and Deposits

Shares: No member other than a registered society shall hold more than one-fifth of the share capital of any society. [Act 27]

Deposits: Every registered society shall fix, at a general meeting, the maximum liability it may incur in respect of loans or deposits whether from members or non-members, subject to the approval of the Director, who may reduce it at any time.

A registered society may receive deposits and loans from persons who are not members only to such extent and under such conditions as may be prescribed by the Regulations or bylaws. [Act 31, Reg. 18]

Dividends and Interest: After contribution to the reserve fund, the remainder of net profits of a society and any profits from past years available for distribution may be divided among the members by way of dividend or bonus.

No dividend or payment on account of profits shall be made by a society registered with unlimited liability until the reserve fund has reached a proportion of not less than one-tenth of the total liabilities of the society. No society shall pay a dividend on share capital at a rate exceeding 8 percent per annum on the paid-up capital.

Bylaws shall provide the maximum rate of interest on deposits. [Act 34, Reg. 17, 67(h)]

Lien on Holdings: Subject to prior claims by the government for taxes or by landlords in respect of rent, debts due a society shall be a first charge upon assets of the member which were purchased or produced in whole or in part from any loan given to him/her by the society.

A registered society shall have a charge upon the shares or interest in the capital, on the deposits of and upon any dividend, bonus, or profits payable to a member, past

member, or the estate of a deceased member in respect of any debt due the society and may set off any sum credited or payable in or towards payment of any such debt.

The committee may sell the share of a member in default to satisfy a debt. Shares or interest are not otherwise liable to attachment. [Act 15, 16, 17, Reg. 53]

Loans

Purpose and Conditions: A registered society shall not make a loan to any person other than a member provided that, with the consent of the Director, a registered society may make a loan to another registered society.

Bylaws shall provide for the purpose for which funds may be applied and the conditions of the loan, including the maximum amount which may be lent to a member.

A loan shall be applied only to the purpose for which it was granted. [Act 30, Reg. 43(2), 67(1)(d), 67(2)(b)]

Approval Procedure: Every member who desires to obtain a loan from his/her society shall submit an application to the committee stating the amount of money required, the purpose and the period for which it is required, whether it is desired to repay by installments and the names of the proposed sureties or any other security which is offered. The committee shall consider every application and may grant the loan if satisfied. [Reg. 40, 41]

Limits, Terms and Security: Loans shall be granted to members who are able to obtain two sureties approved by the committee or who can give other satisfactory security.

Except with the permission of the Director, a registered society shall not lend money on the security of any movable property other than produce or goods in which the society is authorized to deal. The Minister may prohibit or restrict the lending of money on the mortgage of any description of immovable property by any society. [Act 30(3, 4), Reg. 42]

Interest Rates and Charges: Bylaws shall provide for the maximum rate of interest on loans to members and the consequences, if any, of default of any sum due on account of shares. [Reg. 67(2)(b)(i), 67(2)(c)]

Loans to Officials: A member of the committee who applies for a loan or who is proposed as surety for a loan must withdraw while the relevant application is being discussed. [Reg. 41(3)]

Investment of Funds

Deposit of Funds: The committee may open a bank account, subject to the approval of the Director. See also "Authorized Investments." [Reg. 38]

Authorized Investments: A registered society may invest or deposit its funds:

- a. in the Post Office Savings Bank, or with any other bank licensed for the purpose of engaging in the banking business;
- b. in any securities issued or guaranteed by the government; or
- c. in any other manner approved by the Director. [Act 33]

Capital Adequacy-Reserves

Initial Organization: Law and Regulations are silent.

Permanent Capital: See “Regular Reserve” below.

Regular Reserve: Every registered society which can or does derive profits from its transactions shall establish and maintain a reserve fund, to which shall be carried annually at least one-fourth of the net profits, which shall be used in the manner prescribed.

The reserve fund may be utilized in the business of the society or be applied to meet occasional deficiencies incurred by the society, with the approval of the Director. [Act 34, Reg. 64]

Loan Loss Allowance: The committee may, with the approval of the Director, cause bad debts to be written off the books. [Reg. 50]

Special Reserves: After contribution to the reserve fund, the remainder of net profits may be allocated to any funds constituted by the society, under such conditions as may be prescribed by the regulations or bylaws. [Act 34]

Powers of the Credit Union

General Powers: Registration makes a society a body corporate with perpetual succession and with the power to acquire, hold and dispose of property; to enter into contracts; to sue and be sued and to do all things necessary for the purpose of its constitution. [Act 8]

Borrowing: The committee may borrow money on behalf of the registered society up to its maximum fixed liability. Every registered society shall fix, at a general meeting, the maximum liability it may incur in respect of loans or deposits whether from members or non-members, subject to the approval of the Director, who may at any time reduce it.

A registered society may receive deposits or loans from persons who are not members as prescribed in the by-laws or Regulations. [Act 31, Reg. 18, 37, 67(h)]

Merger: Any two or more societies may amalgamate, or any society may divide itself, with the approval of the

Director and upon three-fourths majority resolution of the members at special general meetings called for the purpose. [Act 50, 51]

Liquidation: The Director may cancel the registration of a society and order it dissolved after inspection or inquiry; on application of three-fourths of the members; or if the number of members falls below 10 persons. The Director controls the liquidation and appoints the liquidator, whose powers in the winding-up are detailed. [Act 38-46]

Federation or Association

Purposes: A society established to facilitate the operations of cooperative societies may be registered. [Act 4]

Membership: Law and Regulation are silent.

Dissolution: An association, as a registered society, is wound up according to the same rules as for primary societies. See “Liquidation” above. [Act 4, 38-46]

Central Finance Facility

Purposes: Law and Regulation are silent.

Membership: Law and Regulation are silent.

Funds: Law and Regulation are silent.

Share and Deposit Protection

Purposes: Law and Regulation are silent.

Coverage: Law and Regulation are silent.

Membership: Law and Regulation are silent.

Funds: Law and Regulation are silent.

BARBADOS

<i>Region</i>	Caribbean
<i>Federation</i>	Caribbean Confederation of Credit Unions
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	39 (2001)
<i>Number of Members</i>	94,600 (2001)
<i>Total Assets (US\$)</i>	\$246,884,824 (2001)

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Legal Authority

Law: Cooperative Societies Act, 1990. [cited as "Act"]

Regulations: The Cooperative Societies Regulations, 1993. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: A "credit union" means a registered society carrying on the business of a credit union. A society shall conform to cooperative principles. [Act 4, 5, 193]

Supervision and Regulation

Government Agency: The Registrar of Cooperative Societies shall be charged with organizing, carrying out and encouraging development of cooperative societies and shall exercise the powers and duties of the act. [Act 2(1)(q), 183]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Consumer Societies, Housing Societies and Worker's Societies are also regulated. [Act Parts XVIII, XIX, XX]

Reports: A registered society shall furnish the registrar with monthly and annual returns and with a copy of the annual financial statement presented to members. [Act 127]

Inspections: The registrar on his/her own motion, or on application of the lesser of 25 members or 10 percent of the members of a society, may appoint a person to examine the books and affairs of a society and make a report. A court may also order an examination. The society shall furnish examiners access to documents and information at all reasonable times. [Act 27, 164, 165]

Regulations: The Minister may make regulations to carry out the Act. [Act 269]

Enforcement: Fines, imprisonment, or restitution may be ordered by the registrar or a court against individuals

for various offenses listed in the Act including failure to cooperate in an audit, bribery, or the false obtaining of property of a society.

The registrar may decide disputes or appoint an arbitrator to determine disputes. A person aggrieved by a decision of the registrar or arbitrator may appeal to the Cooperative Societies Tribunal. Awards, by leave of the court, may be enforced as a judgment or court order. The High Court may order resolution of disputes in civil actions, including substantive changes of the personnel or practices of a society and the dissolution of a society.

The registrar may order, the suspension, cancellation or dissolution of a society and may appoint a liquidator for various causes. [Act 124, 136, 139, 147, 149, 150, 151, 171, 172, 176, 177, 248, 266]

Membership of Credit Unions

Common Bonds of Association: A society shall include in its bylaws provisions respecting conditions of membership. A member must be 16 years old, of sound mind and not bankrupt. Joint memberships are permitted, with restrictions. No person may be a member of more than one lending society, unless the societies have agreed in writing thereto, subject to approval of the registrar. [Act 10, 50, 52, 82]

Non-Natural Persons Eligible: Only a registered society may hold more than one-fifth of the shares of another registered society. A body corporate may be a member of a registered society, subject to the approval of the registrar. [Act 6, 33, 82(3)]

Liability of Member: No member is liable to the society or to its creditors beyond the sum remaining unpaid on the member's subscription for shares. A society may extinguish or reduce liability on any of its shares with respect to capital not paid up. [Act 32(4), 41(1)(e)]

Direction and Administration

Annual Meeting of Members: A society shall hold an annual general meeting. The board of directors, the supervisory committee and the credit committee members are elected at that time. No member has more than one vote and no member may vote by proxy. Bylaws shall provide for voting rights. [Act 10(2), 56, 86, 87, 92, 94, 205, 211]

Board of Directors and Committees: The board of directors, the credit committee and the supervisory committee are provided for in the Act and all are to be elected by the members. They must be separate committees having

different members. The board of directors is entrusted with governance of the society. The president and vice-president must be members of the board. The credit committee considers loans and recommends action on them to the board. The supervisory committee examines books and if it finds misfeasance reports to the registrar. Bylaws shall provide other duties. The board has the power to appoint other committees. [Act 55, 56, 76, 205, 211, 212, 215]

Management and Employees: Directors may appoint officers and delegate powers and specify duties. Not more than one-third of the directors may be employees of the society. [Act 56, 72]

Audits: The members at each annual meeting shall appoint an auditor to serve until the close of the next annual general meeting. The registrar may appoint an auditor if the members fail to appoint one. The auditor shall make an examination necessary to make prescribed financial reports to the members. The auditor can demand that officers, directors, employees and agents furnish information, explanation and documents to make his/her examination. Directors must place the report of the auditor before the annual general meeting. [Act 114, 119, 123, 109(1)(b)]

Liability of Officials: A person who grants a loan in contravention of the Act or Regulations shall be held liable for losses. Where directors act contrary to laws or bylaws, they are jointly and severally liable to make good on any loss or damage suffered by the society; dissenting directors are not liable. [Act 72, 198]

Conflicts of Interest: Directors and officials must disclose any interest in a material contract with a society. [Act 75(2)]

Surety Bond: Directors may require officers to give security on a bond. The amount of security or fidelity bond required of a credit union is B\$50,000. [Act 77, Reg. 21]

Shares and Deposits

Shares: Bylaws shall provide for the minimum value of shares to be held by each member. A society may sell shares to its members only. Unless required to have a limited number of shares, a society shall have an unlimited number of shares. No society shall issue a share until it is fully paid in money or property. A society may subdivide shares or consolidate shares into a larger par value not exceeding B\$100. Shares are property and transferable in any manner subject to restrictions in the Act, Regulations and bylaws. [Act 10(1)(a)(v), 30, 32(5), 33, 41, 45]

Deposits: A credit union may receive deposits subject to the Regulations and the terms and conditions set out in the bylaws. Approval of the registrar is required for a credit

union to offer deposits withdrawable on demand or to accept funds on deposit for terms longer than five years. The maximum limit a society may incur in deposits or loans from a member or non-member shall be fixed from time to time at a general meeting and is subject to the registrar's approval and periodic review. [Act 203, Reg. 32, 33]

Dividends and Interest: Where a society has a surplus, directors may provide for payment of dividends on shares out of the surplus or pay a bonus not greater than the prescribed rate. Bylaws may provide for payments out of surplus to non-member patrons of a society. Dividends may be paid in cash, property or member loans not greater than the amount of the dividend. Dividends may not be paid if a society is insolvent. [Act 34, 35]

Lien on Holdings: A society has a lien on a share or any amount standing to the credit of or due to a member for a debt to the society. In a joint membership, where one joint member pays more than his/her share of an obligation by reason of a default, he/she shall have a lien on the person who made the default. [Act 44, 50]

Loans

Purpose and Conditions: Loans may be made to members only. Loans may be made to a person or a member society, or to a member of a member society. Loans may be made for expenditures on behalf of the society or to employees for their own living accommodations. [Act 42, 200(1)]

Approval Procedure: Loans must be approved in accordance with procedures established by the directors. The credit committee or loan officer shall approve the application specifying the amount approved, terms of repayment, interest rate, any security and guarantees and any other conditions set. [Act 198, 206, 208, Reg. 23]

Limits, Terms and Security: A credit union may take any security it considers advisable in keeping with sound business practices. Bylaws shall provide for limits on the amounts of loans to any one member or on any types of loans. The board establishes policy on required security and how the market value of real estate is calculated. [Act 199, 200(2), Reg. 25]

Interest Rates and Charges: Maximum intervals at which interest on loans must be paid may not exceed one month. [Act 202(1), Reg. 26]

Loans to Officials: Loans to officials, committee members, or employees are limited in amount to their financial holdings in the society unless approved by a two-thirds vote of the board and the credit and supervisory committees sitting together. An applicant for a loan may not be present. [Act 198(2), Reg. 23(4), 24(1)]

Investment of Funds

Deposit of Funds: A credit union shall at all times maintain a demand account with a bank, loan or trust company, or tertiary or secondary society. [Reg. 22(3)]

Authorized Investments: Money not needed for current purposes may be deposited or invested in accordance with the Act. The Reserve Fund shall be invested in any manner authorized by the Trustee Act. [Act 34(2), 145(9)(b), Reg. 28]

Capital Adequacy-Reserves

Initial Organization: Law and Regulations are silent.

Permanent Capital: See “Regular Reserve” below.

Regular Reserve: Where a society has a surplus, it shall establish and maintain a reserve fund into which 25 percent of its surplus shall be paid before any dividend is paid. A society may use its statutory reserves to make good on operational deficiencies or losses on investments. [Act 34(1)(b), 197(2), Reg. 29]

Loan Loss Allowance: Every credit union shall make an allowance for doubtful loans in accordance with regulations. The regulations fix the method for establishing the value of doubtful loans, for reporting them and for charging them. [Act 197(1), Reg. 27]

Special Reserves: Every credit union shall maintain liquid assets in the amount and form prescribed. The amount may not be less than 10 percent of the society’s total liabilities. See “Deposit of Funds” above. [Act 196, Reg. 22]

Powers of the Credit Union

General Powers: A registered society is a body corporate and has the same rights, powers and privileges as an individual. It may carry on business outside Barbados as the laws of Barbados permit. A registered society may not act contrary to its bylaws. A society may not sell insurance, or underwrite the securities of another person. The registrar may order bylaws to restrict the business of a society. [Act 21, 22, 195]

Borrowing: The bylaws shall provide respecting borrowing powers of a society and procedures for exercising them. [Act 10(1)(f)]

Merger: The Act authorizes amalgamation with one or more societies to form a single society, transfer of assets and liabilities from one society to another and division of a society into two or more societies. [Act 128, 131, 132, 134]

Liquidation: Subject to the registrar’s approval, the members may authorize dissolution of a society at a meeting where each member has a right to vote. [Act 145]

The registrar on his/her own may appoint a liquidator to dissolve a society if he/she has reason to believe it has not been in operation for two years or if it has failed to submit required reports or financial returns. The registrar or an interested party may also apply to the court for an order to dissolve a society if the society has violated the law, or its bylaws or if it is no longer operating on cooperative principles. [Act 147, 149]

Federation or Association

Purposes: Law is silent.

Membership: A “secondary society” means a registered society which comprises mainly primary societies. Subject to the approval of the registrar, a body corporate may be a member of a registered society. [Act 2(1)(r), 82(3)]

Dissolution: See “Liquidation” above.

Central Finance Facility

Purposes: Loans may be made to a member society or to a member of a member society. [Act 42]

Membership: Subject to approval of the registrar, a body corporate may be a member of a registered society. [Act 82(3)] Also see “Membership” above.

Funds: Law is silent.

Share and Deposit Protection

Purposes: Law and Regulations are silent except for the empowering of the registrar to direct a credit union to take measures to protect the deposits of members. [Reg. 30(3)(4)]

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

BELIZE

<i>Region</i>	Caribbean
<i>Federation</i>	Belize Credit Union League Ltd.
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	14 (2002)
<i>Number of Members</i>	67,586 (2002)
<i>Total Assets (US\$)</i>	\$109,420,886 (2002)

rev.1/04wj

Legal Authority

Law: Credit Unions Act, 2002 No.7 of 2002. Cited as: [Law]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: A registered credit union is established for the benefit of its members, to promote thrift, enterprise and cooperative principles among its members, to pool financial resources of its members and to provide needed lending, investment and other services to them. [Law 2,4(1c)]

Supervision and Regulation

Government Agency: The Registrar of Credit Unions and Cooperatives is appointed by the Governor General. The Registrar registers, inspects, examines and supervises credit unions, assists in their development, prepares model bylaws, and has extensive enforcement powers. [Law 2,5(1),6,16]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: The Registrar also oversees other cooperatives. [Law 5(1)]

Reports: The credit union must furnish the Registrar with monthly returns, monthly performance ratios and such other returns and information as required. The annual audited financial statement and auditor's report must be sent to the Registrar and, if a member of the League, to the League. [Law 58]

Inspections: The Registrar or his appointee may examine the affairs of the League or registered credit unions at any time, and as often as possible, but not less than annually, and the credit union must produce all books and other information required. Officers may be examined under oath. [Law 6(1c),55,60]

Regulations: The Minister responsible for credit unions and cooperatives, and who appoints the Registrar, shall make rules as necessary to carry out or give effect to the Act. Law 2,90]

Enforcement: Where the Registrar is of the opinion that liquidity levels and the financial position of a credit union require it, he may appoint an administrator and fix his remuneration. The League may be appointed as administrator. The administrator has full powers to conduct business, and may perform any or all duties of the officers of the credit union, and shall carry out orders of the Registrar. The administrator shall have full access to all necessary information from the credit union, and shall act and do all things necessary to protect the equities of the members, the rights of creditors, and services to members.

Orders under supervision may require the credit union to take certain steps, or to refrain from a particular course of action, or to restrict the scope of its business in a particular way. The credit union may be required to limit the acceptance of deposits, or the granting of credit or making investments. The administrator may prohibit transactions, or require the removal of any director or manager. With approval of the Registrar the administrator may call a special meeting of members to report on the affairs of the credit union, and may also report to interested creditors. A credit union which fails to comply with the administrator's requirements or contravenes any prohibition or order, commits an offense. [Law 51(2),61]

Where the Registrar has reasonable grounds to believe that an affiliate or official of a credit union is committing or will commit a violation of the Act or regulations, or conduct detrimental to the members, the Registrar may order whatever necessary to rectify the situation. [Law 6(2)]

The Registrar may cancel the credit union's registration if satisfied that it was obtained by fraud or mistake; or the credit union or any officer has failed or refused to comply with lawful orders; or if the number of members falls below 25. [Law 20]

Fines and/or imprisonment may be imposed for various offenses, including: bribery; obtaining loans by fraud and misusing loaned money; failure to comply with requirements of the Act, rules, orders, summons or direction given under the Act; failure to comply with a credit union's bylaws; improper use or taking of property. [Law 83-87]

Membership of Credit Unions

Common Bonds of Association: The common bond of a credit union, and membership qualifications, and procedures for withdrawal or expulsion shall be determined by its bylaws. [Law 13(1),21(9),22(1),23]

A person or business who shares a common bond with other members, and who is not an undischarged bankrupt, may be a member of a credit union. Minors under 18 years old may be members of a credit union, with financial rights and liabilities, but may not vote or be officers. [Law 21(1,4,5,8)]

Procedures for termination of membership by the Board or the General Meeting of members are detailed in the Law. [Law 23]

Non-natural Persons Eligible for Membership: A business or body corporate or a cooperative may be a member of a credit union. [Law 4(1a),21(1,6)]

Liability of Member: The liability of a current member is limited to the unpaid amount of the member's subscription for shares. Liability of a past member continues for two years after the membership ceases. [Law 25]

Withdrawal or expulsion of a member does not affect any liability of the member toward the credit union. [Law 23(3)]

Direction and Administration

Annual Meeting of Members: A credit union must hold an annual general meeting, within 61 days after the end of the fiscal year. Other general meetings may be held. [Law 26]

Cooperative principles of the credit union require that no member other than a body corporate has more than one vote, and that proxy voting is not allowed. A cooperative that is a member votes by a delegate. [Law 4(1a,b),24]

The credit union has the power to make bylaws governing its activity, by two-thirds vote of a general meeting, subject to the approval of the Registrar. [Law 16(3,4),17,18]

Board of Directors and Committees: Management of the credit union is entrusted to the Board of Directors, of at least five members, and not more than nine. The board is to be constituted in accordance with the Act and bylaws. Reference is made to eligibility for election to the Board.

The Board acts on applications for membership and on expulsion of members; determines maximum individual shareholdings and maximum loans; determines interest rates on loans and deposits; declares dividends; fixes the security required from officers and employees handling money; fills vacancies on the Board and Credit Committee until the next general meeting; and has other duties. [Law 2,27]

The Board, Credit Committee and Supervisory Committee must meet at least quarterly to examine the affairs of the credit union, and submit a written report to the annual meeting of members. [Law 35]

A credit union shall have a Supervisory Committee of at least three persons, elected by the general meeting. It examines the affairs and audits the books of the credit union at least quarterly, carries out an annual audit and can call a general meeting. It has the power, by unanimous vote, to suspend any officer. [Law 28]

Every credit union shall have a Credit Committee of three members, elected by the general meeting. It meets monthly and reports to the joint officers meeting quarterly. [Law 29]

Persons are ineligible to be Directors or members of any other committee of the credit union if they have been convicted of a crime of dishonesty; are or become bankrupt; are under 18 years old; are employees of the Department or the League. Employees of the credit union may not be members of the Board or other committees. [Law 27]

Directors and members of committees may be paid a stipend for their committee work, and reimbursed for expenses. [Law 37]

Management and Employees: The Board shall designate the employee positions of the credit union, hire suitable persons with necessary skill and competence for prudent management, and delegate adequate powers. The Board may appoint an education committee of three persons to assist management with human resource development at all levels of the organization. [Law 2,27,30]

Audits: The Board appoints a qualified auditor with the approval of the membership at the annual general meeting. The auditor examines annually the books and affairs of the credit union, which must disclose all information required. The auditor reports to the general meeting of members. Procedures for conducting an audit, as well as qualifications, conflicts and reporting, are set forth in the Act. Any person who obstructs an auditor in the performance of his duties commits an offense. [Law 55-59]

The Supervisory Committee makes or provides for an annual audit, and reports to the general meeting of members. It also audits the credit union at least quarterly. Copies of audits and other information must be available at the credit union offices. [Law 14(2),28(6a,b),58(b)]

Liability of Officials: A credit union may purchase insurance for the benefit of directors or committee members or employees against any liability loss or damage incurred by that person while serving the credit union. [Law 37]

An auditor, director or officer of a credit union, or their associates, who make use of or disclose confidential information shall be personally liable for any damages resulting from such disclosure and may be removed from office forthwith. [Law 32]

Any person who approves or grants a loan in contravention of the Act or Rules, shall be liable for any losses resulting to the credit union in connection with it. [Law 47(8)]

Conflicts of Interest: A director or officer of a credit union who is party to a material contract with the credit union, or who has a material interest in such a contract, or material relation to any person who is party to such contract, must

disclose the interest in writing, and may not participate in discussions of it. [Law 33]

Employees may not be members of the Board or other committees of a credit union. A member of the Board, the Credit Committee or the Supervisory Committee, may not serve on more than one of them. [Law 27(3b),28(4),29(4)]

The auditor must be independent of the credit union and of the League. The auditor may be a member of the credit union, but must disclose the membership; and may not be an employee or member of any of its committees. [Law 56]

Surety Bond: The Board fixes the security required from officers and employees who handle money for the credit union. [Law 27(6e)]

Shares and Deposits

Shares: A credit union has an unlimited number of shares. It may only issue common shares, with a value set forth in the bylaws, of at least five dollars. A member may not own more than 20 percent of the shares. The Board determines the maximum individual shareholding. A share is personal property, and represents the member's permanent capital in the credit union. Shares may only be transferred to another member. Procedures for transferring shares or property in the credit union upon death of a member are detailed. [Law 27(6b),39,40,49,50]

A credit union conforms to cooperative principles if its share capital is permanent and receives an economic rate of return. [Law 4(1e)]

Deposits: Deposits are sums of money paid on terms under which they will be repaid, with or without interest or premium, and either on demand or at an agreed-upon time, and may only be used for security under specified circumstances. [Law 2]

Credit union services shall include receiving deposits and installment savings from members, and any other persons, including non-members and minors. This also includes depository and related business with Government, private sector and public organizations. [Law 38(2a,f),48]

Dividends and Interest: The Board determines interest rates on deposits, and declares dividends. [Law 27(6c,d)]

Where a credit union realizes a surplus, after allocations to the reserve fund and education fund the Board may pass and present to the membership a special resolution to declare a dividend not exceeding eight percent, based on members' fully paid up shares and surplus realized from the operation of the fiscal period. [Law 2,39(4),53]

A credit union conforms to cooperative principles if its surplus or savings from operations are: used to develop its

business, provide or improve common services to members, distributed among members in proportion to their patronage, used for payment of dividends, or for education or charitable purposes. [Law 4(1f)]

Lien on Holdings: A credit union shall have a charge on the shares or interest in the capital and on the deposits of a member or past member or deceased member, and on any dividends or rebates due, for any debt to the credit union, and may apply the amounts to payment of the debt. [Law 42]

Loans

Purpose and Conditions: A credit union may make loans to its members for a provident or productive purpose. [Law 38(2b),47(1)]

Except for a loan to another credit union or cooperative, loans may be made to members only. A credit union established to facilitate the operations of other credit unions, may make loans to the members of such other credit unions or cooperatives. [Law 47(4)]

Approval Procedure: Subject to the Act and Rules, every loan must be approved in accordance with policies established by the Board of Directors. [Law 47(2)]

Limits, Terms and Security: Subject to restrictions prescribed in the Rules, a credit union may take any security for loans it considers advisable. The Board determines the maximum individual loan which may be made with or without security. A borrower may repay his loan in whole or in part at any time. [Law 27(6b),47(3,9)]

A credit union may require a borrower to create a charge or give a bond in favor of the credit union in such form as may be prescribed, guaranteeing repayment of the debt. Such a charge or bond may be reassigned by the credit union. [Law 43,44,45]

Interest Rates and Charges: The Board determines interest rates on loans or any class of loans, at a percentage of the unpaid balance. [Law 27(6c),47(11)]

The credit union may declare a rebate to be paid to members in proportion to the volume of their loan business. [Law 53(1d)]

Loans to Officials: Loans to officials may not be made on terms more favorable than to other members. Loans for more than the official's paid-up shares and deposits, may only be made with sufficient collateral, and with the unanimous approval of the majority of the other members of the Board, Credit Committee and Supervisory Committee sitting together. Officers may not participate in discussions of their own loan applications, or those of their families or associates. [Law 47(5,6,7)]

A credit union may require a member or officer to give a bond for repayment of a loan. Such bonds may be re-signed by the credit union. [Law 45]

Investment of Funds

Deposit of Funds: See below, "Authorized Investments"

Authorized Investments: A credit union may invest or deposit its funds: in any credit union or financial institution licensed under the Banks and Financial Institutions Act, or an insurance company registered under the Insurance Act; in the shares or on the security of any cooperative or credit union with limited liability; in any securities issued or guaranteed by the Government of Belize; in any stock, debentures, debenture stock funds or securities approved by the Government of Belize; or in a Government Savings Bank. Such funds shall be surplus funds, and any income derived shall be part of the general revenue of the credit union. [Law 46]

Capital Adequacy - Reserves

Initial Organization: The Registrar must determine that a credit union is financially viable before registration, considering the demand for proposed services, the asset base of the credit union, membership size and growth potential and the capacity of leadership to provide products and services on a sustainable basis. [Law 8]

Permanent Capital: A credit union conforms to cooperative principles if its share capital is permanent and receives an economic rate of return. [Law 4(1e)]

Regular Reserve: Where a credit union realizes a profit, it must establish a reserve fund, and pay into it at least 20 percent of its surplus, together with all entrance fees and fines collected from its members, and any additional amount prescribed by the Rules, until the reserve fund reaches 10 percent of the total assets of the credit union. The reserve fund shall be held as a reserve against bad loans and unforeseen losses and not for any other purpose, except in liquidation or where there is a loss of confidence, in which case it may be used under strict supervision of the Registrar. [Law 51(3-7)]

Loan Loss Allowance: Every credit union may make an allowance for doubtful loans in accordance with the Rules. [Law 51(7)]

See also above: "Regular Reserve"

Special Reserves: Every credit union shall maintain an aggregate holding of approved liquid assets equivalent to at least 10 percent of shares, deposits and current borrowings, or such higher rate as the Registrar orders. [Law 2,51(1)]

In addition to the Reserve Fund, a credit union shall put into reserve at the end of each financial year any increase in value of its assets. [Law 51(8)]

If the bylaws so provide, the Board, after making provisions for a Reserve Fund and before declaring a dividend, may set aside an amount not exceeding five percent of the net earnings for an Education Fund, to be used as the Board directs. [Law 51(9)]

After allocation to the reserve and education funds, the Board may set aside a specified amount of retained earnings for emergencies; or estimated losses or special expenditures required to achieve the objects of the credit union; or to enhance the capital base. [Law 51(1b,c)]

Powers of Credit Union

General Powers: A legally registered credit union has the capacity to carry on its business in accordance with its bylaws. It is a body corporate, with perpetual succession, and with power to hold property, enter into contracts, to borrow money, to institute and defend suits and other legal proceedings, and to do all things necessary for the purpose of its bylaws. It may operate in jurisdictions outside Belize. [Law 10(4),11]

In addition to thrift and lending, credit union business includes: safe-deposit custody for keeping securities, important documents or goods; mutual insurance business for members; discounting of bills; supporting community development; providing education and training to improve the socio-economic conditions of its members; providing services by electronic means; automatic teller machines; checking accounts; and any other services that meet the needs of members. [Law 38]

A credit union may open one or more subsidiary offices within Belize with approval of the Registrar. [Law 13(2)]

A credit union may alter its objects, by special resolution to carry on some business which may be advantageously combined with the business of the credit union. [Law 19(1)]

A registered credit union is exempt from the income and business tax act. [Law 91]

Borrowing: A credit union has the power to borrow money. It may receive loans or deposits from non-members, for the purpose of meeting its obligations, or discharging any of its functions under the Act. [Law 11(1),48(2)]

A credit union may from time to time borrow monies not exceeding in the aggregate 25 percent of its combined capital and surplus deposits, upon a vote of at least three-fourths of the members of the Board. It may from time to time borrow monies not exceeding in aggregate 50 percent of its combined capital and surplus deposits, upon a vote of

three-fourths of the credit union's members present, or one-third of the total membership, whichever is greater, taken at an annual meeting or special meeting called for the purpose. Those voting in support of the resolution must represent a majority of the shares issued. A small capitalized credit union may exceed these limits with permission of the Registrar. [Law 54]

Merger: Reconstruction of a credit union may be effected by amalgamating the credit union with another to form a single credit union; transferring the assets and liabilities of one credit union to another; dividing a credit union into two or more; or converting a company or friendly society into a credit union. Procedures for effecting such changes are detailed in the Law. [Law 19(1f),62-65]

Liquidation: Where the Registrar after an examination is of the opinion that a credit union ought to be wound up, he may order it, and appoint a liquidator. Liquidation may also be ordered if membership falls below the required number, or the credit union stops doing business, or is no longer viable. Members may dissolve a credit union voluntarily by special resolution, and appoint the liquidator. Where a credit union's license is canceled, its assets and liabilities shall immediately vest in the Registrar. [Law 68-71]

The liquidator in a dissolution shall have full powers to take possession of assets and books and information, resolve disputes and institute and defend legal proceedings, settle claims, determine contributions required of members, assess costs, distribute assets as approved by the Registrar, call general meetings, call witnesses and administer oaths. The liquidator serves under supervision of the Registrar. Various procedures for winding up the affairs of the credit union are detailed. The Registrar is authorized to sue for recovery of money or property due to the credit union. With certain exceptions, no civil court shall have jurisdiction over winding up of a credit union. [Law 72-79]

A credit union may sell or dispose of the whole or any part of its undertaking, by special resolution. [Law 19(1e)]

Federation or Association

Purposes: The Belize Credit Union League is established in the Act to serve the needs of member credit unions, for furtherance of their common interests and the benefit of their members, to improve management services and standardize accounting and record-keeping. It carries on educational, advisory and consultative activity; arranges group services; borrows and lends money; draws, makes, accepts, endorses, executes and issues promissory notes, bills of exchange, bills of lading, warrants and other negotiable and transferable instruments; and other functions. It may join another federation with similar

objects. It has the power to institute and implement measures to assist its members in manner that protects their members' interests. [Law 80-82]

The League may be appointed by the Registrar as administrator of a credit union under supervision, or to settle disputes relating to the business of a credit union. [Law 61(2),66(2)]

Membership: Every credit union may become a member of the League, and once it becomes a member, shall be subject to its guidance. [Law 82(1)]

Dissolution: Law is silent.

Central Finance Facility

Purposes: A credit union established with the object of facilitating the operations of other credit unions, is referred to. It may make loans to and take deposits from members of credit unions and cooperatives. [Law 47(4)]

See also above, "Federation or Association" for establishment of the Belize Credit Union League.

Membership: Law is silent.

Funds: The League has the power to borrow and lend money, and deal in financial instruments. [Law 80(d,e)]

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

BERMUDA

<i>Region</i>	Caribbean
<i>Federation</i>	BIU Members
<i>Credit Union</i>	
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	1 (2001)
<i>Number of Members</i>	4,229 (2001)
<i>Total Assets (US\$)</i>	\$8,335,984 (2001)

Rev. 3-92: rwd

Legal Authority

Law: The Credit Unions Act 1982 [Act 1]. [cited as "Act"]

Regulation: No regulations available.

Definition or Purposes of Credit Union

Definition: "Credit Union" means an incorporated, cooperative non-profit credit society established for the purpose of promoting thrift among its members and providing a source of credit for provident and productive purposes. [Act 2]

Supervision and Regulation

Government Agency: Minister of Finance. [Act 2, 3]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: Law is silent.

Reports: Every credit union must submit a statement of assets and liabilities within 30 days of end of a calendar quarter. At end of the financial year, a credit union must deliver an audited financial statement together with a report of an approved auditor. The Minister can require additional information as necessary. [Act 16, 17]

Inspections: The Minister may appoint person(s) to make a special examination of the books and affairs of any credit union when certain detrimental conditions exist or when shareholders request it. [Act 19]

Regulations: Law is silent.

Enforcement: If the Minister has reason to believe a credit union is being mismanaged or managed in a manner detrimental to interests of its members or other creditors, is insolvent, or is contravening the Act, he/she may:

- require the credit union to take remedial measures he/she deems necessary;
- appoint someone to advise the credit union in the proper conduct of its business;

- suspend the registration of the credit union; or
 - cancel the registration of the credit union. [Act 21]
- Failure to comply with any provision of the Act is an offense punishable by fine. [Act 25]

Membership of Credit Union

Common Bond of Association: The rules of a credit union shall prescribe the qualifications for membership. "Member" means any person who has subscribed to at least one share and has been accepted as a member in accordance with the rules. [Act 6, 2]

Non-Natural Persons Eligible: Law is silent.

Liability of Member: Law is silent.

Direction and Administration

Annual Meeting of Members: At any meeting, a member shall be entitled to one vote irrespective of shareholdings. Rules can only be rescinded or altered at general meeting of members. [Act 10, 6]

Board of Directors and Committees: The Act refers only to executive officers, committee members, or other officers. [Act 8, 11] "Executive Officer" means the president, vice-president, secretary or treasurer. [Act 2] The Act refers to committee members but is silent on specific committees.

Management and Employees: An application for registration shall include evidence that a credit union will have adequate management and personnel to carry on its business. [Act 2(c)]

Audits: A credit union shall appoint annually an approved auditor who shall report on whether the financial statements fairly present the credit union's financial position and the results of operations in accordance with generally accepted accounting principles. The audit report must also be submitted to the Minister. [Act 18, 17]

Liability of Officials: Law is silent.

Conflicts of Interest: Law is silent.

Surety Bond: Law is silent.

Shares and Deposits

Shares: Rules are to specify minimum shareholdings per member. [Act 6] A register shall contain a record of value of each member's shares. A share shall be denominated as one dollar. [Act 9(2)]

Deposits: Law is silent.

Dividends and Interest: A credit union may pay dividends on its shares where circumstances permit. [Act 9(5)]

Lien on Holdings: A credit union has and may exercise a lien on the shares of any member for any debt due it. [Act 9]

Loans

Purpose and Conditions: A loan must be for provident or productive purposes and according to the rules of the credit union. [Act 1]

Approval Procedure: Law is silent.

Limits, Terms and Security: Amount loaned to any person shall not exceed 2 percent of a credit union's share capital. The Minister can authorize an increase in amount loaned to any person. Total outstanding loans can not exceed 60 percent of credit unions total assets. Maturity can not exceed five years for secured loan and two years for an unsecured loan. [Act 11]

Interest Rates and Charges: The rate of interest on loans may not exceed the maximum permitted in the Interest and Credit Charges Act 1975. [Act 11(3)]

Loans to Officials: No loan shall be made to any executive officer, committee member, or other officer on terms more favorable than those extended to other members. No executive or other officer shall act as co-maker, guarantor, or endorser of a loan to a member. [Act 11(4), (5)]

Investment of Funds

Deposit of Funds: The reserve fund and loan loss fund shall be kept in cash or on deposit in a bank. [Act 12(4)]

Authorized Investments: Funds, other than the reserve fund and loan loss allowance, may be invested in:

- a. any investment specified in the Trustee Act;
- b. in shares, bonds, debentures or stock of agencies or associations organized to service or assist credit unions;
- c. in loans to or shares of credit unions not to exceed 5 percent of assets;
- d. in other investments authorized by the Minister. [Act 13]

Capital Adequacy-Reserves

Initial Organization: Law is silent.

Permanent Capital: See "Regular Reserve" below.

Regular Reserve: A credit union shall set aside cash balances to constitute a reserve fund from which

repayment of shares shall be made. The minimum amount of the reserve fund shall be 20 percent of the credit union's total assets. [Act 12]

Loan Loss Allowance: At the close of each financial year and before declaring a dividend, a credit union shall transfer not less than 20 percent of net earnings to a fund for losses on loans until the fund equals at least 10 percent of outstanding loans.

Both funds may only be used for their stated purposes and shall not be distributed except on dissolution of the credit union. [Act 12]

Special Reserves: Law is silent.

Powers of Credit Union

General Powers: The Act refers to the credit union's corporate "state and powers." [Act 23(5)]

Borrowing: Law is silent.

Merger: Law is silent.

Liquidation: In order to protect the interests of the members and preserve the assets of a credit union, the Minister may appoint an executive manager who may apply to the court for an order to wind-up the credit union. A credit union may also be wound up voluntarily by a resolution passed at a general meeting of its members. [Act 22-23]

Federation or Association

Purposes: A credit union may invest in an agency or association if the membership is confined to credit unions or organizations of credit unions and its purpose is to service or otherwise assist credit union operations. [Act 13(b)]

Membership: Law is silent, except as above.

Dissolution: Law is silent.

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

CAYMAN ISLANDS

<i>Region</i>	Caribbean
<i>Federation</i>	CICSA Cooperative Credit Union Ltd.
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	1 (2001)
<i>Number of Members</i>	6,148 (2001)
<i>Total Assets (US\$)</i>	\$59,341,607 (2001)

Rev. 7-92:jc

Legal Authority

Law: The Cooperative Societies Law (enacted 15th January, 1962). [cited as "Law"]

Regulations: The Cooperative Society Regulations. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: A society may be registered under this Law which has as its object the promotion of the economic interest of its members in accordance with cooperative principles and which consists of not fewer than 10 members, each of whom is qualified for membership. [Law 4 (a)]

Supervision and Regulation

Government Agency: The Registrar of Cooperative Societies for the Cayman Islands is appointed by the Governor. [Law 3]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: The Law refers to a registered society which has as its objects the disposal of any article produced or obtained by the work of its members whether it is the produce of agriculture, animal husbandry, forestry, fisheries, handicrafts or otherwise. [Law 15 (1)]

Reports: The Governor in Council may prescribe the returns to be submitted by registered societies to the registrar and the persons by whom and the form in which the same are to be made. [Law 52 (2)(p)]

The Governor in Council may prescribe the accounts and books to be kept by a registered society and for the periodical publication of a balance sheet showing the assets and liabilities of a registered society. [Law 52 (2)(n)]

Annual returns shall be made to the registrar by every registered society in the calendar year, following the year of its first registration, and thereafter in each calendar year. [Reg. 3] Such returns shall provide any change of address; the names and titles of the society's officers; the

names of the society's members and the number of shares held by each; details of charges entered into by the society and still outstanding and a balance sheet supported by accounts complying with the provisions of the Cooperative Societies Law and certified by an independent auditor previously approved by the registrar. [Reg. 4]

Inspections: The registrar may, of his/her own motion, and shall on the application of a majority of the committee or not less than one-third of the members of a registered society, hold an inquiry or direct a deputy to hold an inquiry into the constitution, working and financial condition of a registered society. The registrar or his/her deputy shall inspect the books of the society on the application of its creditor(s). [Law 40 (1) (2)]

The Governor in Council may provide for the audit of the accounts of registered societies and for the charges, if any, to be made for such audit and provide for the levy of contributions from all or any registered societies and prescribe for the administration of such a fund. [Law 52 (2)(o)]

Regulations: The Governor in Council may make all such regulations as may be necessary for the purpose of carrying out or giving effect to the principles and provisions of the Law. [Law 52 (1)]

Enforcement: Every registered society and every officer or member thereof who willfully neglects or refuses to do any act or to furnish any information required for the purposes of this Law by the registrar or his/her deputy, or who wilfully makes a false return or furnishes any false information is guilty of an offense. Whoever will fully or without any reasonable excuse disobeys any summons, requisition, or lawfully written order issued under the provisions of this Law or fails to furnish any information lawfully required from him/her by a person authorized to do so under the provisions of this Law is guilty of an offence. [Law 60 (1) (2)]

If the registrar, after holding an inquiry or making an inspection or on receipt of an application made by three-fourths of the members of a registered society, is of the opinion that the society ought to be dissolved, he/she may, by order, cancel its registration. [Law 41 (1)] The liquidator appointed by him/her shall have the power to take possession of the books, documents and assets of the society. [Law 45 (1) (f)]

Membership of Credit Unions

Common Bonds of Association: No person other than a registered society shall be a member of a registered society unless he/she has attained the age of 18 years and there exists between him/herself and the other members of the society some common bond of occupation or association or of residence in a defined neighborhood, community, or district. [Law 23]

The Governor in Council may make regulations prescribing the conditions to be complied with by persons applying for admission or admitted as members and may provide for the election and admission of members and the payment to be made and interest to be acquired before exercising the rights of membership. [Law 52 (2)(b)] He/She may also prescribe the maximum number of shares or portions of the capital of a registered society which may be held by a member. [Law 52 (2)(c)]

Non-Natural Persons Eligible: Any registered cooperative society may be a member of another registered society. [Law 2 (b)]

Liability of Member: Where the liability of members is limited by shares, no member, other than a registered society, shall hold more than such a portion of the share capital of the society, subject to a maximum of 20 percent, as may be prescribed by the rules. [Law 28]

The liability of a past member or the estate of a deceased member for the debts of a registered society as they existed on the date on which such member ceased to be a member or died shall continue for a period of two years reckoned from that date. [Law 30]

The liability of a registered society, which includes one or more registered societies among its members, shall be limited. [Law 5]

Direction and Administration

Annual Meeting of Members: The Governor in Council may make regulations providing for general meetings of the members, for the procedure at such meetings and for the powers to be exercised by such meetings. [Law 52 (2)(e)]

No member of a registered society shall have more than one vote in the conduct of the affairs of the society. A registered society which is a member of any other registered society may appoint one of its members as its proxy for the purpose of voting; otherwise, voting by proxy shall not be allowed. [Law 26]

Board of Directors and Committees: The Governor in Council may make regulations providing for the appointment, suspension and removal of the members of the committee (the governing body of a registered society to whom the management of its affairs is entrusted) and other officers, and for the procedure at meetings of the committee, and for the powers to be exercised and the duties to be performed by the committee and other officers (chairman, secretary, treasurer, members of the committee or other persons empowered under the regulations or rules to give directions regarding the business of the society). [Law 52(2)(f)]

Management and Employees: Law and Regulations are silent.

Audits: The registrar shall audit or cause to be audited the accounts of every registered society at least once a year. The audit shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the registered society. The registrar or his/her deputy shall have access at all times to all the books, accounts, papers and securities of a registered society and shall be entitled to inspect the cash on hand; and every officer of the society shall furnish such information in regard to the transactions and working of the society as the person making such inspection may require. [Law 38 (1) (2), 39]

Liability of Officials: Whoever falsely obtains any property of a society and loses, withholds, or converts it to purposes other than those of the society shall be liable, on summary conviction, to a fine and be ordered to deliver up all such property or to reimburse the society for its loss or misapplication. If he/she fails to do so, he/she is liable to imprisonment for up to three months. [Law 61]

Conflicts of Interest: Law and Regulations are silent.

Surety Bond: Law and Regulations are silent.

Shares and Deposits

Shares: A member may not exercise the rights of membership until he/she has made payment to the society or acquired interest in it as required by the rules. [Law 24]

The Governor in Council may make regulations regulating the manner in which funds may be raised by means of shares or debentures or otherwise. [Law 52 (2)(h)]

Deposits: A registered society shall receive deposits and loans from persons who are not members only to such extent and under such conditions as may be prescribed by the regulations or rules. [Law 32]

Dividends and Interest: The Governor in Council may prescribe the conditions under which profits may be distributed to the members of a society and the maximum rate of dividend which may be paid by societies. [Law 52 (2)(m)]

No registered society shall pay a dividend or bonus or distribute any part of its accumulated funds before the balance sheet has been certified by an auditor approved by the registrar. No registered society shall declare any dividend exceeding 6 percent per annum. [Law 34 (1) (2)]

Lien on Holdings: A registered society shall have a charge upon the shares or interest in the capital; on the deposits of a member, past member, or deceased member and upon any dividend, bonus, or profits payable to a member, or past member, or estate for any debt due by a member to the society, and it may apply any sum credited or payable to a member, past member, or estate of a deceased member in or towards payment of any such debt. [Law 17]

Loans

Purpose and Conditions: The Governor in Council may prescribe the conditions to be complied with by individual members applying for loans or cash credits. [Law 52 (2) (i)]

Approval Procedure: Law and Regulations are silent.

Limits, Term, and Security: A registered society shall not make a loan to any person other than a member or another registered society. [Law 31]

The Governor in Council may prescribe the payments to be made the forms of the bonds, instruments, or other documents to be executed by members applying for loans or cash credits; the period for which loans may be made or credits granted; the maximum amount which may be lent and the maximum credits which may be allowed to individual members. [Law 52 (2) (i)]

Interest Rates and Charges: Law and Regulations are silent.

Loans to Officials: Law and Regulations are silent.

Investment of Funds

Deposit of Funds: Law and Regulations are silent.

Authorized Investments: The Governor in Council may provide for the investment of any funds under the control of any registered society. [Law 52 (2) (1)]

Capital Adequacy-Reserves

Initial Organization: Law and Regulations are silent.

Permanent Capital: See “Regular Reserve” below.

Regular Reserve: Every registered society which does or can derive profit from its transactions shall maintain a reserve fund. At least one-fifth of the net profits of every registered society as ascertained by the registrar’s audit shall be carried to the reserve fund which shall be employed as prescribed by the regulations. [Law 35]

The Governor in Council may provide for the formation and the maintenance of reserve funds and the objects to which such funds may be applied. [Law 52 (2) (1)]

Loan Loss Allowance: Law and Regulations are silent.

Special Reserves: Any registered society may, after the allocation to the reserve fund has been made, contribute an amount not exceeding 10 percent of the remaining net balance to any educational or charitable purpose. The net balance, at the end of each year, together with any sum available for distribution from previous years may be distributed as prescribed by the rules. [Law 36, 37]

Powers of the Credit Union

General Powers: The registration of a society shall render it a body corporate by the name under which it is registered with perpetual succession and with the power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purpose of its constitution. [Law 8]

Borrowing: A registered society shall receive loans from persons who are not members only to such extent as prescribed by the rules. [Law 32]

The Governor in Council may regulate the manner in which funds may be raised by means of debentures or otherwise. [Law 52(2)(h)]

Merger: Any two or more registered societies may, by special resolution of both or all such societies, become amalgamated as one society with or without any dissolution or division of the funds of either society; and the property of such societies shall become vested in the amalgamated society without the necessity of any form of conveyance other than that contained in the special resolution amalgamating the societies. [Law 53 (1)]

Liquidation: The registrar may cancel the registration of a cooperative society after an inquiry or inspection; on application of three-fourths of the members; or if the number of its members falls below 10 persons. The registrar controls the liquidation and appoints the liquidator whose powers to wind-up the society are detailed. [Act 41-49]

Federation or Association

Purposes: A society may be registered under this Law which is established with the object of facilitating the operations of a society and includes among its members at least two registered societies. [Law 4 (b)]

Membership: See “Purposes” above.

Dissolution: A registered association may be dissolved according to the same liquidation rules as a primary society. See “Liquidation” above. [Act 4, 41-49]

Central Finance Facility

Purposes: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

DOMINICA

<i>Region</i>	Caribbean
<i>Federation</i>	Dominica Cooperative Credit Union League
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	17 (2001)
<i>Number of Members</i>	70,739 (2001)
<i>Total Assets (US\$)</i>	\$94,406,631 (2001)

Rev. 1-00: wj

Legal Authority

Law: Cooperative Societies Act 1996. [cited as "Act"]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: A credit union is a registered society whose objects and services include the promotion of thrift and the creation of a source of credit for its members for provident and productive purposes. It provides cooperative savings and lending for its members. [Act 2, 191]

A cooperative society consists of a group of people, small or large, with a commitment to joint action on the basis of democracy and self-help in order to secure a service or economic arrangement that is both socially desirable and beneficial to all taking part. [Act 2]

A registered society shall conform to cooperative principles. [Act 3, 4]

Supervision and Regulation

Government Agency: A Commissioner of Cooperatives is created to register, supervise and liaise with cooperative societies. He/She also is charged with stimulating community awareness, with encouraging the development of societies and with the annual audit of all societies to be made. He/She may delegate his/her authority to appointees. [Act 5]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: Consumer societies, housing societies and industrial societies are also regulated. [Act 191]

Reports: Annual and monthly returns to the commissioner are required. He/She may require other reports or information. [8, 141]

Inspections: The commissioner causes an annual audit of all cooperative societies to be done. [Act 5(2)]

The commissioner may, on his/her own motion, or on application of the lesser of 25 members or 10 percent of the membership, appoint an examiner of the books and affairs of a society. All officials must furnish any required information to this examiner. [Act 180]

The commissioner, a member, or any interested person may apply to a court for an order to examine a society's books and affairs, and the court may order an investigation where it suspects wrongdoing or failure to comply with the Act or bylaws. Conditions of a court-ordered investigation are detailed. [Act 181-186]

Required record-keeping is detailed. The commissioner may examine specified records at any time. [Act 18, 19(1)]

Regulations: The minister may make regulations to carry out the Act. The Act prescribes a number of specific matters subject to rulemaking, including fees, appeals to the commissioner, business which a society may not engage in without approval and exemptions from the Act. [Act 239]

Enforcement: The commissioner may suspend a society's registration if it is in violation of the Act or its bylaws or for misconduct by officers. He/She may cancel the registration if a society's numbers fall too low, if it has no registered societies as members, if it was registered by fraud or mistake, or if the reasons for a suspension are not rectified. Registration may be restored if corrections are made. [Act 20]

A credit union which fails to maintain a reserve fund according to the Act may be placed in receivership by the commissioner. [Act 194(2)]

After an examination of a society, a receiver or receiver-manager may be appointed by the commissioner, by a court, or by instrument. Duties and procedures of such an appointee are detailed. [Act 150-157]

If a society fails to appoint an auditor as required in the Act, the commissioner may do so, and he/she shall appoint one on application by a member. [Act 133]

The commissioner may refuse to accept any document that contains illegal matter, isn't properly completed, or isn't legible or durable; he/she may require corrections. [Act 7]

The commissioner must consider the economic viability of a society, may register a new society for a probationary term of up to 12 months, may impose special conditions and may cancel the registration if not satisfied. [Act 12, 15]

When the supervisory committee of a credit union suspects wrongdoing or misuse of funds, it must inform the commissioner. The commissioner may suspend members of the board. [Act 66(1,3)]

Bribery; making false representations to obtain a loan misapplying borrowed funds, or using funds illegally;

acting against the law, regulations, or bylaws; failure to furnish required information or disobeying a summons; making false statements or material omissions on a return and using the words "credit union" improperly are offenses. A person convicted of one or more of these is liable to a fine or imprisonment, may be ordered to pay restitution and costs and may be required to comply with the Act or regulations. No civil remedy for any act or omission is suspended or affected by reason that it is an offense under the Act. [Act 220-228]

Failure to furnish required information to an auditor may result in a fine or imprisonment. [Act 138(3)]

Parties may refer a dispute concerning a registered society to the commissioner, who may decide the matter him/herself or appoint an arbitrator. [Act 187]

There shall be a cooperative societies appeal tribunal of three persons, who shall hear appeals against decisions of the commissioner or an arbitrator. Questions of law may be appealed to a court. Disputes over recovery of a loan may be brought before a magistrate for the district where the society does business. An appeal of a magistrate's decision may be made to a court. [Act 188-190]

Membership of Credit Unions

Common Bonds of Association: Financial cooperatives must have at least 50 members. [Act 12(1)(a)(i)]

A member, other than a registered society, must be a citizen or resident of Dominica; not be a party in an undischarged bankruptcy; not be of unsound mind and be at least 15 years old. [Act 23(1)]

Membership is voluntary and available without any artificial restriction or unlawful basis of discrimination to any person who can use a society's services and is willing to accept the responsibility of membership. The representative of a registered society that is a member has the powers of an individual member. [Act 3(d), 34]

Bylaws contain the conditions of membership, including the qualifications and rights of members, fees due and conditions of withdrawal or termination. A member may withdraw at any time provided he/she is not indebted to the society. [Act 10(1), 25, 27-32, 37]

No person may be a member of more than one society whose primary object is to grant loans to its members. [Act 16(3), 23(4)]

Non-Natural Persons Eligible: Registered societies may be members of other registered societies. [Act 9(3c), 23, 33, 34]

Liability of Member: Subject to the Act, the liability of a current member of a society is limited to the balance of the unpaid amount of his/her subscription shares. The liability

of a past member or the estate of a deceased member for the debts of the society as they existed at the time of cessation or death continue for two years. [Act 26, 92(3)]

Direction and Administration

Annual Meeting of Members: An annual meeting of members must be held not later than four months after the end of the financial year. Other general meetings may be called by the board, by members, or by the commissioner. The commissioner may change timing or quorum rules of a general meeting. Subject to the Act and bylaws, a majority of members present decides all questions. General meetings must be held in Dominica. Resolutions signed by all persons entitled to vote at a general meeting have the effect of a resolution taken at an actual meeting. [Act 35, 36, 39, 40, 41, 42]

Members or delegates have one vote in the affairs of a society, except in the case of a tertiary society, and no member is entitled to vote by proxy. [Act 3(a, b)]

The Act and bylaws provide for voting rights, quorum at meetings, procedures of bylaw amendment, qualifications and election of officers and members of committees. [Act 10(b,c), 45-51]

The annual meeting elects directors and the credit and supervisory committees and appoints the auditor. [Act 54, 56, 69, 129]

Every society shall be managed by a board of directors made up of five to 13 members. Procedures to elect and qualifications for directors are detailed. Their terms are three years, and they may be reelected once. The society must have a president, vice-president, treasurer and secretary, and may have other officers. Officers are designated and appointed by the board. The president and vice-president must be directors. [Act 51, 69, 70]

A supervisory committee of at least three members is elected by the general meeting. No person who is a member of the board or the credit committee, or who is an employee of the credit union or other society, shall be a member of the supervisory committee. [Act 62]

A credit committee of at least three members is elected by the members' general meeting. No person who is either a member of the board or the supervisory committee or an employee of the credit union shall be a member of the credit committee. [Act 56]

The directors must present the audited financial statement of the society at the annual general meeting. [Act 124]

Board of Directors and Committees: The board of directors exercises the powers of the society directly or indirectly through employees and agents and directs management of the business and affairs of the society. [Act 53]

The supervisory committee examines the books of the credit unions; confirms the cash instruments, property and securities; confirms the deposits of members and performs such other duties as prescribed by the Act, the regulations and the bylaws. If it suspects wrongdoing or misuse of funds, it must inform the commissioner. With the approval of the board, it can then appoint an auditor to assist its investigation and call a general meeting. [Act 54, 62, 63, 66]

The credit committee considers loan applications and may approve loans, subject to the bylaws and conditions made by the board. [Act 57, 58]

The credit committee must report to the board and the general meeting on loans granted, including the security obtained. [Act 59(c)(iii)]

The board may establish other committees with restricted powers. [Act 54]

A director or member of a committee is not entitled to any remuneration in connection with his/her duties or attendance at meetings. He/she may be reimbursed for expenses. [Act 88]

Management and Employees: The board directs management of the business and affairs of a society, either directly or through employees and agents. [Act 53]

The directors fix the salaries of any officers and employees of the society. [Act 89]

Audits: Comparative financial statements relating separately to the past and the immediately preceding years must be presented to the annual meeting. The statement for the immediately preceding year may be omitted. [Act 124]

Liability of Officials: A director is not relieved from liability that by virtue of a rule of law would otherwise attach to him/her with respect to negligence, default, breach of duty or breach of trust of which he/she may be guilty in relation to the society. [Act 75(b)]

Where directors approve illegal activities, they are jointly and severally liable to make good on any loss or damage suffered by the society. A director who dissents or who acts in good faith but on bad information is not so liable. A court may add the recipient of advantage brought about by illegal acts to a suit to recover damages or may make other orders of restitution. [Act 76]

A society may indemnify a director or officer, for costs incurred in legal action brought because of his/her position with a court order, if he/she acted in good faith or believed he/she acted lawfully. [Act 73]

Conflicts of Interest: A director, officer or their close associates who use inside information for their own benefit are liable for compensation to any person for the

loss incurred as the result of the transaction and are accountable to the society for any direct benefit they receive. [Act 77]

A person who is a part of a society's management may not be a director of another society. [Act 50(4)(g)]

A director or officer of a society who is party to a material contract with the society must disclose his/her private interest to the society. A court may set aside such a contract on any terms it considers appropriate. [Act 78]

No director or officer may participate in loan decisions when applying for a loan. [Act 115(4-5)]

The auditor of a society must be independent of it. Qualifications are detailed. [Act 128]

A person who knowingly approves or grants a loan in contravention of the Act or regulations is liable for any losses to the credit union in connection with that loan. [Act 196(3)]

Surety Bond: The directors may require that any officer who handles money or goods for the society post a security or bond and may prescribe the amount. [Act 87]

Shares and Deposits

Shares: A society may sell shares to its members only, but the shares must have a par value fixed by the bylaws. It shall have an unlimited number of shares. A share is personal property of the shareholder. Bylaws prescribe the minimum value of shares that may be held by each member. [Act 10(1)(a)(v), 90]

Shares may be issued at any time and must be sold at par value. The share shall not be issued until it is fully paid in money or property of equivalent value. [Act 92(1,2,4)]

A society may repurchase its own shares at par value if such acquisition does not impair it. [Act 111-113]

A society may increase or decrease its capital by changing the number or the value of its shares or the liability on shares not paid in full. [Act 93]

Subject to the approval of the commissioner, only a registered society may purchase more than one-fifth of the shares of another society. [Act 94]

Shares may be transferred from one member to another or to a person who is approved as a member. Shares may be bequeathed to a nominee after a member's death. Transfer procedures are detailed. [Act 95-100]

Where individuals have separate and independent membership in a society, joint accounts may be held. [Act 24]

Deposits: A credit union may receive deposits from any person, in any manner and on any condition that may be prescribed by the regulations; it may pay them out to the

depositor or another claimant by court order. [Act 201]

A society may receive deposits and loans from persons who are not members for the purpose of meeting any obligations or discharging any of its functions under the act. It may mortgage or otherwise guarantee repayment of such sums. [Act 117]

A society may receive deposits from minors. [Act 118]

Dividends and Interest: Any audited surplus may be distributed, after required reserve contributions, by way of dividend or bonus among the members of a society in proportion to their shareholdings. [Act 123]

Lien on Holdings: A society has a lien on a share for any amount due from a member. [Act 109]

Loans

Purpose and Conditions: A society may give loans, guarantees, advances, or other forms of financial assistance to its members, to another society, or to a member of a member society. Loans are permitted in the ordinary course of business or on account of expenditures incurred or to be incurred on behalf of the society. Loans may be made to employees of the society or any of its members to enable or assist them to purchase or erect living accommodations for their own occupation. Loans may not be made if the society is insolvent or if a loan would make it insolvent. [Act 115(1,2), 116, 198(1)]

Approval Procedure: Every loan must be approved according to policies set by the board. [Act 196(1)]

The credit committee may approve loans to members or may authorize other officers to do so, with conditions set by the board. [Act 58]

Limits, Terms and Security: The credit union may take any security for loans that it considers advisable and in keeping with sound business practices. A society may require a borrower to furnish a bond with or without sureties for repayment of a loan. [Act 108, 197]

Except with approval of the general membership and the commissioner, a society may not invest its funds for the purpose of a mortgage on real property. [Act 114(2)]

A society may give loans to its employees or members to erect living accommodations for their own occupation. [Act 116(2d)]

Bylaws provide limits on the amounts of loans to any one person or on any type of loan. [Act 198(2)]

Interest Rates and Charges: A person to whom money has been lent may be required to create a charge in favor of the society. Procedures to create and register the charge and to collect it are detailed. A charge may be assigned. [Act 102-107]

The maximum intervals at which interest on loans shall be paid may be prescribed in the regulations. [Act 200(1)]

Loans to Officials: A loan to an officer of a society greater than the value of his/her investment in it must be secured. No officer may participate in a decision about his/her loan application. [Act 115(3-5)]

A loan to a director, a credit committee member, an employee of a credit union or their close associates must be approved in the manner prescribed in the regulations. [Act 196(2)]

Investment of Funds

Deposit of Funds: See "Authorized Investments" below.

Authorized Investments: A society may invest or deposit its funds in any registered society or bank approved by the commissioner; in any securities issued or guaranteed by the government; in the shares or on the security of any society with limited liability; or in any manner permitted by the commissioner. Except with the approval of the general membership and the commissioner a society may not invest its funds for the purpose of a mortgage on real property. [Act 114]

Capital Adequacy-Reserves

Initial Organization: No society may be registered unless it is considered economically viable by the commissioner, with regard to demand for its services, its capital base and the size of its membership. [Act 12]

Permanent Capital: See "Initial Organization" above.

Regular Reserve: Where a society realizes a surplus from its transactions, it shall establish and maintain a reserve fund. It must credit at least 20 percent of its audited surplus to the fund. Subject to the approval of the commissioner, the reserve may be used in the business of the society and for exceptional purposes including unforeseen losses, unexpected shortfalls of liquid cash, capital retention, repair and maintenance and the avoidance of external borrowing. Every credit union shall ensure that its statutory and other reserves are at least 10 percent of its liabilities. [Act 119, 194]

Loan Loss Allowance: Every credit union shall make an allowance for doubtful loans in accordance with requirements set out in the regulations. [Act 195]

Special Reserves: A society may establish a pension fund and contribute to it. The pension fund is not considered part of the assets of a society but may be invested according to the bylaws. [Act 121]

Powers of the Credit Union

General Powers: Registration renders a society a body corporate with perpetual succession and with the power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary in accordance with the Act and the bylaws. [Act 16(1), 192(1,4,5)]

Bylaws include any matter that the members consider necessary or desirable. [Act 10(1)(g)]

A credit union may not underwrite insurance or the issue of securities by another person; act as agent for any insurance company or for any person in the placing of insurance; or require that a borrower place insurance for the purpose of the credit union with a particular insurance agency. [Act 192(2,3)]

After contributing to its reserve and development funds, a society may make charitable contributions. [Act 122]

Borrowing: The board may borrow money on the credit of the society; issue, re-issue, sell or pledge debt obligations of the society; give a guarantee on behalf of the society; give a guarantee to secure performance of an obligation of any person on behalf of the society; or mortgage, charge, hypothecate, pledge or otherwise create a security interest in all or any property of the society, owned or subsequently acquired, to secure any debt obligation of the society. A sale, lease or exchange of all society property requires approval of a general meeting. [Act 71]

A society may borrow on the security of a registered charge created in its favor, from any other society, or from any bank approved by the commissioner. [Act 107]

Bylaws are to state the borrowing powers of a cooperative society and how they may be exercised. [Act 10(1)(f)]

A society may receive deposits and loans from persons who are not members for the purpose of meeting any obligation or discharging any of its functions under the Act. It may mortgage or guarantee repayment of any sums received. [Act 117]

Merger: A society may be reconstructed by amalgamation, transfer of assets from one society to another, or division of a society into two or more societies. Procedures are detailed for reconstruction. [Act 142, 144-148]

Liquidation: Members may vote to dissolve a society at a general meeting. The commissioner may dissolve a society and appoint a liquidator if the society fails to commence business for two years after registration; has not carried on business for two consecutive years; or fails to comply with reporting rules. The commissioner or any interested person may apply to the court for an

order of dissolution if the society obtained its registration by fraud or mistake; exists for an illegal purpose; violates the Act or its bylaws; no longer operates on cooperative principles; or loses too many members to remain open. Procedures for dissolution and the duties of the liquidator are detailed. When a society has been dissolved, any interested person may apply to the commissioner to revive it. [Act 158-179]

Bylaws provide for the distribution of property of the society on its dissolution. [Act 10(1)(e)]

Federation or Association

Purposes: Registered societies may establish an apex body called the National League or National Council to coordinate, assist and promote all member societies and perform such functions as members may determine. The commissioner shall consult with it from time to time on development matters. [Act 215, 218]

Membership: Registered societies are members of the National League or Council. [Act 215]

Dissolution: The National League or Council shall regulate its own procedures. [Act 217(2)]

Central Finance Facility

Purposes: See "Federation or Association" above.

Membership: A registered society may be a member of another registered society. [Act 9(3c), 23, 33, 34]

Funds: Where a charge is assigned to a registered society whose object is to facilitate the operation of other societies, such a society may borrow from any bank approved by the commissioner and, for this purpose, may re-assign any charges it holds. Bonds may also be re-assigned. [Act 107(4), 108(2)]

A development fund is established for contributions from societies to be administered by the National League or Council for the development of societies. Contributions may not exceed 10 percent of a society's surplus. If there is no such league or council, the commissioner or his/her appointee administers the fund. [Act 120, 216]

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

GRENADA

<i>Region</i>	Caribbean
<i>Federation</i>	Grenada Cooperative Credit Union League
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies Act
<i>Number of Credit Unions</i>	20 (2001)
<i>Number of Members</i>	19,638 (2001)
<i>Total Assets (US\$)</i>	\$33,177,770 (2001)

Rev.:4-00:wj

Legal Authority

Law: Cooperative Societies Act No. 20 of 1996. [cited as "Act"]

Regulations: Cooperative Societies (No. 2) Regulations 1997. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: A credit union is a registered society whose objects and services include the promotion of thrift and the creation of a source of credit for its members for provident and productive purposes. It provides savings and lending services for its members.

A cooperative society is a registered body corporate which consists of a group of people, small or large, with a commitment to joint action on the basis of democracy and self-help in order to secure a service or economic arrangement that is both socially desirable and beneficial to all taking part. [Act 2, 19]

A registered society must conform to cooperative principles. [Act 4]

Supervision and Regulation

Government Agency: There shall be a registrar of cooperative societies with such staff as necessary who registers, supervises and liaises with registered societies; stimulates community awareness; and initiates and encourages organized activities for the development of societies. All societies must be registered. Junior societies of persons under 16 years old may be registered, and probationary registrations may be granted. [Act 5, 9, 12(2), 15]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: The Act has special provisions for consumer, housing and industrial societies that are cooperative societies. [Act 2, 191, 202-213]

Reports: A society must file an annual return with the registrar within 30 days of its annual meeting, including the financial statement presented to the annual meeting. Monthly or other periodic returns must also be filed, and special filings may be required. A credit union must report annually on doubtful loans. [Act 141, Reg. 9(3), 28(3)]

Inspections: The registrar may, on his/her own motion or on application of 10 percent of the members of a society, order an examination of its books and affairs. The registrar, a member, or any interested party may apply to the court for an examination. An inspector appointed by the court is authorized to exercise investigatory powers. [Act 180-183]

The registrar may audit the accounts of any registered society at any time. [Act 127(3)]

Regulations: The minister may make regulations respecting the registration and business of societies and prescribing other matters required or authorized in the Act. [Act 238]

Enforcement: The registrar may suspend or cancel the registration of a society for various causes, such as: failure to comply with orders or the Act or the conditions of its registration; if its membership is too low; or if its registration was obtained by fraud or mistake. [Act 20]

The registrar may order a credit union to take measures to protect the deposits of the credit union's members. [Reg. 32(3-4)]

After an investigation, the registrar may appoint a receiver or a receiver-manager for a registered society. The court may also appoint a receiver-manager. The duties of the receiver-manager are detailed. [Act 150-157]

Disputes relating to a society may be referred to the registrar for decision. There shall be a cooperative societies appeals tribunal. [Act 187-190]

The giving or accepting of bribes relating to the business of a society; misuse of a society's property; failure to comply with or contravening the Act; filing false information; failure to comply with an auditor's request for information and other similar activities are offenses punishable on conviction by fines or imprisonment. The passing of time is no bar to prosecution for an offense under the Act. [Act 138(3), 218-226]

Membership of Credit Unions

Common Bonds of Association: Members other than registered societies must be citizens or residents of Grenada and at least 16 years old. Bylaws of a society establish conditions of membership including the membership fee and the minimum value of shares. Members may establish joint accounts. [Act 10, 23, 24]

A financial cooperative must have at least 50 members. No person may be a member of more than one society whose primary object is to grant loans to its members without permission of the registrar. [Act 12(1)(a)(i), 16(4), 23]

Non-Natural Persons Eligible: Registered society membership in another society is referenced. A registered society may not become a member of another registered society of the same type. [Act 23]

Liability of Member: Subject to the Act, the liability of a current member of a society is limited to the unpaid amount of subscription for shares. Liability of a past member is limited to two years after departure from the society. [Act 26, 92(3)]

Direction and Administration

Annual Meeting of Members: A society shall hold an annual meeting not later than three months after the close of the fiscal year. Directors, a supervisory committee and a credit committee are elected at the annual meeting. Special meetings may be called by the board, the registrar, or members. Members appoint the auditor at the annual meeting. [Act 39-41, 54, 56, 69, 129, Reg. 12]

At every annual meeting, directors must provide comparative financial statements, the report of the auditor and other information with respect to the financial position of the society. [Act 124, Reg. 9, 11]

In a primary society, no member or delegate has more than one vote, and no member or delegate may vote by proxy. The society has the power to make, amend, repeal, replace, or confirm bylaws which establish voting rights of members, procedures of voting and amendment of bylaws. [Act 3(a-b), 10(1)(b), 46, 48, Reg. 19]

Board of Directors and Committees: Every society shall be managed by a board of directors of at least five but not more than 13 members. Directors must meet civil and financial qualifications. [Act 50, 53]

Every society is required to have a president, a treasurer and a secretary and such other officers as are provided for in the bylaws. The president and vice-president must be directors. The board appoints the secretary and the treasurer. [Act 51, 61(3), Reg. 14]

Bylaws establish directors, officers and members of committees; their qualifications and terms of office and the filling of vacancies. [Act 10(c)]

The credit committee must have at least three members subject to the board's authorization. It may approve loans, must report on loan activity to the board and must make an annual report to the members. [Act 54, 58-59, Reg. 32]

The supervisory committee has at least three members. It examines the books and affairs of the credit union; confirms cash, property and deposits; monitors the management of the society and performs other duties as prescribed by the Act, the regulations and the bylaws. If the supervisory committee finds any improprieties, it must inform the registrar. It may appoint an auditor and suspend any member of the board. It must report to the general meeting. [Act 62-63, 66, Reg. 16]

The board of directors decides on membership applications. [Act 23]

Directors and members of committees may not be paid remuneration for their service but may receive reimbursement for expenses. [Act 88]

Management and Employees: The board appoints officers and managers, specifies their duties and delegates to them the powers to manage the business and affairs of the society. Directors fix the salary of officers and remuneration for employees. [Act 51, 89]

Audits: An auditor shall examine and report in the prescribed manner on the financial statements of a society. [Act 137-138, Reg. 10-11]

Liability of Officials: Directors who vote for, consent to, or otherwise approve actions contrary to the Act or bylaws or that damage the society are jointly and severally liable to make good on any losses. [Act 74-76]

A director or officer who, in connection with a transaction relating to shares of a society or a debt obligation of a society, misuses confidential information to benefit him/herself or associates, or who approves a loan contrary to the Act or regulations, is liable to compensate losses to persons or the society. [Act 77, 195(3)]

A society may purchase insurance for the benefit of a director, member of a committee, officer, or employee against liability, loss and damage incurred while serving the society as a director, member of a committee, officer or employee. [Act 88(3)]

If, upon dissolution, the registrar finds any past or present officer or manager of a society in breach of fiduciary responsibilities, the registrar may order a surcharge against such person to make restitution. [Act 177]

Conflicts of Interest: A director may be appointed to any office of a society but may not be part of the management of another society of the same type. [Act 50(4)(g), 51(2)(b)]

Subject to the bylaws, not more than one-third of the directors may be employees of a society. [Act 69(3)]

Members of the board, the supervisory committee, employees of a society may be members of the credit committee. [Act 56(4)]

Directors and officers must disclose any material interest they have in a business related to the society. [Act 78]

The auditor of a society must be independent of it and of the directors and officers of the society and of its member societies. [Act 128]

Surety Bond: The directors may require that every person appointed to an office who receives, manages, or handles money shall give security or a bond in the prescribed amount. For a credit union, the minimum amount of security of fidelity bond is G\$50,000. [Act 87, Reg. 8(1-2)]

Shares and Deposits

Shares: A society shall sell shares to its members only, but the shares must have a par value fixed by the bylaws. A society shall not issue a share until it is fully paid. There shall be an unlimited number of shares. Shares may be transferred from one member to another under specified conditions. [Act 90, 92(4), 95-100, Reg. 7]

Bylaws establish the minimum value of shares that may be held by each member. [Act 10(1)(a)(v)]

A society, by special resolution, may amend its bylaws to increase or decrease its capital and change the share structure, with approval of the registrar. [Act 93]

A society may repurchase its own shares under certain conditions. [Act 111-113]

Deposits: A credit union may receive deposits from any person and pay interest to the deposit-holder, whatever his/her age, status, or condition in life, whether or not that person is qualified by law to enter into ordinary contracts. A society may receive deposits from minors and may pay the deposit and interest to the minor. A society may receive deposits and loans from persons who are not members. Regulations prescribe the manner of deposit business. [Act 117-118, 200]

Checking account deposit business and acceptance of term deposits for greater than five years require approval of the registrar. The bylaws set the terms and conditions of deposits. [Reg. 34]

Every registered society shall fix, at a general meeting, the maximum liability the society may incur in loans or deposits from a member or non-member. The amount must be approved by the registrar who may vary the maximum. [Reg. 35]

Dividends and Interest: Surplus may be used to pay dividends on share capital or patronage rebates, and dividend rates are prescribed in regulations. Such payments may only be made after the reserve fund has reached a proportion of not less than 10 percent of the total liabilities of the society. The dividend rate payable

on shares may not be greater than 3 percent above the savings rate set by the Eastern Caribbean Central Bank. [Act 3(e-f), 123; Reg. 6]

Lien on Holdings: A registered society has a lien on a share or any amount outstanding to the credit of a member or his/her legal representative for a debt due by that member to the society and may deduct amounts due it from such holdings. [Act 109-110, Reg. 27]

Loans

Purpose and Conditions: A society may give loans, guarantees, advances and other forms of financial assistance to its members. Loans may be made only to members and to other registered societies. The board specifies the terms and conditions of loans. [Act 58, 115, 197]

Approval Procedure: Every loan must be approved in accordance with the policies established by the directors before any funds are advanced. [Act 195(1)]

The board may authorize the credit committee or another person to approve loans to members. [Act 57, 58]

Loan applications must state the purpose for which the loan is required, the security offered, if any, and any other information the credit committee or loan officer requires. Approval notice must include the amount approved, the terms of payment, the rate of interest, any security held or guarantees taken, other conditions and the date of the approval. [Reg. 22]

Limits, Terms and Security: The board specifies the terms and conditions of loans. A credit union may take any security it considers advisable for loans, subject to the regulations and in keeping with sound business practices. [Act 58, 196, Reg. 24]

No loan shall be made to a member if it would cause the total indebtedness of the member to the credit union to exceed 10 percent of the paid-up capital and deposits of the credit union. The total of all loans made to associations, organizations, or corporations shall not, at any time, exceed 25 percent of the total shares and deposits of the credit union. Limits and conditions on various loan transactions are prescribed in regulations. [Reg. 26]

Bylaws provide for limits on the amounts of loans to any one member or on any type of loans. [Act 197(2)]

A person to whom money has been lent may be required to create a charge in favor of the society. Charges may be assigned. [Act 102, 103]

A credit union may require that a borrower place insurance for security on a loan, but it may not require a particular insurance agency. [Act 192(2c-3)]

Interest Rates and Charges: The maximum intervals at which interest on a loan must be paid is one month, as prescribed in the regulations. [Act 199, Reg. 25]

Loans to Officials: Loans to directors or other officers in amounts greater than their holdings must carry security for the amount in excess of shares, deposits and accumulated dividends. No officer shall be present at or participate in a meeting when a loan to him/herself or anyone with whom he/she has a fiduciary interest is being considered. Loan approval procedures are prescribed in regulations. [Act 115, 195(2), Reg. 22(4)-23]

A society may require a member or officer to give a bond with or without sureties as additional security for repayment of any loan. Such bonds may be assigned. [Act 108]

Investment of Funds

Deposit of Funds: See "Authorized Investments."

Authorized Investments: A society may invest or deposit its funds in any registered society or bank approved by the registrar; in any securities issued by the government; in the shares or on the security of any society with limited liability; or in any other manner permitted by the registrar. [Act 114, Reg. 30]

Capital Adequacy-Reserves

Initial Organization: The registrar must determine the financial viability of a credit union and must consider its capital base and membership size to register it. [Act 12(3)]

Permanent Capital: A society, by special resolution, may amend its bylaws to increase or decrease its capital and, for that purpose, change the share structure, with the approval of the registrar. [Act 93]

Regular Reserve: Where the annual audit of a society indicates a surplus, at least 20 percent of that surplus must be credited to the reserve fund, which shall be administered by the National League or National Council. Subject to the approval of the registrar, the reserve fund may be used in the business of the society, including unforeseen losses, unexpected shortfalls in liquid cash, capital retention, repair and maintenance and the avoidance of external borrowing. Every credit union shall ensure that its statutory and other reserves are at no stage less than 10 percent of its total liabilities. Statutory reserves may be used with approval of the registrar. [Act 119, Reg. 31]

Loan Loss Allowance: Every credit union shall make an allowance for doubtful loans in accordance with the

requirements set out in the Regulations. [Act 194, Reg. 28]

Special Reserves: Every credit union shall maintain liquid assets in the amount specified for the reserve fund. Failure to maintain liquidity reserves is grounds to be placed under a receiver by the registrar. Regulations prescribe the procedures for maintaining the liquidity reserves necessary to meet normal cash flow requirements. [Act 119, 193, Reg. 21]

Every society shall establish and maintain a development fund, administered by the National League or Council or an appointee of the registrar. Where a society realizes a surplus, as ascertained by the annual audit, it must contribute up to 10 percent of the surplus to be used for the development of registered societies. [Act 120]

A society may establish a contribution pension fund for its servants and employees and may contribute to such a fund. It is not considered part of the assets of the society, but may be invested according to the bylaws. [Act 121]

Powers of the Credit Union

General Powers: A registered society is a body corporate and, subject to the Act and its bylaws, has the capacity rights, powers and privileges of an individual. Except for the prohibition against engaging in insurance business, a credit union may, with the permission of the registrar, do all other acts and things as are incidental or conducive to or consequential upon the attainment of its objects. It may open bank accounts and open a branch office. [Act 2, 16, 192(5), Reg. 36-7]

The surplus of a registered society may be used for the education of members, officers, employees, or the general public in the principles and techniques of economic and democratic cooperation. [Act 3(f) (v), 3(h)]

A credit union may not underwrite insurance or act as agent for any insurance company. [Act 192]

After making prescribed payments to various funds, a registered society may contribute to any non-profit, charitable, benevolent, or cultured purposes. [Act 122]

Borrowing: The board, without authorization of the members, may borrow money on the credit of the society; issue, reissue, sell, or pledge debt obligations and make other financial arrangements. The sale, lease, or exchange of all or substantially all of a society's property requires approval of the membership. [Act 71]

A society may borrow from any other society or from any bank approved by the registrar on the security of any charge or bond executed in its favor. The bylaws establish the borrowing powers of a society. [Act 1(1) (f), 107, 108(2)]

A society may receive deposits and loans from persons who are not members. Every registered society shall fix, at a general meeting, the maximum liability the society may incur in loans or deposits from a member or non-member. The amount must be approved by the registrar who may vary the maximum. [Act 117, Reg. 35]

Merger: Amalgamation of societies, the transfer of assets and liabilities from one to another society and division the of one society into two or more are allowed. Conversion of companies or provident or friendly societies into registered societies is also allowed. Procedures are detailed. [Act 142-148]

Liquidation: Members may authorize dissolution of a registered society with permission of the registrar. The registrar may also order dissolution if a society does no business or for other reasons. A court may order dissolution if the society obtained its registration by fraud or mistake; exists for an illegal purpose; has willfully violated any provision of the Act or its bylaws; is no longer operated by cooperative principles; or has its membership numbers fall too low. The court or the registrar appoints the liquidator. Procedures are detailed. [Act 158-162, 164-177]

The bylaws establish the distribution of property upon dissolution. [Act 10(1)(e)]

Except as expressly provided in the Act, no civil court shall have any jurisdiction with respect to any matter concerned with the dissolution of a society. [Act 236]

Federation or Association

Purposes: Registered societies may establish an apex body called the National League or National Council to coordinate, assist and promote all registered societies. It shall perform such functions as may be determined by its members. The apex body shall have responsibility to administer and manage the development fund formed from contributions from primary societies. The registrar shall from time to time consult the National League or National Council with respect to the development of societies. [Act 120, 214-215, 217]

Secondary societies (comprising mainly primary societies as members) and tertiary societies (comprising secondary societies as members) are referenced. [Reg. 21(1f), 21(3c)]

Membership: Registered societies are members of the apex body. [Act 214]

Dissolution: See "Powers of the Credit Union-Liquidation."

Central Finance Facility

Purposes: The apex body has the responsibility to administer and manage the development fund. [Act 120]

Membership: See "Federation or Association-Membership."

Funds: The development fund consists of contributions made by registered societies. The amount is determined by the National League or National Council but is not to exceed 10 percent of the surplus of a society. [Act 120]

Share and Deposit Protection

Purposes: Investment in shares and debentures in a society-established stabilization fund is referred to as an authorized investment for a credit union. [Reg. 30(2)]

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

GUYANA

<i>Region</i>	Caribbean
<i>Federation</i>	Guyana Coop Credit Union League
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	24 (2001)
<i>Number of Members</i>	26,802 (2001)
<i>Total Assets (US\$)</i>	\$3,691,622 (2001)

Rev. 3-92:wj

Legal Authority

Law: Cooperative Societies Act of 1948 (Amended 1950, 1954, 1967, 1972). [cited as: "Act"]

Regulation: Cooperative Societies Regulations. [cited as: "Reg"]

Definition or Purposes of Credit Union

Definition: A society with the object of promotion of the economic interests of its members in accordance with cooperative principles may be registered. [Act 4]

Supervision and Regulation

Government Agency: Chief Cooperative Development Officer(CCDO) is to administer the law. [Act 3, Change of Title, Order of 1979]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: The Act refers to marketing societies for the production of agriculture, animal husbandry, forestry, fisheries, handicrafts and housing societies. [Act 13, 14]

Reports: The Committee must prepare annually a balance sheet with statement of profit and loss for the CCDO. Regulations shall prescribe returns to be submitted by societies to the Chief. [Act 51(r), Reg. 43]

Inspections: The CCDO may inspect a regulated society at any time on his/her own motion, or on application of a majority of the committee, or of not less than one-third of the members of a society; and he/she has access to all books, accounts, records, persons, etc. as he/she requires. The CCDO may inquire into a debt of a registered society on application of a creditor. [Act 36, 37]

Regulations: The Minister may make all such regulations necessary to carry out the provisions of the Act. [Act 51]

Enforcement: Anyone who fails to comply with orders of the CCDO may be fined GY\$200. The CCDO may order

the dismissal of officers of a society, appoint a different manager, order the election of a new committee and hand over management to it forthwith. Where the CCDO has assumed control of a society, one-third of the members may, within 21 days, appeal to the Minister, whose decision shall be final.

The CCDO may dissolve a registered society as a result of inquiry. If, upon dissolution, misfeasance is discovered, the CCDO may order restitution; such an order is subject to appeal. The CCDO may decide other disputes him/herself or order them referred to an arbitrator. [Act 37, 38, 39, 41, 43, 44, 47, 48, 60, Reg. 56, 64]

Membership of Credit Union

Common Bonds of Association: To qualify for membership in a society, a person must be 16 years old and a resident of or occupying land within the society's area of operations. School pupils may be members with consent of Chief Education Officer. A person may only be a member of one society whose primary object is loans to members. The rules of a society shall prescribe qualifications. [Act 21, 23, Reg. 60]

Non-Natural Persons Eligible: By reference, registered societies may be members of others. [Act 25]

Liability of Member: Societies of which another registered society is a member shall have limited liability. Past members or the estates of deceased members are only liable for the debts of the society for two years. Unlimited liability societies are referred to. [Act 4, 7, 28, 29]. Rules shall provide for the nature and extent of liability of members. [Reg. 60(f)]

Direction and Administration

Annual Meeting of Members: Supreme authority in a registered society shall be vested in the general meeting of members. Each member shall have one vote, not to be exercised by proxy. Other registered societies which are members may have as many votes as prescribed by the rules. An annual meeting shall be convened by the committee, as soon as the audit is received from the CCDO. Other general meetings may be convened by the committee, by the CCDO, or on demand of a specified number of members. The committee is elected at the annual general meeting. [Act 24; Reg. 12, 14, 15, 16, 18, 19, 20, 21]

Board of Directors and Committees: The committee is the governing body of a registered society. The committee elects one of its members chairperson and another treasurer and appoints secretary, who manages the operation. If the secretary is a member of the committee, he/she shall be unpaid. [Act 2, Reg. 47, 55]

Management and Employees: The committee may appoint secretary, clerks and staff. [Reg. 31, 47]

Audits: The CCDO shall audit or cause to be audited by an authorized person every registered society at least once a year he/she has access to all books and accounts of a society at all times. Matters to be audited are specified in regulation. [Act 35, Reg. 58]

Liability of Officials: If the CCDO finds a misfeasance or breach of trust by officials when winding up a society, he/she may order restitution. [Act 47]

Conflicts of Interest: Law and Regulations are silent.

Surety Bond: The secretary and treasurer may be required to give security in the amount determined by the committee. [Reg. 49, 54]

Shares and Deposits

Shares: No member, other than another registered society, shall hold more than one-fifth of the share capital of any society. [Act 27]

Deposits: A registered society may receive deposits from or on behalf of minors and from non-members only according to the rules or regulations. A society shall fix the maximum liability it may incur in loans or deposits. [Act 18, 31, Reg. 11]

Dividends and Interest: Profits may be distributed among members as dividend or bonus, as prescribed by the rules or regulations. No society is to pay a dividend if the rate of interest on loans granted to members exceeds 12 percent per annum. The rules shall contain provisions for the maximum rate of interest on deposits. No dividend on share capital may exceed 6 percent per annum. [Act 34, Reg. 10(2, 3), 60(g)]

Lien on Holdings: A registered society shall have a charge on the shares or interest in the capital; on the deposits of member, past member, or deceased member and on the dividend, bonus, or profits in respect of any debt due the society from such member. [Act 15, 29, Reg. 46]

Loans

Purpose and Conditions: Loans may be made to members only or, with the approval of the CCDO, to another registered society. Loans may only be made for purposes approved by the committee. No loans are allowed on security of movable goods except those in which the society is authorized to deal. The Minister may restrict or prohibit lending on the mortgage of immovable property. [Act 30, Reg. 35]

Approval Procedure: A member shall submit an application including the amount and purpose of the loans, terms or repayment and surety offered. The committee shall consider the loan in secret and grant it if satisfied. [Reg. 32, 33, 34]

Limits, Terms and Security: The rules shall fix the maximum amount which may be lent to a member. When approved by the committee, loans shall be granted to members who are able to obtain two sureties approved by the committee or who can give other security to the satisfaction of the committee. [Reg. 34, 60]

Interest Rates and Charges: The rules are to provide for the maximum rate of interest, but a dividend may not be paid if interest rate on loans exceeds 12 percent per annum. [Reg. 10(2), 60]

Loans to Officials: If a committee member applies for a loan, he/she may not participate in the consideration of it. [Reg. 33(2)]

Investment of Funds

Deposit of Funds: See "Authorized Investments."

Authorized Investments: A registered society may invest or deposit its funds:

- a. in the Post Office Savings Bank or with any bank or person carrying on the business of banking approved for this purpose by the CCDO;
- b. in any securities issued or guaranteed by the Government of a Commonwealth territory;
- c. with any other registered society approved for this purpose by the CCDO; or
- d. in any other mode approved by the CCDO. [Act 33]

Capital Adequacy-Reserves

Initial Organization: Law and Regulations are silent.

Permanent Capital: See "Regular Reserve" below.

Regular Reserve: At least 20 percent of the net profits of a credit union shall be carried to the Reserve Fund. It may be used in the business of the society or applied to meet occasional deficiencies. The CCDO may impose terms and conditions for use of the Reserve Fund. [Act 34, Application of Section 34(1) Order of 1950, Reg. 57]

Loan Loss Allowance: The committee may cause bad debt to be written off the books in such manner and times as the CCDO approves. [Reg. 42]

Special Reserves: The remainder of any profits after allocation to the Reserve Fund may be allocated to any funds constituted by the Society. With CCDO approval,

Society may contribute up to 10 percent of remaining net profits to any charitable purpose or common good fund. [Act 34]

Powers of the Credit Union

General Powers: Registration renders a society a body corporate with the power to hold property and do all things necessary to its constitution. [Act 8]

Borrowing: The committee may borrow money from members or non-members not exceeding the maximum amount fixed by a general meeting and sanctioned by the CCDO. A society shall receive loans from non-members only as prescribed in the rules and regulations. [Act 31, Reg. 11, 29]

Merger: Law and Regulations are silent.

Liquidation: The CCDO may cancel the registration of a registered society after an inspection or inquiry; on application of three-fourths of its members; or if its membership falls below seven persons, except where registered societies are members. The CCDO controls the liquidation and appoints the liquidator, whose powers are detailed. [Act 38-48]

Federation or Association

Purposes: A society organized to facilitate the operations of registered societies may be registered. [Act 4]

Membership: The Act refers to membership including other registered societies. [Act 4, 5, 6]

Dissolution: Registered associations are dissolved according to liquidation rules of primary societies. See "Liquidation" above. [Act 4, 38-48]

Central Finance Facility

Purposes: A society organized to facilitate the operations of registered societies may be registered. [Act 4]

Membership: The Act refers to membership including other registered societies. [Act 4, 5, 6]

Funds: Law and Regulations are silent.

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

JAMAICA

<i>Region</i>	Caribbean
<i>Federation</i>	Jamaica Coop Credit
<i>Union League</i>	Union League
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	58 (2001)
<i>Number of Members</i>	635,250 (2001)
<i>Total Assets (US\$)</i>	\$365,405,848 (2001)

Rev. 3-92:pb

Legal Authority

Law: Cooperative Societies Act, 1950, and as amended 1957, 1974 and 1975. [cited as: "Act"]

Regulation: Cooperative Societies Regulations, 1950, and as amended 1957, 1958 and 1973. [cited as: "Reg."]

Definition or Purposes of Credit Union

Definition: A credit union is a society that has as its object the promotion of the economic interests of its members in accordance with cooperative principles. [Act 4(a)]

Supervision and Regulation

Government Agency: The Registrar of Cooperative Societies is appointed by the Governor-General. [Act 3]

Other Licenses Needed: Law and Regulation are silent.

Other Institutions Regulated: Registered societies dealing with the disposal of any article produced or obtained by the work or industry of their members, whether the produce of agriculture, animal husbandry, forestry, fisheries, handicrafts, or otherwise may be registered. [Act 15(1)]

Reports: Regulations shall prescribe the returns to be submitted to the registrar. The committee shall send the registrar the yearly balance sheet and a profit and loss statement. [Act 52(p), Reg. 35]

Inspections: The registrar may hold an inquiry into the constitution, working and financial condition of a society. He/She has free access to all books, accounts, papers and securities and may inspect the cash in hand. Officers must furnish him/her all required information. [Act 39, 40(1)]

Regulations: The Minister may make regulations to carry out the purposes of the Act and prescribe specific matters and procedures. [Act 52]

Enforcement: Anyone who disobeys any summons, requisition, or lawfully-written order issued under the provisions of the Act or fails to furnish required information shall be liable to a fine or imprisonment. [Act 60, 63]

After an inspection or inquiry, if the registrar believes a society ought to be dissolved, he/she may cancel its registration. The registrar may also suspend a registered society for up to three months and may extend suspension for additional three months. [Act 41, 46(a)]

Membership of Credit Union

Common Bonds of Association: No person shall be a member of a registered society unless there exists between him/herself and the other members some common bond of occupation or association or of residence in a defined neighborhood, community, or district. [Act 23(b)]

Non-Natural Persons Eligible: A registered society may be a member of another registered society and exercise voting rights. [Act 26]

Liability of Member: The rules of a registered society that is a credit union shall provide that the liability of members shall be limited by their shares. The liability of every registered society that includes one or more registered societies among its members shall be limited. The word "limited" shall be the last word in the name of every registered society with limited liability. [Act 5(2), (3), Reg. 40(3)]

Direction and Administration

Annual Meeting of Members: The supreme authority in a society shall be vested in the general meeting of members at which every member has the right to attend and vote on all questions. Each member shall have one vote, which must be exercised in person and not by proxy. [Reg. 17]

The committee, or board of directors, shall be elected from among the members at the annual meeting. Those elected shall hold office until their successors are elected and they are eligible for re-election. In addition, a credit union shall elect two other committees at the annual meeting, one for granting loans and the other for audit and supervision. [Reg. 26, 40(3)]

Board of Directors and Committees: The committee, or board of directors, shall carry out such duties in the management of the affairs of a registered society that are not assigned to the general meeting or to any other officer. It has the power to represent the society before public authorities and to institute and defend law suits. [Reg. 27]

A society which is a credit union shall have two additional committees, one to grant loans to members and another for purposes of audit and supervision. [Reg. 40(3)]

Management and Employees: The committee shall appoint a secretary whose duties shall be prescribed by the rules. It may also appoint a treasurer and prescribe his/her duties. The committee may appoint such other clerks and employees as it considers necessary. [Reg. 32]

Audits: Every society shall have its accounts audited annually by the registrar or a person authorized by him/her. The audit shall include an examination of overdue debts, if any, verification of cash balances and securities and a valuation of the assets and liabilities. The registrar or other auditor shall have access to books and records and may require officers, agents and members to furnish relevant information and documents. [Act 38]

Liability of Officials: The registrar may apportion costs of any inquiry or an inspection against the officers or former officers of a society. [Act 40(4)]

Penalties are provided for fraud or misappropriation of any property of a society. [Act 61]

Conflicts of Interest: Law and Regulation are silent.

Surety Bond: The treasurer or secretary, if acting for the treasurer, shall be required to give security in such amount as the committee may determine and the registrar approves. [Reg. 33]

Shares and Deposits

Shares: The Act refers to share capital in defining "dividends" and authorizing a charge against shares for debts due. [Act 2, 17]

No member of a limited-liability society may hold more than 20 percent of the society's share capital. Regulations may prescribe a lesser limit. [Act 28, 52(c)]

Deposits: A society may receive deposits from persons who are not members only to such extent and under such conditions as are prescribed by the Regulations or rules. [Act 32]

A registered society may receive deposits from or for the benefit of minors and shall pay the interest that becomes due on such deposits. [Act 20(1)]

Dividends and Interest: No society shall pay a dividend or bonus or distribute any part of its accumulated funds before the balance sheet has been certified by an auditor approved by the registrar. No society shall declare any dividend exceeding 6 percent per annum. [Act 34]

No dividend shall be made by a society with unlimited liability until the reserve fund is at least one-tenth of total liabilities. [Reg. 15(1)]

Lien on Holdings: A society shall have a charge upon shares or interest in capital and on the deposits of a member or past member for any debt due the society. [Act 17]

Loans

Purpose and Conditions: A society shall not make a loan to any person other than a member, except in the case of another registered society or member thereof. Regulations may prescribe the conditions to be complied with by members for loans or cash credits. [Act 31, 52]

The rules of a society shall provide for the conditions on which loans may be made to members. [Reg. 40(2)]

Approval Procedure: Law and Regulation are silent.

Limits, Terms and Security: Regulations may prescribe the payments and period for loans and the maximum amount that may be loaned. [Act 52(i)]

Interest Rates and Charges: The rate of interest on loans shall not exceed 12 percent per annum. [Reg. 40(3e)]

Loans to Officials: Act and Regulation are silent.

Investment of Funds

Deposit of Funds: Law and Regulation are silent.

Authorized Investments: The rules of a society shall provide of the manner of investment of funds of the society. [Reg. 40(j)]

Capital Adequacy-Reserves

Initial Organization: Law and Regulation are silent.

Permanent Capital: See "Regular Reserve" below.

Regular Reserve: Every society that does or can derive profit from its transactions shall maintain a reserve fund. At least 20 percent of the net profits shall be placed into the reserve fund. Any amount less than that must be approved by the registrar and shall not be less than 10 percent. [Act 35]

Loan Loss Allowance: The committee, with approval of the general meeting, may cause bad debts to be written off the books of the society. Law is otherwise silent. [Act 34]

Special Reserves: Law and Regulation are silent.

Powers of the Credit Union

General Powers: The registration of a society establishes it as a body corporate with perpetual succession and with the power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purpose of its constitutions. [Act 8]

Borrowing: A society may receive loans from persons who are not members only to such extent and under such conditions as are prescribed by the regulations or rules. [Act 32]

Merger: Any two or more societies may amalgamate to form a single society and the property of those societies shall become vested in the amalgamated society. These procedures require passage of a resolution by at least a three-fourths vote of the members at a special general meeting and with the approval of the registrar. [Act 53]

Liquidation: The registrar may cancel the registration of a society and order it wound-up after an inquiry or inspection; on application of three-fourths of the members; or if its membership falls below 10 persons. The registrar controls the liquidation and appoints the liquidator whose powers are detailed. [Act 41-49]

Federation or Association

Purposes: Regulations exempt from certain requirements a registered society whose object is to assist or foster credit unions and whose membership is composed entirely of credit unions. [Reg. 40(3)]

Membership: See "Purposes".

Dissolution: Law and Regulation are silent.

Central Finance Facility

Purposes: Law and Regulation are silent.

Membership: Law and Regulation are silent.

Funds: Law and Regulation are silent.

Share and Deposit Protection

Purposes: Law and Regulation are silent.

Coverage: Law and Regulation are silent.

Membership: Law and Regulation are silent.

Funds: Law and Regulation are silent.

NETHERLANDS ANTILLES

<i>Region</i>	Caribbean
<i>Federation</i>	FEKOSCAN
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Cooperative Societies and Banking and Credit Institutions
<i>Number of Credit Unions</i>	26 (2001)
<i>Number of Members</i>	16,800 (2001)
<i>Total Assets (US\$)</i>	\$42,310,254 (2001)

Rev. 7-92: wj

Legal Authority

Law: Ordinance for regulating cooperative societies, 1920. [cited as "Ord. 1"] and National Ordinance for the Supervision of Banking and Credit Institutions, 1972. [cited as "Ord. 2"]

Regulations: No regulation available.

Definition or Purposes of Credit Union

Definition: Cooperative societies are associations of persons permitting enrollment and resignation of members, which shall aim at promoting the material interests of the members, such as by jointly carrying on business or trade, by purchasing their requisites, or by supplying them with advances on loan or credit.

Credit associations are institutions whose purpose is to assist their members in saving and/or the granting of credit and advances to such members. [Ord. 1: 2, Ord. 2: 1]

Supervision and Regulation

Government Agency: The memorandum of association of a cooperative society together with the Governor's assent, must be recorded at the office of the registrar of the cantonal court in the island of domicile.

The Bank of Netherlands Antilles is the designated supervisory agency of banking and credit institutions, including credit associations. Credit associations may not commence business until the Bank grants a declaration of no objection. [Ord.1: 5, Ord.2: 4.1]

Other Licenses Needed: The Governor must assent to the memorandum of association of a cooperative society, and the Bank of the Netherlands Antilles must declare no objection to it. [Ord.1: 5, Ord.2: 4]

Other Institutions Regulated: Credit institutions other than credit associations are regulated by the 1972 Ordinance. [Ord. 2: 1]

Reports: The governing board shall deposit its annual accounts at the office of the cantonal court.

The Bank of Netherlands Antilles is authorized to obtain such information as it requires. The form and frequency will be specified by the Bank. [Ord. 1: 16, Ord. 2: 3.1, 7.1, 8.1]

Inspections: Credit associations must allow the Bank of Netherlands Antilles access to their books. [Ord. 2: 3.2]

Regulations: If consultations with representatives of credit institutions and associations designated as under supervision fail to produce agreement on policies, the Bank of the Netherlands Antilles may issue general regulations governing the business operations of the credit institutions and associations. [Ord. 2: 6.6]

Enforcement: Credit associations may be placed under the supervision of the Bank of the Netherlands Antilles if they fail to meet soundness standards.

If the Bank observes that solvency or liquidity are endangered in a credit association under its supervision, it may draw the attention of the association to the matter and make recommendations in secret. If the recommendation is not complied with, the Bank may publish the recommendations. [Ord. 2: 5.1, 6, 10]

Any deviation from the approved Articles of Association shall have the effect of authorizing the public prosecutor's office to demand the dissolution of the cooperative society from the civil judge.

Officers shall render themselves liable to a penal fine not exceeding 50 guilders if they fail to keep proper accounts as prescribed or if they fail to file their accounts promptly with the cantonal court. Any act punishable by the ordinance shall be considered an offence against the law. [Ord. 1: 17, 21]

Violations of the ordinance may be punishable by prison terms or fines, or both. [Ord. 2: 17]

Membership of Credit Unions

Common Bonds of Association: Laws are silent.

Non-Natural Persons Eligible: Laws are silent.

Liability of Member: The memorandum of association shall include a definition of the extent to which each of the members shall be personally liable as surety for the obligations of the society. [Ord. 1: 7.3]

Direction and Administration

Annual Meeting of Members: At a general meeting, to be held within the six months following the end of the official year, the governing board shall render the accounts of their management.

A general meeting of the society must be called if at least one-fifth of the members request it.

The governing board and the supervisory board shall be elected by the members. [Ord. 1: 8.1, 9, 10, 16]

Board of Directors and Committees: The governing board, elected from among the members, shall represent the society in all matters. [Ord. 1: 8, 9]

Management and Employees: The governing board may assign day-to-day management of the affairs of the cooperative society to one of its members or any other person. [Ord. 1: 9]

Audits: The Bank of Netherlands Antilles may require that financial statements submitted to it be audited. [Ord. 2: 7.2]

Liability of Officials: So long as the memorandum of association and the relevant assent by the Governor have not been registered or made public, the officers shall be personally and severally responsible for any dealings performed by them or, by their order, on behalf of the society.

Criminal proceedings may be instituted against those who ordered or held control of an institution during the performance of illegal commissions or omissions by the institution. [Ord. 1: 6, Ord. 2: 19]

Conflicts of Interest: Laws are silent.

Surety Bond: Laws are silent.

Shares and Deposits

Shares: Laws are silent.

Deposits: Laws are silent.

Dividends and Interest: Laws are silent.

Lien on Holdings: Laws are silent.

Loans

Purpose and Conditions: Regulations may contain rules governing asset requirements in relation to monies deposited, or governing either of such items in relation to credit outstanding. [Ord. 2: 6.8a]

Approval Procedure: Laws are silent.

Limits, Terms, and Security: Laws are silent.

Interest Rates and Charges: Laws are silent.

Loans to Officials: Laws are silent.

Investment of Funds

Deposit of Funds: Regulations may contain rules governing asset requirements in relation to monies deposited. [Ord. 2: 6.8a]

Authorized Investments: Regulations may contain rules governing investments. [Ord. 2: 6.8b]

Capital Adequacy-Reserves

Initial Organization: Laws are silent.

Permanent Capital: The Bank of Netherlands Antilles may require a society to maintain certain minimum capital reserves. [Ord.2: 5]

Regular Reserve: Regulations may govern total liquid asset requirements in relation to monies deposited. [Ord. 2: 6.8a]

Loan Loss Allowance: Laws are silent.

Special Reserves: Laws are silent.

Powers of the Credit Union

General Powers: Credit associations have to be legal entities. [Ord. 2: 1.2]

Borrowing: Laws are silent.

Merger: Laws are silent.

Liquidation: A cooperative society may be dissolved if so demanded by the public prosecutor's office because it deviated from its articles of association. Dissolution may also be effected when the term of the association expires; upon resolution of the general meeting or if the society is adjudged bankrupt. In voluntary liquidation, the governing board has charge of the dissolution. [Ord.1: 17-18, 20]

Federation or Association

Purposes: Federations of credit associations are referred to. [Ord. 2: 6.4]

Membership: Laws are silent.

Dissolution: Laws are silent.

Central Finance Facility

Purposes: Laws are silent.

Membership: Laws are silent.

Funds: Laws are silent.

Share and Deposit Protection

Purposes: Laws are silent.

Coverage: Laws are silent.

Membership: Laws are silent.

Funds: Laws are silent.

PUERTO RICO

<i>Region</i>	Caribbean
<i>Federation</i>	Federación de Cooperativas de Ahorro y Crédito de Puerto Rico
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Credit Union, Cooperative
<i>Number of Credit Unions</i>	N/A
<i>Number of Members</i>	N/A
<i>Total Assets (US\$)</i>	N/A

Rev. 02-02:al

EXPLANATORY NOTE: The majority of credit unions in Puerto Rico are under state charter, and therefore operate under the legislation summarized below. There are some credit unions federally chartered with the National Credit Union Administration (NCUA) of the United States, for which the legislative summary below does not apply.

Legal Authority

Law: Credit Union Law of Puerto Rico (Ley No. 6), January 15, 1990, applicable to credit unions [cited as "Ley"]; for other cooperative issues not covered by Ley No. 6, the applicable law is: Ley No. 50 of August, 1994, known as "General Law of Cooperative Societies of Puerto Rico."

Law of the Share & Deposit Insurance Corporation of Credit Unions (Ley 5 or Corp), January 15, 1990, amended August 11, 1995. [cited as "Corp."]

Regulation: Regulation for establishing, administering and operating the Share & Deposit Insurance Corporation of Credit Unions PROSAD-COOP (the Corporation), February 10, 1997. [cited as "Reg."]

Regulation 5547D of the Share & Deposit Insurance Corporation of Credit Unions, May 8, 1995. [cited as "D"]

Definition or Purposes of Credit Union

Definition: The purposes of credit unions are: the promotion of individual savings and prudent borrowing practices; provision of financial services to members and non-members and promotion of other types of cooperatives. [Art. 2.01, Ley]

Supervision and Regulation

Government Agency: Commissioner of Financial Institutions (Commissioner). [Art. 1.2 (m)], Ley

Other Licenses Needed: Branch offices require the approval of PROSAD-COOP. [Art. 2.05, Ley]

Other Institutions Regulated: Powers of the Commissioner in respect of credit unions are the same applicable to any financial institution. [Art. 7.03 (d), Ley]

Reports: Besides annual financial statements [Art. 7.03 (a), Ley], credit unions and the Federation shall submit call reports as requested by the Commissioner or the Corporation [Art. 7.02, and 7.04 (b), Ley]. The Corporation also requires quarterly reports. [Art. 4, Chapter VII, Reg and Section 6, Chapter V, D]

Inspections: The financial condition, safety and soundness of assets and practices, investments, and safe and prudential practices of administration of credit unions are subject to examinations by the Commissioner. [Art. 7.03 (b), Ley, and Section 6, Chapter V, D]

Regulations: The Commissioner is authorized to issue rules and regulations for credit unions as well as second and third tier trade organizations. [Art. 7.05, Ley]

Enforcement: The Commissioner may separate Directors from their office. Withdrawal or transfer of shares made by Directors six months prior to preventive actions taken by the Commissioner or in the danger of insolvency are legally voidable [Art. 6.07, Ley]. The Commissioner can temporarily suspend and revoke authorization and impose fines and penalties [Art. 7.04 (b) and (e) Ley]. The Commissioner may place a credit union into receivership [Art. 8.04, Ley]. The Corporation has the right to temporary receivership when a credit union is in a position that may require insurance action or increases the risk. [Art. 5, Chapter VII, Reg., and Chapter XV D]

Membership of Credit Union

Common Bonds of Association: For incorporation 11 or more members residing in Puerto Rico are required [Art. 3.01 Ley] and no less than 100 individuals are required to start operating. [Art. 3.02 Ley]

Non-Natural Persons Eligible for Membership: Non-natural persons are eligible for membership. [Arts. 1.2, p and Art. 4.01, Ley. Also Section 2, Chapter X D]

Liability of Member: Laws and Regulations are silent.

Direction and Administration

Annual Meeting of Members: Credit unions may hold district meetings where delegates are elected to attend annual meetings of delegates, instead of members. In meetings of members or districts a quorum of 10 percent

of the first 1,000 members and 5 percent of members in excess of 1,000 members is required. In the delegates meetings a quorum of two-thirds of elected delegates is required. [Arts. 5.01 and 5.02, Ley]

Board of Directors and Committees: There is a Board of Directors [Art. 5.05, Ley], a Supervisory Committee [Art. 5.10, Ley], and a Credit Committee. [Art. 5.12, Ley]

Management and Staff: The Board appoints the officer with the highest executive rank, who in turn elects other officers and personnel. [Art. 5.08 (n), Ley]

Audits: Independently from the Commissioner and PROSAD audits, credit unions shall be subject to independent, external audit examinations. [Art. 5.09 (p), Ley]

Liability of Officials: It is understood that any infringement of the law by the credit union shall be considered the infringement by the officer or employee who is in charge of the job to be performed according to the rules and bylaws or, by default shall be considered an infringement by all members of the Board, except by those that prove to have been absent at the concerning meeting or have lack of knowledge of the decision, or that have taken all reasonable actions to prevent the infringement. [Art. 10.04, Ley]

Conflicts of Interest: Directors cannot be engaged in activities in any way in economic competition with the credit union. [Art. 5.04 (b), Ley]

Surety Bond: Fidelity bonds are required according to a scale based on the size of credit union assets [Art. 3, Corp. Reg]. Directors and Committee members must meet underwriting requirements to be eligible for bonding [Art. 5.04 (d), Ley]; Credit Committee or credit officials [Art. 5.12 Ley]; Education Committee [Art. 5.14, Ley]. Bonding is an insurance requirement. [Art. 3, Chapter VII, Reg.]

Shares and Deposits

Shares: Shares are defined as members' capital contribution to the credit union. [Art. 1.2, Ley]

Deposits: Savings, certificates of deposit, checking accounts, IRAs, trust accounts, etc. are allowed and distinguished from shares as described in the definitions of terms used by the Act. [Art. 1.2, Ley]

Dividends and Interest: Upon recommendation of the Board, dividends shall be distributed from profits based on non-withdrawn shares or patronage on interest paid by borrowers during the fiscal year [Art. 6.05, Ley].

Members have the right to decide how dividends shall be distributed. [Art. 4.02 (f), Ley]

Lien on Holdings: Any amount owed by a credit union member or non-member shall be an admitted recoverable obligation by any competent court of law. [Art. 6.04, Ley]

Loans

Purpose and Conditions: A credit union may make commercial loans with collateral guaranty up to \$100,000; credit cards and loans for consumers up to \$5,000 [Section 3]. Loans can also be made for the purchase of new or used automobiles [Art. 2.02 (2,) Ley]; the purchase of land/homes, housing construction, home refinancing FHA insured, and equity loans [Art. 2.02 (4) and (6) Ley]; and government guaranteed student loans. [Art. 2.02,(5), Ley]

Approval Procedure: The credit committee approves loan applications based on lending policies determined by the Board (see below). Loans must be documented by a legal I.O.U, which shall include all requirements and formalities required to meet federal and state laws. [Section 3, Chapter XI. D]

Limits, Terms, Security: The Board determines the lending conditions following the Corporation and the Commissioner regulations [Art. 5.09 (h) and 6.04, Ley]. Secured commercial loans are not to exceed \$100,000. Credit card loans are not to exceed \$5,000.

Interest Rates and Charges: Interest rates for deposits and loans are determined by the Board of Directors [Art. 5.09 (d), Ley] within the application guidelines of Act No. 4, October 11, 1985.

Loans to Officials: Loans to Directors, officers and employees shall be determined by Board policies, and will also be subject to control and supervision by loan agreements and the Commissioner. [Art. 6.04, Ley]

Investment of Funds

Deposit of Funds: Credit unions can make deposits in insured credit unions, their Federation, and insured commercial and savings banks of Puerto Rico. [Section 4 (a) 1, Chapter XII D]

Authorized Investments: Credit unions may invest in financial service corporations dealing with mortgage, consumer and commercial loans, credit reporting and assessment of collateral guarantees, credit card, EFT issuers, data processing, leasing, mortgage loan corporations and other financial services as approved by

the Commissioner. When such corporations are cooperative in nature the investment must be approved by the Superintendency [Art. 2.06 Ley]. They may issue capital obligations with maturity no longer than three years and subordinated to deposit obligations and other creditors. Credit unions may invest in second and third tier cooperative organizations no more than 5 percent of their total assets [Section 5, 5547D, and Art. 5.09 (i) Ley]. They may also invest in cooperative corporations up to 15 percent of risk capital less capital reserves, but no more than one-fourth in the same cooperative, in all cases not to exceed 50 percent capital of such a cooperative [Art. 2.06, (b), Ley]. With the prior consent of the Commissioner, credit unions may invest up to 15 percent of their capital, plus risk capital, less accumulated reserves in real estate as required by their operations [Art. 2.08 (a), Ley]. Section 1, Chapter X, D, deals with limits of investments.

Capital Adequacy - Reserves

Initial Organization: Credit unions may start operations with share capital of \$50,000 [Art. 3.02 (g)] and no less than 100 members. [Art. 3.03, Ley]

Permanent Capital: Permanent capital shall consist of share capital, risk capital reserve, surplus and capital obligations. [Art. 6.01, Ley]

Regular Reserve: Starting the date of the Law, risk capital reserve shall be allocated with 20 percent of profits of the first year, 23 percent the second year and 25 percent the following years until it reaches 8 percent of risk assets. [Art. 6.02, Ley]

Loan Loss Allowance: Credit unions must build up quarterly an adequate loan loss reserve based either on an experience method or adjustment method as spelled out by Section 3 Art. 6.08. The Board shall establish a loan loss reserve based on real experience as determined by the Commissioner in consultation with the Corporation. [Art. 6.08,(a) Ley and Section 3, Chapter XII, D]

Special Reserves: Credit unions shall maintain a monthly calculated liquidity reserve of 15 percent in cash based on the composition and maturity of deposits and certificates. The Commissioner by regulation may vary such percentage and regulate the way of its computation [Art. 6.08(b), Ley]. The Commissioner, on its own initiative or by recommendation of the Corporation, may require a credit union to establish and maintain a contingency reserve against eventual extraordinary risks or activities. [Art. 6.08(c), Ley]

Powers of Credit Union

General Powers: Credit unions are financial body corporates authorized to operate with members and non-members providing savings and loan services and limited banking services. They cannot be involved in non-financial operations [Art. 2.03, Ley], except as insurance agents of cooperative insurers to which they must be affiliated. [Art. 2.04 (m), Ley]

Borrowing: Credit unions may obtain short and long term loans from any source subject to a limit of 10 percent of shares plus risk capital, defined as reserves for extraordinary operational losses. [Section 3.b.6 and Section 2.b]

Merger: Voluntary mergers with the authorization of the Commissioner and mandatory mergers by his/her order are dealt with by Arts. 8.02 and 8.03 of Act and Chapter XIX D.

Liquidation: Voluntary and mandatory liquidations are allowed and treated by Arts. 8.06 and 8.08 of the Act and Arts. 1, 2, 3, 4 of Chapter V, Reg.

Federation or Association

Purposes: Federation of Credit Unions was organized according to the Cooperative Societies Act (1994).

Membership: Laws and Regulations are silent.

Dissolution: Laws and Regulations are silent.

Central Finance Facility

Purposes: The legislation analyzed contains no provisions regarding a central finance facility. Since the Federation may be insured by the Corporations it is inferred that it performs financial deposit and lending functions for its affiliate credit unions. Additionally, Financial Services Companies or Cooperatives are allowed to be organized and operate. [Art. 2.06 (A), Ley]

Membership: Laws and Regulations are silent.

Funds: Funding of Financial Services Corporations or Cooperatives by cooperatives must be approved by both the Commissioner and the Corporation [Art. 2.06 (A) c, Ley]. No provisions were found in this regard.

Share and Deposit Protection

Credit unions, whether existing or to be organized, must be insured by the Corporation. Credit unions already insured by the National Credit Union Administration

(NCUA) of the United States have the option to switch coverage provided they meet the Corporation's eligibility requirements. [Art. 9, Corp.]

Purposes: To provide share and deposit insurance to credit unions and the Credit Union Federation [Art. 9, Ley 5] and supervise their economic solvency.

Coverage: At the inception of the Corporation operations coverage is limited to \$50,000, subject to an annual increase of up to \$100,000 per individual account, member or individual depositor. Increases are conditioned on financial performance of the Corporation. [Art. 11, Corp., also Art. 3, Chapter VI, Reg.]

Membership: Membership is mandatory for all federated credit unions. [Art. 3, Corp.]

Funds: Insured credit unions must contribute towards the Corporation 1 percent of total deposits as of June 30 of each year. Interest on capital contributions shall be paid once the Corporation's free reserves exceed 2 percent of insured shares and deposits [Art. 20 Corp.]. Insurance premium may vary between 0.05 percent up to 0.2 percent of total capital as of June 30 each year. The Corporation Board may determine higher rates provided that they can be actuarially justified [Art. 22, Corp.]. In cases of extraordinary losses, the Corporation may determine a special premium no higher than 100 percent of the premium collected in the respective year. [Art. 24, Corp.]

ST. KITTS AND NEVIS

<i>Region</i>	Caribbean
<i>Federation</i>	Caribbean Confederation of Credit Unions
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	3 (2001)
<i>Number of Members</i>	11,337 (2001)
<i>Total Assets (US\$)</i>	\$14,046,233 (2001)

Rev: 2-00:rs

Legal Authority

Law: Cooperative Societies Act, 1995. [cited as "Act"]

Regulations: The Cooperative Societies Regulations, 1997. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: "Cooperative" or "cooperative society" means a body corporate registered under the Act, which consists of a group of people, small or large, with a commitment to joint action on the basis of democracy and self-help in order to secure a service or economic arrangement that is both socially desirable and beneficial to all taking part.

"Credit union" means a registered society whose objects and services include the promotion of thrift and the creation of a source of credit for its members for provident and productive purposes. [Act 2(1)]

Cooperatives must conform to cooperative principles which are detailed in the Act. [Act 3, 4]

Supervision and Regulation

Government Agency: There shall be a registrar of cooperative societies who is charged with the registration and supervision of all societies. [Act 5 (1)]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: The Act details these specialized societies: Consumers' Societies Housing Societies and Industrial Societies. [Act 191-213] The Act also mentions marketing of produce through a society. [Act 101]

Reports: Within 30 days of its annual meeting, a society must file with the registrar an annual return for the previous year and also furnish a copy of the financial statement placed before its members at the last annual meeting.

At the end of each month, every society shall file a monthly return with the registrar.

The registrar may, by notice in writing, require a society,

director, or officer of a society to make a special return on any subject connected with the business and affairs of the society. [Act 141]

Inspections: The registrar may, on his/her own or on the application of a specified number of members, appoint an examiner who shall make an examination of the books of the society. The examiner must be furnished with any books, accounts, securities, or other documents that he/she requires. [Act 180]

The registrar may also examine any of a list of records whose maintenance is mandatory. [Act 18, 19(1)]

The registrar may apply to the court for an order directing an investigation to be made of a society. [Act 181(1)]

Regulations: The minister may make regulations for the purpose of carrying out the Act in a number of areas, including exempting any society or class of societies from provisions of the Act and prescribing anything required or authorized to be prescribed by the Act. [Act 238]

Enforcement: The registrar may suspend or cancel the registration of a society. He/she may appoint a receiver (manager). [Act 20, 150-157]

A society may be dissolved for failure to account for business transacted. It may also be dissolved by a court. [Act 161, 162] The registrar may appoint a liquidator. [Act 64]

Various offences with penalties are detailed in the Act, including corrupt practices and bribery; falsely obtaining property of society; failure to comply with the Act and dealing in property subject to charge. Other offences deal with reports, contravention of the Act and improper use of the words "credit union" or "cooperative." [Act 218-224]

In addition to the penalties, the court may order compliance; civil remedies are preserved. [Act 225, 227]

Membership of Credit Unions

Common Bonds of Association: To qualify for membership in a society, a person, other than a registered society, must be a citizen or resident of legal age (14 years); must not be involved in an undischarged bankruptcy and must be of sound mind. [Act 2(1), 23(2)]

The registrar must grant permission for a person to join a lending society who is a member of another society whose primary object is to grant loans to its members. A registered society may not become a member of another registered society of the same type. [Act 23(4)]

Non-Natural Persons Eligible: "Member" includes a person or registered society.

Liability of Member: The liability of a current member of a society is limited to the unpaid amount of subscription

for shares subject to the Act. The liability of a past member or a deceased member's estate for debts of a society as they existed on the date of death or cessation of membership continues for two years. [Act 26]

Direction and Administration

Annual Meeting of Members: A society shall hold an annual meeting in each year, not later than three months after the end of the financial year, or six months upon authorization of registrar. [Act 39(1), (2)] The quorum requirements are specified. [Act 45] A society that is a member of another society shall exercise its voting rights through a representative. [Act 33, 34]

The board of directors, supervisory committee and credit committee are elected by members at the annual general meeting. [Act 56, 62(1), 69]

Members are entitled to vote, propose and discuss any matter. They also have the power to make bylaws. [Act 47, 48] A resolution in lieu of a meeting is allowed under certain circumstances. [Act 42]

Board of Directors and Committees: The management and affairs of a society are entrusted to the board of directors, constituted in accord with the Act and bylaws. [Act 2(1), 53]

The board shall not have less than five nor more than 13 directors as specified in the bylaws. [Act 50(2)] The board shall exercise the powers of the society directly or indirectly through the employees and agents of the society and shall direct the management of the business and affairs of the society. [Act 53]

Every society shall have a president, treasurer and secretary. Every credit union shall have a credit committee of at least three members, subject to its bylaws. [Act 51, 54(1), 56] It shall consider all applications for loans, make recommendations to the board with respect to these applications and perform such duties as are prescribed by the Act, the regulations and the bylaws of the credit union. [Act 57, Reg. 32]

Every credit union shall have a supervisory committee of at least three members. [Act 54(1), 62(1), (3)] The supervisory committee shall examine the books of the credit union; confirm the cash instruments, property and securities of the credit union and confirm the deposits of the members and perform such other duties as are prescribed by the Act, the regulations and the bylaws of the credit union. [Act 63, Reg. 16]

No director or committee member shall be remunerated. [Act 88(1)]

However, if the society has a secretary and treasurer who are not board members, they may be remunerated for services. [Reg. 14]

Management and Employees: The board shall exercise the powers of the society directly or indirectly through the employees and agents. It may employ clerical help for the supervisory committee. [Act 53, 65]

Directors shall fix the salary of any officers appointed by them and shall approve a scale of remuneration for any employees of a society. [Act 89]

Audits: At every annual meeting, the directors must place before the members the comparative annual financial statements, the report of the auditor and any further information respecting the financial position of the society and the results of its operations required by the bylaws. If the society does not have an auditor, the registrar may appoint one. [Act 124(1)]

Liability of Officials: Directors are jointly and severally liable to make good on any loss or damage suffered by the society where they vote for, consent to a resolution authorizing, or approve by any means any of a list of actions contrary to the Act. This liability is in addition to any liability imposed on a director by any other enactment or Law. [Act 76]

Conflicts of Interest: Every director and officer of a society, in exercising his/her powers and discharging his/her duties, shall:

- 1) act honestly and in good faith with a view to the best interest of the society; and
- 2) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. [Act 74]

A director or officer who has a material interest in a proposed contract of the society must disclose this in writing and, with a few exceptions, may not vote on the matter. [Act 78]

A director, officer, or their associates who, in connection with a transaction relating to shares of a society or a debt obligation of a society, makes use of confidential information for the benefit or advantage of him/herself or an associate that, if generally known, might reasonably be expected to affect the value of a share or the debt obligation is liable and accountable. [Act 77]

Surety Bond: The directors may require that every person appointed to an office, who receives or handles expenditure of money on behalf of the society, shall give to the directors, before commencing his/her duties, security or a bond in the prescribed amount. The regulation prescribes the minimum amounts of a blanket security or fidelity bond to be given by all officers, managers, other authorized signatories and employees. [Act 87, Reg. 8]

Shares and Deposits

Shares: A society may sell shares to its members only. The par value is fixed by the bylaws, and the shares shall be unlimited in number. [Act 90] A society may issue shares at any time for any consideration, and it may alter the authorized capital. [Act 92, 93]

Deposits: A credit union may receive deposits from any person, whatever his/her age, status, or condition in life, whether or not that person is qualified by the law to enter into ordinary contracts. Deposits may be accepted in the manner and form and on any condition that may be prescribed in the regulations. Deposit accounts that permit withdrawals or transfer by check, bill of exchange, or other negotiable instrument require approval of the registrar. [Act 200, Reg. 34] Deposits may be received from minors and non-members subject to the bylaws. [Act 117, 118]

Dividends and Interest: A dividend is a share of the profits of a registered society divided among its members in proportion to the share capital held by them. No society may pay a dividend out of profits until its reserve fund has reached not less than 10 percent of total liabilities. Nor may a society pay a dividend that is greater than 2 percent above the savings rate set by the Eastern Caribbean Central Bank. [Act 2(1), 123(2), Reg. 6]

Lien on Holdings: A registered society has a lien on a share or any amount outstanding to the credit of a member for a debt due by that member to the society. The society may enforce the lien in a manner set out in its bylaws or, if the member is in default, may apply his/her shares toward discharging the debt and expenses. [Act 109]

Loans

Purpose and Conditions: Loans may be made only to members and to other registered societies. [Act 197(1)]

Approval Procedure: Subject to the Act and the regulations, every loan must be approved in accordance with the policies established by the directors before any funds are advanced. The application must state the purpose, the security, if any, and other information required. [Act 195(1), Reg. 22]

Limits, Terms and Security: The bylaws shall provide limits on the amounts of loans to any one member or on any type of loans. [Act 197(2)]

The credit union may take any security for loans that it considers advisable and in keeping with sound business practices (subject to the regulations). [Act 196]

A registered society may require a member or officer to give a bond with or without surety as additional security for the repayment of any loan. [Act 108(1)]

Interest Rates and Charges: Law is silent as to a maximum rate of interest. The maximum intervals at which interest on a loan must be paid are prescribed in the regulations; intervals may not exceed one month. [Act 199(1), Reg. 25]

Loans to Officials: A loan to a director, a credit committee member, or an employee of a credit union, or any person connected with one of them, must be approved in the manner prescribed in the regulations. [Act 195(2)]

Investment of Funds

Deposit of Funds: See "Authorized Investments."

Authorized Investments: A society may invest or deposit its funds in:

- 1) any registered society or bank approved by the registrar;
- 2) any securities issued or guaranteed by the government;
- 3) the shares or on the security of any society with limited liability; or
- 4) any other manner permitted by the registrar.

A society may not invest its funds for the purpose of a mortgage or real property, except with the approval of the general membership and of the registrar. [Act 114, Reg. 21]

Capital Adequacy-Reserves

Initial Organization: No society may be registered or continue to be registered unless it is considered to be economically viable by the registrar and has provision for equity capital expansion and continuous business growth. [Act 12(1)]

Permanent Capital: Every society shall ensure that its statutory and other reserves are not less than 10 percent of its total liabilities. The registrar shall grant a period of time considered reasonable to enable management to make good any deficiency in the adequacy of its capital base. [Act 119(3), (4)]

Regular Reserve: Where a society realizes a surplus from its transactions, it shall establish and maintain a reserve fund which shall be administered by the National League or National Council in such manner as may be prescribed.

Where the annual audit of a society indicates a net surplus, at least 20 percent of that surplus shall be credited to the reserve fund. It may, subject to the approval of the registrar, be used in the business of the society, including unforeseen losses, unexpected shortfalls in liquid cash, capital retention, repair and maintenance and the avoidance of external borrowing. Subject to the registrar's approval, a society may use its statutory reserves to make good on deficiencies created by operations and to recoup investment losses. [Act 119(1), (2), Reg. 31]

Loan Loss Allowance: Every credit union shall make an allowance for doubtful loans in accordance with the requirements set out in detail in the regulations. [Act 194, Reg. 28]

Where a credit union is reporting loans on the balance sheet in its annual financial statements, it shall report the loans at their net estimated value after deducting the above allowance for doubtful loans. [Act 198(1)]

Special Reserves: Every credit union shall maintain liquid assets in the amount and form prescribed by the Act. [Act 193(1)] Liquid assets are assets maintained by a credit union to ensure that it can meet its commitments with respect to loans and withdrawal of deposits. [Act 191(1)]

Every society shall establish and maintain a development fund to be used for the development of registered societies. Every registered society that realizes a surplus from its operations as ascertained by the annual audit shall make such annual contribution as is determined by the apex body who shall administer the development fund.

A society may establish a contributory pension fund for its servants and employees and may contribute to such a fund. The fund shall not be considered an asset of the society; it may be invested in any manner prescribed in the bylaws. [Act 121]

Powers of the Credit Union

General Powers: The registration of a society renders it a body corporate. It has the capacity, rights, powers and privileges of an individual. A society shall not carry on any business or exercise any power that is restricted by, or is in a manner contrary to, its bylaws or any written law. [Act 16(1), (2)]

No credit union shall carry on any business not pertaining to a credit union or that is contrary to the Act, the regulations or its bylaws. Specifically, they may not engage in underwriting insurance or requiring insurance, except for the security of the credit union, or in issuing securities for others. [Act 192]

Borrowing: The board may borrow on the credit of a society and may issue, sell, or pledge debt obligations at the society without authorization by the members. [Act 71]

Merger: Any two or more societies may amalgamate as one society. This requires a resolution passed by not less than three-fourths of all the members of each society present and voting at a special general meeting called for that purpose. [Act 145(1)] The transfer of assets and claims of objecting creditors are detailed in the Act. [Act 146, 147]

A society may also divide itself into two or more societies. [Act 148(1)]

Liquidation: Members of a society at a special meeting may authorize the dissolution of the society, subject to the registrar's approval, as detailed in the Act. [Act 158, 159] The registrar may suspend or cancel the registration of a society. [Act 20] He/She may dissolve a society that has not commenced business or carried on business for two years. [Act 160] A society may be dissolved for failure to account for business transacted. [Act 161] A society may also be dissolved by a court. [Act 162]

The registrar may appoint a liquidator. [Act 164] Liquidation procedure is set forth in the Act. [Act 165-179]

Federation or Association

Purposes: The apex body for registered societies may be called the National League or National Council. [Act 2(2), 214] The registrar shall from time to time consult the apex body with respect to matters relating to the development of registered societies. [Act 217]

The apex body shall coordinate, assist and promote all registered societies and shall perform such functions as may be determined by its constituent members. It shall regulate its own procedures. It also has responsibility for the administration and management of the development fund. [Act 215, 216(2)]

Membership: Registered societies may establish an apex body which shall be composed of representatives of all societies in St. Kitts and Nevis. [Act 214, 216(1)]

Dissolution: Law is silent, except for providing that the apex body shall regulate its own procedures. [Act 216(2)]

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

ST. LUCIA

<i>Region</i>	Caribbean
<i>Federation</i>	St. Lucia Co-operative League Ltd.
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies Act
<i>Number of Credit Unions</i>	17 (2001)
<i>Number of Members</i>	26,821 (2001)
<i>Total Assets (US\$)</i>	\$47,706,883 (2001)

Rev. 3-00:rs

Legal Authority

Law: Cooperative Societies Act, 1999, No. 28 of 1999. [cited as "Act"]

Regulations: Cooperative Societies Regulations, 1999, Statutory Instrument, 1999, No. 90. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: A cooperative (society) means a body corporate registered under the Act, which consists of a group of people, small or large, with a commitment to joint action on the basis of democracy and self-help in order to secure a service or economic arrangement that is both socially desirable and beneficial to all taking part. Cooperative principles are detailed in the Act and they shall be conformed to. [Act 3, 4]

Credit union means a registered society whose objects and services include the promotion of thrift and the creation of a source of credit for its members for provident and productive purposes. [Act 2(1)]

Supervision and Regulation

Government Agency: The registrar of cooperative societies shall be responsible for registration, supervision, stimulation of community awareness, initiation and encouragement of organized activities for the development of societies, maintenance of adequate and reliable records and management of the Department of Cooperatives. [Act 5(1), (2)]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: The Act also refers to Workers' Societies, Consumer Societies, Housing Societies, Agricultural Societies, Industrial Societies and other societies not specified above. [Act 9(3), 191-213]

Reports: A society shall file an annual return and a copy of the financial statement given to members at the last annual

meeting with the registrar. A society must also file a monthly return with the registrar who may also require a special return on any subject connected with the business and affairs of the society. [Act 141, Reg. 9(3)]

Inspections: The registrar may examine any of a society's records specified in the Act, including registers, minutes, notices, etc. He/She may call a special meeting of the members to report the results of any audit, examination, or investigation of the society ordered or made by him/her. [Act 18(2), 19(1), 40(3)]

Regulations: For the purpose of carrying out the Act according to its intent, the minister may make regulations in areas enumerated in the Act. This includes exempting any society or class of societies from any provision of the Act and prescribing any other matter or thing required or authorized to be prescribed by the Act. [Act 238]

Enforcement: The registrar has the power of suspension and of cancellation of registration of a society for breach of any condition of registration; for refusal to comply with any obligation imposed by law, regulation, or bylaws; or for failure to return any notice, document, or fee required. [Act 20]

Membership of Credit Unions

Common Bonds of Association: In order to qualify for membership, a person other than a registered society shall be a citizen or a resident of St. Lucia; at least 16 years of age; of sound mind and not an undischarged bankrupt. [Act 2(1), 23(2)] Financial cooperatives must also have not less than 50 members. [Act 12(1)(i)]

Provision is also made for the registration of junior cooperative societies for minors, club members, etc. [Act 2(1), 12(1)(c), 12(2)]

Permission of the registrar is required to join more than one society whose primary purpose is to grant loans. [Act 16(4)]

Non-Natural Persons Eligible: The Act refers to a registered society as a member of another registered society. [Act 23(4), 34]

Liability of Member: The liability of a current member of a society is limited to the paid shares and the unpaid amount of subscription for shares. Liability shall continue for two years in the case of past and deceased members. [Act 26]

Direction and Administration

Annual Meeting of Members: A society shall hold an annual meeting in each year no later than three months after the end of the financial year of the society (six

months with registrar approval). [Act 39(1), (2)] The Act also provides for a meeting called by the registrar and for resolution in lieu of meeting. [Act 41, 42]

A society that is a member of another society shall exercise its voting rights through one member duly appointed. Delegates shall have all the voting rights of members in accord with the bylaws. [Act 33]

Members have the power at a meeting to make, amend, repeal, or confirm any bylaws; receive reports; elect directors, the supervisory and credit committees and appoint the auditor. [Act 48, 54, 56, 69, 129]

Board of Directors and Committees: Every society is managed by a board of five to 13 directors, as specified in the bylaws, elected for three-year terms. The bylaws also provide for officers and committee members. [Act 10(1)(c), 50, 53]

The supervisory committee shall examine the books of the credit union or other society; confirm the cash instruments, property and securities of the credit union or other society; confirm the deposits of the members and perform such other duties as are prescribed by this Act, the Regulations and the bylaws of the credit union. [Act 63, Reg. 16]

Every credit union shall have a credit committee elected by its members at the annual general meeting. No member of the board or supervisory committee or employee of the credit union shall be a member of the credit committee. [Act 56(1), (3), (4)]

The credit committee shall consider all applications for loans, may make recommendations to the board in respect of the applications and perform such duties as are prescribed in the Act, the Regulations and bylaws of the credit union. [Act 57, Reg. 32]

Management and Employees: "Officer" includes a director, secretary, treasurer, or other person empowered under the regulations or bylaws to give directions in regard to the business of a registered society. [Act 2(1)] Every society is required to have a president, treasurer and secretary and may have any officers in addition that are provided for in the bylaws. [Act 51] The board may exercise the powers of the society indirectly through the employees or agents. [Act 2(1), 51, 53]

Audits: An auditor shall make the necessary examination and report on the financial statements to the members at the Annual General Meeting during the tenure of office of the auditor. This includes reporting on accounts examined by him/her and on every balance sheet and every revenue and appropriation account. [Act 137, 138, Reg. 9(1)]

The auditor shall indicate in his/her report whether or not the financial statements contained in his/her report

were prepared in accordance with generally accepted accounting principles and are consistent with that of the preceding year. [Reg. 10, 11]

Liability of Officials: Every director and officer of a society, in exercising his/her powers and discharging his/her duties shall 1) act honestly and in good faith with a view to the best interests of the society and 2) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. [Act 74]

The Act enumerates actions for which the directors are jointly and separately liable to make good any loss or damage suffered by a society. This is in addition to liability imposed on a director by any other enactment or law. [Act 76(1), (3)]

Conflicts of Interest: A director or officer who is a party to a material contract or proposed material contract with the society must disclose in writing or enter into the minutes the nature and extent of his/her interest. [Act 78(1)] Misuse of confidential information can also result in being liable and accountable. [Act 77]

Surety Bond: The directors may require that every person appointed to an office who receives, manages, or handles goods, property, or money on behalf of the society shall give security or a bond in the prescribed amount. [Act 87]

For this purpose, a blanket security or fidelity bond is required of officers and employees of the society. For a credit union, the amount of security or fidelity bond required is SL\$50,000. [Reg. 8(1), (2)]

Shares and Deposits

Shares: A society may sell shares to its members only. The shares must have a par value fixed by the bylaws. The number of shares shall be unlimited, unless otherwise required by any act. [Act 90] The issue of shares alteration of authorized capital, limitation on purchase of shares, transfer of shares and power of nomination are detailed in the Act. [Act 92-100]

Deposits: A credit union may receive deposits from any person, whatever his/her age, status, or condition in life, and from non-members. Deposits may be accepted in the manner and form or on any condition that may be prescribed in the Regulations and as set out in the bylaws. No credit union shall offer checking accounts without the approval of the registrar, nor accept deposits for a term longer than five years. [Act 117, 200(1)(a), (2)]

A society shall fix the maximum in deposits from a member or a non-member, subject to approval by the registrar. [Reg. 35]

Dividends and Interest: A dividend is a share of the profits of a registered society divided among its members in proportion to the share capital held by them. A bonus is a share of the profits of a registered society divided among its members in proportion to the volume of business done with the society from which the profits of the society were derived. [Act 2(1)]

Among the other permitted uses, any surplus or savings arising out of its operations, after payments to Reserve and Development Funds, may be used for the payment of dividends on share capital or distributed among members in proportion to their patronage with the society. [Act 3(f), (iii), (iv), 123]

The dividend rate on share capital may not exceed the rate prescribed in the Regulations, which limit the dividend on shares to a rate not greater than 3 percent above the savings rate set by the Eastern Caribbean Central Bank. [Act 3(e), Reg. 6]

Lien on Holdings: A registered society has a lien on a share or any amount outstanding to the credit of a member or his/her legal representative for a debt due by that member to the society. [Act 109(1)]

No transfer of a share shall be made by a member who is indebted to the society, without the approval of the board. Until the transfer of a share is registered, no right shall be acquired against the society by the transferee, nor shall any claim of the society upon the transferor be affected thereby. [Reg. 7(2)]

Loans

Purpose and Conditions: Subject to the Act and the Regulations, every loan must be approved in accordance with the policies established by the directors before any funds are advanced. [Act 195(1)]

A society shall set guidelines in its bylaws for the granting of loans, guarantees, advances and other forms of financial assistance to its members. Except for a loan to another society, no loan shall be made to a non-member. [Act 115(1), (2), (5)]

Every loan must be approved in accordance with the policies established by the directors before any funds are advanced. Any persons who approve or grant a loan in contravention of the Act or the Regulations commit an offence and, on conviction, shall be held jointly and severally liable for any losses resulting to the credit union in connection with that loan. [Act 195(1), (3)]

Approval Procedure: The board may, upon such terms and conditions as it specifies, authorize the credit committee to approve loans to members. The credit committee may,

upon such terms and conditions as the board specifies, authorize the treasurer, manager, or other employees of the credit union to approve loans to members.

Any person authorized to approve loans shall submit a written monthly report to the credit committee on loan activity. The Regulations detail the form of loan applications. [Act 58, Reg. 22]

Limits, Terms and Security: The bylaws shall provide for limits on the amounts of loans to any one member or on any type of loans. [Act 197] The Regulations provide extensive loan terms and conditions. [Reg. 26]

A credit union may take any security for loans that it considers advisable and in keeping with sound business practices, subject to any restrictions that may be prescribed in the Regulations. [Act 196] The board of directors shall establish a policy with respect to 1) the collateral security or guarantors required for approved loans and 2) the manner in which the fair market value of any real property obtained as security for a loan is to be calculated. [Reg. 24]

No registered society shall lend to any member an amount exceeding 1) 10 percent of the aggregate of the registered society's share capital, retained earnings and reserves; 2) the aggregate of the members' ordinary deposits and the society's reserves; or 3) such lesser percentage as is specified in the bylaws. [Reg. 23(3)]

Interest Rates and Charges: The maximum intervals at which interest on a loan must be paid may be prescribed in the Regulations, and it is at intervals not exceeding one month. [Act 199(1), Reg. 25]

Loans to Officials: No officer, director, credit committee member, supervisory committee member, or employee of a society may borrow from the society an amount in excess of his/her holdings therein in shares, deposits and accumulated earnings unless 1) adequate security is provided for the loan in excess of the value of the shares, deposits, accumulated dividends and interest and 2) the loan is approved by the vote of two-thirds of the other members of the board, credit committee and supervisory committee sitting together, and with the applicant not present. [Act 115(3), (4), Reg. 23(1), (2)]

Investment of Funds

Deposit of Funds: The directors of a registered society may open and maintain an account at any bank. [Reg. 36(1)]

Authorized Investments: A society may invest or deposit its funds in 1) any registered society or bank approved by the registrar; 2) any securities issued or guaranteed by the Government; 3) in the shares or on the security of any society with limited liability; or 4) in any manner

permitted by the registrar including shares and debentures in a suitably established Stabilization Fund.

Except with the approval of the general membership and of the registrar, a society shall not invest its funds in real property. [Act 114, Reg. 30]

Capital Adequacy-Reserves

Initial Organization: No society may be registered unless it is considered economically viable and has provision for equity capital expansion. [Act 12(1)(b)]

Permanent Capital: Every credit union shall maintain liquid assets in the amount specified and in the form specified. See "Regular Reserve." Any credit union which fails to maintain the liquid assets required may be placed under a receiver by the registrar. [Act 193]

Regular Reserve: Where the annual audit of a society indicates a net surplus, at least 20 percent of that surplus shall be credited to the statutory reserve fund. Subject to the approval of the registrar the reserve fund may be used in the business of the society, including unforeseen losses, unexpected shortfalls in liquid cash, capital retention, repair and maintenance and the avoidance of external borrowing. [Act 119(2)]

Every society shall ensure; 1) that not less than 15 percent of its members' shares and deposits are kept in a liquidity reserve and 2) that its statutory and other reserves are not less than 10 percent of its total liabilities at any stage. [Act 119 (3)(a)(b)]

Loan Loss Allowance: Every credit union shall make an allowance for doubtful loans in accordance with the requirements set out in the Regulations. [Act 194]

Special Reserves: Every society shall establish and maintain a Development Fund. Every registered society that realizes a surplus from its operations as ascertained by the annual audit may make such annual contributions as may be determined by the National League or National Council, not exceeding 10 percent of that surplus of such fund to be used for the development of registered societies. [Act 120]

A society may establish a contributory Pension Fund for its servants and employees and may contribute to that fund. [Act 121]

Powers of the Credit Union

General Powers: The registration of a society renders it a body corporate and, subject to this Act and its bylaws, it has the capacity, rights, powers and privileges of an individual. [Act 16(1)]

No credit union shall engage in any business not appertaining to a credit union. It is prohibited from underwriting insurance or securities and from otherwise engaging in the insurance business. It may not require a borrower to place insurance for the society of the credit union in any particular insurance agency but this does not prevent a credit union from requiring insurance for the security of the credit union. [Act 192]

No act of a credit union, including the transfer of property to, or by a credit union shall be contrary to the Act or the Regulations. Notwithstanding, a credit union may, with permission of the registrar, do all other acts and things as are incidental or conducive to or consequential upon the attainment of its objects. [Act 192]

Borrowing: Subject to the bylaws, the board may without authorization of the members of the society borrow money, deal in debt obligations of the society, give guarantees, mortgage property, etc. as detailed in the Act. A society may receive deposits and loans from non-members and may mortgage or otherwise guarantee repayment. [Act 71, 117]

Merger: Any two or more societies may amalgamate as one society by a resolution passed by not less than three-fourths of all the members of each society present and voting at a special meeting called for the purpose. [Act 145(1)]

Liquidation: Subject to the approval of the registrar, the members of a society may authorize the dissolution of the society and the appointment of a liquidator or trustee to liquidate assets, collect loans, pay creditors and distribute surplus and reserves. [Act 158(1)]

The registrar may order the dissolution of a society for failure to account for business or for non-compliance with the law, regulations, or a directive. He/She may also apply to the court for an order dissolving a society for various reasons including fraud, illegal activity, non-conformance with cooperative principles, or membership falling below a specified minimum. [Act 158-179]

Federation or Association

Purposes: A “National League” or “National Council” is the apex body which registered societies may establish. [Act 2(1), 214] It coordinates, assists and promotes all registered societies; performs other functions as determined by its constituent members and may regulate its own procedure. [Act 215, 216]

The registrar shall consult the apex body from time to time with respect to matters relating to the development of registered societies. [Act 217]

Membership: The apex body shall be composed of a member representative from all societies in Saint Lucia. [Act 214]

Dissolution: Law and Regulations are silent.

Central Finance Facility

Purposes: Law and Regulations are silent, except for providing for a Development Fund.

Membership: Law and Regulations are silent.

Funds: The apex body shall have responsibility for the administration and management of the Development Fund. [Act 215(2)]

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

ST. VINCENT AND THE GRENADINES

<i>Region</i>	Caribbean
<i>Federation</i>	The Cooperative and Credit Union League of St. Vincent & the Grenadines
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	9 (2001)
<i>Number of Members</i>	31,108 (2001)
<i>Total Assets (US\$)</i>	\$30,220,769 (2001)

Rev. 3-92: pb

Legal Authority

Law: Cooperative Societies Act, 1963. [cited as: "Act"]

Regulation: No regulations available.

Definition or Purposes of Credit Union

Definition: A credit union is society that has as its object the promotion of the economic interests of its members in accordance with cooperative principles. [Act 5(1)]

Supervision and Regulation

Government Agency: The Commissioner for Cooperative Development, under the Public Service Commission. [Act 3]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: The Act refers to a society for the disposal of any article or produce obtained by the work or industry of members. [Act 5(1), 17(1)]

A society whose members are cooperative societies registered under this Act or similar Acts of any other country, provided that such society has an established office in St. Vincent, may be registered. [Act 5(2)]

Reports: Regulations of the Minister shall prescribe the returns to be submitted by a society to the Commissioner. [Act 76(d)]

Inspections: The Commissioner, or any person authorized by him/her, has access at all times to the books, accounts, papers and securities of a society and is entitled to inspect the cash in hand. The Commissioner may hold an inquiry into the constitution, working and financial condition of a society or into any aspect of its operations. [Act 48, 49]

Regulations: The Minister may make regulations to carry out the purposes of the Act and to prescribe all things required to be prescribed by the Act. [Act 76]

Enforcement: A society or any officer or member who refuses to comply with any requirement of the Act or regulations is guilty of an offense and liable, on conviction, to a fine and imprisonment. Similarly, any person who wilfully disobeys any summons, order or direction issued is guilty of a punishable offense. Any officer who contravenes the bylaws relating to his/hers duties or functions is liable to a fine by the Commissioner. [Act 61, 62]

A society may be wound up by order of the Commissioner if it persistently violates the provisions of the Act, the regulations, the bylaws, or any orders of the Commissioner. [Act 51(f)]

Membership of Credit Union

Common Bonds of Association: In order to qualify for membership a person must be at least 6 months of age and otherwise comply with the qualifications for membership prescribed in the regulations and bylaws. [Act 28(1)]

Non-Natural Persons Eligible: A corporate body may be a member of a society subject to the approval of the Commissioner. [Act 28(2)]

Liability of Member: The Commissioner may decide to register a society with or without limited liability. [Act 5(1)] The liability of a past member or the estate of a deceased member for the debts of a society as they existed on the date on which he/she died or ceased to be a member shall continue for two years from that date. [Act 35]

Direction and Administration

Annual Meeting of Members: The regulations of the Minister may provide for general meetings of the members, for the procedures and for the powers to be exercised at such meetings. [Act 76(c)]

A member of the society shall have one vote only. No infant shall exercise his/her voting rights in the society until he/she has attained the age of seventeen years. There shall be no voting by proxy except when a meeting is constituted by delegates of branches of a society. [Act 32]

A society that is a member of another society shall exercise its voting rights in that other society through one of its members duly appointed in that behalf. [Act 31(4)]

Board of Directors and Committees: "Board" means the board of directors or another directing body to whom the management of the society's affairs is entrusted. [Act 2]

Management and Employees: “Officer” includes the chairperson or president, secretary, treasurer, member of the board, or other person empowered under the regulations or bylaws to give directions regarding the society’s business. Regulations of the Minister may provide for management of societies. [Act 2, 76(b)]

Audits: The Commissioner shall audit, or cause to be audited, the accounts of every registered society at least once a year as prescribed in the regulations. The Commissioner may authorize a society to appoint a qualified person to audit its books and accounts. [Act 47]

Liability of Officials: The Commissioner may order restitution of a society’s money or property by any past or present officer who has misappropriated or retained it or been guilty of misfeasance or breach of trust. [Act 67]

Conflicts of Interest: Law is silent.

Surety Bond: Law is silent.

Shares and Deposits

Shares: The right of membership cannot be exercised until a member has acquired such interest in the society as specified in the bylaws. No member other than a registered society shall hold more than one-fifth of the share capital of any cooperative society. [Act 29, 30]

Deposits: A society may receive deposits from persons who are not members only under the conditions prescribed by the Regulations and bylaws. A society may receive deposits from an infant. [Act 38, 25(1)]

Dividends and Interest: A society may pay a dividend on share capital at a rate not exceeding that specified in the regulations. Except in the case of members or other societies making fixed deposits, the rate of interest shall not exceed 10 percent. [Act 41]

Lien on Holdings: A society shall have a charge or lien in respect of any debt due from a member or past member upon his/her shares or interest in the capital, on his/her deposits and upon any dividend bonus or surplus payable to him/her, and it may set off any sum payable to him/her in or towards payment of such debt. [Act 24]

Loans

Purpose and Conditions: A society may grant loans only to its members and in accordance with the Regulations and bylaws. [Act 36]

A society may not make loans to other societies without the consent of the Commissioner. [Act 37]

Approval Procedure: Law is silent.

Limits, Terms and Security: With respect to security, a member to whom money has been lent may be required to create a charge in favor of the society in such form as required. The charge obliges the member to pay towards the discharge of his/her indebtedness the proceeds of the sale of any property comprised in the charge upon the happening of any event specified in the charge. [Act 18] Law is silent on loan limits and terms.

Interest Rates and Charges: Law is silent.

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: See “Authorized Investment.”

Authorized Investments: A society may invest or deposit its funds in the Government Savings Bank or any bank approved by the Commissioner; in any securities issued or guaranteed by the government; with any other registered society; or in any other mode approved by the Commissioner. [Act 39]

Capital Adequacy-Reserves

Initial organization: Law is silent.

Permanent Capital See “Regular Reserve” below.

Regular Reserve: Every society that realizes a surplus from its operations as ascertained by the annual audit shall establish and maintain a reserve fund as prescribed in the Regulations. [Act 42]

Loan Loss Allowance: The Minister’s regulations may provide for the writing off of bad debts. [Act 76(f)]

Special Reserves: Every society that realizes a surplus shall make an annual contribution, not to exceed 10 percent of the surplus, to a Cooperative Development Fund. The Fund shall be administered by the Credit Union League and such other functioning supervisory body in existence. [Act 43]

Powers of the Credit Union

General Powers: A registered society shall be a body corporate with perpetual succession and have the power to hold property, enter into contracts and institute and defend suits, other legal proceedings and all things necessary for the purpose of its constitution. [Act 9]

Borrowing: A society may borrow from any society or from any bank approved by the Commissioner. [Act 23]

Merger: Any two or more societies may amalgamate into a single society. Prior approval of the Commissioner and

approval by three-fourths of the members present at a special meeting is required. By the same procedure any society may transfer its assets and liabilities to any other society. [Act 50]

Liquidation: A society may be wound up by order of the Commissioner if the members pass a resolution to wind-up the society; it fails to carry on business; the number of members falls below 12 persons; the society is unable to pay its debts; the society violates provisions of the Act or Regulations or its own bylaws, or orders of the Commissioner; the society violates cooperative principles and practices in its operations; or the conditions on which a society is registered cease to exist. The Commissioner appoints the liquidator who operates under the control and direction of the Commissioner. Procedures for liquidation are prescribed in the regulations. [Act 52-55]

Federation or Association

Purposes: A society with the object of facilitating the operations of another registered society may be registered under the Act. [Act 5(1)]

The Credit Union League shall administer a Cooperative Development Fund to be used for cooperative development purposes. Societies that realize a surplus from their operations as ascertained by the annual audits shall make an annual contribution, not exceeding 10 percent of surplus, to such fund. [Act 43]

Membership: A society of which the members are cooperative societies is eligible to be registered under the Act. [Act 5(2)]

Dissolution: Associations of societies may be registered and, as such, are dissolved according to the same rules as for primary societies. See "Liquidation" above. [Act 5, 52-55]

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

SURINAME

<i>Region</i>	Caribbean
<i>Federation</i>	Suriname Credit
<i>Legal System</i>	Union League
<i>Type of Law</i>	Civil Code
<i>Number of Credit Unions</i>	Cooperative Societies
<i>Number of Members</i>	22 (2001)
<i>Total Assets (USS)</i>	17,355 (2001)
	\$3,156,316 (2001)

Rev.4-00:wj

Legal Authority

Law: Cooperative Societies Act 1944, as amended through 1983. [cited as "Act"]

Ordinance of June 21, 1968 providing general rules governing Supervision of the Banking and Credit System (G.B. 1968, No. 63). [cited as "Ord."]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: Credit unions are institutions whose objectives are to assist their members in saving and/or to grant them credits and advances. [Ord. 1(1)(c)]

A cooperative society is a union of persons whose members can join and resign freely. The aim is to promote the material interests of members, either by purchasing their necessities or by allowing the advances of credit. [Act 1]

Supervision and Regulation

Government Agency: A cooperative society may not start operating unless the President, after consulting the Board of Cooperatives, has declared that he/she has no objections. [Act 6]

The Central Bank of Suriname supervises credit unions, and must approve their commencement of operations. [Ord. 4, 5.1, 22d]

Other Licenses Needed: See "Government Agency" above. A cooperative society must also register at the office of the Commerce Registrar.

Other Institutions Regulated: The Ordinance of 1968 governs various credit institutions, including insurance institutions and pension funds. [Ord. 1.2]

Reports: Every supervised credit union must annually furnish to the Bank of Suriname a balance sheet and

profit and loss account. Credit unions must furnish at any time any information the Bank requires for its supervisory functions. [Ord. 10-12]

Accounts of a cooperative society must be filed with the Commerce Department. [Act 30, 40(1)(d)]

Inspections: Every supervised credit union must allow the Central Bank an opportunity to verify the accuracy of data supplied through its books and records. The Bank may require that accounts be examined by an accountant appointed in agreement with the Bank. [Ord. 10, 11]

Regulations: To promote solvency and liquidity of supervised institutions, the Bank may issue guidelines dealing with ratios of liquid assets to liabilities and volume of credit or investments to capital. The guidelines may also limit or prohibit specified forms of credit or credits and investments which exceed a certain volume. [Ord. 7]

Enforcement: The Bank of Suriname may advise a credit union to adopt policies to safeguard solvency. [Ord. 8] Where it is convinced a credit union cannot meet its obligations, the Bank may apply to the court for a moratorium on the business of the credit union. [Ord. 20]

Where prosecutions by the Bank of Suriname or a credit union whose interests have been damaged result in convictions for offenses under the Ordinance, fines or imprisonment may be imposed. [Ord. 19]

Board members may be fined if they fail to comply with provisions of the Act, such as keeping required documents and records or filing required information or accounts with the Commerce Registrar and the Board of Cooperatives. [Act 40]

Membership of Credit Unions

Common Bonds of Association: The statutes (bylaws) of a cooperative society must contain the name of the district in which it is established. One does not lose membership by no longer meeting the requirements for it. The statutes may permit extension of activities to non-members. [Act 1, 4, 14]

Non-Natural Persons Eligible: Membership of a cooperative society is personal. [Act 9]

Liability of Member: The statutes (bylaws) must set forth the liability of members or their exclusion from it. [Act 4(1)]

In a liquidation, where the assets of a cooperative society are insufficient to meet its obligations, those who were members during its dissolution or who ceased to be members in less than a year previously are responsible to the liquidators for equal parts of the deficit. Regulations

may exclude liability of members. Members may be assessed a greater amount than their share to cover other losses. [Act 18-19, 38]

Direction and Administration

Annual Meeting of Members: All members have access to the general meeting of members and, unless statutes (bylaws) prescribe differently, have one vote each. [Act 21]

The board of a cooperative society, of five members, is appointed by the general meeting of members. [Act 26] Three supervisory directors, who are not members of the board, are appointed by the general meeting of members, but statutes (bylaws) may provide that at least one-third of the supervisors can be appointed by one or more persons who need not be members of the cooperative society. [Act 26(3-4), 27]

If a cooperative society has at least 200 members, the statutes (bylaws) can provide that the general meeting will elect a board of at least 20 members. If the number of members falls below 200, that board is dissolved, and statutes prescribe the election and the number of members of the board. [Act 22] General meetings may be summoned by one-fifth of the members or one-fifth of the board members. [Act 24]

Board of Directors and Committees: See "Annual Meeting of Members."

Management and Employees: Unless the statutes provide differently, the board appoints a chairman, a secretary and a treasurer from its members. [Act 26] The board has the authority to hire management and staff employees. [Act 29-31]

Audits: The supervisory committee inspects the accounts of the board and reports to the general meeting of members. The supervisory committee may ask for expert advice for its oversight functions. The board is obliged to give all information required for auditing the books and affairs of a society. [Act 27]

Liability of Officials: Board members and supervisory directors may be held liable for losses suffered by the cooperative society which result from their actions. [Act 32-33]

Conflicts of Interest: Law and Regulation are silent.

Surety Bond: Law and Regulation are silent.

Shares and Deposits

Shares: A member is expected to fully pay the amount of shares with which he/she has participated in the cooperative society. [Act 17(1-2)]

Deposits: Law and Regulation are silent.

Dividends and Interest: Law and Regulation are silent.

Lien on Holdings: Law and Regulation are silent.

Loans

Purpose and Conditions: Credit unions' purposes are to grant credits and advances to their members. [Ord. 1.1.c]

Approval Procedure: Law and Regulation are silent.

Limits, Terms and Security: The Bank of Suriname may give direction and guidelines to credit unions or their representative organizations regarding the maximum volume or limits on credit. [Ord. 6.4 (b-c)]

Interest Rates and Charges: Law and Regulation are silent.

Loans to Officials: Law and Regulation are silent.

Investment of Funds

Deposit of Funds: Law and Regulation are silent.

Authorized Investments: The Bank of Suriname may give directions and guidelines to credit unions or their representative organizations containing provisions regarding the maximum volume or limitations on investments or on certain portions of such assets, or regarding the forms of investments which are authorized. [Ord. 6.4.b-c, 7]

Capital Adequacy-Reserves

Initial Organization: Law and Regulation are silent.

Permanent Capital: Law and Regulation are silent.

Regular Reserve: The Bank of Suriname may issue guidelines on the volume of credits or investments, credits and capital. The bank must approve changes in capital. [Ord. 4, 7-8]

Loan Loss Allowance: Law and Regulation are silent.

Special Reserves: The Bank of Suriname may give general directions to credit unions or their representative organizations, which contain provisions regarding the minimum ratio between the volume of liquid assets or of certain portions thereof, and the liabilities, or certain portions thereof. [Ord. 6.4.a, 7]

Powers of the Credit Union

General Powers: The cooperative society is a legal corporation. A credit union is a legal person. [Act 8, Ord. 1.4]

A cooperative society will not lose its charter if the statutes permit the extension of activities to non-members, or if it promotes other aims besides material goals. [Act 1]

Borrowing: Law and Regulation are silent.

Merger: The Bank of Suriname must approve any merger or permanent participation of a credit union with another union, credit institution, or other enterprise; and it must approve any financial reorganization. [Ord. 5.2]

Liquidation: A cooperative society is dissolved with the expiration of its term of existence; a resolution of the general meeting; its insolvency, after having been declared bankrupt; or the sentence pronouncing dissolution. Except in case of bankruptcy, the board appoints the liquidator.

The attorney general is authorized to apply to the court for dissolution of a society which is acting contrary to good morals, public order, or its statutes. Where a cooperative society is dissolved by the court, the judge supervises liquidation and may appoint a trustee. [Act 34-36]

Federation or Association

Purposes: A representative organization is appointed by the Ministry of Finance and Planning as representative of a group of credit unions. [Ord. 1.1.d]

Membership: See "Purposes" above.

Dissolution: Law and Regulation are silent.

Central Finance Facility

Purposes: Law and Regulation are silent.

Membership: Law and Regulation are silent.

Funds: Law and Regulation are silent.

Share and Deposit Protection

Purposes: Law and Regulation are silent.

Coverage: Law and Regulation are silent.

Membership: Law and Regulation are silent.

Funds: Law and Regulation are silent.

TORTOLA

<i>Region</i>	Caribbean
<i>Federation</i>	Tortola Co-operative Credit Union
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	1 (2001)
<i>Number of Members</i>	247 (2001)
<i>Total Assets (US\$)</i>	\$72,395 (2001)

Rev. 6-92: wj

Legal Authority

Law: Statute Cooperative Societies Ordinance, 1979.
[cited as "Ord."]

Regulations: Cooperative Societies Regulations, 1982.
[cited as "Reg."]

Definition or Purposes of Credit Union

Definition: A society which has as its object the promotion of the economic interests of its members in accordance with cooperative principles, or a society with the object of facilitating the operations of such a society, may be registered. [Ord. 4]

Supervision and Regulation

Government Agency: The Minister may appoint a person to be the Registrar of Cooperative Societies for the Territory and persons to assist him/her. [Ord. 3]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Societies to dispose of articles produced or obtained by work or industry of its members, whether produce of agriculture, animal husbandry, fisheries, handicrafts, or otherwise, are referred to. [Ord. 14]

Reports: In every year the committee shall cause the secretary to prepare and send to the registrar the yearly balance sheet together with a detailed statement of the profit and loss account and a report on the year's working of the society. [Reg. 32]

Inspections: The registrar or his/her appointee shall have access at all times to all the books and other information relation to the affairs of a registered society and shall be entitled to inspect cash in hand; and every officer and member shall furnish such information as required.

The registrar may of his/her own motion, and shall on the application of a majority of the committee or of not less than one-third of the members of a society, hold an inquiry into the constitution, working and financial condition of a society. An inquiry on application of a creditor to a society may be made. Results of inquiries must be submitted to the creditor and to the society. [Ord. 44, 45]

Regulations: The Minister may make all such regulations as necessary to carry out the Ordinance. [Ord. 61]

Enforcement: Disputes touching the business of a registered society shall be referred to the registrar for decision, who may decide them him/herself or refer them to arbitration. Questions of law in a dispute may be referred to the High Court.

Contravening or failure to comply with the ordinance, failure to furnish required information or furnishing false information and disobeying any summons or lawful order by the registrar are offenses punishable, upon summary conviction, by fines or imprisonment.

If the registrar, after inquiry or inspection, or on application of three-fourths of the members of a society, is of the opinion that the society ought to be dissolved, he/she may order the registration cancelled, and appoint a liquidator. [Ord. 47, 50, 59, 60, 64, 65, Reg. 48, 49, 50, 51, 52, 53, 54, 55]

Membership of Credit Unions

Common Bonds of Association: Societies must have at least six persons, who must be at least 16 years old. Minors may be members under some circumstances.

No person may be a member of more than one society whose primary object is to grant loans to its members.

Persons may exercise the rights of membership after they acquire such interest or make such payment as prescribed in the regulations or bylaws. [Ord. 5, 20, 23, 24, 25, 28, Reg. 8.1, 36.1(c)(e)]

Non-Natural Persons Eligible: Law and Regulations are silent.

Liability of Member: In credit societies, the liability of members shall be limited by shares.

Bylaws shall provide for the nature and extent of liability of members. The liability of a society which includes at least one registered society among its members shall be limited.

The liability of a past member or the estate of a deceased member for the debts of a registered society shall not continue for a period of more than two years after end of membership or the death of the member. [Ord. 4, 31, Reg. 36.1(f), 36.3(a)]

Direction and Administration

Annual Meeting of Members: Supreme authority in a society shall be vested in a general meeting of members, which every member shall have a right to attend and to vote on all questions.

The annual general meeting shall be convened by the committee or by the registrar as soon as the audit report is received by the society. Special general meetings may be called.

Each member shall have one vote only in the affairs of the society and may not vote by proxy, except where the member is itself a registered society or a branch of a society, as prescribed in bylaws.

The committee shall be elected from amongst the members of the society at the annual general meeting.

In credit societies, a credit committee and a supervisory committee shall be elected by the annual general meeting, provided that no member of the supervisory committee may be a member of any other committee. [Ord. 27, Reg. 13, 16, 17, 22, 36.3(c)]

Board of Directors and Committees: The committee is the governing and management organ of a society. It shall have the power to represent the society before all competent authorities and to institute and defend suits; in general, it shall carry out such duties as not specifically assigned by the regulations or bylaws to another officer or to general meetings.

Members of the committee may not receive salary or wages from the society.

The supervisory committee shall be for the purpose of internal audit and supervision in credit societies. The credit committee shall be for the granting of loans to members. [Ord. 2, Reg. 24, 26, 36.3(c)]

Management and Employees: The committee shall appoint a secretary and may appoint a treasurer and other clerks and employees as it considers necessary. [Reg. 29]

Audits: At least once in every year, every society shall cause the accounts of the society to be audited by a competent authority appointed in consultation with the registrar. The audit shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the society. The auditor shall have full authority to summon witnesses and require the production of documents for his/her inquiry. The registrar shall forward the report of the auditor to the committee. [Ord. 42, Reg. 34]

Liability of Officials: After inquiry by the registrar at the request of a creditor, costs of the inquiry may be apportioned among the officers or former officers of the society.

Upon liquidation, if the registrar finds that any person who has taken part in the organization or management of a registered society has misappropriated, retained, or become liable or accountable for any money or property of the society, or has been guilty of misfeasance or breach of trust, the registrar may order restitution or such compensation as he/she thinks just. [Ord. 46, 57]

Conflicts of Interest: Members of the committee may not receive salary or wages from the society. [Reg. 26(a)]

Surety Bond: All officers holding the funds of a society may be required to give security in such amount as the committee may determine. [Reg. 30]

Shares and Deposits

Shares: No member of a registered society shall exercise the rights of a member unless or until he/she has made such payment to the society in respect of membership or acquired such interest as may be prescribed in the regulations or bylaws.

No person other than a registered society shall hold more than 20 percent of the share capital of any registered society. Participation in the share allocation shall be regulated by the constitution and bylaws of the society. [Ord. 24, 29]

Deposits: In credit societies, deposits may be received from members only.

The maximum liability in deposits fixed by the society shall be subject to the sanction of the registrar who may reduce it at any time. [Ord. 33, Reg. 12, 36.1(g)]

Dividends and Interest: After contributions to reserve funds, the remainder of any surplus in a year and any retained surplus from past years may be divided among members by way of dividend or bonus.

No society may pay dividends on share capital to its members at a rate exceeding 8 percent per annum on the capital actually paid up.

No society shall pay a dividend if the rate of interest on loans granted by it to its members exceeds 12 percent per annum. [Ord. 36, 38, Reg. 10(1, 2, 3, 4)]

Bylaws shall set the maximum rate of interest on deposits. [Reg. 36.3(d)]

Lien on Holdings: A member to whom money has been lent by a society may be required to create a charge in favor of the society in such form as prescribed at the time of the loan.

A registered society shall have a charge upon the shares or interests in the capital, on the deposits and upon any dividend, bonus, or surplus payable to a member, past

member, or deceased member in respect of any debt due the society and may set off any sum credited or payable in or towards payment of such debt.

Shares or interest in a society are not otherwise liable to attachment. [Ord. 15, 16, 17]

Loans

Purpose and Conditions: A registered society may make loans to members and other persons in accordance with the provisions of its constitution and bylaws. [Ord. 32, Reg. 36.2(a), 43]

Approval Procedure: Members of credit societies who desire to obtain a loan shall submit an application stating the amount and purpose for which the loan is required, the term for which it is asked, whether it is desired to repay by installments and the names of any proposed sureties or other security which is offered.

The credit committee shall consider every application, and, if satisfied, may sanction the loan. [Reg. 40, 41]

Limits, Terms, and Security: When approved by the credit committee of a credit society, loans shall be granted to members who are able to obtain two sureties or other security.

The period of a loan shall not exceed three years, unless extended by the credit committee. [Reg. 42, 44]

Interest Rates and Charges: Bylaws shall provide for the conditions on which loans may be made to members, including the rate of interest, and the consequences, if any, of default in the payment of any sum due on account of shares.

In credit societies, the rate of interest on loans shall not exceed 12 percent per annum. [Reg. 36.2, 36.3(e)]

Loans to Officials: A member of the credit committee or other officer who applies for a loan or who is proposed as surety for a loan must withdraw from the meeting while the relevant application is being discussed. [Reg. 41.3]

Investment of Funds

Deposit of Funds: See "Authorized Investments" below.

Authorized Investments: A registered society may, subject to the approval of its governing body and after consultation with the registrar, invest or deposit its funds (a) in a financial institution holding a general banking license issued under section 5(2) of the Banking Ordinance, 1972; (b) in any securities issued or guaranteed by the Government of the Territory; or (c) with any other society. [Ord. 35, Reg. 36.1 (j)]

Capital Adequacy-Reserves

Initial organization Law and Regulations are silent.

Permanent Capital: See "Regular Reserve" below.

Regular Reserve: Every society shall maintain a "Reserve Fund" separately in its books of accounts and transfer to it not less than 10 percent of the net profits in a year. [Reg. 10.1, 11]

Loan Loss Allowance: With the approval of the registrar, the committee may cause bad debts to be written off the books of a society. [Reg. 31]

Special Reserves: Every society that realizes a surplus from its operations as ascertained by the annual audit shall make contributions to a fund maintained for capital and social development purposes of not less than 15 percent of the net annual profits. The bylaws and Regulations shall determine the limits of such contributions. [Ord. 37, 39, Reg. 10.1]

Powers of the Credit Union

General Powers: Registration renders a society a body corporate with perpetual succession and with the power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purpose of its constitution. [Ord. 8]

Borrowing: The committee may borrow money on behalf of the society.

A registered society may receive deposits and loans from members and non-members only to such extent and under such conditions as may be prescribed by its constitution and bylaws. The maximum liability in loans fixed by the general meeting of a society is subject to the sanction of the registrar who may reduce it at any time. [Ord. 33, Reg. 12, 28]

Merger: Law and Regulations are silent.

Liquidation: The registrar may cancel the registration of a cooperative society after inquiry or inspection; on application of three-fourths of the members of the society; in the case of a society which has no other registered societies among its members; or if the number of members falls below seven persons. The registrar controls the liquidation and appoints the liquidator whose powers are detailed. [Act 47-58, Reg. 51-55]

Federation or Association

Purposes: A society may be established with the object of facilitating the operations of other societies. Liability of such a society shall be limited. [Ord. 4]

Membership: A society may be a member of another society. [Ord. 2, 5]

Dissolution: As registered societies, secondary societies are dissolved according to the same procedures as for primary societies. See "Liquidation" above. [Act 4, 47-57, Reg. 51-55]

Central Finance Facility

Purposes: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

TRINIDAD & TOBAGO

<i>Region</i>	Caribbean
<i>Federation</i>	Credit Union League of Trinidad & Tobago
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	79 (2001)
<i>Number of Members</i>	290,575 (2001)
<i>Total Assets (US\$)</i>	\$456,766,982 (2001)

Rev. 12-99:CULTT:rd

Legal Authority

Law: Cooperative Societies Act, 1971. [cited as "Act"]

Regulations: Cooperative Societies Regulation, 1971. [cited as "Reg."] Cooperative Societies (Amendment) Regulations 1997. [cited as "Legal Notice #201"]

Definition or Purposes of Credit Union

Definition: "Credit Union" means a society which has as its objects the promotion of thrift and the creation of a source of credit for its members, the majority of whom are not agriculturists, for provident or productive purposes. [Act 2]

Supervision and Regulation

Government Agency: The Commissioner for Cooperative Development, under Minister of Labour and Cooperatives. [Act 3]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Agricultural Cooperative Societies. [Act 26]

Reports: Every year, as directed, the board must send to the Commissioner the society's audited balance sheet and the statements for the preceding year of profits and loss, receipts and payments and a list of borrowers in default. [Reg. 33]

Inspections: The Commissioner may hold an inquiry into the constitution, operations and financial position of a society and may inspect the books, accounts and other records. The Commissioner has access at all times to the records and securities and may inspect the cash in hand. Officers and agents must furnish him/her any required information. [Act 4(1), 5]

Regulations: The Minister of Labour and Cooperatives may make regulations to carry out the purposes of the Act and prescribe specific matters and procedures. [Act 81]

Enforcement: Any person who wilfully or without reasonable cause disobeys any summons, order, or direction issued under the Act or Regulation is guilty of an offense. [Act 71(2)]

If, after an inquiry, the Commissioner believes the board has mismanaged a society or performed its duties improperly, he/she may call upon the society to remedy the situation within 90 days. If the society fails to comply, after a hearing, the Commissioner may dissolve the board and appoint one or more persons to manage the society for up to two years. [Act 4]

Membership of Credit Unions

Common Bonds of Association: No society may be registered unless there exists among its members some common bond of occupation or association or of residence in a defined neighborhood or district. [Act 9]

Non-Natural Persons Eligible: A society with another society as a member is excepted from the common bond requirement above. [Act 9]

Liability of Member: A society may be established with or without limited liability. [Act 8]

A society which is a credit union shall provide in its bylaws that the liability of the members for the debts of the society is limited by their shares. [Reg. 50(3)]

Direction and Administration

Annual Meeting of Members: The supreme authority in a society shall be vested in the general meeting. Every member has a right to attend and vote at all general meetings. Each member shall have only one vote and may not vote by proxy. A society that is a member of another society may exercise its voting rights through a designated member. [Act 14, Reg. 15, 16]

Board of Directors and Committees: The board is the body to whom the management of affairs of a society is entrusted. The board shall be elected at the annual general meeting in accordance with the bylaws. The board represents the society before all public authorities and in dealings with third parties and has the duty to manage the affairs of the society. It shall meet as often as the society's business requires. [Act 2, Reg. 24, 25, 26]

The bylaws shall provide for two committees to be elected annually by the members: 1) a credit committee for granting loans and 2) a supervisory committee for supervision. A member of the supervisory committee may not serve on the credit committee. [Reg. 50(3)]

Management and Employees: The board may appoint such officers and employees as it considers necessary. [Reg. 30(2)] The bylaws shall provide the duties of the officers and managers. [Reg. 50(1)]

Audits: Every society shall have its accounts audited annually by the Commissioner or a person authorized by him/her. The audit shall include an examination of overdue debts, if any, verification of cash balances and securities and a valuation of the assets and liabilities. The Commissioner or other auditor shall have free access to books and records and may require officers and members to furnish relevant information and documents. The Commissioner shall forward a copy of an adverse audit report to the board with his/her comments. [Act 51]

Liability of Officials: A past or present officer or a person who has taken part in the organization or management of a credit union may be required to repay or restore money or property or compensate the society in regard to any misapplication, retention, dishonesty, or breach of trust. [Act 65(1)]

Conflicts of Interest: Law and Regulations are silent.

Surety Bond: A society may require a member to give a bond with or without surety as additional security for the repayment of any loan and any condition thereby imposed on the member relating to the payment of capital. Interest shall be strictly observed and performed and, on breach of any such condition, the bond shall be forthwith forfeited. [Act 37(1), 40 Reg. 36(3)]

Shares and Deposits

Shares: A person may not exercise the rights of membership unless he/she has paid such membership fee or acquired such interest as the bylaws specify. The register of members shall indicate their shareholdings. [Act 12, 24]

Deposits: The bylaws shall provide that deposits may be received from members only. [Reg. 50(3)]

Dividends and Interest: There is no ceiling on dividends on share capital. Reg. 13(2) setting 8 percent ceiling revoked by Legal Notice #201.

The bylaws shall provide for the maximum rate of interest on deposits. [Reg. 50(1)]

Lien on Holdings: A society has a charge or lien in respect to any debt due from a member or past member upon his/her shares, interest in the capital and his/her deposits and upon any dividend, bonus or surplus payable to him/her and may set off any sum payable to him/her in or towards payment of any such debt. [Act 36]

Loans

Purpose and Conditions: A society may make advances by way of loans to its members in accordance with its bylaws. [Act 28(1)]

Approval Procedure: The board or credit committee must approve each loan granted. It must be satisfied with the applicant's trustworthiness, sufficiency of any security offered and the advantage to the borrower in the way of increased production or economy. [Reg. 36, 38]

Limits, Terms and Security: The loan instrument shall contain such terms, conditions and security as the credit committee considers necessary. [Reg. 40]

Interest Rates and Charges: There are no ceilings on interest rate on loans. [Former ceilings revoked, Legal Notice #201]

A bonus rebate may be paid in proportion to the interest paid by a member. [Reg. 13(4)]

Loans to Officials: A loan to an officer, exceeding his/her shares and deposits, must be approved by at least two-thirds of the board, credit committee and supervisory committee acting as body. The applicant must withdraw while the consideration is taking place. [Act 43(3), Reg. 36(3)]

Investment of Funds

Deposit of Funds: See "Authorized Investments."

Authorized Investments: A society may invest or deposit its funds:

- a. in any bank approved by the Commissioner;
 - b. in any securities issued or guaranteed by the government;
 - c. in the shares of any society with limited liability or on the security of any other society; or
 - d. in any other manner permitted by the Commissioner.
- [Act 45]

The bylaws shall provide the manner of investment of funds. [Reg. 50(1)]

Capital Adequacy-Reserves

Initial Organization: Law and Regulations are silent.

Permanent Capital: Law and Regulations are silent.

Regular Reserve: Every society that realizes a surplus shall establish and maintain a reserve fund. At least one-tenth of the net surplus each year shall be credited to the reserve fund. [Act 47] No dividend or payment from the surplus may be made until the reserve fund has reached one-tenth of the total liabilities of the society. [Reg. 13]

Loan Loss Allowance: Law is silent; however, the reserve fund may, with the Commissioner's approval, be applied to meet bad debts or losses sustained through extraordinary circumstances over which the society has no control. [Act 47]

Special Reserves: With approval of the Commissioner, any society, after making prescribed reserve payments, may set aside up to 20 percent of its net surplus for contributing to any public, cooperative or charitable purpose. [Act 50]

Powers of the Credit Union

General Powers: The registration of a society establishes it as a body corporate. [Act 20]

The board may institute law suits on behalf of the society and defend suits brought against it. [Reg. 25(2)]

Borrowing: A society may borrow from any other society or from any bank approved by the Commissioner on the security of any charge executed and registered in accordance with section 30 and may, for this purpose, assign any such charge to the other society or bank. [Act 35(1)]

The board may borrow on behalf of the society not to exceed the maximum liability fixed at a general meeting of the members and approved by the Commissioner. [Reg. 29, 14]

Merger: A society may amalgamate with other societies to form a single society. It may transfer its assets and liabilities to another society or divide itself into two or more societies. [Act 53-55]

Liquidation: The Commissioner may order a society to be wound up and a liquidator appointed, after an inquiry or if the society's membership falls below a certain number set as a condition of registration. Where no liquidator is appointed, the society's assets and liabilities rest with the Commissioner. A liquidator is empowered to perform various tasks to wind-up the society's affairs, such as settling claims, paying debts, collecting sums due and distributing assets. [Act 56-61, Reg. 57]

Federation or Association

Purposes: The Act provides for the registration of a society established to facilitate the operations of another society that promotes the economic welfare of members in accordance with cooperative principles. Such a society has limited liability. [Act 8(1)]

A society whose object is to assist or foster credit unions and whose membership consists entirely of credit unions is further exempt from certain requirements on deposits, interest and internal structure that apply to other societies. [Reg. 51(4)]

Membership: Special provision is made for the registration of a society the members of which consist solely of other societies. [Act 16] A society that has other societies as members is exempt from common bond requirements. [Act 9]

Dissolution: See “Liquidation,” above.

Central Finance Facility

Purposes: There are no special provisions in the Act, but a society may borrow from any other society. [Act 35(1)]

Membership: See “Federation or Association,” above.

Funds: See “Purposes.”

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

EUROPE

Region Includes:

Bulgaria
The Czech Republic
France
Germany
Great Britain
Hungary
Ireland
Latvia
Lithuania
The Netherlands
Northern Ireland
Poland
Romania – CARs
Romania – Credit Cooperatives
Russia
Ukraine

BULGARIA

Region	Europe
Federation	N/A
Legal System	Civil Code
Type of Law	Cooperatives Act
Number of Credit Unions	13 (2001)
Number of Members	11,067 (2001)
Total Assets (US\$)	1,858,875 (2001)

Rev. 3-00: wj

Legal Authority

EXPLANATORY NOTE: Any references in this digest to "credit unions" refer to "mutual kasas." Bulgarian mutual and popular kasas were first set up in the 1950s to provide assistance to members and their families, encourage savings through deposits, supply short term loans and other services. While they are legal, they are not regulated or supervised, and there are no prudential standards of safety and soundness in place.

The Banking Act of 1998 does not apply to mutual aid funds set up by cooperative societies; however, the Bulgarian National Bank must authorize such funds to engage in depository and crediting operations, under a separate law which is not yet drafted. The State Financial Control Act (not available) governs official auditing procedures. [Banking Act 2; Cooperatives Act 36, 63]

Law: Promulgated State Gazette No. 113/28.12.99 (Revokes the Cooperatives Act promulgated State Gazette no. 63/1991, amended 1992, 1994, 1996, 1997, 1998 and 1999). [cited as "Act"]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: A cooperative is a voluntary association of natural persons with variable capital and a variable number of members engaging in commercial activity along the lines of mutual assistance. [Act 1]

A cooperative may engage in depository and crediting operations. [Act 36]

Supervision and Regulation

Government Agency: A cooperative shall register with the district court where it is located. [Act 3]

Other Licenses Needed: Authorization by the Bulgarian National Bank is required for a cooperative to carry on depositing and crediting operations. [Act 36]

Other Institutions Regulated: Law is silent.

Reports: The annual accounting reports of the cooperatives, cooperative or joint cooperative enterprises and cooperatives associations must be certified by a licensed auditor or auditing company. [Act 62]

Inspections: Specialized financial control bodies established with cooperative associations shall carry out auditing under the State Financial Control Act at the request of the Minister of Finance and under the direct control of the state financial control authorities. Those authorities may also carry out financial auditing. [Act 63]

Regulations: Depository and crediting operations must be authorized by the Bulgarian National Bank under a separate law (not available). [Act 36]

Enforcement: The district court where a cooperative is located may suspend or enjoin any resolution or act of its managing body should it be found in contravention of the law or the statutes (bylaws). Such injunction may be sought by any member of the cooperative, by its control board, by the cooperative association of which it is a member, or by the office of the public prosecutor. [Act 58-61]

Membership of Credit Unions

Common Bonds of Association: At least seven natural persons may constitute a cooperative. Statutes (bylaws) of a cooperative establish the eligibility, rights and obligations of its members. [Act 2]

Members must be at least 16 years old and subscribe to the statutes (bylaws) of the cooperative. Persons under 16 may be members with consent of a parent or guardian. Everyone shall be free to be a member of more than one cooperative. [Act 7, 10(2)]

Non-Natural Persons Eligible: Only natural persons may form a cooperative. [Act 1-2]

Liability of Member: A cooperative shall be held liable to the extent of its assets. A member of a cooperative shall be held liable to the extent of his/her shares. However, the statutes (bylaws) of a cooperative may provide for a maximum amount that exceeds his/her shares. [Act 32]

Direction and Administration

Annual Meeting of Members: A general meeting of the cooperative shall be convened once a year, and special meetings may be called. [Act 16]

The constituent assembly or general meeting of a cooperative adopts or amends its statutes (bylaws) and elects its managing board and control board from among its members. Statutes establish the decision-making procedure.

The general meeting is competent to debate and resolve all matters pertaining to the cooperative. The general meeting appoints the auditor, approves financial and other reports, decides on membership and makes other business decisions. [Act 2, 15, 27]

A member has a right to participate in and vote at a cooperative's general meeting, in person or by proxy. Each member has one vote, irrespective of his/her share capital; one person may not represent more than three members. A member may be elected to its managing bodies. [Act 9(1) 2-3, 19]

The general meeting of a cooperative consists of all of its members. Cooperatives with more than 200 members may establish a meeting of up to 70 plenipotentiaries or representatives elected according to the statutes (bylaws). [Act 15(1-2)]

Board of Directors and Committees: The managing board is elected from among the members. A new managing board may not have more than two-thirds of the members of the incumbent managing board.

The managing board elects a president of the cooperative. Statutes (bylaws) establish managing bodies and their prerogatives. [Act 2, 20]

The managing board implements the resolutions of the general meeting, directs the activities of the cooperative, appoints the executive director and other executives and performs other functions according to the law and the statutes (bylaws). [Act 21]

The control board monitors the activities of the cooperative and reports to the general meeting. A member of the control board may attend the meetings of the managing board and is entitled to a deliberative vote. The control board may convene a general meeting where it finds violations of the statutes (bylaws) or the law. [Act 28]

Management and Employees: The managing board may appoint the executive director. [Act 26]

Audits: Annual audits must be carried out by a licensed auditor or auditing company. Specialized financial control bodies established with cooperative associations or state financial control authorities may also carry out audits. [Act 62-63]

Liability of Officials: Members of the managing board or of the control board shall be jointly liable for any damages caused by them to the cooperative. [Act 24, 28(4)]

Conflicts of Interest: Close relatives of board members or control board members, minors and anyone occupying a managerial, accounting, or materially liable post may not be elected to the managing board or the control board. [Act 20, 27]

Surety Bond: Law is silent.

Shares and Deposits

Shares: Statutes (bylaws) of a cooperative establish the size of members' subscription and shares. [Act 2(3) 5]

The property shares of members shall increase or decrease subject to funds allocated to investment, depreciation of the value of property, amortization and restitution of property shares to individuals relinquishing membership. [Act 29(4)]

Deposits: A cooperative may engage in depository and crediting operations by resolution of the general meeting and with the authorization of the Bulgarian National Bank. [Act 36]

Dividends and Interest: The general meeting, in accordance with statutes (bylaws) of a cooperative, establishes the manner of distributing profits and losses, the types of funds and dividends and the manner in which they are determined. A member has the right to receive dividends. [Act 2(3) 6-7, 9(1) 6, 33]

Lien on Holdings: The share of a former member shall be reimbursed only after he/she has redeemed all his/her liabilities to the cooperative; and may deduct any debt outstanding from money owed to him/her. [Act 14]

Loans

Purpose and Conditions: A cooperative may engage in depository and crediting operations by resolution of the general meeting and with authorization of the Bulgarian National Bank. [Act 36(3)]

Approval Procedure: Law is silent.

Limits, Terms and Security: Law is silent.

Interest Rates and Charges: Law is silent.

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: Law is silent.

Authorized Investments: Funds allocated to investment, ownership of securities and company stock are referred to as property of the cooperative. [Act 29]

Capital Adequacy-Reserves

Initial Organization: The sum total of paid-in capital shall form the start-up capital of the cooperative. Each member pays a subscription share in an amount established by statute (bylaws). [Act 31(1-2)]

The capital of a cooperative shall be distributed as shares among the members. Its funds sources include members' subscriptions and members paid-in capital. [Act 29(2), 30]

Permanent Capital: The property shares of members form the capital of the cooperative. [Act 30(3)]

Regular Reserve: A cooperative shall maintain a contingency reserve of at least 20 percent of its capital, the amount of which shall be set by the general meeting. The amounts set aside for different cash funds shall be charged to the cooperative's income. [Act 33(3), 34]

Loan Loss Allowance: Law is silent.

Special Reserves: A cooperative may maintain other cash funds by a resolution of the general meeting. [Act 34(1)]

Powers of the Credit Union

General Powers: A cooperative shall be a corporate body. Every cooperative may establish a cooperative commercial enterprise on its own or jointly with other cooperatives. [Act 1, 34-35]

A cooperative may not be a shareholder with unlimited liability in joint stock companies or trusts. [Act 53(3)]

Cooperative property shall consist of ownership rights and other material rights over amounts due, intellectual property, securities, company stock and other rights and obligations. [Act 29]

Income for a cooperative includes business earnings, additional capital contributions and other income. [Act 30]

Borrowing: Members shall be free to extend loans to a cooperative which shall not be considered part of its capital. The interest rate on such loans is established by the general meeting. [Act 31(6-7)]

Merger: The terms of any merger or amalgamation of cooperatives are negotiable between their boards of directors and require approval of their general meetings. Separation or division of a cooperative requires approval of its general meeting. [Act 37]

Liquidation: A cooperative shall be terminated by resolution of a general meeting; by a district court ruling if it is found that the cooperative pursues illegal aims or activities or has too few members; upon expiry of the term for which it has been set up or as otherwise provided in the statutes (bylaws); upon merger with another cooperative; upon declaring insolvency; or upon spin-off.

A terminated cooperative shall be placed in liquidation. The general meeting or, in the case of a court-ordered liquidation, the court shall appoint the liquidator. Procedures for liquidation are detailed. [Act 40-51]

Federation or Association

Purposes: Cooperatives may form associations. And associations may form their own unions or federations. Associations shall assist members in the attainment of their goals and objectives, evolve guidelines for the development of cooperative activity, represent and protect the interests of its members nationally and internationally and perform other functions. [Act 54-55]

Specialized financial control bodies established with cooperative associations shall carry out financial auditing under the State Financial Control Act at the request of the Minister of Finance and under the direct control of the state financial control authorities. [Act 63]

Membership: An association must have at least three member cooperatives. [Act 54(1)]

Dissolution: Law is silent.

Central Finance Facility

Purposes: A cooperative association shall be free to set up cash funds for the purpose of mutual assistance, education, occupational training, etc. [Act 57]

Membership: An association requires at least three cooperatives as members. [Act 54(1)]

Funds: Money for the funds is collected from the profits of constituent cooperatives. [Act 57]

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

CZECH REPUBLIC

<i>Region</i>	Europe
<i>Federation</i>	Czech Association of Credit Unions
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	35 (1998)
<i>Number of Members</i>	48,000 (1998)
<i>Total Assets (US\$)</i>	\$116,871 (1998)

Rev. 5-00:wj

Legal Authority

Law: Act No. 87/1995 Coll. Relating to Savings and Credit Cooperatives, effective January 1, 1996; as amended by Law No. 100/2000 Coll., effective May 1, 2000. [cited as "Law"] Cooperative Societies Act, No. 513/1991 not available.

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: A credit union is a cooperative association which supports its members' business by conducting primarily financial activities, such as providing credit, furnishing security and other services. It shall not be a bank as defined by the banking law, and its activities shall not be regarded as performance of a trade. [Law 1/3, 1/5]

Supervision and Regulation

Government Agency: A credit union supervisory office is established to ensure compliance and supervise the activities and business management of credit unions and the stabilization fund. The director of the office is appointed and recalled by the Minister of Finance. [Law 22, 24(1)]

Other Licenses Needed: A credit union is governed by a cooperative society law unless the credit union act provides otherwise. [Law 1(2)]

The Accountancy Act, the Commercial Code, the Banking Act, the Securities Act, the Debentures Act, the law relating to auditors and the Chamber of Auditors of the Czech Republic, the Czech National Bank Act and other laws are referred to as governing aspects of credit union operations.

Other Institutions Regulated: Law is silent.

Reports: The annual report of a credit union is submitted to the office of supervision of credit unions. [Law 6(6), 27(2)(b)] Members of the elected body of the credit union are obliged to report to the office on all facts that might

cause a threat to the business or the supervision activities of the credit union. [Law 6(10), 28(a)]

Inspections: The office shall examine the activities and audit the accounts of the credit unions. [Law 27(2)(c)]

Regulations: The Ministry of Finance shall, on the motion of the office, issue legal provisions regulating to the duties of credit unions when keeping account, the rules and indexes relating to solvency and liquidity and the contents of the annual report. [Law 28(i)] The office is also to ensure implementation of decisions issued by itself. [Law 22(2)]

Enforcement: If the office finds conditions harmful to a credit union, or in violation of the law, it may order corrections. It may call a members' meeting and order an extraordinary audit. It may impose a fine on a person or credit union of up to K10,000,000; it may recall or disqualify individual officials of the credit union or the whole of an elected authority. The office may annul a decision of the credit union, restrict or prohibit its activities, or impose forced administration upon a credit union. It may impose conditions on the permission to operate or revoke its permission. [Law 28]

Where compulsory administration is imposed, the office appoints the receiver who has full powers to operate the credit union. [Law 28c-28f]

If the office damages a credit union by having transgressed the law, the credit union can receive compensation from the Fund. [Law 23(2)]

Membership of Credit Unions

Common Bonds of Association: The rules of a credit union specify the conditions of membership and the relationship between the member and the credit union. [Law 5(1)(c), 5(1)(k)]

A credit union must have at least 30 members. Membership is not transferable nor can membership arise by inheritance. [Law 2(1), 4(1)] A member has the right to enjoy services of a credit union and the right to obtain information about its operation. [Law 4(2), 5(1)(n)]

Non-Natural Persons Eligible: Only natural persons may be members of a credit union. [Law 4(1)]

Liability of Member: A member's liability for the credit union's losses is determined by its rules(bylaws) but must be at least twice as high as the amount of the membership share. This duty may be different for individual members according to the amount of their deposits or for elected bodies of the credit union. [Law 4(3), 5(1)(m)]

Direction and Administration

Annual Meeting of Members: In the voting within a credit union, each member shall have one vote. The annual report of a credit union is submitted to the annual meeting of members. The credit committee is elected from the annual meeting of members. [Law 6(2), 6(6), 6(8)]

Board of Directors and Committees: The board of directors of a credit union has the power to decide on rates of interest on deposits and loans; on granting of credit to another credit union; on accepting credit from another credit union or a regular bank; about investment and about fees charged to members for services. The board makes an annual report to its members and the office of supervision of credit unions. [Law 6(5-6)]

A credit union shall set up a credit committee of at least three members elected from the general members' meeting. The credit committee decides about the granting of credit loans, the furnishing of security and ways of securing loans to members. The credit committee may delegate part of its powers to other persons according to the rules. [Law 5(1)(1), 6(4-1)]

The auditing and control committee's responsibilities are specified in the Commercial Code. [Law 6(9)]

The rules of a credit union specify the credit union's governing bodies, the number of members, length of terms, the method of constitution, meetings and functions. [Law 5(1)(e), 5(1)(l), 6(5)]

The board of a credit union decides on interest rates, investments and fees charged for other services. It is entitled to powers defined under the Commercial Code. [Law 6(5)]

Management and Employees: Employees of a credit union are referred to. [Law 7]

Audits: The board shall develop an annual report on the credit union's activities. [Law 6(6)] The annual final accounts of a credit union have to be confirmed by an auditor unless exempted from doing so by the office. The choice of auditor must be reported to the office which may disapprove the auditor and require another appointment. [Law 8(a)]

Liability of Officials: Members of an elected body of a credit union, who cause the credit union damage by illegal activity, are jointly liable for the damage, except if they are fulfilling instructions of the members' meeting. [Law 6(a)(2)]

Conflicts of Interest: A person may not participate in decisions if his/her own interest is under consideration. An auditor may not be a member of the credit union whose annual accounts he/she audits. [Law 7]

Neither the director nor any employee of the office may be a member of any elected body of a credit union. [Law 25(2)]

Members of an elected body of a credit union may not be members of an elected body of another credit union or an employee of another credit union. Elected officers and senior managers may not have criminal convictions related to credit union business. They must be qualified for their duties and they must disclose their business and professional connections. Report of the qualifications of elected officials must be made to the office which must approve the election. [Law 7(6-8)]

Surety Bond: Law is silent.

Shares and Deposits

Shares: A membership share can only be pecuniary; each member may purchase only one share, the amount of which is determined by the rules. [Law 4(5), 5(1)(d)]

Deposits: A credit union may accept deposits from its members and from other credit unions. With approval of the office, it may accept deposits from other legal entities. [Law 3(1)(a), 3(2)(a)(g), 3(4), 5(1)(j)] A member has the right and the duty to make deposits in the credit union. [Law 4(2)(a)]

Dividends and Interest: The rules of a credit union specify the basic types of deposits and the limits for accruing interest. The board decides the interest rate. [Law 5(1)(o)(6), 6(5)(a)]

Profits of a credit union, after taxation, may be divided only among those members who covered the loss of the credit union with their duty up to the amount of their full obligation. [Law 9]

Lien on Holdings: A credit union may take interest on deposits, or settlement shares of a member who is in arrears with installment payments or has failed to settle his/her obligations to the credit union. [Law 4(7)]

Loans

Purpose and Conditions: A credit union may provide credit or furnish security to its members for loans granted by other parties. A member has the right to receive credit. The rules specify the types of credit loans and the conditions of rendering financial services. [Law 3(1)(b), 3(1)(c), 4(2)(b), 5(1)(o)(3-5)]

A credit union may make loans to other credit unions and, with approval of the office, to municipalities in the Czech Republic. [Law 3(2)(a)(g), 5(1)(j), 6(5)(a)]

Approval Procedure: The credit committee decides about the granting of loans. It may delegate part of its powers in accordance with the rules. [Law 6(3)(4)]

Limits, Terms and Security: Rules of a credit union specify the principles of securing loans. [Law 5(1)(o)(3), 5(1)(o)(5)] A credit union must ensure that the amount of credit granted to any one debtor or to an integrated group of debtors does not exceed the percentage of its assets and liabilities set by the Ministry of Finance. A similar restriction applies in the aggregate to the 10 largest debtors or integrated groups of debtors. [Law 11(2)]

Interest Rates and Charges: The board of a credit union decides the interest rate of loans. [Law 6(5)(a)]

Loans to Officials: Credit may be granted to members of a credit union's elected bodies, members who are employees of the credit union and persons closely associated with them only under the same conditions as for other members. Employees, members of the control and auditing committee and their close associates must have the board of directors' consent to receive credit.

Members of the board and the credit committee and their close associates require consent of the control and auditing committee to receive credit. A person may not participate in decisions if his/her own interest is under consideration. Persons deciding to grant a loan may not be guarantors of the loan. The credit union annual report must disclose credit granted to members of its governing bodies, employees and their close associates. [Law 7]

Investment of Funds

Deposit of Funds: A credit union may make deposits in other credit unions and in banks. [Law 3(2)(a)(b), 5(1)(j)]

Authorized Investments: A credit union may acquire state-sponsored debenture bonds municipal obligations and bonds issued by the central banks of the member states of the Organisation for Economic Co-operation and Development (OECD) guaranteed by the states. It may acquire other bonds only with the prior approval of the office, which shall consider the risks in relation to the return of members' deposits and the stability and security of the credit union. [Law 3(2)(c), 5(1)(j), 6(5)(b)]

Capital Adequacy-Reserves

Initial Organization: The registered basic capital of a credit union must total at least K500,000. The subscribed registered capital must be paid up before permission is granted to organize the credit union. The rules set the amount. [Law 2(2), 5(1)(g)]

Permanent Capital: A credit union must observe the rules and indexes concerning the ratios between its capital and reserves and its assets and liabilities. These rules and indexes, as well as definitions of the accounting terms and classifications, are established and published by the Ministry of Finance on the motion of the office.

A credit union must also maintain its solvency permanently as determined by a set of rules on liquidity and solvency. These rules cover 1) the minimum amount of liquid resources 2) limits and conditions for some forms of credits and investments, deposits, guarantees and liabilities and 3) limits and conditions to harmonize the maturities of assets and liabilities of the credit union. [Law 11(1)(3)]

Regular Reserve: A reserve fund shall be accumulated by contributions of at least 10 percent of a credit union's profit after taxation, until the amount of the reserve fund reaches 20 percent of the basic capital. [Law 10(1)(b)] The financial regulations shall specify the amounts of the risk and reserve funds. [Law 5(1)(o)(2)]

Loan Loss Allowance: A credit union shall establish a risk fund to cover risks in granting loans and in furnishing security. The credit union contributes 10 percent of its annual profits after taxation until the fund reaches at least 20 percent of the total of the credit and guarantees outstanding. [Law 10(1)(a)]

The rules specify the amount, accumulation and use of the risk fund. [Law 5(1)(o)(2)] They also specify the way a loss should be defrayed. [Law 5(1)(f), 5(1)(o)(2)]

Special Reserves: Rules of a credit union specify the kinds of additional funds, their amounts and the ways of accumulation and use. [Law 5(1)(o)(1), 10(2)]

Powers of the Credit Union

General Powers: A credit union is a legal entity. It may furnish account and payment services to its members, offer legal and advisory services and arrange for the purchase of goods or other services. The credit union may organize activities around and contribute to social welfare, health care and educational purposes. [Law 1(2), 3(1)(c), 3(1)(d), 5(1)(I), 5(1)(o)(4), 6(5)(c)]

The rules of a credit union specify the nature of its business. [Law 5(1)(b)]

A credit union may acquire property only to the extent needed for its own business activities and may dispose of it. It may receive donations and inheritances. [Law 3(2)(d)(e), 5(1)(j)]

A credit union may not acquire direct or indirect control of a legal entity or become a member, partner, or shareholder of a legal entity. [Law 1(9)]

Borrowing: A credit union may borrow from other credit unions and receive credit from regular banks. [Law 3(2)(a)(b), 5(1)(j), 6(5)(a)]

Merger: A vote at a members' meeting on the merger, consolidation or split of a credit union requires a two-thirds majority for approval. [Law 5(a)(1)(b)]

Amalgamation, integration and division of a credit union are referred to in connection with liquidation. A credit union may not be transformed into another kind of legal entity. [Law 13(1)(d), 13(5)]

Liquidation: A credit union can be dissolved or liquidated by court order on the motion of a government official or institution, the credit union's collective body, an individual member or a person who can prove legal interest, if: its members fall below 30 in number; its total membership shares falls below K500,000; it fails to carry out mandated functions or do any business; or the law has been violated regarding establishment, amalgamation, integration or division. [Law 13(1)(2), 28(g)]

The credit union appoints the liquidator with the approval of the office, or the office appoints the liquidator. [Law 13(6)]

The proceeds of a bankruptcy and liquidation proceeding cannot be distributed among the members but must be transferred to the deposit insurance fund. [Law 13(5)]

Federation or Association

Purpose: Credit unions are entitled to safeguard their interests by forming interest groups as legal entities whose members are exclusively credit unions. [Law 3(4)]

Membership: See "Purpose" above.

Dissolution: Law is silent.

Central Finance Facility

Purposes: The law is silent, but a credit union may accept deposits from other credit unions, make deposits in them and grant or receive loans from them. [Law 3(2)(a)]

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: A fund is established for payment of compensation to deposit-owning credit union members to repay financial aid received and to pay compensation for injury to property. [Law 14]

Coverage: The amount paid to a depositor as compensation by the fund shall be 80 percent of the insured deposit, but not more than K100,000 for one depositor within the credit union. [Law 18]

Membership: It shall be the duty of all credit unions to take part in the deposit insurance system and pay contributions to the fund. [Law 14(3)] The fund's board is appointed by the director of the office. [Law 15(2)]

Funds: The financial resources of the fund shall be contributions from credit unions, profits from investments, loans received from credit unions, penalties and fines imposed by the office, donations and other payments. A credit union's annual contribution to the fund shall be 0.5 percent of the average volume of the members' deposits. [Law 3(2)(h), 14(4), 16, 28(9)]

The fund can deposit money in banks and acquire state bonds, state guaranteed bonds, bonds issued by the Czech National bank, mortgage bonds and bonds issued by the central banks of the member states of the OECD guaranteed by the states. [Law 21]

FRANCE

<i>Region Federation</i>	Europe Crédit Mutuel, Crédit Agricole, Banques Populaires, Crédit Coopératif
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Several
<i>Number of Financial Cooperatives</i>	133 (2000)
<i>Number of Members</i>	31,320,000 (2000)
<i>Total Assets (US\$)</i>	\$904,412,679,219 (2000)

Rev. 5-00:ps

Legal Authority

EXPLANATORY NOTE: This country is directly or potentially will be affected by EC banking directives.

Various EC Directives issued over the past decade have prompted changes in French cooperative credit legislation – most recently within the past year. (Law No. 99-532, June 25, 1999) The recent EC Directives and resultant French legislation were in the process of being reviewed at the time of publication of this Law Guide. A revised law digest for France will be issued at a later date by WOCCU.

Law: Law of July 24, 1867: Special provisions for companies with open-ended capital, amended by Law No. 81-1162, of December 30, 1981. [cited as "L81"]

Law of July 1901, relative to the association contract.

Law No. 47-1775 of September 10, 1947, amended by Laws 83-657, of July 12, 1985; 87-416 of June 17, 1987, 92643 of July 13, 1992, which contains the cooperative bylaw. [cited as "L47"]

Ordinance No. 58-966 of October 16, 1968, amended and completed by Decree No. 64-813 of August 3, 1964, and by Law No. 84-46 of January 24, 1984. [cited as "O58"]

Law No. 85-409 of May 17, 1982, containing the bylaws of banking companies. [cited as "L85"]

Law No. 83-657 of July 20, 1983, amending Decree No. 53-960 of September 30, 1953. [cited as "L83"]

Law No. 84-46 of January 24, 1984, amended by laws 86-1243 of December 1, 1986; 87-416 by June 17, 1987; 90-614 of July 12, 1999; 91-716 of July 23, 1991; 92-665 of July 16, 1992, relative to the activity and control of banks. [cited as "L84"]

Civil Code, Title IX: Chapter 1. Articles 1832-1844 (17). General Provisions on Companies.

Rural Code [Articles 615 to 641]. [cited as CR]

Rectifying Finance Laws for 1967 No. 67-1172 of December 22, 1967. [L67]

For 1970, No. 70-1283 of December 31, 1970; for 1975, No. 75-1242 of December 27, 1975; for 1979, No. 78-1239 of December 29, 1978; for 1981, No. 81-1180 of December 31, 1981.

Regulations: European Commission Directives

First Directive of the Council of December 12, 1977, and Second Directive of the Council of December 15, 1989, for the purpose of coordinating legislative, regulatory and administrative provisions concerning access to the activity of lending institutions and its exercise (77/780/EEC) and the second, which amends the first.

Definition or Purposes of Credit Union

Definition: Credit unions are local and regional mutual agricultural credit banks chartered as companies with open-ended capital and staff. They exist exclusively for the purpose of facilitating and guaranteeing the transactions involving agricultural production and agricultural equipment and to serve their members. [CR 615]

Mutual credit banks not governed by Book V of the Rural Code or by special laws involving control by the State are subject to the provisions of the Law of September 10, 1947, which contains cooperative bylaws and the provisions of Ordinance 5-966. [Article O58]

The general provisions on companies contained in Title IX: Chapter 1 of the Civil Code are applicable to associations of mutual credit banks.

Lending institutions are approved as banks, mutualistic banks, cooperative banks, savings and retirement banks and municipal credit banks. [L84 18]

Supervision and Regulation

Government Agency: The Government Commissioner to the National Confederation of Crédit Mutuel likewise exercises his/her authority with regard to the Central Finance Facility of Crédit Mutuel of the Regional Federations and the departmental or interdepartmental banks of Crédit Mutuel. [L67 22]

The Banking Commission is responsible for seeing that the lending institutions honor the legislative and regulatory provisions applicable to them and to sanction any failures observed with regard to them. It also examines their operating conditions and sees to the quality of their financial position and their respect for the rules of good conduct of the profession. [L84 37]

For the enforcement of Law No. 84-46, related to the activity and the control of the banks, the National Confederation of Crédit Mutuel, among other things, is considered to be the central body. Therefore, it is responsible for seeing to the coherence of the system and to ensure that the institutions affiliated with it operate properly. [L84 20, 21]

Other Licenses Needed: Laws and Regulations are silent.

Other Institutions Regulated: The lending institutions, which are entities that receive and work with funds received from the public in lending transactions or transactions likened to lending transactions, are subject to Law No. 84-46 of January 24, 1984.

Reports: The Banking Commission determines the list, format and deadlines for submitting documents and the information to be sent to them.

It may, furthermore, ask lending institutions for all sorts of information, clarifications or justifications necessary to accomplish its mission. It may also request that it be sent reports of the comptrollers and all accounting documents for which it may require certification. [L84 40]

See also "Federations or Association-Purpose."

Inspections: Crédit Mutuel's banks are subject to audits by the Inspectorate General of Finances. [O58 3]

The Banking Commission also conducts examinations by document and on-site. It periodically discusses the on-site audit program. The Bank of France is responsible for organizing the auditing of documents and for carrying out on-site inspections by means of its agents. [L84 39]

Cooperatives are required to provide, at the request of examiners or agents appointed by the ministers to which they are answerable, all sorts of justifications that will enable them to verify that they are operating in conformity with the law. [L47 23]

Regulations: Like all French financial institutions, mutual credit banks are subject to the Banking Regulation Committee.

Enforcement: When a lending institution fails to observe the rules of good conduct of the profession, the Banking Commission, after having allowed its executives to submit their explanations, may issue a warning [L84 42]; it may issue an injunction [L84 43], appoint a temporary administrator, or issue the disciplinary sanctions contained in the article which involves the withdrawal of approval for the institution. [L84 45]

Articles 479, 480, 482 and 485 are applicable in case of an obstacle to verification of the operation of credit unions as provided in the first part of L47, 23.

Membership of Credit Unions

Common Bonds of Association: Cooperatives may not allow non-member third parties to benefit from their services unless there are special laws for each category of them to the extent that these laws do not conflict with the general law. [L47 2, 3]

Non-Natural Persons Eligible: Any legal entity is eligible if its bylaws provide for it. [O58]

Liability of Member: The bylaws of cooperatives determine the types of liability incumbent upon each of its members in the cooperative's commitments. [L47 7]

Direction and Administration

Annual Meeting of Members: The general meeting meets at least once a year to review the activities of the credit union and to elect board members or managers and comptrollers. [L47 8]

Board of Directors and Committees: Crédit Mutuel banks are administered by boards of directors whose members are elected by the general meeting of shareholders. The services of the members of the board of directors are provided free of charge with the exception of special expenses. [CR 632]

Management and Employees: The bylaws determine the powers of administrators or managers and the methods whereby transactions are monitored on behalf of the members. [L47 7]

Audits: Law and Regulations are silent.

Liability of Officials: The personal liability of those charged with management of the savings bank is only relevant in the event of a violation of the bylaws or the provisions of law. [CR 633]

Conflicts of Interest: Law and Regulations are silent.

Surety Bond: Law and Regulations are silent.

Shares and Deposits

Shares: Shares are registered. [L47 11] Unless there is a contrary provision in the legislation, credit unions may only service their capital with a fixed interest, the rate of which is determined by bylaws as the rate of bonds issued by the State. [L47 14]

Deposits: Law and Regulations are silent.

Dividends and Interest: Law and Regulations are silent.

Lien on Holdings: Law and Regulations are silent.

Loans

Purpose and Conditions: Law and Regulations are silent.

Approval Procedure: Law and Regulations are silent.

Limits, Terms and Security: Law and Regulations are silent.

Interest Rates and Charges: Law and Regulations are silent.

Loans to Officials: Law and Regulations are silent.

belong to the National Crédit Mutuel Confederation, the bylaws of which have been approved by the Ministry of Finance. [O58 2]

Only cooperative and mutualistic societies, certain mutual insurance companies and certain non-profit associations may belong to cooperative banking societies. [O58 1]

Dissolution: Law and Regulations are silent.

Central Finance Facility The local Crédit Mutuel banks must create among themselves departmental and interdepartmental finance facilities. Likewise, subject to this law, said facilities must create among themselves the Caisse Centrale de Crédit Mutuel (Central Finance Facility). [O58 1]

Purposes: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

Investment of Funds

Deposit of Funds: Law and Regulations are silent.

Authorized Investments: Law and Regulations are silent.

Capital Adequacy—Reserves

Initial Organization: Law and Regulations are silent.

Permanent Capital: Law and Regulations are silent.

Regular Reserve: Law and Regulations are silent.

Loan Loss Allowance: Law and Regulations are silent.

Special Reserves: Law and Regulations are silent.

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

Powers of the Credit Union

General Powers: Mutualistic and cooperative banks, savings banks, retirement banks and municipal credit banks may make all kinds of banking transactions, except for the limitations in the legislative and regulatory texts governing them. [L84 18 (10)]

Borrowing: Law and Regulations are silent.

Merger: Law and Regulations are silent.

Liquidation: Law and Regulations are silent.

Federation or Association

Purposes: The Confédération Nationale du Crédit Mutuel has represented banks to protect their common rights and interests; to exercise administrative, technical and financial control on the organization and management of each Crédit Mutuel bank and to take every necessary measure to see that Crédit Mutuel operates properly, in particular by fostering the founding of new banks or eliminating existing banks, either by merger or by amicable liquidation. [O58 2]

Membership: Each Crédit Mutuel bank must belong to a Regional Federation, and each Regional Federation must

GERMANY	
<i>Region</i>	Europe
<i>Federation</i>	BVR
<i>Legal System</i>	Civil law system with indigenous concepts; judicial review of legislative acts in the Federal Constitutional Court
<i>Type of Law</i>	Cooperative
<i>Number of Financial Cooperatives</i>	1,794 (2000)
<i>Number of Members</i>	30,000,000 (2000)
<i>Total Assets (US\$)</i>	\$461,910,519,952 (2000)

Explanatory Note: In Germany in the nineteenth century, there were originally two main types of savings and credit cooperatives: 1) rural savings and credit associations of the Raiffeisen model (often combined with agricultural supply and marketing operations), known as Raiffeisenkassen; and 2) urban savings and credit associations of the Schulze-Delitzsch model, known as Peoples' Banks (Volksbanken). These institutions, in time, developed into cooperative societies registered under the Cooperative Societies Act (GenG) and banks subject to the German Banking Code (KWG).

After 1972, the savings and credit societies of the two national cooperative federations – the German Raiffeisen Federation (DRV) and the German Cooperative Federation (DGV) – combined to form a single new national apex organization for cooperative banks (BVR). Cooperatives for agricultural supply, marketing and related services remained under the DRV, while cooperatives for non-agricultural services formed another association, now known as the Central Federation of Small Scale Industry Link-Up Groups (ZGV).

These three national federations and their affiliates are in turn represented by a single national apex organization – the German Cooperative and Raiffeisen Federation (DGRV). DGRV is a part of the joint committee of German cooperative federations (Freier Ausschub der deutschen Genossenschaftsverbände) representing all German cooperatives. At the EU level, the BVR is represented by the Association of Cooperative Banks in the European Union, Brussels.

Cooperative banks, together with their central banks, regional and national audit federations, mutual insurance associations, mortgages and saving for housing banks and

other organizations form what is known as the cooperative financial integrated system (genossenschaftlicher Finanzverbund).

For the following legislative summary, it is important to note that all savings and credit cooperatives in Germany are full banks offering banking services under the German Banking Code. Due to mergers, local cooperative banks have turned into regional banks operating in full competition with commercial and communal banks. This has important consequences for the size, governance, capital structure, supervision, vertical integration and for the legal framework.

Legal Authority

Law: As registered cooperative societies, cooperative banks are governed by the Cooperative Societies Act of 1889 with amendments (GenG), some special sections of the Commercial Code (HGB) and the Insolvency Act of 1992, replacing the provisions of the GenG on liquidation. Furthermore, the provisions of the GenG were modified to conform with the EU regulations on keeping of books and accounts (Bilanzrichtliniengesetz of 1985).

As banks, cooperative banks are governed by the German Banking Code (KWG). Under this law, only organizations officially recognized as banks may use the word "bank" in their firm names. [s. 39 KWG]

Regulations: Cooperative banks have to comply with regulations issued by the Federal Banking Regulatory Board, FBRB (Bundesaufsichtsamt für das Kreditwesen), working together with the Federal Reserve Bank (Deutsche Bundesbank). Furthermore, regulations, guidelines and recommendations are issued by the national and regional cooperative audit federations to which the cooperative banks have to be affiliated.

Cooperative banks also have to comply with the by-laws of the cooperative audit federation to which they are affiliated and to the rules governing the security mechanisms of the German cooperative federations (Statut der sicherungseinrichtungen des BVR).

Definition or Purposes of Credit Union

Definition: Cooperatives are defined as "societies with variable membership which have, as their object, the promotion of the income and economy of their members by means of a jointly operated business undertaking (cooperatives) in particular: credit associations which acquire the status of a registered cooperative society under the provisions of this Act." [s. 1, subs. 1 GenG]

Cooperative banks are defined as credit institutions: "Credit institutions are enterprises carrying on the business of banking, provided that the volume of these operations requires a business undertaking equipped for commercial trading. The business of banking includes:

1. Receiving deposits from third parties irrespective of whether interest is paid or not (deposit taking);
2. Granting loans in cash or in form of guarantees (lending); and
3. Purchasing of bills of exchange and checks," etc. [s. 1, subs. 1 KWG]

The purpose of cooperative banks is to promote the interests of their members by offering all kinds of banking services to them. These services may be extended also to non-members, if the by-laws of the cooperative society allow, which they usually do. Cooperative banks see their purpose in providing access to banking services and other related services close to their members and generally in promoting small and medium sized enterprises.

Supervision and Regulation

Government Agency: As banks, cooperative banks fall under the supervision of the Federal Bank Regulatory Board, an autonomous government agency operating in the public interest [s. KWG] and which has as its objects to safeguard the security of assets entrusted to financial institutions and to prevent or correct malpractices endangering the proper conduct of the business of banking. [s. 6 KWG]

Each bank (including cooperative banks) has to submit periodic reports on its activities to the FBRB.

As cooperative societies, German cooperative banks are audited by cooperative audit federations. Under the Cooperative Societies Act, every registered cooperative society has to be affiliated to a cooperative audit federation [s. 53 GenG], which has the exclusive right to audit cooperative societies [s. 54, GenG]. The audit is carried out annually (except for small cooperatives with a balance sheet of less than DM two million, which have to be audited every second year), and covers not only financial audit of accounts and returns, but also performance of management in meeting the objects of the society as laid down in its by-laws. The findings of the audit have to be reported to the members in general meeting before voting on the performance of the board of directors (Vorstand).

Other Licenses Needed: Before registration of a new cooperative bank, the applicants have to present to the court in charge of the registration a statement of a

cooperative audit federation that the new cooperative is likely to succeed (pre-registration audit) and that, upon registration, it will be admitted to membership of the audit federation. [s. 11, GenG]

No business of banking can be carried on without a banking license [s. 32, subs. 1 KWG]. Accordingly, before starting operations, a cooperative bank needs permission, in writing, from the FBRB, after consultation with the audit federation to which the cooperative bank is or will be affiliated. Granting or refusal of the banking license will depend on whether or not the requirements for the authorization of banks, as laid down in the Banking Code (KWG), are met: availability of the necessary financial means in terms of minimum equity capital. The FBRB, in agreement with the Federal Reserve Bank, establishes principles on adequate equity capital and defines what owned capital means. In the case of cooperative banks, it includes paid up share capital, reserves and 25 percent of the accumulated amount of members' additional liability in case of dissolution (Haftsummenzuschlag) and of participation certificates (GenuBrechte), if any, under certain conditions. [s. 10 KWG]

Other requirements are: at least two full time board members or managers having the qualification to manage a bank; meeting requirements regarding a deposit guarantee scheme, which in Germany means to be a member of the security mechanisms of the BVR (see "Share and Deposit Protection"); and meeting any other requirements for operating a bank (e.g., security standards of premises and offices).

Other Institutions Regulated: The Federal Bank Regulatory Board supervises all banking institutions. See "Government Agency" above.

Reports: As a cooperative society, the board of directors has to submit its annual returns to the supervisory committee and present it together with the comments of the supervisory committee to the general meeting [s. 33, subs. 1 GenG]. These documents have to be displayed in the office of the cooperative society at least one week before the general meeting is held [s. 48, subs. 3 GenG]. Each cooperative has to maintain and keep up to date a register of members and shares. [s. 15, 15b GenG]

As a bank, cooperative banks have to notify, without delay, the National Reserve Bank, which in turn shall inform the FBRB of large exposures exceeding 15 percent of the bank's total equity capital and DM 50,000. An annual report of large exposures has to be submitted to the FBRB [s. 13 KWG]. Furthermore, the National Reserve Bank has to be informed every four months of loans exceeding DM one million to one borrower [s. 14 KWG] showing the total outstanding amount for each

such borrower. Also, notification is required of loans made to office bearers of the bank, e.g. to board members or members of the supervisory committee, their spouses or children below the age of 18, if they exceed the sum of DM 250,000 in case of natural persons and DM 250,000 and 5 percent of the equity capital in case of corporate bodies. Such loan agreements have to include conditions of repayment and interest rates and have to be recorded in the files.

All banks have to submit monthly reports to the Federal Reserve Bank for statistical purposes. The German Central Cooperative Bank (DG BANK AG) has to submit consolidated monthly data to the FBRB. Details of these monthly reports are determined by the Federal Ministry of Finance in agreement with the Federal Reserve Bank.

In addition, all cooperative banks have to submit and publish their annual returns and reports on their financial conditions in a form prescribed by the law [s. 330 Commercial Code, HGB; s. 25a KWG] and submit their annual return, report on the financial situation and the audit report of the last financial year to the Federal Reserve Bank during the first three months of the financial year. [s. 26 KWG]

Inspections: Usually restricted to annual audit by an auditor of the cooperative audit federation, which has to notify the chairperson of the supervisory committee. However, the by-laws of the audit federation also allow surprise inspection of affiliated societies.

Regulations: Apart from certain legal provisions, such as those concerning advertising and the business of banking [s. 23 KWG], regulations on maximum interest rates, service charges, opening hours, security of bank counters, etc. are issued by the Ministry of Finance, the FBRB, the Federal Reserve Bank, the DG BANK and the national and regional cooperative audit federations. There are also general conditions for banking transactions in cooperative banks, issued by each cooperative bank, but following standards jointly elaborated by working groups within the cooperative financial integrated system (CFIS).

Enforcement: Cooperative audit federations have no power to enforce compliance with their recommendations. They have to mention their findings in the audit report and can insist that the audit report is read in part or fully to members in the general meeting. Auditors also have the right to be present at general meetings. Where the office holders of a cooperative society delay calling a general meeting, such meeting can be convened by the audit federation [s. 60 GenG]. The remedy of last resort is to expel a cooperative society from the audit federation, in which case, the cooperative

bank would have to seek admission in another audit federation or convert into another legal form, because without affiliation with an audit federation, the registration of the cooperative society will be cancelled mandatorily. In case of discovery of gross negligence or a criminal act, the matter will be brought to the notice of the courts.

As cooperative banks, enforcement can take the form of withdrawal of the banking license by the FBRB [s. 35 KWG] followed by the cancellation of registration as a bank ex officio, withdrawal of permission to direct a bank by the FBRB [s. 36 KWG]. In case of illegal business transaction, the FBRB has the right of direct intervention. [s. 37 KWG]

Membership of Cooperative Banks

Common Bonds of Association: Usually the by-laws of cooperative banks do not contain conditions for membership in terms of a "common bond." However, there are some exceptions, e.g. cooperative banks of medical doctors, pharmacists, members of other professions, religious institutions and individuals. Nevertheless, the common trend is not to restrict but to extend business, even with non-members.

Non-Natural Persons Eligible: Private and public corporations and other legal bodies may be admitted to membership.

Liability of Member: The cooperative law allows three forms of members' liability: unlimited liability (practically no longer applied), liability limited to a sum or a multiple of the share or shares (NachschuBpflicht) and since 1973, liability limited by shares, i.e. without additional liability.

Most cooperative banks retain liability to a sum (average between DM 350 and 500). This is important for the cooperative banks, because when calculating the equity capital under banking law (which determines the lending capacity of the bank), 25 percent of the accumulated members' liability are added as quasi-equity capital. [s. 10, subs. 2 No. 3 KWG]

Members withdrawing from their cooperative society remain liable for a period of six or 18 months, as the case may be, after the end of the financial year in which the membership was terminated [s. 73, subs. 2: 105, 115b GenG]. Members withdrawing from the society by transferring their share holding to another member or person qualified for membership, remain liable, if in case of liquidation of the society the transferee is unable to pay. [s. 76, subs. 4 GenG]

Direction and Administration

Annual General Meetings: EXPLANATORY NOTE: *As a result of mergers and growth, most cooperative banks have introduced meetings of delegates to replace general meetings of members. Up until 1993, it was compulsory for all cooperative societies with membership exceeding 3,000, and optional for societies with more than 1,500 members to have meetings of delegates (indirect democracy). After 1993, introduction of meetings of delegates became optional for societies with more than 1,500 members. In societies having a meeting of delegates, the ways in which to identify candidates to serve as delegates and procedures for their elections have to be specified [s. 43a GenG] in the by-laws. The following reference to general meetings includes meetings of delegates.*

In cooperative societies, the general meeting is the supreme authority and holds the key powers that cannot be delegated to any other body or person: making an amendment of by-laws, election of members of the supervisory committee, decision on the annual returns and on the proposal of the board and supervisory committee dealing with profit and loss at the end of a financial year. Another key power, the election of board members, can be, and usually is, delegated to the supervisory committee [s. 24, subs. 2 GenG]. After revision of the cooperative law in 1973, the general meeting has no power to give directives to the board on matters of business policy and management. [s. 27, subs. 1 GenG]

After hearing the audit report prepared by the cooperative audit federation, general meetings have to be held within six months after the end of a financial year to decide on the annual report, balance sheet, statement of income and expenditure.

Special general meetings may be convened by the board of directors on its own motion or where required by law (e.g., when 50 percent of the equity capital is threatened by loss [s. 33, subs. 3 GenG], by the supervisory committee [s. 38, subs. 2 GenG], by the audit federation [s. 60 GenG and by-laws of the audit federation] or on application of one-tenth of the members, or such lesser number as may be specified in the by-laws. [s. 45 GenG]

All members/delegates have the right to attend the general meeting. As a rule, each member has one vote, however, the by-laws may provide for plural voting with up to three votes per members under conditions to be laid down in the by-laws. The additional votes do not count in all cases where more than a simple majority of votes is required [s. 43, subs. 3 GenG]. No member can represent more than two other members. [s. 43, subs. 5 GenG]

In case of cooperative societies with meetings of delegates instead of general meetings, most membership

rights in terms of participation in decision-making and control are lost for those members not serving as delegates, i.e. for the vast majority of members.

Board of Directors and Committees: The board of directors (Vorstand), which has to consist of at least two members, who may be paid or unpaid [s. 24, subs. 3 GenG], is the largely autonomous policy-making and executive body of the cooperative society [s. 27, subs. 1 GenG]. It directs and manages the cooperative society in its own responsibility, but is bound to comply with the provisions of the law, the regulations and the by-laws of the society. The board members represent the society alone or jointly, as laid down in the by-laws. [s. 25 GenG]

Under cooperative law, the members of the board shall be elected from among the members of the society [s. 9, subs. 2 GenG]. However, under banking law, at least two board members, or full time managers, have to be qualified for operating a bank. As a rule, qualified persons from outside the membership group become members of the cooperative society in order to be eligible for serving on the board. The power to elect/appoint board members is usually delegated by the general meeting of members to the supervisory committee.

Every registered cooperative society has to elect a supervisory committee consisting of not less than three members [s. 36 GenG]. The supervisory committee is elected by the general meeting. In case of cooperative societies employing more than 500 persons, one-third of the seats on the supervisory committee are filled with employees' representatives elected by the employees of the society from among themselves (BetrVGes), in case of societies with more than 2,000 employees, one-half of the seats are reserved for employees' and trade unions' representatives (MitbestG).

The positions of board members and members of the supervisory committee must be separate [s. 37 GenG]. However, the by-laws of a society may prescribe that important and far-reaching management decisions (e.g., loans and investments in excess of a certain sum, long-term contracts) shall be submitted by the board to the supervisory committee for approval. [s. 38, subs. 3 GenG]

The supervisory board shall supervise the board of directors in their management and, in general, the conduct of business and other activities of the society. It may convene special general meetings. For carrying out its control functions properly, it may hire professional advice at the expense of the cooperative society [s. 38, subs. 4 GenG]. The supervisory committee is accountable to the general meeting and has to submit an annual report on its activities and findings. [s. 38, subs. 1 GenG]

Management and Employees: At least two full time professional bank managers (usually board members) are in charge of or responsible for the day-to-day management of a cooperative bank [s. 33, subs 1 No. 4 KWG]. The board may appoint special representatives [s. 42 GenG, s. 48-53 HGB] and delegate functions to employees.

The business of banking has to be conducted in line with regulations, decisions and recommendations issued by the Federal Reserve Bank, the FBRB, the DG BANK AG and the cooperative audit federation regarding organizational set-up, financial matters, accounting system, collection and reporting of data and internal control. The books and accounts have to be kept in conformity with accounting standards and procedures set out in manuals by the cooperative audit federation. Much of this work is done in regional data processing centers of the audit federations. In addition, standards set by the fiscal authorities have to be met.

According to the Banking Code [s. 1, subs. 2 KWG], a bank manager (within or outside the board, usually within) is defined as a person having authority by law, under the by-laws or by agreement, to carry on the business of banking and to represent a bank in the legal form of a body corporate. They have to be reliable and have the required professional qualifications. Required qualification to operate and represent a bank means that the person must have the necessary theoretical and practical knowledge in the business of banking and experience in directing a business. This qualification is assumed to exist if the respective person can prove to have served for three years in a leading position of a bank of similar size and branch of business. Cooperative bank managers are trained in regional cooperative training centers and in a national cooperative banking academy.

Audits: As registered cooperative societies, cooperative banks are subject to an annual audit by a specially trained auditor of the cooperative audit federation to which the society is affiliated. Small societies, i.e., societies having an annual balance sheet total not exceeding DM two million, have to be audited at least every second year. [s. 53, subs 1 GenG]

Audit under the Cooperative Societies Act [s. 53 GenG] goes beyond financial audit and covers performance audit of the board of directors (Vorstand) and management as well. The cooperative audit federations provide ratios for assessing efficiency and performance of the individual cooperative bank as compared to other cooperative banks of similar size.

The audit report is prepared by the cooperative audit federation, which has the right to present the findings of

the audit to the general meeting and, if necessary, convene a special meeting for this purpose [s. 60 GenG]. The audit federations have no power to enforce compliance with their recommendations. The right to expel a society from the federation for non-compliance is seldom practiced.

As cooperative banks, these cooperative societies are also subject to the special provisions of the Banking Code, containing criteria for the valuation of assets and the scope of audit and, furthermore, prescribe that an audit has to be carried out before any decisions on annual returns can be taken. Banks have to be audited within five months after the end of the fiscal year [s. 25a-27 KWG]. Cooperative banks with a balance sheet total of less than DM 10 million are exempt from these provisions of the Banking Code and provisions of the Commercial Code (HGB) apply in addition to those of the Cooperative Societies Act.

Liability of Officials: Commensurate with their autonomous position in directing the affairs of the cooperative society, board members are jointly and severally liable for debts or damages resulting from acts contrary to the law, to the regulations or to the by-laws and for negligence, i.e., for failing to act with the prudence and diligence of a manager of a cooperative society [s. 34, subs. 1 GenG]. In case of doubt, board members have to prove that they acted with the required prudence and diligence [s. 34, subs. 2 GenG]. However, this liability is excluded where the acts of board members were based on a legal resolution of a general meeting [s. 34, subs. 4 GenG]. The same provision contains a list of acts in violation of the law or by-laws, for which the members of the board of directors are liable. [s. 34, subs. 3, GenG]

The provisions governing the liability of board members also apply to members of the supervisory committee. [s. 41 GenG]

Under banking law, board members and members of the supervisory committee are jointly and severally liable for any damage resulting from issuing of loans or failure to prevent such acts, despite knowledge of the intention to grant such loans contrary to the prescribed procedures. [s. 17 KWG]

Conflicts of Interest: Two potential sources of conflicts of interest within cooperative societies are avoided by prescribing, in the Cooperative Societies Act, that in cases of contracts and litigation between the cooperative society and its board members, the society shall be represented by the supervisory committee [s. 39 GenG] and that serving on the board of directors is incompatible with serving on the supervisory committee. [s. 37 GenG]

Conflicts of interest may arise in the case of audit where a cooperative society is audited by an audit federation in which an office holder of the audited society serves as an office holder of the audit federation. In such case, the audit will be carried out by the national audit federation or by a certified public accountant. [s. 62, subs. 2 GenG]

Another provision to avoid major conflicts of interest in cooperative banks is contained in the Banking Code: The Federal Reserve Bank and the FBRB have to be notified, without delay, of loans granted by a bank to its office holders and exceeding DM 250,000 [s. 16 KWG]. With regard to other cases of conflicts of interest, the general rule of the Commercial Code apply. Section three of the Banking Code contains a list of prohibited transactions, in which conflicts of interest may occur. In case of doubt, the FBRB decides whether such transactions are allowed or prohibited. [s. 4 KWG]

Surety Bond: Laws and regulations are silent. To deal with this risk, insurance against claims for damages is used rather than relying on surety bonds. Where auditors cause damage by non-compliance with the law or disclosure of business secrets that became known to them during the course of audit, the personal liability of the auditor is limited to DM 200,000 for each case [s. 62, subs. 2 GenG], usually covered by insurance.

Shares and Deposits

Shares: The Cooperative Societies Act only states that the value of the share and the amount to be paid up by each member (at least 10 percent of the value of the share within a specific period of time) have to be prescribed in the by-laws [s. 7, subs. 1 GenG]. Shares can only be pledged by members. Under the by-laws, the members may be required to contribute more than one share. [s. 7a, subs. 1 GenG]

A society can set a ceiling for maximum participation or require that members shall contribute several shares according to criteria laid down in the by-laws. Such obligation has to apply to all members equally and may provide for share holding in proportion to the use made by the members of the society's facilities or other objective criteria – e.g. taking account of the size of members' business or household [s. 7a, subs. 2 GenG]. The value of the share is left to be decided by each cooperative society. If the amounts of the contributions towards paying up their shares are not regulated in the by-laws, this matter is decided by the general meeting. [s. 50 GenG]

In cooperative banks, the value of a share varies between DM 100 and 500, to be paid up fully when signed.

Deposits: Deposit taking is part of the business of banking as defined in the Banking Code [s. 1, subs. 1, No. 1 KWG] and may only be undertaken if the cooperative bank has a banking license. Usually cooperative banks accept deposits from members and nonmembers.

Dividends and Interests: Cooperative banks usually pay a dividend on paid-up share capital. As a rule, efforts are made to stabilize the dividend over the years by carrying undistributed surplus forward. The by-laws may specify whether the dividend due is credited to members' share account until the share is fully paid, or whether the dividend may be distributed to members despite portions of the pledged share remaining unpaid.

If losses of the cooperative society are covered by deduction from members' shares, no dividend can be distributed until the losses of share capital are fully compensated [s. 19 GenG]. An exemption from this provision was introduced in 1973 to the effect that cooperative societies may pay interest on share capital, however, only if surplus funds are available for this purpose [s. 21a GenG]. Interest means the cost for rewarding capital, irrespective of whether or not surplus is earned. Accordingly, what is called "interest" in the law practically amounts to a stabilized dividend, paid only if there is some surplus to distribute.

Some cooperative banks pay patronage refund on interest paid by members for loans or received by members for deposits (Zinsrück or nachvergütung), which, under certain conditions, is considered by the fiscal authorities as cost and can, therefore, be deducted from the society's taxable income.

Lien on Holdings: This issue is basically different from that of patronage refund and can only be related, where amounts of patronage refund are credited to members' share accounts until fully paid.

The German cooperative law does not provide for a lien on shareholdings of members. On the contrary, section 22 subsection 4 GenG prohibits any lien of a cooperative society on members' paid-up share capital, before a member withdraws from the society, because from the creditor's point of view this would amount to repayment of share capital to the member. However, the cooperative may seize paid-up share capital in case of damages due to the cooperative society by the respective member.

A lien on deposits or credit balances on any account of the member for all outstanding payments due to the society is usually created by clauses in the standard loan agreements or agreements on collateral security for loans, which do not only cover the loan for which the agreement was made, but also extend to any other unpaid amount due to the cooperative bank by the respective member.

Loans

Purpose and Conditions: Loan purpose and conditions are regulated in the by-laws of each cooperative society.

Approval Procedure: Loan approval is regulated by directives and guidelines issued by the cooperative audit federation in collaboration with the DG BANK AG and in line with general banking standards. There are also internal regulations of each cooperative bank. As a rule, the supervisory committee serves as a credit committee.

Limits, Terms and Security: These are also covered by directives, guidelines and recommendations issued by the cooperative audit federation in collaboration with the DG BANK AG and in line with general banking standards. Rules on large risk exposures set limits to loans to a single debtor. [s. 13 KWG]

Another limit of the lending powers of the cooperative bank are the regulations regarding the requirement of equity capital. These regulations are issued by the Federal Reserve Bank and have to comply with the EU banking regulations [s. 10 KWG]. The cooperative banks are autonomous in determining their loan policy; however, they have to follow rules set by the DG BANK AG and general banking standards and have to fix a limit to exposures to one single borrower by decision of the general meetings. [s. 49 GenG]

Interest Rates and Charges: As far as interest rates, service charges and conditions are concerned, cooperative banks are autonomous to make their own regulations, which they do in line with market requirements on a highly competitive market. There are recommendations issued by the national federation of cooperative banks; however, these recommendations are not binding and only serve as guidelines. Rather than by regulation, this issue is governed by the market forces and "moral suasion;" i.e., the cooperative banks deal with interest rules, service charges and conditions in their own responsibility.

Under section 23 subsection 3 KWG, the FBRB may prohibit certain forms of advertising. Other legal limits are contained in the law against unfair competition (UWG) and in the law limiting the offer of rebates and gifts (Rabattgesetz).

Loans to Officials: Loans to office holders have to be reported immediately to the Federal Reserve Bank and to the FBRB if they exceed DM 250,000 or 5 percent of the cooperative bank's equity. [s. 16 KWG]

Investment of Funds

Deposit of Funds: Cooperative banks generally invest their surplus liquidity through the cooperative integrated

financial system, under the Cooperative Central Bank (DG BANK). This system is described in detail under "Central Finance Facility" below.

Authorized Investments: The amount invested by a cooperative bank in land, buildings and office equipment may not exceed the amount of equity capital [s. 12 KWG]. See also "Deposit of Funds" above.

Capital Adequacy – Reserves

Initial Organization: Under banking law, a cooperative bank will only be given a banking license if the requirements as to minimum capital are met [s. 10, subs. 1, 2 No. 3 and 5 No. 6 KWG]. See discussion under "Supervision and Regulations – Licenses Needed."

The cooperative law does not contain any requirements regarding initial capital for registration of cooperative societies. However, the cooperative audit federation to which a new cooperative society intends to be affiliated after registration, has to prepare and submit to the court (which is keeping the register of cooperative societies) a kind of pre-registration audit in which it has to be certified that under prevailing conditions and, in particular, that in view of the available assets risks to the members or creditors are not expected. [s. 11 No. 4 GenG]

Permanent Capital: As a bank, every cooperative bank has to maintain a minimum equity capital throughout the time of its operations, which is verified during the annual audit. In addition, every cooperative bank has to comply with standard requirements regarding solvency and liquidity. According to the Banking Code, a cooperative bank has to dispose of sufficient funds that allow it to meet commitments at any time. For this purpose, the Federal Reserve Bank, in collaboration with the FBRB, establishes principles, which are published in the Official Gazette. [s. 11 KWG]

The Federal Reserve Bank, as well as the DG BANK AG, issue regulations and guidelines for calculation of equity capital, assets, risk and solvency. Compliance with each regulation is monitored by the cooperative audit federations and by the DG BANK AG.

Regular Reserves: Each cooperative society has to prescribe in its by-laws which part of the annual surplus has to be carried to the statutory reserves, which in turn may only be used for covering losses shown in an audited balance sheet. Furthermore, it has to be laid down in the by-laws how, and up to what amount, statutory reserves shall be built up. [s. 7, subs. 2 GenG]

Besides its own statutory reserves, each cooperative bank is part of the cooperative financial integrated system and of the security mechanisms within the national audit federation (BVR). This obligates it to contribute regularly

to the regional and national guarantee funds (Sicherungseinrichtung des BVR), serving as a deposit guarantee scheme, but also protecting the members and the cooperative bank as a whole.

Loan Loss Allowance: See “Regular Reserve” above.

Special Reserves: Cooperative societies are free to make allocations to voluntary reserves consistent with provisions in the society’s by-laws.

Powers of the Cooperative Bank

General Powers: As a cooperative society, a cooperative bank acquires the status of a body corporate with power to own property, to sue and to be sued and to carry on business transactions by registration in a cooperative register kept by a local court [s. 17 GenG]. Its powers are laid down in detail in the by-laws; however, according to the legal definition of the term “cooperative society” [s. 1, subs 1, GenG], the only legitimate purpose of a cooperative society is to promote the income and economic activities of its members.

As a cooperative bank, it acquires the power to carry on the business of banking by applying for and obtaining a banking license. [s. 32 KWG]

Borrowing: As part of the integrated cooperative financial system, cooperative banks are not restricted with regard to borrowing. But usually within the cooperative system, which provides facilities for refinancing large exposures at favorable conditions, there are restrictions on borrowing. This integrated cooperative financial system relies on discipline and loyalty of its members and their readiness to follow written and unwritten rules.

Merger: The Cooperative Societies Act provides for two types of merger: a merger by transfer of one society to another [s. 93a GenG] and a merger by forming a new society out of the merging societies [s. 93s GenG]. Merger is decided by the general meetings of the affected societies. For such resolutions, a majority of three-quarters of the votes cast at the general meeting are required [s. 93b GenG]. Such decisions are only valid if a statement of the cooperative audit federation on whether or not the merger is in the interest of the members and of the creditors is read to the members before the decision is made. [s. 93b. 2 GenG]

Liquidation: A cooperative society may be wound up by resolution of a general meeting, approval by a majority of at least three-quarters of the votes cast [s. 78, subs 1 GenG]. Reasons for involuntary dissolution are: undue lapse of time before a cooperative society is formed [s. 79 GenG]; reduction of the number of members below

seven [s. 80 GenG]; dissolution by virtue of pursuing other purposes than that of member promotion; failure to be affiliated to a cooperative audit federation; or carrying on illegal activities. [s. 81 GenG]

Before a cooperative is wound up voluntarily, the cooperative audit federation to which the society is affiliated has to prepare a report on whether the dissolution is justified. The legal provision on bankruptcy of cooperative societies were partly amended and partly replaced by a new law governing insolvency of banking undertakings of 1994 (Insolvenzordnung) which came into force on 1/1/99.

Federation or Association

Purposes: In Germany there is a long tradition of cooperative audit federations. Since 1934, it is a legal requirement that every registered cooperative society be affiliated with a cooperative audit federation that has the exclusive right to audit all cooperative societies affiliated to it [s. 53, 54 GenG]. Every society that withdraws from its audit federation, or is expelled, shall automatically have its registration cancelled. [s. 54a, subs. 2 GenG]

Cooperative audit federations operate in the legal form of registered association [eingetragener Verein, eV., s. 63b GenG] and obtain their audit license from the Minister of Economics Affairs of the federal state in which they operate, or from the Federal Minister of Economics Affairs, when operating in more than one federal state [s. 63, 63a GenG]. The regional cooperative audit federation, together with the national federation (BVR), operate security mechanisms which serve, among other things, as the deposit guarantee scheme, prescribed by European Union directives. After a merger of the regional cooperative central banks, there are still two regional central banks left: the GZ Bank, Stuttgart, and the WGZ-Bank, Düsseldorf.

Membership: All cooperative banks and other cooperative organizations belong to the cooperative integrated financial system.

Dissolution: Dissolution of federations has to be seen from two perspectives: as organizations working usually in the legal form of civil law associations [s. 63b subs 1 GenG], they can be dissolved by resolution of three-fourths of the members present and voting in general meeting [s. 41, 74 Civil Code, BGB]. An association can be dissolved ex officio, if it becomes insolvent [s. 42 BGB], or if its decision-making bodies commit illegal acts or acts contrary to the objects laid down in its by-laws. [s. 43 BGB]

As a cooperative audit federation, the federation can lose its audit license for two reasons [s. 64a GenG]: failure to fulfill its tasks with the required quality and diligence, or failure to meet requirements imposed by the competent authority (Ministry of Economic Affairs) or lack of demand for the federation's auditing services. In such cases, the audit license may be withdrawn by the competent ministry (at federal or state level, depending on the area of operation of the federation). Even if the audit license is withdrawn, the federation continues to exist as a registered association under civil law, however, without authority to audit affiliated cooperative societies.

Central Finance Facility

Purposes: The cooperative central bank, DG BANK, operates in the legal form of joint stock company (AG) with more than 90 percent of its shares being held by primary cooperative banks and other cooperative organizations. The shares of the DG BANK AG are issued in the name of the holder and, accordingly, are not freely transferable on the stock exchange.

The DG BANK AG is the central institution, serving the entire German cooperative movement. Most cooperative banks work directly with the DG BANK AG, which has the task to provide liquidity for, and to absorb liquidity from, the cooperative banks. The DG BANK AG also is the partner of federal centers of the urban service cooperatives.

It invests surplus liquidity in the system of money and capital markets in Germany and abroad. It provides long-term funds for refinancing, which it raises by issuing bonds. The DG BANK AG serves as a clearing center for settlement of non-cash payments. Other fields of activity are: syndicated loans, security business and commercial transactions abroad. The DG BANK AG also deals directly with large borrowers in Germany and abroad, provides international financing, investment and hedging facilities, advice and training and specialized financial services like mortgage loans, construction loans and insurance coverage through subsidiaries or affiliated companies.

Besides the DG BANK AG, there formerly were central cooperative banks at the regional levels, forming a three-tier system. All but one of these, (GZ Bank) have been either merged with the DG BANK or with each other. Now only one regional central cooperative bank remains, so that the current cooperative banking structure is close to a two-tier system.

Together with the national federation of cooperative banks, BVR (the president of which is a member of the DG BANK's board), the DG BANK AG acts as the repre-

sentative of the German cooperative banking group at national and international levels. The DG BANK AG issues general rules and guidelines for policy and procedures in banking issues to be observed by the member banks, elaborated in close collaboration with the national federation of cooperative banks (BVR) and regional audit federations in a network of communities and working groups, in which specialists from cooperative banks of all levels participate.

The DG BANK AG is recognized by the Federal Reserve Bank and the FBRB as the spokesman and representative of the cooperative banking group. Through a network of international branch offices, joint ventures and partnerships, (e.g. with RABOBANK Netherlands), the DG BANK AG provides access to international links, which in a globalized economy become increasingly important, even for the smaller cooperative banks. Through its research trust fund (Wissenschaftsfonds) the DG BANK AG offers research grants for work on related subjects and promotes 11 cooperative research institutes at the Universities of Berlin, Cologne, Erlangen-Nürnberg, Giessen, Halle, Hohenheim, Marburg (2), Münster, Vienna (Austria) and Fribourg (Switzerland).

Membership: All cooperative banks and all other organizations belonging to the cooperative financial integrated system are members of the cooperative central bank (DG BANK AG).

Funds: The capital of DG BANK consists of shares (more than 90 percent held by cooperative banks and other cooperative organizations) and assets and reserves accumulated during more than 100 years. It also derives substantial earnings from its own banking operations in Germany and abroad, through a worldwide network of subsidiaries, joint ventures, partnerships and other sources of income.

Share and Deposit Protection

Explanatory Note: In Germany, security mechanisms within the national federation of cooperative banks, which protect their own interests and that of their members and customers, have existed since 1934 and became a guarantee fund for credit cooperatives in 1937.

The security system of the German cooperative banks, including a share and deposit guarantee scheme, was developed by the cooperative banking group on its own motion as a matter of prudence. The current system came into effect in 1977. Later this security system served as a model for commercial banks. Before issuing a banking license, the FBRB verifies among other things, whether the applicant belongs to a share and deposit guarantee scheme, which is in line with the European banking regulations [s. 32, subs.

2 KWG, art. 3 of Directive N° 77/780 EEC]. The banking license can be withdrawn if the cooperative bank ceases to belong to the security system. [s. 35, subs. 2 N° 4 KWG]

Purposes: The purpose of the security mechanisms of the cooperative banking group (Sicherungsfonds) goes far beyond a share and deposit protection scheme, as required under EU banking regulations. It provides comprehensive institutional protection of the affiliated cooperative banks. It is a self-help mutual assistance structure having its own by-laws, which give the national cooperative audit federation (BVR) power to determine the balance sheet items, which require a minimum protection. It is primarily the responsibility of each cooperative bank to keep risks low. No cooperative bank has a legal claim to be assisted.

Coverage: Cooperative banks in difficulties can receive assistance for liquidity or profitability in the form of interest bearing or interest free loans or cash grants. A cooperative bank can be barred from the security mechanisms if it severely violates its own obligations to the system.

Membership: All cooperative banks affiliated through their federations are a part of this institutional protection system.

Funds: The security mechanisms consist of two components: the guarantee fund and the guarantee pool. The guarantee fund is based on a contribution system. Each cooperative bank has to pay dues calculated on the basis of risk bearing assets and the volume of exposures. Compulsory annual payments vary between 0.5 percent and 2 percent of the risk bearing assets. Regional audit federations administer 90 percent of the contributions of affiliated cooperative banks, the national audit federation 10 percent of these contributions and those from cooperative organizations operating nation wide. If the regional guarantee fund is insufficient, a special levy may be imposed on affiliated banks. Only if this is insufficient, the national guarantee fund steps in.

The second component is the guarantee pool, which combines guarantee volumes of the individual cooperative banks in a central guarantee volume managed by the BVR and regional guarantee volumes managed by the regional cooperative audit federations. The guarantee pool assumes guarantees or provides securities. The FBRB and the Federal Reserve Bank are notified of annual reviews. The security mechanisms conform with the directives of the EU.

GREAT BRITAIN

<i>Region</i>	Europe
<i>Federation</i>	Association of British Credit Unions Ltd.
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union, combined with co-operative societies and financial services laws.
<i>Number of Credit Unions</i>	681 (2002)
<i>Number of Members</i>	425,200 (2002)
<i>Total Assets (US\$)</i>	\$534,439,500 (2002)

Rev. 1-04:tb

EXPLANATORY NOTE: The Financial Services and Markets Act 2000 established a new regulatory agency for all financial services, including credit unions and other financial institutions and activities: the Financial Services Authority (FSA). The FSA replaces the Registrar of Friendly Societies as the credit union regulator. The FSA has published a Credit Unions Sourcebook (CRED). CRED sets forth the specific regulations relevant to credit unions and provides a guide to the main FSA Handbook, which contains all of the rules and guidance for all regulated firms, including credit unions. The new regulations came into effect on July 2, 2002.

The new Act also sets forth duties and regulations for firms in relation to the European Union and its economic ties. The FSA has broad powers to regulate and intervene in businesses coming into Great Britain. This country is also affected by EU directives.

Legal Authority

Law: Credit Unions Act, 1979. [Cited as CUA]

Industrial and Provident Societies Act, 1965. [Cited as IPSA]

The Financial Services and Markets Act 2000, which creates the Financial Services Authority, also contains provisions amending the above two Acts relating to credit unions. [Cited as FSMA]

Friendly and Industrial and Provident Societies Act, 1968. [Cited as FIPSA]

Credit Union Act Schedule 1, "Matters To Be Provided for in Rules of Credit Union," and Schedule 2, "Procedure in Relation to Directions under Section 19." [Cited as Schedule]

Regulations: The Credit Unions Sourcebook is a guide to the main Handbook of the Financial Services Authority (FSA), under the Treasury Department, which contains all of the rules and guidance for all regulated firms, including credit unions. [Cited as CRED]

Authorization and regulation is as either a Version 1 or Version 2 credit union. Version 1 credit unions are limited in the scope of their powers and regulatory examination is principally based on reports. Version 2 credit unions have a broader range of powers and are subject to enhanced supervision and higher regulatory requirements for capital than Version 1 credit unions.

Definition or Purposes of Credit Union

Definition: The objectives of a credit union are:

- a. the promotion of thrift among the members of the society by the accumulation of their savings;
- b. the creation of sources of credit for the benefit of the members of the society at a fair and reasonable rate of interest;
- c. the use and control of the members' savings for their mutual benefit; and
- d. the training and education of the members in the wise use of money and in the management of their financial affairs. [CUA 1(3)]

Supervision and Regulation

Government Agency: The Financial Services Authority (FSA) under the Treasury Department is the registrar, supervisor and regulator for credit unions, and is the publisher of the Credit Unions Sourcebook. [CRED 1.1.1, 14.2.3]

Other Licenses Needed: Authorization of a credit union requires the FSA to grant a Permission under Part IV of the FSMA for the credit union to accept deposits (a regulated activity). Other regulated activities such as mortgage lending and insurance mediation require separate licenses (Permissions) which must be granted by the FSA. [CRED 13]

The FSA must also approve of persons who carry on controlled functions within a credit union. [CRED 6]

Other Institutions Regulated: Other firms and "authorized persons" are regulated by the Financial Services Authority, including among others, banks, building societies, friendly societies, insurers and investment businesses. [CRED 1.1.1; FSMA 338; FSMA Reader's Guide]

Reports: A credit union must submit to the FSA a quarterly return that includes key financial data, and an annual return that includes the audited financial statement. [IPSA 39, CRED 14.10.5-8]

An annual report of complaints handled by the credit union must be made to the FSA. [CRED 17.6.3]

A credit union must supply on request its up-to-date business plan and policies and procedures manual to the FSA. Version 2 credit unions must file copies of their current business plan and policy and procedures manual with the FSA. A Version 2 credit union must also send any approved revisions to its financial risk management policy, liquidity management policy statement and lending policy statement to the FSA. [CRED 4.3.5, 4.3.7, 7.3.10, 9.2.3, 10.2.2]

FSA may require periodic returns and notifications, and has power to require any information from a credit union. Certain matters must be reported to the FSA, including failure to satisfy threshold conditions, matters which adversely affect a credit union's reputation, financial condition or other firms. Prosecutions or convictions for fraud, misconduct by officers, and bankruptcy, must also be reported. [CRED 14.1.9(5), 14.2.4-5, 14.9.3-14]

A firm must deal with its regulators in an open and cooperative way, and must disclose to the FSA anything of which the FSA would reasonably expect notice. [CRED 3.2.1(11)]

Inspections: The FSA may inspect a credit union, to monitor compliance with regulatory requirements. [CUA 18; CRED 14.1.9(4), 14.2.12] Where the regulatory authority is of the opinion that investigation of a credit union is called for, it may appoint an inspector to inquire into its affairs. [CUA 18]

Regulations: The Financial Services Authority has the power to make rules under the Act; also to issue codes, give general guidance, and determine general policy and principles. [FSMA 1, 2(4)(a), 153]

Enforcement: FSA has broad investigation and enforcement powers under the Financial Services and Markets Act of 2000. [FSMA Parts XI, XII; CRED 15, CRED 15 - Annex 1, Annex 2 and Annex 3]

FSA may recommend remedial action to address specific risks, set individual requirements, guidance to credit unions, or vary the credit union's permission to carry on regulated activity. [CRED 15]

Breaching principles of business conduct makes a credit union liable to sanctions by the FSA. [CRED 15]

The FSA may take enforcement action if it finds a credit union does not meet its threshold conditions for licensing, or because of improper legal form, financial capacity, and other criteria. [CRED 15]

Various offenses are listed in the Acts with fines or imprisonment for conviction or contravention. Offenses include misuse of names, disregarding loan or borrowing limits, misuse of assets, wrongful acceptance of deposits and failure to cooperate with the regulatory authority.

The FSA may suspend or cancel the license of a credit union where it considers it expedient to do so in the interest of the members. Registration may be cancelled, and the FSA may petition the court to wind up a credit union under certain conditions. [CUA 79, s.20(1)]

Disputes may be decided under the rules of a credit union or referred to the County Court or in Scotland, the Sheriff's Court. [IPSA 60] If a credit union fails to resolve a dispute to the satisfaction of an eligible complainant, the complainant can refer the dispute to the Financial Ombudsman Service. There are rules concerning the timescale and manner that a credit union should handle a complaint. [CRED 17]

Membership of Credit Unions

Common Bonds of Association: The qualifications for admission to membership which are appropriate to a credit union are

- (a) following a particular occupation;
- (b) residing in a particular locality;
- (c) being employed in a particular locality;
- (d) being employed by a particular employer;
- (e) being a member of a bona fide organization or being otherwise associated with other members of the society for a purpose other than that of forming a society to be registered as a credit union;
- (f) residing in or being employed in a particular locality;
- (g) being currently in receipt of a continuing and regular contractual payment arising from employment by a particular employer;
- (h) being currently in receipt of a continuing and regular contractual payment arising from employment by particular employers in a particular area;
- (i) being currently in receipt of a continuing and regular payment arising from participation in the provision of a public service of a particular nature, or of particular services associated with such participation;

(j) residing in a particular locality, or being a member of a bona fide organisation or group of organisations (or otherwise having a continuing and active association with one or more of such organisations) existing within that locality for a purpose other than that of forming a society to be registered as a credit union; or

- k) any other qualifications as approved by the regulatory authority. [CUA 1(4)]

Relatives living in the same household as a qualified member may also be members. [CUA 1(3b)]

A credit union must have at least 21 members. [CUA 6(1)]

Persons age 16 may be members but cannot be officers of a credit union or apply for a loan until they are 18 years of age. [CUA 9(1)]

Rules may provide the qualifications for admission. [Schedule 1(4), IPSA (20)]

A person who ceases to fulfill membership requirements may retain his/her membership if the rules permit. Such non-qualifying members cannot exceed ten percent of the total membership. [CUA 5 (5,6)]

Non-natural Persons Eligible: Only individuals shall be members of a credit union. [CUA 5(1)]

Liability of Member: A registered society has limited liability. Upon the winding up of a society, no person who ceased to be a member more than a year before the winding-up began shall be liable to contribute for payment of the debts and liabilities of the society. [IPSA 3, 57]

Direction and Administration

Annual Meeting of Members: A credit union's rules shall state the mode of holding meetings. The regulatory authority may call a meeting of the credit union members. Every member shall be entitled to one vote only in the affairs of the credit union. [CUA 6(9); Schedule 1(5)]

Board of Directors and Committees: "Committee" means the committee of management or other directing body of a society. The rules may provide for the appointment or removal of a committee, its respective powers and the remuneration of its members. [IPSA 74; CUA Schedule 1(6)] All Board and most Committee members are likely to be deemed as performing "controlled functions" and are required to apply and become licensed as "approved persons" by the regulatory authority. [CRED 6]

Management and Employees: Significant responsibilities for finance, lending, arrears control, money laundering

reporting, complaints handling and other oversight functions must be apportioned to officials of the credit union. [CRED 4.2]

Rules may provide for the appointment and removal of managers and other officers, and their powers and remuneration for service. [CUA Schedule 1(6)]

Senior employees deemed to be performing “controlled functions” are required to apply and become licensed as “approved persons” by the regulatory authority. [CRED 6]

Audits: At least once a year, every registered society shall submit its accounts to an auditor who shall have full access to information and documents necessary for the audit. The auditor shall report his/her findings to the society, including in what respects the accounts are found to be incorrect, untouched, or not in accordance with the law. Rules shall provide for the required audit of accounts. [CUA Schedule 1(11), IPSA 37, 38; FIPSA 9]

A credit union must establish a system of control, and should have an internal audit function as part of its systems and controls. A credit union must appoint an auditor, whose responsibilities and qualifications are detailed. The auditor is also required to express an opinion as to whether or not the information in the financial return is consistent with its published accounts. [CRED 4.3.9, 4.3.11, 14.3]

Liability of Officials: Every officer or servant of a registered society having charge or receipt of money shall, when required, render an accounting as may be required by the Committee, and on demand or notice, must pay over all funds and deliver all property in his/her hands. [IPSA 42]

Conflicts of Interest: Loans to officers must be on the same terms as loans to other members. [CRED 6.2.5] The auditor of a credit union and the credit union must ensure that the auditor is free of any conflicts of interest in carrying out his audit duties. [CRED 14.3.27]

Surety Bond: A credit union must at all times maintain an insurance policy to protect it from fraud or dishonesty. [CRED 7] The limits required for insurance coverage are established. [CRED 7A, ANNEX A]

Shares and Deposits

Shares: All shares of a credit union shall be of £1 denomination and may be subscribed for in full or by periodical or other subscriptions, but no share shall be allotted to a member until it has been fully paid in cash. [CUA 7(1)]

A member must hold at least one share, but may not have or claim any interest in shares of the credit union

exceeding the greater of £5,000 and 1.5 per cent of total shareholdings in the credit union. [CRED 7A.2.1]

Two members may hold a joint account. An individual's interest in a joint account is 50 per cent of the shareholding in the joint account. [CRED 7A.2.6]

A credit union may require 60 days notice before withdrawal of shares. [CUA 7(4)]

Deposits: A credit union shall not accept a deposit from any person except by way of subscription for its shares. [CUA 8(1)]

Dividends and Interest: Dividends payable on shares of a credit union shall not exceed a rate of eight percent per annum or such other rate as may from time to time be specified by order made by the Treasury. [CUA 14(4)]

A Version 2 credit union is able to pay differentiated dividends on different accounts and pay dividends out of interim profits more than once a year. This power is not available to a Version 1 credit union. [CRED 7A.2.7; 7A.2.8]

Lien on Holdings: A registered society shall have a lien on the shares of any member for any debt due to the society by that member and may set aside any sum credited to the member on those shares in or towards the payment of that debt. [IPSA 22]

Loans

Purposes and Conditions: A credit union may make loans to a member who is of full age, upon such security (or without such security) and terms as the policy of the credit union may provide. [CUA 11(1)]

Approval Procedure: Rules shall provide the mode and circumstances in which loans may be made and repaid. [CUA Schedule 1(9)]

Limits, Terms and Security: Version 1 credit unions may not lend to a member more than £5,000 in excess of his shareholding, unless the credit union holds capital equivalent to 5 per cent of assets, then it may lend up to £10,000 in excess of a member's shareholding. [CRED 10.3.2]

Version 2 credit unions may lend £10,000 in excess of the borrowing member's shareholding or 1.5 per cent of total shares in the credit union in excess of the borrowing member's shareholding, whichever is the greater. [CRED 10.3.4]

A version 1 credit union must not lend for a period of more than three years where unsecured, and seven years where secured. [CRED 10.3.1]

A version 2 credit union may not lend for a period of more than five years where unsecured, and 15 years where secured. [CRED 10.3.3]

An individual large exposure is defined as an individual net liability to the credit union that meets both of the following criteria:

It is at least £5,000;

It is at least 10 per cent of the value of the credit union's total capital.

An individual large exposure must not exceed 25 per cent of the credit union's capital. In no circumstances may the aggregate total of all large exposures exceed 500 per cent of the credit union's capital. The aggregate total of all large exposures must not exceed 300 per cent of the capital without prior notice to the FSA. [CRED 10.4.2-4]

Interest Rates and Charges: Interest may be charged on loans but may not exceed one percent per month on the amount of the loan outstanding. Such interest shall be inclusive of all administrative and other expenses incurred in connection with the making of the loan. [CUA 11(5)]

Loans to Officials: A credit union should have clear arrangements for dealing with loans to officers, staff and connected persons to prevent conflicts of interest. Loans to officers must be provided on the same terms as loans to other members. [CRED 10.2.7]

Investment of Funds

Deposit of Funds: See below: "Authorized Investments."

Authorized Investments: Surplus funds and funds serving liquidity purposes may be invested in deposits or loans of authorized UK firms, authorized institutions in other EEA states, or securities issued by or guaranteed by EEA states. Permitted maturity length is limited: to 12 months for version 1 credit unions; or five years for version 2 credit unions. Investments are subject to general limitations on powers referred to in CUA and CRED. [CRED 7.2]

Capital Adequacy-Reserves

Initial Organization: A credit union must have adequate resources, in capital, liquidity, and provision against liabilities, in order to meet the "Threshold Conditions" of minimum requirements for licensing by the regulatory body. The regulatory body may require greater than specified capital requirements if it considers it appropriate. [CRED 5.2.1(4), 8.1.5]

Initial capital of a credit union consists of its assets less its liabilities, other than audited reserves, interim net profits, and subordinated debt liabilities. [CRED 8.2.1(1), 8.2.5]

A version 1 credit union must have initial capital of at least £1,000. [CRED 8.3.9]

A version 2 credit union must have initial capital of at least £5,000. [CRED 8.4.3]

Each member must have at least one share of the credit union. [CUA 5(2)]

Permanent Capital: A version 1 credit union must at all times maintain a positive amount of capital. It must transfer 20 per cent of its annual surplus to capital until such time as capital is equivalent to at least 10 per cent of its total assets. [CRED 8.3.1, 8.3.5-8]

A version 1 credit union with total assets of more than £5 million or more than 5,000 members, must maintain a capital-to-total-assets ratio of at least 5 per cent. A version 1 credit union with total assets of more than £10 million or more than 10,000 members, must maintain a risk-adjusted capital-to-total-assets ratio of at least 8 per cent. [CRED 8.3.14-16]

A version 2 credit union must maintain a risk-adjusted capital-to-total-assets ratio of at least 8 per cent. [CRED 8.4.1-2]

Regular Reserve: See above: "Permanent Capital"

Loan Loss Allowance: A credit union must make adequate provision for bad and doubtful debt, including maintenance of a general provision of at least 2 per cent of its loan assets.

Specific provisions required are 35 percent of net liability for loans more than three months in arrears, and 100 percent where the amount is 12 months in arrears. [CRED 10.5.1-3]

A firm must take reasonable care to organize and control its affairs responsibly and effectively, with adequate risk management systems. [CRED 3.2.1(3), 7.3.7]

Special Reserves: A credit union must hold liquid assets of a value to at least 5 per cent of its relevant liabilities. A version 1 credit union must further hold enough liquid assets to ensure that on no two consecutive quarter ends does the liquid assets value fall below 10 per cent of its relevant liabilities. [CRED 9.3]

Surplus funds not invested in authorized securities must be held as cash in the custody of officers of the credit union. [CRED 7.2.4]

Powers of the Credit Union

General Powers: A registered society is a body corporate which may sue and be sued, with perpetual succession, and limited liability. A credit union is no longer required to adopt a common seal. [IPSA 3, 7]

A registered society which has withdrawable share capital shall not carry on the business of banking.

A credit union may hold property as a place to conduct its business. It may hold interest in other land as necessary for the purpose of making loans to its members. [CUA 12]

Borrowing: A credit union may borrow money from any source subject to regulatory limits. The borrowing of a version 1 credit union (in which loan amounts to a member are limited to shareholding plus £10,000) must not exceed, except on a short-term basis, an amount equal to 20 per cent of its total shareholding at the end of more than two consecutive quarters. The borrowing of a version 2 credit union must not at any time exceed an amount equal to 50 per cent of the total shareholding in the credit union. [CUA 10; CRED 7.3.3 - 7.3.5]

Merger: Two or more credit unions may amalgamate in accordance with the Acts. [CUA 21; IPSA 50, 51]

Liquidation: A credit union may request the FSA to cancel its permission to carry on regulated activity.

The FSA will usually not cancel a credit union's permission until the credit union can demonstrate that it has: ceased carrying on regulated activities; and repaid all shares and deposits.

If the FSA withdraws permission for a regulated activity, it must also withdraw the credit union's authorization. [CRED 14.5.29]

Various grounds are specified for the cancellation or suspension of registration and the petition for closing the affairs of a credit union. The regulatory authority may petition the court to wind up a credit union if it is insolvent; if it fails to comply with applicable laws; if its common bond of membership no longer exists; or in any other case where it believes it is in the public interest or the interests of all the members. Cancellation of registration can not take place until the regulatory authority has cancelled the credit union's permission. [CUA 20]

Federation or Association

Purposes: A society whose members consist solely of two or more registered societies may be registered. [IPSA 2(2)]

Membership: See above: "Purposes"

Dissolution: An association of credit unions registered as an industrial and provident society would be required to comply with the liquidation provisions of IPSA for individual-member credit unions, as shown above. [IPSA 55]

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: FSMA has established a Financial Services Compensation Scheme (FSCS) to provide depositor protection for the entire financial services industry in the UK. [FSMA Part XV]

Coverage: The level of protection in the FSMA Financial Services Compensation Scheme provided for credit unions and other deposit-takers is: 100 percent on the first £2,000 in savings, and 90 percent on the next £33,000 of savings.

Membership: Separate schemes are provided for deposit takers such as credit unions and banks, and for other financial institutions such as insurance companies and investment companies.

Funds: If additional funds are required the FSCS can issue a request for a levy to be paid of no more than 0.3 percent of protected deposits in any rolling one year period.

HUNGARY	
<i>Region</i>	Europe
<i>Federation</i>	National Federation of Savings Co-operatives
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Cooperative Societies and Financial Institutions
<i>Number of Financial Cooperatives</i>	175 (2000)
<i>Number of Members</i>	3,000,000 (2000)
<i>Total Assets (US\$)</i>	\$1,934,703,748 (2000)

Rev. 12-99:rs

Legal Authority

Law: Act I of 1992 on Cooperatives. [cited as "AC"]

Act CXII of 1996 on Credit Institutions and Financial Enterprises. [cited as "CI"]

Act I of 1992 on Cooperatives applies to financial institutions operating as cooperatives. [CI 8(2)] Provisions of the civil code apply to the financial and personal relations of cooperatives not covered by Act I. The law on banks and banking is applicable to cooperatives carrying on banking activities. [AC 2]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: A cooperative is a collective established in accordance with the principles of the freedom of association and self-help, that pursues, through the personal participation and financial contribution of members, entrepreneurial and other activities serving the interests of the members, within the framework of democratic self-government. [AC 3]

Bylaws must designate the range of activities of the cooperative. [AC 17(2)(a)]

Supervision and Regulation

Government Agency: The Court of Registration supervises the observation of a cooperative. [AC 12]

Other Licenses Needed: The performance of business-like activities set forth under "General Powers of the Credit Union" requires a license. [CI 3(3)] The State Supervisory Commission for Money and Capital Market and the National Bank of Hungary are responsible for granting the various licenses required. [CI 2(2)(b), 3(4 to 7)] Both founding and operating licenses are required. The Supervisory Commission's license for founding a

financial company also includes the license required for determining the scope of the company's activities and their commencement. [CI 15(2), 17, 18, 20] Limitations on the time, territory and scope of activities are to be conditions of the Commission's license. [CI 140]

Other Institutions Regulated: The Cooperative law also refers to the regulation of agricultural, industrial and housing cooperatives. [AC 92-111]

The Credit Institutions and Financial Enterprises Act also deals with the regulation of financial service, complimentary financial service, bank representation, deposit insurance and supervisory activities. [CI 1]

Reports: A financial institution shall send its annual report, the auditor's report, and the resolution on the use of net profits to the Supervisory Commission. [CI 132(1), 137(1)] The board of directors of a credit institution shall immediately inform the Supervisory Commission and National Bank of Hungary in writing of certain financially threatening situations. [CI 142] Extraordinary information may be required of an institution. [CI 144]

Inspections: The Supervisory Commission is responsible for examining, analyzing and evaluating the prudent operation of financial institutions. [CI 138(d)] The commission may inspect on site and shall do so at least every two years at every credit institution. This includes inspecting the books. [CI 146, 148]

Regulations: The Supervisory Commission is responsible for controlling and examining the enforcement of regulations that define financial and complimentary financial services. [CI 138(2) (c)]

Enforcement: The Supervisory Commission is responsible for the enforcement of regulations, the taking of measures to halt violations of rules and the imposing of fines for violations. [CI 138, 149] It may also take appropriate remedial measures where regulations are violated or operational deficiencies are detected. [CI 152-175]

Membership of Credit Unions

Common Bonds of Association: Bylaws may determine the common interest which forms the condition of membership. [AC 42(3)] Bylaws may recognize, as local self-government units, groups of members organized along workplace, organizational or domicile lines, or other communities of interest. [AC 27] A credit cooperative may act only for its members. [AC 62(2)]

At least 15 members are required to set up a credit cooperative. [AC 5] Minors over 14 years of age may be members with the consent of their legal representatives. [AC 42(2)]

Non-Natural Persons Eligible: The members of a cooperative are natural persons. However, the bylaws may permit membership of non-natural persons. Except for personal participation and the holding of offices, the rights and duties of legal-person members are the same as those of members who are natural persons. [AC 4(1)] The number of members in a cooperative that are legal persons may not exceed the number of those who are natural persons. [AC 4(3)]

Liability of Member: The assets of the cooperative must cover its liabilities. The cooperative member's own property and the pay he/she receives for work must not be considered collateral for the liabilities of the cooperative. [AC 69]

Direction and Administration

Annual Meeting of Members: The general assembly must be convened as necessary but at least once a year. A general assembly must be convened if called for by at least 10 percent of the members or the supervisory committee in writing with the reason indicated. [AC 21] Sectional assemblies may be called, according to bylaws. [AC 24] Each member is entitled to one vote in the general assembly. [AC 22(3)]

The general assembly is the principal organ of the self-government of a cooperative. Its competence extends to the election and dismissal of the members and the president of the board; the election of the members and chairman of the supervisory committee and the relieving of them of their duties; the setting of fees of office holders; and the adoption of the annual report and decision-taking on the use of post-tax profits or on sources for covering losses. [AC 20, 35]

The general assembly elects a board of directors of at least three members. In the case of a cooperative whose membership is smaller than 50 members, the bylaws may provide for the office of a managing president rather than a board of directors. Only members of the cooperative may be elected to the board, though the bylaws may provide otherwise and may limit the number of board members employed by the cooperative. The president of the board of directors, who is, at the same time, the president of the cooperative, is elected by the general assembly from among the members of the board of directors. [AC 28]

The general assembly elects a supervisory committee of at least three members and a chairperson from among the members of the committee. [AC 30]

The cooperative membership decides every question regarding the management and operation of the cooperative and in any issue connected with other activities serving the interests of the members. [AC 15]

The bylaws may call for regular meetings of delegates. In this case, the ratio of the delegates to the membership, the manner of election and the term of appointment are defined with the provision that at least 50 delegates are to be elected. [AC 26]

Bylaws determine the competence of the local self-government units of a cooperative, their relations with the central self-government organs of the cooperative and particularly matters in which the unit is entitled to decision-making, putting motions forward, or the right of being consulted. [AC 27(2)]

Board of Directors and Committees: The board of directors guides the activities of the cooperative. The board is obliged to report to the general assembly on the assets, the financial situation and the incomes of the cooperative and on its own activities. [AC 29]

The cooperative is represented by the president of the board of directors, the managing president and the managing director or the member of the board designated for such duties in the bylaws. [AC 11]

The supervisory committee supervises the entire activities of the cooperative, may examine and comment on its activities, make proposals to the general assembly and must report annually on its activity to the general assembly. [AC 31, 32] [CI 66]

The bylaws may provide for the setting up of an arbitration committee of at least three members, which mediates in the case of infringement of legal rights and violations of interest within the cooperative and in legal disputes in the membership. [AC 34(1)]

The board of directors of a cooperative credit institution shall have at least one member employed by the credit institution. [CI 62(3)]

Management and Employees: The bylaws of a cooperative may provide for a managing director and other officers. [AC 35] The management of a credit institution shall be performed by at least two managing directors. [CI 69]

The Labor Code is applicable to employment relations of the employees of cooperatives. [AC 65(2)]

Audits: Cooperative credit institutions shall employ at least one internal auditor who shall examine the operations for compliance with the internal regulations. [CI 67(2,3)] Qualifications for the licensing of an auditor are prescribed. The scope and procedures for an audit are also set forth in detail. [CI 133 through 137]

Liability of Officials: Officers bear joint responsibility for any damage they cause to the cooperative by improper fulfillment of their duties, in accordance with civil law, even though they are employees of the cooperative concerned. [AC 40]

The general assembly may decide on the starting of court action for damages against an office holder. [AC 20(1)(k)]

Conflicts of Interest: An officer of a cooperative must not be a member with unlimited liability in a business organization and must not be a leading officer of a business organization engaged in an activity similar to that of the cooperative concerned. [AC 39]

Close kin and common law spouses must not hold office in the same cooperative. The president and members of the board of directors and the president director or managing director are not eligible for membership in the supervisory board and in the arbitration committee. The bylaws may define other cases of incompatibility or give dispensation from these provisions. [AC 37]

The law prescribes detailed requirements for disclosure of conflicts of interest by senior management or employees and prohibits such persons from participating in business commitments for the institution where they have, directly or indirectly, a conflicting interest in another enterprise of a financial or official nature. Similar prohibitions hold on using insider information derived through their official position for financial advantage. [CI 56-59]

Surety Bond: Laws are silent.

Shares and Deposits

Shares: Bylaws of the cooperative designate the amount of money represented by a share, the conditions of paying for it and the number of shares each member is entitled to or may subscribe for. [AC 17(2)(f)]

Each member must pledge the purchase of at least one share and pay for it within one year. [AC 53(3)] The shares must each be of an identical sum. A share is nontransferable and is not subject to court constraint if the cooperative member bears liability to a third party. [AC 53 (1)]

Provided that the member has made contributions in other forms as well as subscription to shares, he/she may apply for shares up to the value of his/her contributions. This provision does not extend to loans given to the cooperative. [AC54(3)] Cooperative quotas are transferable and inheritable. The rights associated with a quota are restricted to the person who owns it. [AC 56, 57]

Deposits: Members may, apart from subscribing to shares, make other forms of financial contributions and may give loans on interest to the cooperative. [AC 54(1)]

Dividends and Interest: A share entitles a holder to receive the appropriate dividend from the after-tax profit of the cooperative. [AC 53(2)]

The manner of paying, terminating and repaying contributions, other than shares, and the amount of the dividends (interests) due after them are subject to a written agreement between the member and the cooperative. [AC 54(2)]

Cooperative quotas entitle their owners to annual dividends on the after-tax profit of the cooperative. It is prohibited to pay interest on quotas. [AC 56]

The bulk of the annual distributable profit of the cooperative must be divided up among the members proportionately to the personal contribution of each. [AC 61(2)]

Lien on Holdings: Laws are silent.

Loans

Purpose and Conditions: A credit cooperative may act only for its members. [AC 62(2)]

Approval Procedure: Laws are silent.

Limits, Terms and Security: The assumption of a risk when the extent of the total risk assumed on behalf of a client or a client group exceeds 10 percent of the credit institution's guarantee capital shall be qualified as an assumption of a high risk. [CI 79(1)]

The total amount of risks assumed by a credit institution for a client or a client group may not exceed 25 percent of the credit institution's guarantee capital; and the total amount of risks assumed by a credit institution may not exceed the eightfold amount of the credit institution's guarantee capital. [CI 79(2), 79(3)]

Additional limits on high risks are specified for cooperative credit institutions whose equity capital does not reach 100 million Forints. [CI 217]

Interest Rates and Charges: Laws are silent.

Loans to Officials: A credit institution may grant only retail loans to a member of the board of directors or supervisory board, the managing director or auditor of the credit institution, close relatives of the aforementioned, the enterprise audited by the aforementioned, or the sale of an enterprise audited by the aforementioned to a third party. [CI 60]

Investment of Funds

Deposit of Funds: Laws are silent.

Authorized Investments: Restrictions apply to various forms of investment permitted to credit institutions. [CI 83, 85] The total amount of real estate investments

of a credit institution, with the exception of real estates directly serving for banking purposes, may not exceed 5 percent of its guarantee capital. [CI 84(1), 84(2)]

Capital Adequacy-Reserves

Initial Organization: Cooperative credit institutions may be founded with a minimum subscribed capital of 100 million Forints. [CI 9(3), 71(1)] The application of a founding license must be accompanied by a certificate that 50 percent of the subscribed capital has actually been paid up. [CI 17(c)]

Permanent Capital: A credit institution must continuously maintain a minimum capital adequacy index of 8 percent of risk assets. [CI 76]

Regular Reserve: Unless the law provides otherwise, at least 10 percent of the after-tax profits of a cooperative must be placed in the reserves to the point where the reserves reach the extent of share capital determined in the bylaws. From this source, among other things, losses may be covered. [AC 67, CI 75(2)]

A credit institution must accumulate a general reserve from its net profits prior to paying dividends and shares. [CI 75(1), 75(6)]

Loan Loss Allowance: A credit institution may use general reserves only to settle losses deriving from its activities. [CI 75(5)]

Special Reserves: A credit institution shall continuously ensure its prompt liquidity while carrying out the collection of its resources and placement of assets. It shall do so in consideration of the type, extent and risks of the activities it performs in accordance with the dates of maturity and the sums of its receivables and payables. It shall prepare internal regulations and a plan to ensure its liquidity. [CI 89]

A credit institution shall accumulate special risk reserves to cover all revealable and qualifiable lending, interest, exchange rate, investment, country and other risks involved in its activities. [CI 87(1)] In addition, a credit institution is bound to accumulate general risk reserves to cover its unforeseeable and not preliminarily definable losses related to assumptions of risk of up to 1.25 percent of its adjusted balance sheet total. [CI 87(2)]

Powers of the Credit Union

General Powers: The cooperative is a legal person. [AC 3] Cooperative credit institutions may perform these activities, with the exception of currency exchange, only among its own members:

1. collection of deposits and acceptance of other repayable monetary instruments from the public in amounts exceeding the equity capital;
2. granting money on a loan;
3. financial leasing;
4. rendering funds flow services;
5. issuing cash substituting means of payment and rendering the related complementary services;
6. solely on own account, commercial activities in foreign currency, foreign exchange (not including currency exchange activities), bills of exchange and checks on own account or as commission agents;
7. intermediation of financial services (agency activities);
8. safe custody, safety box services; and
9. currency exchange activities. [CI 3, 6]

Borrowing: Members may, apart from subscribing to shares, give loans on interest to the cooperative. [AC 54(1)]

Merger: Two or more cooperatives may fuse their operations. [AC 74]

The general assembly's competence extends to decision making on the fusions, splitting, reorganization or dissolution of the cooperative. [AC 20(1)(h), 74-91]

Credit institutions operating as cooperatives may only merge with credit institutions also operating as cooperatives. [CI 22(1)]

Liquidation: The Supervisory Commission's license is required for the cessation of operations. [CI 14(l)]

Credit institution liquidation proceedings are specified. [CI 177-185]

Federation or Association

Purposes: For the protection of their own interests as well as the interests of cooperative members, for the promotion with joint funds of their economic activities and for fostering international relations among cooperatives, cooperatives may create regional or branch organizations. They may establish the joint national interest-representation federation of the Hungarian Cooperative movement to represent themselves in international organizations. [AC 112]

Before proposals that concern cooperatives or their memberships are submitted to government or parliament, the views of the interest organizations and the federation must be obtained. Interest-representation organizations or federations may propose legislation. [AC 113]

The general assembly's competence extends to entry into an interest-representation organization and secession from it. [AC 20(1)(j)]

Membership: Accession to interest organizations is on a voluntary basis. [AC 112]

Dissolution: Laws are silent.

Central Finance Facility

Purposes: Cooperative credit institutions must join an integration organization whose central organization shall ensure the controlling of the affiliated institutions and the maintenance of their liquidity and solvency. [CI 18(2)l, 216(1)]

Membership: See "Purposes."

Funds: Laws are silent.

Share and Deposit Protection

Purposes: For a credit cooperative, the Supervisory Commission's license application must include a declaration of one of the voluntary deposit or institution protection funds to grant membership. [CI 18(2)(g)]

Coverage: See "Purposes."

Membership: Credit cooperatives may not join the National Deposit Insurance Fund. [CI 97(1), 97(3)]

Credit institutions may establish as a legal entity a voluntary deposit insurance and institution protection fund known as the "Voluntary Fund." [CI 128]

Funds: Eighty percent of fines collected by the Supervisory Commission from credit cooperatives must be paid into a voluntary fund established by credit cooperatives. [CI 128(5)] The deed of foundation of a voluntary fund shall define the method of determination and fulfillment of payments. [CI 129(1)(c)]

IRELAND

<i>Region</i>	Europe
<i>Federation</i>	Irish League of Credit Unions
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	535 (2001)
<i>Number of Members</i>	2,570,000 (2001)
<i>Total Assets (US\$)</i>	\$6,823,230,145 (2001)

Rev. 1-00:wj

Legal Authority

EXPLANATORY NOTE: This country is directly or potentially will be affected by EC banking directives.

Law: Credit Union Act, 1997 (This supersedes Industrial and Provident Societies Acts, 1893 to 1978; and Friendly Societies Acts, 1896 to 1977. Transition to registration under the Credit Union Act, 1997 is specified.) [Act 5] Companies Act of 1963, 1990. [cited as "Act"]

[Note: These sections of the Act, although enacted, had not commenced to be effective as of February 2000: Sections 46-52, 68(1)(c), 120(5), 122(1)(f)]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: The objects of a credit union are the promotion of thrift among its members by accumulation of savings; the creation of sources of credit for mutual benefit of members at a fair and reasonable rate of interest; the use and control of members' savings for their mutual benefit; the training and education of members in the wise use of money; the education of members in their economic, social and cultural well-being as members of the community; the improvement of the well-being and spirit of the members' community and such additional services as are for their mutual benefit. [Act 6(2)]

Supervision and Regulation

Government Agency: The registrar shall administer the system of regulation and the supervision of credit unions under the Act. He/She shall have power to do anything necessary to carry out his/her functions and may consult the advisory committee and any other body he/she considers to be expert or knowledgeable in matters relating to credit unions. In the absence of the registrar, his/her functions may be exercised by such person as the Minister of Enterprise and Employment shall appoint. [Act 84, 105, 106]

A credit union advisory committee, appointed by the minister, is created to advise the minister or such persons as he/she thinks fit on the improvement, protection and other matters relating to credit unions. [Act 180]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: Law is silent.

Reports: A credit union shall report to the registrar and publish annually an audited income and expenditure account, a balance sheet and any other statement required, so as to give a true and fair view of the status of the credit union. [Act 111, 126]

A credit union must report to the registrar annually that it has liability insurance coverage for its officers. [Act 47(3)]

Inspections: The registrar may authorize any person, including a body of credit unions, to carry out an inspection of the books and documents of a credit union and any other body associated with it. [Act 90]

The right to inspect the books of a credit union is restricted, but the registrar may appoint an accountant to do so and to report on the results on application of 30 members. [Act 76]

The registrar, his/her appointee, or a savings protection scheme may inspect the registers of members and officers kept by the credit union under this section. [Act 75(5)]

Regulations: The minister, after consulting the Advisory Committee, may make regulations governing all aspects of credit union activity, such as the annual accounts and their audit; loan limits; security; shares and deposits; authorized investments; forms and procedures and other actions to protect members' interests. [Act 121, 182, 183]

Enforcement: The registrar may give such regulatory directions as he/she thinks proper, if he/she finds that a credit union is unable to meet its obligations; that it is expedient in the public interest; that its resources are inadequate; that it fails to participate in a savings protection scheme or make satisfactory arrangements with such a scheme; or that any member or group of members have or are likely to achieve a position of significant influence over the management or operation of a credit union.

The registrar may impose regulatory directions on a credit union for failure to comply with requirements under the Act or directions by the registrar; for conviction of the credit union of offenses under the Act, or offenses involving fraud, dishonesty or breach of trust; or for a change of circumstances that would make the credit union ineligible for registration. The registrar may impose conditions on the raising of funds, the making of payments, the acquisition or disposal of assets or liabilities; he/she may restrict investments, specify

loan limits or security measures or specify the permitted ratio of loans to shares or loans to savings. [Act 87]

The court may grant orders about regulatory directions to a credit union or appoint an administrator. It may appoint an examiner to report on the condition of the credit union. The court has broad powers to investigate and may make any orders it considers necessary. Procedures for such orders and appointees are detailed. [Act 137-141, 142-170, Fourth Schedule]

The registrar, on application of at least 30 members of a credit union or on his/her own authority, may appoint one or more inspectors to investigate the affairs of a credit union or may call a special general meeting. The investigator may apply to the court for orders to get testimony under oath. Where criminal offenses are discovered, the registrar may refer the information to the director of public prosecutions. The registrar may bring suit for damages in the name of the credit union. [Act 92, 93, 94]

After an inspection, the registrar may appoint a non-voting member to a credit union's board of directors. He/She may suspend or remove from office any or all of the directors or members of the supervisory committee or the auditor. Disputes over suspension or removal of an officer may be referred to the court. [Act 95, 96, 116, Fifth Schedule]

The registration of a credit union may be cancelled if the number of its members falls below 15, if it fails to begin or ceases to conduct business, if registration was obtained by fraud or mistake, or if it is dissolved or wound up under provisions of the Act. Provision for suspension of registration and appeals against suspension orders are detailed. [Act 97, 98, 99]

Failure to comply with the various provisions of the Act or contravening the Act are listed as offenses. Fines or imprisonment may be imposed on conviction of offenses. [Act 12(2), 26(4,5), 31(4), 33(5), 35(1), 36, 37, 41(5,6), 43(7), 47(2), 59(6), 71(5), 75(8), 78(6), 83(3), 91(7), 111(5), 114(5), 123, 171-176]

The court, on application of a member or the registrar, may restrain a credit union from doing anything it has no power to do. If a credit union acts beyond its legally permitted powers, it shall be guilty of an offense. [Act 26(4,5), 89]

The minister, by regulations, may require credit unions to establish or join a scheme of the investigation of complaints against a credit union. [Act 127]

Membership of Credit Unions

Common Bonds of Association: Admission to membership is restricted to persons who have at least one of the following common bonds: following a particular occupation; residing or being employed in a particular

locality; being employed or retired from employment by a particular employer; being a member or associated with a member of a bona fide organization, other than a credit union and having any other common bond approved by the registrar. Persons who are members of the household and members of the family of a credit union member are also eligible for membership. [Act 6(1b), 6(3-5)] If a member ceases to have the common bond of membership, he/she may remain a member. [Act 17(4)]

A member of a credit union may not be excluded from membership by amendment of the rules after he/she became a member. A member may withdraw from a credit union or be expelled by two-thirds vote of a general meeting. Procedures are detailed. [Act 17(8), 18]

A credit union must have at least 15 members. Persons under 16 years old may be members but may not vote, or be members of the board or principal committees, or be office manager of a credit union. [Act 7, 17(5,6)]

Non-Natural Persons Eligible: A body, whether incorporated or unincorporated, the majority of the members of which are and continue to be eligible for membership in a credit union, may be admitted to the credit union with the same rights and obligations as a natural person. [Act 17(7)]

Liability of Member: Upon the winding-up of a credit union, the liability of a member is restricted; but no contribution shall be required from any person exceeding the amount unpaid on shares for which he/she is liable. [Act 134(4)]

Direction and Administration

Annual Meeting of Members: A credit union shall hold an annual general meeting at which directors shall present the annual accounts to the members. Each member has only one vote and may not vote by proxy. Authorized non-natural persons which are members have one vote. The registrar may attend and speak at any general meeting. Members may demand a poll on any question at a general meeting. [Act 78, 82]

The annual general meeting elects directors to the board, the supervisory committee and the auditor. Officers, voluntary assistants, employees of the credit union, or their close associates may not be the auditor. Qualifications for an auditor are detailed and include the holding of a practicing certificate or other authorization to be appointed a public auditor. [Act 53(3), 58, 113, 114]

Rules of a credit union may only be amended by a two-thirds majority vote of persons present at a general meeting. [Act 14(1)]

Any dividend on shares must be declared by a majority vote at the annual meeting. [Act 30]

Special general meetings may be called. [Act 57, 79, 92, 119]

Board of Directors and Committees: The board of directors has 7-15 members, always an odd number, which has responsibility for the general control, direction and management of the affairs, funds and records of the credit union. Directors may not serve more than three years and may be reelected. Duties of the board are detailed. [Act 53, 55]

The board appoints the principal officers, including the chairman, vice-chairman, treasurer and secretary of the credit union. The treasurer may not be a member of the credit committee, the credit control committee, or the membership committee. [Act 63]

The board shall appoint a credit committee, which decides on applications for credit; a credit control committee, which seeks to assure repayment of loans and a membership committee, which considers applications for membership. [Act 67]

The board may appoint a credit officer with prescribed powers to approve credit and a credit control officer to assist the credit control committee. [Act 65]

The supervisory committee oversees the performance by the directors of their functions. It may suspend or remove officers under certain conditions and call special general meetings. The supervisory committee has three to five members who serve for up to three year terms and who may be reelected. Directors, employees or other functionaries of the credit union, minors or bodies corporate may not serve on the supervisory committee. [Act 58, 66]

A credit union shall not pay remuneration, except for approved expenses, to a director; members of the supervisory or other principal committees; a credit officer; or credit control officer. The treasurer may be paid remuneration. [Act 68]

Management and Employees: The treasurer is the managing director of the credit union. Duties of the treasurer are detailed. His/Her responsibilities include systems of internal control, custody of all funds, documents, assets, records, etc. A separate manager may be appointed. [Act 64]

The board decides on the terms of employment of such persons it considers necessary to the purposes of the credit union. [Act 55(h)]

Audits: At least twice a year, the supervisory committee examines the books, records, cash, securities and records relating to loans; and once a year, it checks at least 10 percent of the members' passbook savings accounts;

ascertains that actions and decisions of the officers are in accordance with the law and the rules and reports to the annual meeting. [Act 60]

The auditor of a credit union shall make a report to the members on the accounts examined by him/her and on the annual accounts. The scope of the auditor's report is detailed, and the minister may make such provisions as he/she considers necessary concerning it. [Act 120-121]

Liability of Officials: Whoever has handling of funds or property must render an account or pay over funds in his/her charge when required to do so by the credit union or its board of directors. [Act 74]

A credit union may indemnify an officer for any liability he/she incurs in defending him/herself in proceedings in which judgement is given in his/her favor. A court may relieve an officer of liability in case of negligence, default or breach of duty. [Act 177, 178]

Conflicts of Interest: An officer of a credit union shall not participate in any matter in which he/she or a body with which he/she is connected, has a pecuniary interest. He/she must disclose any such interest. [Act 69]

Officers or voluntary assistants of a credit union may be paid for supplying goods or a service to a credit union. [Act 68(3)]

An officer may only pledge or guarantee the loan of a parent, child or spouse. [Act 35(10)]

Surety Bond: Officers and voluntary assistants who handle funds for a credit union must give security in a form approved by the registrar, the amount of which is set by the board of directors. [Act 55(b), 73]

A credit union shall maintain a policy of insurance against loss or liability incurred by reason of the fraud or other dishonesty of its officers or voluntary assistants. [Act 47]

Shares and Deposits

Shares: A credit union may raise funds by issue of shares which may be withdrawable or non-withdrawable. The board of directors sets the maximum amount that may be held in shares by a member. No member may hold or claim shares and deposits totaling 50,000 punts, or 1 percent of the total assets of the credit union, whichever is greater. The Minister may increase this limit. [Act 27, 55(e)]

A share is each sum of one pound standing to the credit of a member of a credit union. [Act 2, 28]

A member of a credit union is not bound by a change in rules that requires him/her to subscribe for more shares than he/she holds or to pay more on shares than he/she already held or that in any other way increases his/her liability to contribute to the share capital. [Act 15(2)]

Shares may be transferred to prescribed persons in the case of a member's death or incapacity. Shares may be transferred from one member to another. Procedures for transfer are detailed. [Act 21-24, 29]

Regulations set the maximum amount of shares or deposits that may be held by a member or by credit unions. [Act 182(1d,e)]

A credit union may apply any sum standing to the credit of its reserves, other than statutory reserves, to the payment of shares and may issue the shares to members as fully paid-up bonus shares. [Act 28]

Deposits: The board of directors fixes the maximum amount that a member may deposit with the credit union. [Act 55(e)] Regulations set the maximum amount of shares or deposits that may be held by a member or by credit unions. [Act 182(1d,e)]

A credit union may raise funds by accepting money on deposit from a member whose shares have a value of not less than 1,000 punt. The registrar may waive the 1,000 punt requirement. [Act 27, 85]

Dividends and Interest: Dividends are paid to members in proportion to their shareholdings, not exceeding 10 percent of the nominal value of the shares of the credit union. The rate of dividend shall not exceed the rate recommended by the board of directors. Dividends shall be paid out of surplus funds available for that purpose, after meeting requirements for statutory reserves, or out of a reserve set aside in previous years to provide for dividends. [Act 30, 55(c,d)]

A credit union may pay interest on deposits at different rates determined by the board of directors. The rate of interest payable at anytime on deposits of a particular class shall be the same for all deposits of that class. A credit union shall ensure that the rate of interest payable on deposits does not exceed the rate of return received from the employment of its funds. [Act 31, 55(c)]

Lien on Holdings: A credit union shall have a lien on the shares, deposits, dividends and interest of any member for any debt due the credit union and may set off any sum credited to him/her. Money payable to a credit union is recoverable as a civil debt. [Act 20, 32]

A credit union may require notice of the withdrawal of shares or deposits and restrict withdrawals by members with outstanding liabilities. [Act 32]

Loans

Purpose and Conditions: Loans may be made to members of a credit union for provident and productive purposes. [Act 35(1)]

Approval Procedure: Every loan application must be in writing and state the purpose of the loan and the security offered for it. [Act 35(7)]

Loan applications must be approved by the board of directors, the credit committee or a credit officer. Special approval procedures apply to loans made to non-qualifying members or officers' applications. [Act 36, 55(a)]

Limits, Terms and Security: Regulations govern the maximum amount of secured and unsecured loans which a credit union may make to borrowers and what security is required. [Act 182(1b,c)]

Loans may be made on such security, or without security, as the rules of the credit union may provide. Loans to unmarried members under 18 years old must be indemnified by a parent, guardian or other person approved by the board. A credit union may accept a guarantee or pledge of shares as security for a loan. The credit union may pay out a loan in installments or in one sum. A member may repay his/her loan in whole or in part on any day the credit union is open for business. [Act 35(1, 8-10)]

The board fixes the maximum amount that may be on loan to a member, and this limit applies equally to all members. [Act 55(f)]

The total of loans over five years in length may not be greater than 20 percent of the total amount outstanding of all loans by the credit union. The total of loans over 10 years in length may not be greater than 10 percent of the total amount outstanding of all loans made by the credit union. [Act 35(2)]

A loan may not be made to a member whose outstanding liability would exceed 30,000 punts or 1.5 percent of the total assets of the credit union, whichever is greater. [Act 35(3)]

The aggregate of loans to non-qualifying members shall not exceed 10 percent, or such larger percentage as approved by the registrar, of the total amount outstanding of all loans made by the credit union. The minister may change the limits on loan approvals. [Act 35(4,6)]

A credit union may not condition a loan on acceptance by the borrower of additional services it offers. If it does offer additional services, the terms must distinguish the consideration applicable to each service. [Act 51]

Interest Rates and Charges: The board of directors fixes the rate of interest charged on loans. The interest rate on a loan shall not exceed at any time 1 percent per month on the amount of the loan outstanding. All charges are to be included in the interest. The rate of interest on any class of loans shall be the same for all loans of the class. [Act 38, 55(c)]

Loans to Officials: Approval of loans to officers, greater than the value of their savings, is made only by a special committee which includes a majority of the board of directors, at least one member of the credit committee and at least one member of the supervisory committee. The officer applying may not participate in the loan decision. [Act 36]

Investment of Funds

Deposit of Funds: A credit union may invest its surplus funds in deposits with other credit unions. [Act 43(1b), 85]

Authorized Investments: A credit union may invest in securities in which trustees are authorized by law to invest; in shares or deposits of or loans to a credit union; in the shares of a society registered under the Industrial and Provident Societies Acts, 1893 to 1978; or in such other manner prescribed which appear to the minister to be beneficial to the credit union. Funds not otherwise invested or kept as cash on hand shall be kept on current account or otherwise on loan to a credit institution. The board decides on investment of funds. Regulations prescribe permitted investments. [Act 43, 55(g), 85, 182(f)]

Capital Adequacy-Reserves

Initial Organization: Law is silent.

Permanent Capital: The Law is silent as to any level of capital that must be maintained. However, a credit union may issue non-withdrawable shares. [Act 27] See also "Regulation Reserves."

Regular Reserve: A credit union shall establish a statutory reserve, by allocating at least 10 percent of its surplus each year for that purpose. It shall not capitalize the statutory reserve by way of bonus shares or distribute it by way of dividends. The allocation may be increased; or, if the statutory reserve at the end of the financial year equals or exceeds 15 percent of the sum of the shares balance and deposits balance, the allocation may be reduced. [Act 45]

Loan Loss Allowance: Law is silent.

Special Reserves: A credit union shall keep a proportion of its total assets in liquid form at all times to enable it to meet its liabilities as they arise. The registrar may require a specified ratio of assets to liabilities and may specify the composition of assets or liabilities. [Act 85]

A credit union may establish a special fund for social, cultural or charitable purposes, including community development. [Act 44]

Powers of the Credit Union

General Powers: Registration renders a credit union a body corporate with the power to sue and be sued, with perpetual succession, a common seal and limited liability. [Act 9]

A credit union may acquire property and do anything to accomplish the objects for which it is formed. It may not do anything which is not appropriate to those objects. It may enter into contracts. A credit union may only acquire and hold land for the purpose of conducting its business on the land. [Act 26, 40, 41, 55(i)]

A credit union may provide additional services to its members upon the resolution of a general meeting and the approval of the registrar. [Act 48-52]

Borrowing: A credit union may raise funds by issue of shares to its members or by accepting money on deposit. The aggregate liabilities of a credit union in respect of deposits from members shall not exceed 75 percent of its aggregate liabilities in respect of shares issued. The registrar may issue a dispensation on these limits. [Act 27(2,3)]

A credit union may borrow money on security or otherwise, so long as the total amount outstanding does not exceed 50 percent of the aggregate of the shares balance and the deposits balance of the credit union. If a proposed borrowing would increase the liability over 25 percent of the aggregate of share and deposit balances, the credit union must notify the registrar 28 days in advance. [Act 33, 55(j)]

Procedures to record charges on the assets of a credit union are detailed. [Act 34]

Merger: Two or more credit unions may be amalgamated and one credit union may transfer its engagements to another by special resolutions of their members and the consent of the registrar. Amalgamation and transfer procedures are detailed. [Act 128-132]

Liquidation: If the registrar finds that a credit union is unable to meet its obligations, fails to comply with the Act, has less than one-half of its members have a common bond, or for any other reason, the registrar may apply to the court for an order to terminate business and wind-up its affairs. Winding-up procedures are detailed. [Act 133-136, Fourth Schedule(6-10), Companies Act]

A credit union may also be dissolved by being wound up in accordance with the Companies Act. A credit union may also resolve to be wound up by an instrument of dissolution. Members at a special meeting by a three-fourths majority vote may alter the instrument, which is to be sent to the registrar. [Act 134, 135]

Federation or Association

Purposes: The Irish League of Credit Unions, an unincorporated body, is referred to as expert or knowledgeable on credit union matters. [Act 181]

A body, the members of which are credit unions and the principal objects of which are the promotion of the credit union movement and the provision of services to credit unions, is referred to and is exempt from the Central Bank Acts, 1942-1997, the Building Societies Act, 1989, and the Consumer Credit Act, 1995. [Act 90, 184]

Membership: A body with credit unions as members is referred to in the law. [Act 90, 184]

Dissolution: Law is silent.

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: A credit union must participate in a savings protection scheme approved by the registrar. Such a scheme is established to protect, in whole or in part, the savings of members of the credit union in the event of insolvency or other financial default on the part of the credit union. "Savings" includes shares, deposits and all other funds held by a credit union on behalf of its members. [Act 6(1f,g), 46]

Coverage: The savings protection scheme must be established to protect the shares, deposits and all other funds held by a credit union on behalf of its members. The registrar may inspect the savings protection scheme. [Act 46(2-4)]

Membership: See "Purposes."

Funds: A credit union may incur expenditure to participate in a savings protection scheme. [Act 46(1)]

LATVIA

<i>Region</i>	Europe
<i>Federation</i>	Association of Latvian Credit Unions
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	24 (2002)
<i>Number of Members</i>	15,152 (2002)
<i>Total Assets (USS\$)</i>	\$4,736,076 (2002)

Rev. 2-04:wj

Legal Authority

Law: Credit Union Law of 1, January 2002, published in Vestnesis No. 60 of 18 April 2001. [Cited as Law]

Regulation: Regulations of the Financial and Capital Market Commission, regulating the operation of credit institutions and credit unions: Decision No. 328; 6, December 2002. Legal norms resulting from the European Union directive 2000/12/EC have been incorporated into these regulations. [Cited as: Reg.]

Regulations of the Financial and Capital Market Commission on the Issue of Credit Institution and Credit Union Operating Licenses, Decision No. 153; 24 May 2002. [Cited as Reg.II]

Definition or Purposes of Credit Union:

Definition: A credit union is a cooperative association with a variable number of members and capital, and organized to provide specified financial services to members including the receiving deposits of members and other repayable funds; and providing loans. Its main function is development of the ability of its members to act jointly in order to promote their well-being, on the basis of mutual assistance and self-governance, promoting thrift, set up credit resources to satisfy personal, economic and everyday needs of members, thus promoting their well-being. [Law 2(1),(2)]

Supervision and Regulation

Government Agency: To ensure secure operation, stability and development of credit unions, they shall be supervised by the Financial and Capital Markets Commission in accordance with the law and other regulatory enactments. [Law 24]

A new credit union must submit documentation to the Commission to apply for a special operating permit

(license), issued for an indefinite term. The legal status of a credit union arises at the moment of registration with the Republic of Latvia Enterprise Register. Registration documents and the procedures to be followed are specified in the Law and Regulations. The credit union's business plan, economic status, risk management and internal controls, and other matters must be included in the application. [Law 2(5),8,9; Reg. 1; Reg.II 1,3]

Other Licenses Required: No other licenses required. However, certain provisions of the Cooperative Company Law apply to credit unions, insofar as the credit union law does not provide otherwise. The credit union shall also comply with international agreements concluded by the Republic of Latvia. [Law 3(1,2)]

Other Institutions Regulated: Law is silent.

Reports: The executive committee of a credit union must prepare an annual report, in accordance with regulations of the Commission. After the annual report is submitted to the Commission, the credit union must publish its balance sheet for the financial year, and an opinion of the auditor. Regulations specify reports on its bylaws, its officials, its shareholders, persons with whom it has close links, changes in its services, and other matters. [Law 23; Reg. 1.2.4, 1.2.5, 2.1, 5.5, 6.1, 13, 14.3, 15]

Inspections: The Law is silent regarding periodic inspections by the Commission, but see below, "Enforcement", for special situations requiring intensified supervision.

Regulations: The "regulatory enactments" of the Commission are referred to in the Law. The Regulations referred to prescribe numerous and detailed procedures for obtaining permits and providing information. [Law 24, 27; Reg. 1; Reg.II 1,3]

Enforcement: The credit union shall comply with regulatory enactments and instructions issued by the Commission. The latter may order intensified supervision of a credit union in cases where it violates regulatory requirements, or the Commission orders an application of insolvency to a court. The Commission may restrict or prohibit separate services and less liquid investments, and appoint an authorized person. The authorized person has the right to full access to a credit union's documents, assets and liabilities, and to receive explanations from its executives. The Financial and Capital Market Commission shall be liable for losses to a credit union due to the fault of the authorized person. [Law 3,25, 26]

The Commission may cancel the operating license of a credit union if: it fails to commence business within 12 months of the date of the permit; it has given false information to the Commission; it does not comply

with the law or restrictions place by the Commission; it has entered bankruptcy; the credit union applies for cancellation; the credit union fails to make required payments to the Deposit Guarantee Fund; it fails to make required payments to the Commission. [Law 13]

Membership of Credit Unions

Common Bonds of Association: Credit unions are set up for specific groups of members, according to principles of territory, employment or mutual interests. Membership eligibility is determined by the articles of association, and may include spouses of accepted members. Members must be adults in the capacity to act. Specified membership bonds include: persons employed by the same employer; members of the same corporation, or public professionally creative organization, or trade union, or sports organization. Not less than 20 qualified persons may found a credit union. [Law 4,5, 8(1)]

Non-natural Persons Eligible for Membership: Government units of territory with a population of 10,000 or less, may be members of its territorial credit union. In rural areas, several adjacent jurisdictions may cooperate in one credit union. [5(1)]

Reference is made to legal persons participating in the founding of a credit union. [Law 8(3)7)]

Liability of Member: A member is liable for the liabilities of the credit union with his or her shares, but not with his or her other property. A credit union is not liable for the liabilities of its members. A member on joining shall be liable for the credit union's liabilities; and upon leaving or expulsion, for the credit union's liabilities before the member leaves or is expelled. Neither debts of individual members nor other claims against them may be collected from the share capital of the credit union. Until a member leaves the credit union, such claims may only be collected from the member's deposits or dividends due. [Law 7]

Direction and Administration:

Annual Meeting of Members: The general meeting of members (meeting of proxies) approves regulations for receiving deposits of members, and on credit policy. The general meeting must approve the annual report. (Throughout the law, the general meeting is also called the (meeting of proxies), but voting in the meeting is not discussed.) [Law 19(2),(3); 23(2)]

Board of Directors and Committees: Qualifications for member and chairperson of the executive board, member and chairperson of the audit commission and chief

accountant of a credit union are: internal tax payer, competent in financial matters, has necessary education and professional experience of the operation of a credit union, has impeccable reputation, has not been deprived of the right of entrepreneurial activity. Persons convicted of committing an intentional criminal offenses, or reckless bankruptcy, may not hold the above positions. [Law 12; Reg.II 3.1.9]

A credit committee shall be set up in a credit union, and reports to the general meeting of members, according to the articles of association. [Law 22(1),(2)]

The executive committee prepares the annual report. The audit committee audits the annual report. [Law 23(2),(3)]

A credit union shall develop an effective internal control system in order to ensure the management of risks and the protection of its assets, the truthfulness and timeliness of the information provided by the management, the compliance with laws, regulatory enactments and instructions of the Commission, as well as with the credit union policy and procedures. [Law 27]

Regulations prescribe how the Commission shall allow persons to perform the duties of the chairperson and deputy chairperson of the executive committee. [Reg. 1.2.1.2.]

Management and Staff: Law is silent, except for reference to hired staff members as having claimant status in a liquidation. [Law 30(9)3),4)]

Audits: The audit committee audits the annual report; a credit union with assets greater than 50,000 lats must be audited by a sworn auditor or commercial company of sworn auditors. [Law 23(2)]

Liability of Officials: Law is silent.

Conflicts of Interest: Executive board and audit committee members may not be members of the credit committee. [Law 22(2)]

A credit union must report to the commission on persons with whom it has close links. [Reg. 1.2.5.]

Surety Bond: Law is silent.

Shares and Deposits:

Shares: The share capital of a credit union shall be the sum of the nominal values of the shares of the members. A member may pay for its shares only cash. The right of a former member to claim against a credit union regarding share payments is limited to shares and dividends due. Shares not withdrawn after their maturity date shall become the property of the credit union. [Law 15(1,2)]

Deposits: A credit union shall receive deposits of members, and other repayable funds. The general meeting approves regulations for receiving deposits. [Law 2(1)(1); 19(2)]

Dividends and Interest: The portion of the net profit remaining after reserve allocations shall be distributed in accordance with the articles of association. Dividends must be paid within 90 days of allocation. Dividends not withdrawn shall be deemed to be demand deposits. [Law 17]

Lien on Holdings: Law is silent.

Loans:

Purpose and Conditions: A credit union shall provide loans to members. The general meeting approves credit policy regulations. Credit policy of a credit union shall include the purpose of issuing loans. [Law 2(1)(2); 19(3); 19(4)(1)]

Approval Procedure: Credit policy shall include loan request procedures, and how it shall be processed, and how a decision is taken to issue or refuse the loan. [Law 19(4)(6),7]

Limits, Terms and Security: Credit policy must include: the term for which loans are issued; types of collateral depending on the purpose and amount of the loan; purposes for which loans may be issued without collateral, and the amount of such loans; procedures for supervision of issued loans, and for recovery of overdue loans; the fact that a credit union's member may use a received loan solely for the purpose it has been issued. [Law 19(4)(3)-5),(8)-10)

A risk exposure is regarded as large if the transaction amount exceeds 10 per cent of the equity of a credit union. Total of large exposures shall not exceed the equity of a credit union by more than eight times. Total amount of loans to one member or common risk group shall not exceed 25 per cent of the equity of a credit union. [Law 20(7-9)]

Interest Rates and Charges: Credit policy shall include: interest rates and calculation procedures thereof. [Law 19(4)(2)]

Loans to Officials: Loans which taken separately or as a whole exceed 1,000 lats, that are granted to the chairpersons and members of the executive board, audit commission, and credit committee, require a unanimous decision by the executive board. Total amount of loans made to the chairpersons and members of the executive

board and the audit commission, and their families, shall not exceed 15 per cent of the equity of the credit union, except with additional shares or deposits as security. [Law 20(10),(11)]

Investment of Funds

Deposit of Funds: A credit union is only entitled to deposit funds not used for loans of its members with the credit institutions registered in the Republic of Latvia. [Law 20(6)]

A credit union is not entitled to open accounts with financial and credit institutions registered abroad. [Law 2(6)]

Authorized Investments: A credit union shall place its assets so that legally valid claims of its creditors may be satisfied at any moment. Except for seized collateral, investments of a credit union in movable and immovable property shall not exceed its equity. [Law 20(2),(3)]

A credit union may invest in government securities issued by the Republic of Latvia, and in mortgage bonds issued by banks registered in Latvia. It may not establish commercial companies, nor invest in the share capital of other commercial companies. [Law 20(4),(5)]

The open foreign exchange position of a credit union in a separate foreign currency shall not exceed 10 per cent, while in all foreign currencies in total, 20 per cent of equity. [Law 20(12)]

Capital Adequacy - Reserves

Initial Organization: Share capital of a credit union shall be the sum of the nominal values of the shares of the members. Minimum amount of share capital of a credit union shall be 2,000 lats. [Law 15(1)]

Permanent Capital: The equity of the credit union shall be the difference between assets and liabilities. [Law 14]

The ratio of the equity of a credit union to total assets and off-balance sheet items (capital adequacy) shall not be less than 10 per cent. [Law 20(1)]

Regular Reserve: A credit union shall set up reserve capital by crediting to it at least 25 per cent of the net annual after-tax profit until the reserve capital reaches at least 10 per cent of assets. Other payments to the reserve may be provided for by articles of association or a decision of the general meeting. [Law 16]

Loan Loss Allowance: Law is silent.

Special Reserves: Law is silent.

Powers of the Credit Union

General Powers: A credit union is empowered to provide a range of financial services to its members, including receiving deposits, making loans, handling money market instruments and payments, issuing guarantees, consulting and other services. [Law 2(1)1-10], Reg. 1.2.2.2.]

A credit union has the status of merchant. It is a legal person, and has rights to handle movable and immovable property, accept gifts, donations and bequests, assume liabilities and be a plaintiff and a defendant in court. [Law 2.(2,3)]

After registration, a credit union is entitled to perform operations specified by its articles of association, and a special permit issued by the Commission. [Law 19(1); Reg.II 1.4.2]

Borrowing: A credit union is entitled, through the Republic of Latvia Cooperative Credit Union Association, to receive and service credit lines from credit institutions, foreign and international financial and credit institutions, as well as to receive loans from local government property privatization funds. [Law 18]

Merger: The general meeting shall decide to terminate a credit union if it is incorporated or merged into another credit union. [Law 29(3),(4)]

The reorganization of a credit union shall take place in accordance with the provisions of Division XV of the Commercial Law. [Reg. 3.2.]

Liquidation: The operation of a credit union may be terminated by its general meeting, or by a court adjudication. The general meeting may decide to end operations only after all the liabilities against creditors that have been entered in its accounting have been met. A general meeting may decide to terminate operations if: the membership falls below 20 persons; if the credit union is incorporated into another union, or merged with another to form a new one; or for other reasons in its articles of association. [Law 28, 29(1-4)]

If the share capital decreases below limits prescribed in the articles of association, the executive board must convene a general meeting either to increase fixed capital or liquidate. Likewise if the equity decreases below 2,000 lats, a general meeting must decide to increase it or liquidate. [Law 29(3),(5)]

In liquidation, the general meeting appoints the liquidator, and the process is supervised by the Commission. Procedures are detailed. Claims priority is listed: claims of the Deposit Guarantee Fund; taxes and dues; employment remuneration for staff who are not members;

creditors and employees not members; deposit claims, with the exception of members of the executive board, audit commission and credit committee; claims of other members who are not on those committees, and last claims by members of those committees. [Law 30]

Federation or Association

Purposes: A credit union is entitled, through the Republic of Latvia Cooperative Credit Union Association, to receive and service credit lines from credit institutions, foreign and international financial and credit institutions, as well as to receive loans from local government property privatization funds. [Law 18]

Membership: Law is silent.

Dissolution: Law is silent.

Central Finance Facility

Purposes: The Republic of Latvia Cooperative Credit Union Association is referred to. See "Federation or Association" above.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: A Deposit Guarantee Fund is referred to in the law:

A credit union's special permit to operate may be canceled by the Commission if it fails to pay fully into the Deposit Guarantee Fund. In liquidation of a credit union, the claims of the Deposit Guarantee Fund have first priority. [Law 13.7], 30]

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

LITHUANIA

<i>Region</i>	Europe
<i>Federation</i>	National Credit Union Association in Lithuania
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	34 (2001)
<i>Number of Members</i>	10,783 (2001)
<i>Total Assets (US\$)</i>	8,669,157 (2001)

Rev. 02-02:wj

Legal Authority

Law: Law on the Amendment of the Law on Credit Unions, No I-796 (18 May 2000 No. VIII-1683). [cited as "Law"]

Law on the Central Credit Union (18 May 2000 No. VIII-1682). [cited as "CCU"]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: A credit union is a credit and savings institution organized on a co-operative basis, voluntarily established by natural persons or by natural persons together with public organizations, trade unions, religious communities, associations, agricultural co-operatives registered in the Republic of Lithuania, and registered as prescribed by law. It pools savings from its members and clients with the aim of satisfying the business and social needs of its members by making member loans and assuming related risks and responsibility. [Law 2.1]

Supervision and Regulation

Government Agency: The Bank of Lithuania is the supervisory and licensing body for credit unions, until a separate supervisory body is established. [Law 52]

Credit unions must be registered according to law, and may only operate when licensed by a supervisory body. [Law 2.1, 7.2, 15.1, 15.4, 16.1]

The Central Credit Union must be licensed by the Bank of Lithuania, and registered according to law. [CCU 19-20, 46.1]

Other Licenses Needed: Laws are silent.

Other Institutions Regulated: The Bank of Lithuania is a central bank with supervisory responsibilities for various financial institutions in Lithuania.

Reports: A credit union must prepare an annual financial statement within three months of the close of the fiscal year, and send it to the supervisory body. [Law 45.2-3] A credit union must report any required information to the Central Credit Union. [CCU 36]

The Central Credit Union must report its activities to the Bank of Lithuania. [CCU 45]

Inspections: The Central Credit Union shall control permanent activities of its members, and shall check and assess the risk of its members' activities, and report to the supervisory body regarding sanctions. [Law 47.5; CCU 5.1.11, 47, 49.3]

The stabilization fund commission may order an independent audit of a credit union. [CCU 36.4]

Regulations: The supervisory body may establish standards for the credit union concerning the liquidity ratio, the maximum open position in foreign exchange, and the capital adequacy ratio. Accounting, reporting and financial control must also conform to resolutions of the supervisory body. [Law 45.2, 46]

Enforcement: The supervisory body may warn a credit union of shortcomings or violations and order corrections, impose administrative penalties on managers, and suspend or revoke the license to perform one or more functions. Sanctions may be appealed against in court. [Law 47]

The Central Credit Union shall monitor, and when necessary examine its member credit unions, and provide to the supervisory body information, proposals and recommendations regarding any disclosed violations, or non-compliance with prudential requirements. [CCU 5.1.11]

The Bank of Lithuania as supervisory body may apply sanctions to the Central Credit Union for violating standards or the law. It may revoke licenses to perform one or more of the central's functions, demand removal of officers, restrict the disposal of accounts in the Bank of Lithuania, revoke the license of the central, and take other measures. [CCU 46]

Membership of Credit Union

Common Bonds of Association: A registered credit union must have at least 50 voting members, not including associate members. Membership shall be based on: employment in the same enterprise or institution; belonging to the same professional group; belonging to certain groups, including public and professional but excluding political parties; belonging to an educational, ethnic, cultural, social or religious community or association, etc.; and residing in the same location - a

township, the territory of a ward, or other territorial structure established by a municipal council if wards are not defined. Membership criteria must be specified in the bylaws, and a member must meet at least one criterion to become a member. Family members of a credit union member, and persons who either live together with or keep house with him, may be ordinary members of the credit union, without regard to the specified criteria, unless the bylaws provide otherwise. A person must apply for membership, and be admitted by the board. [Law 11.8, 14.2.3, 14.2.5-6, 17.6-12]

At least five natural persons must be founders of a credit union. Founders must also be voting members of the credit union. Bylaws establish the criteria of uniting into a credit union, and conditions of membership. [Law 11.2, 14.2.3, 14.2.6]

Citizens of the Republic of Lithuania, stateless persons residing in Lithuania, and citizens of other countries permanently residing in Lithuania may be voting members of a credit union. Persons must be 18 years old to be members, or 16 years old if they have an independent source of subsistence. [Law 17.1]

A voting member has the right to attend meetings and have one vote, to elect and be elected to management bodies, to obtain information about the condition of the credit union, to appeal decisions of the board in court, to withdraw from the credit union and to have other rights and obligations. A person may only be a member of one credit union if bylaws require it. Procedures to terminate membership are detailed. [Law 19-23, 27.2.4]

Associate members are allowed. Natural persons who reside, or work or study in the ward where the credit union headquarters is located, and others who do not meet membership criteria, may be associate members. Associate members may have all the rights and obligations of ordinary members except the right to vote or to be elected to the management and control bodies of the credit union. Bylaws may set forth other restrictions on associate membership, including: to fix the maximum deposit allowed, limit the amount of share or loan, regulate the procedure of payment for deposit or repayment of loan, or other matters. The number of associate members may not exceed the number of ordinary members. [Law 17.3-5]

Non-Natural Persons Eligible for Membership: Certain legal entities may be founders of a credit union, but must number fewer than the natural persons who are founders. [Law 2.1, 11.3]

Public organizations, organizations of trade unions, religious communities and associations, and agricultural

cooperatives registered in Lithuania, may be voting members of a credit union, provided such legal persons number fewer than the natural persons who are members. [Law 17.2]

Individual (personal) enterprises, economic partnerships, agricultural cooperatives, and private companies registered in Lithuania by natural persons the controlling block of shares whereof is possessed by a member or members of the credit union, may become associate members of a credit union. Eligible enterprises must have 49 or fewer employees. Associate members may not vote or be elected to the Board or supervisory bodies of the credit union, and bylaws may fix other restrictions. The number of associate members may not exceed the number of regular members. [Law 17.3-5]

Liability of Member: Members of the credit union shall be liable for its obligations, only to the extent of their shares or the amount due for their share. A member is responsible for damage inflicted on the credit union, and bylaws may establish the member's responsibility which would be as much as fivefold the amount of his/her share contribution. [Law 3.4, 25]

Bylaws state the rights, duties and responsibilities of members. [Law 14.2.5]

Direction and Administration

Annual Meeting of Members: A general meeting must be convened every year. The general meeting of members is the supreme managing body of the credit union. It elects or removes from office the members of the supervisory board, the board, and the loans committee and their chairpersons. It appoints the auditor and approves the annual accounts. The law details additional oversight functions of the general meeting. The board, the loans committee, the supervisory committee and the auditor report their activities to the general meeting. [Law 27, 29, 30, 35.3, 35.5, 36.3, 38.1, 38.4]

Bylaws and their amendments must be approved by a general meeting of members. The law and bylaws state the competence of the general meetings, procedures and grounds for calling the meetings, and their voting rules. Proxy voting is allowed, but credit union officials may not be proxies. [Law 14.2.9, 14.4, 11.7, 12.2.1, 24, 25.2.1, 28, 29, 30]

Board of Directors and Committees: The board of directors is the executive-managing body of the credit union, having at least three members. It carries oversight, management, accounting, investment, borrowing and membership functions. When necessary, the board shall form the administration of the credit union. [Law 34, 35, 39]

The supervisory board, of three to nine members, oversees the legality and expediency of the credit union. Members of the board of directors, the loans committee or an auditor may not be members of the supervisory committee. The supervisory board may call for an independent audit. [Law 32, 33]

The loans committee must have at least three members. A person who is the auditor, or a member of the supervisory board or the board of directors may not be on the loans committee. It shall consider applications, set terms and conditions and submit proposals for loans to the board. The board may not conclude a loan to a member if it was not approved by the loans committee. [Law 36]

The law and bylaws state the procedure for electing the Supervisory Board, the Board, the Loans Committee and the auditor, and their respective powers. [Law 14.2.10, 26.1-2, 32-36]

Management and Employees: The management bodies of the credit union shall be the general meeting, the Supervisory Board, the Board, and the Loans Committee. Only those members who are of age and the representatives of legal persons may be members of the management bodies. [Law 26.1]

A credit union may make bonus payments to the members and heads of the managing bodies. [Law 8.1.6, 27.2.8, 38.5]

The general meeting may hire personnel to administer the credit union and fix their compensation. When necessary, the board may form the administration of the credit union. The chairman of the board may be the head of administration. [Law 26.3, 27.2.12, 39]

Audits: A credit union shall have at least one auditor, who is qualified by diploma. The auditor controls its financial and business activities. A member of the board, the supervisory board or the loans committee, or the chief financial officer of a credit union, may not be auditor. If it is not possible to elect the auditor from among the members, an independent auditor may be hired. [Law 38]

Bylaws set the procedure for making up, inspection and approving the accounts. [Law 14.2.13]

Liability of Officials: Members of the board, the supervisory board, and the loans committee are liable for any damage they cause to the members of the credit union. They shall be released from obligation if they voted against resolutions that did not comply with the law or bylaws, or did not attend the meeting where such resolutions were passed. [Law 37]

The auditor shall be liable for unsatisfactory control of the credit union, and the concealment of deficiencies in its activities. [Law 38.6]

Officers of the Central Credit Union are liable for losses they cause to it, unless they did not participate in or voted against damaging resolutions. Members of the auditors commission of the central shall be held liable for unsatisfactory control of the central. Laws and by-laws establish the liability of officials of the central. [CCU 37, 38, 50]

Conflicts of Interest: Founders of a credit union must report their shares and transactions in beginning a credit union. [Law 13]

The head of administration may not be the chief financial officer (accountant) of the credit union, and also may not be an administrator of another bank or credit union. [Law 39]

A member may not vote in a general meeting where his/her own membership is at issue, or in other cases provided in the bylaws when he/she has a direct interest. [Law 19.3]

Surety Bond: Laws are silent.

Shares and Deposits

Shares: A member share of a credit union member is a cash contribution to the capital of the credit union. [Law 2.2, 43.1]

The minimum share contribution by law for a natural person member of a credit union is Lt 100; and for a legal person the minimum is Lt 1,000.

Bylaws and the general meeting fix the minimum amount of share contribution, and procedures for payment and transfer of shares to other persons. Bylaws may also fix the maximum number of shares permitted to one member. Shares may be bequeathed to one or several persons. [Law 14.2.7, 19.1.8-10, 19.4.1, 27.2.6, 43]

Deposits: A credit union shall receive time and demand deposits from its members, and from associations of credit unions, public organizations, religious communities and associations, organizations of trade unions, charity and sponsorship foundations registered in the Republic of Lithuania, institutions authorized by the Government of the Republic of Lithuania and/or local authorities, international charitable (sponsorship) foundations and/or such foundations of foreign states; as well as, before a credit union joins the Central Credit Union, from other credit unions which are not members of the Central Credit Union. [Law 7.1.1]

A member must carry out deposit agreements and other agreements with the credit union. [Law 19.4.5]

Dividends and Interest: The law and the bylaws set the procedure for profit and loss approval, and the procedure for the distribution of profit and compensation for losses. A member has the right to receive the share of profit distributed in proportion to the amount of his/her deposits and received loans. [Law 14.2.12, 19.1.6, 44]

The board of directors sets the interest rate on deposits. [Law 35.2.5]

Lien on Holdings: The credit union is prohibited from taking recourse on a member's contributions, except where a debtor ceases to be a member. [Law 43.5]

Loans

Purpose and Conditions: A credit union shall make loans to its members only, for purposes established in its bylaws and the general meeting. Member loans are long-term and short-term loans made from accumulated funds, at the interest rate established by the Board of the credit union. [Law 2.3, 7.1.2, 27.2.7]

Loans may be made to members to purchase movable or real property, for articles of everyday use, for paying ordinary service charges, for starting and developing economic or professional activities or small- to medium-sized businesses of the members, and any other specific purpose provided for in the bylaws. [Law 9.1]

Before a credit union joins the Central Credit Union it may lend money to other credit unions which are not members of the central, or an association of credit unions. [Law 7.1.4]

Approval Procedure: Other laws governing bank loans apply to credit unions only insofar as they do not contradict the credit union law. [Law 6.2]

Limits, Terms, Security: A credit union may make long-term and short-term loans. [Law 2.3, 7.1.2, 9.1]

A loan to a member may not exceed tenfold the amount of the borrower's share contribution and 10 percent of the amount of deposits accumulated with the credit union and loans taken by the credit union, as determined by the last balance sheet. This restriction shall not apply to a member where the loan is for education-related expenses, and where the loan is secured by pledging a time deposit. A loan must be secured by pledge, mortgage, surety or guarantee, according to the Civil Code. But if a loan is for less than the amount of a member's share, the share may be used as security. [Law 9.2-5]

A member must duly and timely carry out loan agreements. [Law 19.4.5]

Interest Rates and Charges: The Board of Directors establishes the interest rate for member loans. Other charges for services are authorized. [Law 2.3, 8.1.7, 35.2.5]

Loans to Officials: Laws are silent.

Investment of Funds

Deposit of Funds: A credit union may have settlement and currency accounts in national and foreign currency in the Central Credit Union and banks. [Law 8.1.2]

Authorized Investments: A credit union shall invest its free funds into securities issued by the State or the Bank of Lithuania, if the credit union's bylaws provide for it. [Law 7.1.5, 35.2.12]

Capital Adequacy - Reserves

Initial Organization: A credit union shall be established by forming funds for covering beginning expenses, from the paid amounts of one-time entrance fees and by accumulating share capital from the share contributions of founders. The founding agreement of a credit union establishes the initial minimum share contribution in cash. Minimum share capital must be accumulated and shares of at least 50 persons must be paid up prior to the first statutory meeting. [Law 11.1, 11.4.5, 11.8]

The founders of a credit union must report to the initial statutory meeting the number of shares purchased and the amount of money received, and the amount of shares contributed by each founder. [Law 13.2-3]

Bylaws state the capital structure, ownership and formation (the amount of share capital is not specified.) [Law 14.2.11]

Permanent Capital: The general meeting determines the amount of share capital, reserve capital and other required capital. [Law 27.2.13]

The credit union's ownership capital shall consist of the share capital, reserves and supplementary capital. Minimum share capital may not be less than Lt 15,000. It shall be formed out of the cash share contributions of founders and members, and subsequently from the retained profits of the credit union. Share capital may not be formed from funds borrowed by the credit union, or property mortgaged to it. Profits may not be distributed if share capital falls below prescribed amounts. [Law 40, 41, 44.3, 44.5]

Regular Reserve: See "Permanent Capital" above.

Loan Loss Reserve: The loan loss reserve shall be formed from the profits of the credit union, until it accounts for

10 percent of the long-term investments and extended loans. [Law 42]

Special Reserves: The general meeting of a credit union decides on the use of reserves to cover losses which are not related to loan or investment losses. [Law 42.4]

Powers of Credit Union

General Powers: A credit union shall be a legal person upon proper registration, and shall operate in compliance with the Law and other legal acts of the Republic of Lithuania, and with its bylaws. It shall have its assets, and may in its own name acquire property and non-property rights and assume obligations. It may act as plaintiff or defendant before a court of law or the arbitration court. It may only be established for an indefinite period.

A credit union shall only be liable for its obligations to the extent of its available assets, and shall not be liable for the obligations of its members which are not related to the activities of the credit union. A credit union shall not be liable for the obligations of the State, whereas the State shall not be liable for the obligations of the credit union, except in cases where the State itself assumes such liabilities. [Law 3.1-5, 8.4]

The assets of a credit union, accumulated from the shares of its members and entrance fees as well as received from its own operations, shall belong to it by right of ownership. It must establish a procedure for protection of its assets. [Law 4, 8.5]

A credit union may acquire and dispose of property, conclude contracts and assume responsibilities. It may fix the amount of charges for rendered services, and preferential terms when services are rendered for its members and associate members. It may determine its organizational structure. [Law 7.1.6, 8.1.2-5,7-8]

A credit union may also have other civil rights, provided they are in compliance with this law and the other laws of the Republic of Lithuania. [Law 8.2]

Bylaws may include provisions regulating the activities of the credit union and determining property and other relations of the members as well as the relations between the credit union and third persons, provided they comply with the laws of the Republic of Lithuania. [Law 14.3]

Borrowing: Before it joins the Central Credit Union, a credit union may borrow money from other credit unions which are not members of the Central, or an association of credit unions. [Law 7.1.4]

A credit union may borrow from or lend to other credit unions. [Law 35.2.13-14]

Merger: A credit union may be reorganized by merger or by division, with a two-thirds vote of its members. The law details procedures for such changes. [Law 48]

In the event of bankruptcy, a credit union must be reorganized according to the law on Enterprise Bankruptcy, and other laws and acts regarding bank bankruptcy. [Law 48.11]

Liquidation: A credit union may be liquidated if its activity period set by bylaws expires; if its registration is cancelled; if membership falls below prescribed numbers; if its share capital decreases below minimum levels; if a court orders liquidation; and a general meeting resolves to liquidate, provided no bankruptcy proceedings have begun. [Law 49]

The Credit Union law, the law on Commercial Banks, other laws regulating bank liquidation, and bylaws set the procedure of the credit union reorganization and liquidation. A member has the right to receive a portion of assets of the credit union in liquidation, in proportion to the amount of his/her share. [Law 8.1.10, 14.2.14, 19.1.7, 49, 50]

The Central Credit Union may act as temporary liquidator of credit unions. [CCU 6.1]

Federation or Association

Purposes: Associations of credit unions are registered bodies representing the interests of their credit union members. [CCU 2.3]

See also "Central Finance" below.

Membership: The general meeting of a credit union decides on membership in an association. [Law 27.2.16]

Dissolution: Laws are silent.

Central Finance Facility

Purposes: A Central Credit Union is a credit institution organized on a cooperative basis, established by credit unions and the Government of the Republic of Lithuania or an institution authorized by it. It shall support liquidity and restore solvency of credit unions, accept deposits and other repayable funds, provide loans and assume the risk and responsibility related to it, and engage in other activities specified by law. [Law 2.4, CCU 2.1, 5, 10]

The central monitors, and when necessary examines credit unions and provides information and recommendations to the Bank of Lithuania regarding any disclosed violations non-compliant with prudential standards. [CCU 5.1.11]

The central also carries on clearing and settlement functions for its members, performs transfer and foreign exchange activities, organizes training for credit union staff and provides other assistance to its members. [CCU 5]

Membership: A credit union may be a founder and member of the Central Credit Union. Bylaws state the use of assets of a credit union, to acquire shares of the Central. The central may be established by at least 20 credit unions. The government must acquire shares of the central. [Law 8.1.9, 10.2, 14.2.8; CCU 12]

The Law on the Central Credit Union, the Law on Credit Unions, and other laws and legal acts, and the regulations of the Central Credit Union shall establish the procedure of credit unions' joining the Central Credit Union and participating in its activities. [Law 6.1, 8.3]

Funds: A member of the Central Credit Union must pay for a share and make other, supplementary contributions as set forth in the bylaws. The minimum amount of a main share is Lt. 1,000. [CCU 2.5, 9.4.1]

There is an implied share ownership by the government in the Central Credit Union, related to its funding of the stabilization fund. The central can also take deposits from a variety of outside entities specified in the law. [CCU 5.5, 7.3, 23.5]

The law provides for main and supplementary types of capital. The main capital shall consist of the sum of share capital, reserve capital and retained earnings (losses) of the previous year. Supplementary capital is formed from the stabilization fund, subordinated loans, retained earnings (losses) of the current year, revaluation reserve of fixed assets and other capitals and reserves provided for in the bylaws of the central. [CCU 41, 42]

Voting shares and non-voting shares are authorized as capital of the Central Credit Union. The minimum capital of the central shall be five million Litas. Member credit unions must keep a portion of their deposits in the central. [CCU 2, 11, 22.1]

Share and Deposit Protection

Purposes: The deposits of individuals shall be insured in accordance with the Law on Insurance of Deposits of Individuals. The guarantee of deposit security shall also be a part of membership of credit unions in the Central Credit Union, which shall perform the functions of supporting liquidity and restoration of impaired solvency of its member credit unions. [Law 10]

The Stabilization Fund shall be formed in the Central Credit Union, managed by a Stabilization Fund Commission. It shall function as the lender of last resort to restore the impaired solvency of credit unions. [Law 2.7; CCU 23]

See also "Central Finance Facility" above.

Coverage: Laws are silent.

Membership: See "Share and Deposit Protection - Purposes" above.

Funds: The initial stabilization fund shall be formed from the money of the government, not less than Litas 700,000, and the obligatory contributions of the Central Credit Union members in proportion to their assets. The contributions by member credit unions shall be the expenses of the credit union. Other resources for the stabilization fund are detailed in the law. The stabilization fund shall be not less than one percent of the assets of all members of the central, and not less than the amount of assets attributed on average to one member at the end of a fiscal year. [CCU 23]

THE NETHERLANDS

<i>Region Federation</i>	Europe Cooperative Centrale Raiffeisen-Boerenleenbank
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Cooperative, Association and Credit System Laws
<i>Number of Financial Cooperatives</i>	380 (2001)
<i>Number of Members</i>	7,000,000 (2001)
<i>Total Assets (US\$)</i>	\$323,011,211,959 (2001)

Rev. 5-00:wj

Legal Authority

EXPLANATORY NOTE: In The Netherlands, as is the case in many western European countries, cooperative banks, as opposed to credit unions, are the principal financial cooperative institutions. Day-to-day supervision of cooperative banks in the Netherlands is exercised by the Cooperative Centrale Raiffeisen-Boerenleenbank B.A., called Rabobank Nederland. Cooperative banks are members of this central bank, which in turn is supervised by the Netherlands Central Bank (Nederlandsche Bank N.V.), and the Ministry of Finance.

The legal structure for supervision of all credit institutions in the Netherlands is laid down in the Act on Supervision of the Credit System (1992) and a subsequent series of implementing decrees, regulations and guidelines. Sections of the Dutch Civil Code on Cooperatives and Associations also govern cooperative banks, in particular their internal structure. The Articles of Association of the Rabobank Nederland, cited here, and its regulations, which were not available, govern various aspects of capital structure and reporting requirements.

This country is directly or potentially will be affected by EC banking directives.

Law: Dutch Civil Code: Part 2, "Associations," and Part 3, "Cooperatives and Mutual Insurance Societies." [cited as "DCC"]

Act on the Supervision of the Credit System 1992. [cited as "ASCS"]

Decrees in Implementation of the ASCS:

- * Decree of 28 September 1998, pursuant to Section 84(2) of the Act on the Supervision of the Credit System 1992, on the Collective Guarantee Scheme of Credit Institutions for Repayable Funds and Portfolio Investments of 17 September 1998, Staatsblad 577. [cited as "CGS"]

- * 18 August 1997/No. BGW 97/1774-U; designating Rabobank Nederland as a representative organization with regard to implementation of the Act. [cited as "97/1774-U"]

Articles of Association of Cooperative Centrale Raiffeisen-Boerenleenbank B.A., called Rabobank Nederland. [cited as "Rabobank"]

Regulations: Orders which regulate aspects of the credit system under the Act are cited by their listing in the Nederlandse Staatscourant:

Order fixing the minimum amount of own funds. [cited as "1993 No. 50"]

Regulation of the Nederlandsche Bank regarding private portfolio investment transactions by insiders, members of the supervisory boards or comparable bodies and employees. [cited as "1994 No. 7"]

Various regulations, administrative orders, guidelines and definitions in the Manual of Supervision of the Nederlandsche Bank. [cited as "Manual"]

Definition or Purposes of Credit Union

Definition: A cooperative is an association established as a cooperative by notarial deed. Its object must be to provide for certain material needs of its members in the business it conducts for the benefit of its members. An association is a legal person with members. [DCC 26, 53]

A credit institution is defined as any enterprise or institution whose business is to receive funds repayable on demand or subject to notice being given and whose business is to grant credits or investments for its own account. Cooperative banks and their central banking system fall under this definition. [ASCS 1(1)(a), 97/1774-U]

Supervision and Regulation

Government Agency: The Nederlandsche Bank N.V. (the Bank) and the Minister of Finance (the Minister) generally exercise supervision over credit institutions. However, the Cooperative Centrale Raiffeisen-Boerenleenbank B.A., called Rabobank Nederland, as a designated representative organization, exercises the Bank's supervisory functions with respect to the credit institutions associated with it.

NOTE: Any supervisory requirements of the Bank specified in this Law digest are by implication membership requirements of the Rabobank.

The Minister may give the Bank directions in the implementation of directives on the supervision of credit institutions issued by the Council of the European Union

THE NETHERLANDS

or by the European Parliament and the Council jointly. [ASCS 1(b, d-f), 2-3, 20, 97/1774-U]

The Bank must authorize an institution to pursue the business of a credit institution. Special conditions or exemptions may apply to authorization of a credit institution affiliated with a central credit institution. [ASCS 6, 8-9, 12]

Other Licenses Needed: If the articles of an association are embodied in a notarial deed, the officers shall have it registered in the commercial register. Some reports must be filed in the commercial register. [CDD 29, 63b]

Specified provisions which govern associations also apply to cooperatives. [DCC 53a]

Other Institutions Regulated: Associations of other types and mutual insurance societies are regulated by the Association, Cooperative and Mutual Insurance Society provisions of the Dutch Civil Code. [DCC Parts 2-3]

Credit institutions of different kinds are regulated under the Act. [ASCS 52]

Credit institutions established in another state, whether or not a member of the European Union, require authorization by the Bank to operate a branch in the Netherlands. Conditions of authorization and notification provisions are detailed. Supervision rules are similar to those for Netherlands-based credit institutions. [ASCS 31-44]

Reports: Each credit institution shall submit its annual accounts to the Bank every year, within six months of the end of its financial year. The accounts must state whether they have been approved and include a qualified auditor's report. The auditor must make any information requested available to the Bank and must notify the Bank if he/she finds illegal or unsound circumstances. Rules for the annual accounts of a credit institution are outlined in the Bank supervision manual. [ASCS 30, 55, Manual pp. 5001-5601]

Member cooperative banks must send their annual accounts to Rabobank Nederland. [Rabobank 13(k)]

The Bank or the Minister and supervisory authorities in other states cooperate in gathering and exchange of information about credit institutions and natural persons who operate across borders. [ASCS 60-63, 65, 66, 66a, 67]

A large cooperative must file a statement with the commercial registry if its assets exceed a level set by royal decree; or if it or its dependent company has established a works council; and if it and its dependent companies together employ more than 100 employees in the Netherlands. [DCC 63b]

A cooperative, whose articles do not exclude all liability of its members or former members to contribute to a deficit, must file a membership list with the commercial registry. [DCC 61(d)]

A credit institution must notify the Bank of its intention to operate a branch in another member state of the European Union, and the Bank, if it approves the branch, must notify the supervisory authority of that member state. If a credit institution intends to offer services in a non-member state, it must notify the Bank. [ASCS 16, 17]

The Bank may require reports from credit institutions to carry out its supervisory activities. Credit institutions must notify the Bank of any full or partial non-compliance with Bank directives. [ASCS 55, 56, 56a, 57, Manual]

The Bank may collect information about credit institutions for its supervision activities. [ASCS 53-54]

Inspections: Members of Rabobank Nederland must have their accounting records and internal control structure examined by Rabobank Nederland. [Rabobank 13(j)]

Regulations: After advice of the Bank has been obtained, regulations may be imposed by royal decree on registered credit institutions in respect of interest rates or other conditions of demand deposits of natural persons, associations and foundations. [ASCS 85]

Cooperative banks which are members of Rabobank Nederland must comply with its regulations. [Rabobank 4(b)]

Enforcement: The Bank may give direction to a credit institution regarding qualifications of officers or to correct deficiencies in funds, keeping accounts, or required reports. [ASCS 14, 58]

Where solvency or liquidity appears endangered, the Bank may notify the credit institution and direct a course of action. [ASCS 28]

In the event that solvency or liquidity shows dangerous development and no improvement can be expected, the Bank may petition the district court to declare the credit institution to be in a position requiring special measures in the interests of the creditors. The District Court may investigate the situation and appoint a receiver, nominated by the Bank. The receiver exercises all powers of the credit institution to safeguard the interest of the creditors. The court may empower the receiver to transfer the obligations of the credit institution or to liquidate it. [ASCS 71-73, 75]

The Bank may withdraw its authorization if a credit institution so requests; if it ceases to operate as such; or if it fails to meet management, reserve funds, or reporting criteria. [ASCS 15]

The board of directors of Rabobank Nederland may issue rules or directives to a member cooperative bank if the member is guilty of mismanagement or of acts forbidden by law. It may appoint an extra director to the board of such member. [Rabobank 53a]

Membership of Credit Unions

Common Bonds of Association: Admission to membership of a cooperative shall be decided by the management, unless articles provide otherwise. If a person is not admitted by the management, a general meeting may admit them. [DCC 33]

Members of Rabobank Nederland shall only provide services to persons or legal entities residing (or intending to), carrying out their profession, or running their business (or intending to) within an operating area to be laid down in the cooperative bank's bylaws. [Rabobank 4(e)]

Non-Natural Persons Eligible: Membership of an association shall be personal unless the articles provide otherwise. Membership by a legal person is referred to. [DCC 34]

Liability of Member: Obligations can be tied to membership only by or pursuant to the articles. A cooperative may, by its articles, exclude or limit to a maximum any liability of its members or former members to contribute to a deficit. [DCC 34a, 56]

The persons who were members on the winding-up, or who ceased to be members less than one year prior to an order to wind-up, shall be liable to the legal person for a deficit on the basis provided for in the articles. If a basis for liability is not provided for in the articles, all shall be equally liable. If no recourse is possible against one or more members or former members for the amount of his/her or their share in the deficit, the other members and former members shall be liable for the shortfall, each in proportion to his/her share. [DCC 55]

Direction and Administration

Annual Meeting of Members: All powers of an association not conferred on other constituent bodies by law or the articles shall be vested in the general meeting. The management shall be appointed by the general meeting. Other means of appointment are permitted if each member is able to participate in the voting on the appointment. General meetings held by sections are referred to. Articles of Association may call for a general meeting of delegates elected by the members. [DCC 37, 39-40]

At a general meeting held within six months after the close of the financial year the management shall submit an annual report on the course of business of the association and on the policy conducted. It shall submit the balance sheet and the statement of income and expenditure with notes for the approval of the meeting. The management shall convene the general meeting as often as it thinks fit, when required by law to do so, or on application of 10 percent of the members or their delegates or such lesser number as specified in the articles. [DCC 41, 48]

All members may attend the general meeting and have one vote. Proxy voting is permitted. Representatives of constituent bodies of the association may vote, but their combined votes may not be more than half of the number of votes cast at a general meeting. [DCC 38]

Board of Directors and Committees: The management shall be appointed from the members. However, the articles may provide that non-members may also be appointed, but they may only comprise less than half of the officers. The management shall designate from among themselves a chairman, secretary and treasurer. [DCC 37]

The articles of an association may provide for a supervisory board of one or more natural persons, appointed from among the members at a general meeting. Large cooperatives must appoint a supervisory board of at least three persons. Special provisions for large cooperative supervisory boards are detailed. Credit institutions must have a supervisory board of at least three persons or a comparable body.

The supervisory board shall supervise the policy and management and general course of affairs of the legal person and the enterprise connected therewith. It shall assist the management with advice, and it shall be guided by the interest of the legal person and its enterprise. It may suspend any officer appointed by the general meeting. The supervisory board may be remunerated by the general meeting.

The supervisory board must approve management resolutions regarding the issuance of debt instruments; contracts of far-reaching significance; large acquisitions; investments of at least one-quarter of the net assets of the cooperative; a proposal to amend the articles; a proposal to wind up the cooperative or application for involuntary liquidation and the termination of a considerable number of employees, or changes in their working conditions. Articles may specify additional duties. [DCC 37, 57, 57a, 63e-63j, ASCS 10]

If there is no supervision board, the general meeting shall appoint at least two persons who are not part of the management to examine the annual accounts and report to the general meeting. [DCC 47(2)]

Management and Employees: The day-to-day policy of a credit institution shall be determined by at least two persons within the Netherlands. [ASCS 10]

The management shall be charged with the management of the association, subject to any restrictions under the articles. The articles may vest representative authority in one or more officers, or persons other than officers, or make other arrangements. [DCC 44(1), 42]

The Bank may give recommendations or general directives to credit institutions, in consultation with their represen-

tative organization on the conduct of business in regard to the administrative organization, including the financial accounting system and internal control. [ASCS 22]

Audits: Each year, within six months after the end of the financial year, annual accounts shall be prepared by the management and made available for inspection by the members. [DCC 58]

Member cooperative banks must conform to the accounting and internal control procedures of Rabobank Nederland. Their annual audit must be conducted by an auditor appointed by Rabobank Nederland. [Rabobank 13(j)]

Liability of Officials: The officers of an association shall be jointly and separately liable, together with the association, for debts arising from a legal act which became due and payable during their management, except where they were not consulted and refuse to accept responsibility for such acts. If the association is registered in the commercial register, the officers are liable only to the extent that the other party shows cause for the assumption that the association will not perform the obligation. [DCC 30(2-4)]

Persons who are part of a credit institution who act in contravention of a bank directive regarding solvency or liquidity are personally liable for any losses that result, under certain circumstances. [ASCS 28.5(e)]

Conflicts of Interest: In all matters in which the association has a conflict of interest with one or more officers or supervisory board members, the general meeting may designate one or more persons in order to represent the association. [DCC 47]

The Bank may give recommendations or general directives to a credit institution in consultation with its representative organization, with a view to preventing conflicts of interest. [ASCS 22(1)]

Regulations provide that insiders of a credit institution, employees and members of the supervisory board must avoid any abuse of inside information and any intermingling of business and private interests, as well as any semblance thereof. [1994 No. 7]

Surety Bond: Laws and Regulations are silent.

Shares and Deposits

Shares: Laws and Regulations are silent.

Deposits: Cooperative banks which are members of Rabobank Nederland shall not accept funds from banks, unless granted an exemption. [Rabobank 13(f)]

No person or entity may invite, receive, or have funds repayable on demand or subject to notice being given unless authorized to do so under the Act. [ASCS 5.2(a-d), 82]

Dividends and Interest: An association may not distribute profits among its members. [DCC 26(3)] Profits are credited to reserves on an annual basis.

Lien on Holdings: Laws and Regulations are silent.

Loans

Purpose and Conditions: Laws and Regulations are silent.

Approval Procedure: Laws and Regulations are silent.

Limits, Terms and Security: The Bank may give direction to credit institutions regarding solvency and the proportion of risk weighted assets to own funds. A large exposure rule limits loans to a single debtor or connected group to 25 percent of own funds. [ASCS 20, Manual pp. 3001, 4001]

Interest Rates and Charges: The Bank supervises interest rate risk management and has issued detailed principles as guidelines for all institutions. [Manual p. 3209]

Loans to Officials: Regulations of the Nederlandsche Bank provide that banks shall take due care in granting credits to individual directors or other senior officers, so that directors cannot disproportionately favor themselves over other staff members. Restrictions apply to the terms of credit facilities offered to staff and senior officers. [Manual p. 3206]

Investment of Funds

Deposit of Funds: Members of Rabobank Nederland shall keep their funds not in current use in an account with Rabobank Nederland. [Rabobank 13(g)]

Authorized Investments: The bank may give credit institutions and central credit institutions directives on investments. [ASCS 20]

Members of Rabobank Nederland must use the Bank for all securities transactions, unless exempted. [Rabobank 13(i)]

Capital Adequacy-Reserves

Initial Organization: Before authorizing a credit institution to begin business, the Bank must be satisfied from its opening financial statements that the new institution is capable of implementing its intentions and meeting the requirements imposed on it on account of the supervision. [ASCS 9.2(h)]

Permanent Capital: A credit institution shall have a minimum amount of "own funds," the amount of which is fixed by the Bank which may give directives regarding such funds and other solvency requirements. Reducing

own funds requires a declaration of no-objection by the Bank or the Minister who may attach conditions to the permission. [ASCS 11, 20, 23, 26]

For a cooperative society, own funds means the subscriptions or paid-up capital of the member plus reserves. [1993 No. 50 - 1.1(d), Manual p. 3106]

Calculation of own funds, asset, risk and solvency conditions and capital structure rules are detailed in the bank supervision manual. [Manual pp. 4001-4101]

See also "Regular Reserve" below.

Regular Reserve: Membership in Rabobank Nederland requires a cooperative bank to form reserves which are not distributable among its members. [Rabobank 4(d)]

Member cooperative banks shall observe the solvency and liquidity requirements set by Rabobank Nederland, and participate in its arrangements for solvency and continuity. [Rabobank 13(q-r)]

Loan Loss Allowance: A deficit may be offset against statutory reserves only to the extent permitted by law. [DCC 58(4)]

Special Reserves: The Bank may give credit institutions directives on the conduct of their business in the interest of their liquidity. [ASCS 21]

Member cooperative banks shall observe the solvency and liquidity requirements set by Rabobank Nederland. [Rabobank 13(q)]

Powers of the Credit Union

General Powers: If its articles are not embodied in a notarial deed, an association cannot acquire registered property and cannot inherit under a will. [DCC 30-1]

Subject to its articles, an association may stipulate rights on behalf of its members and enter into commitments for their account. It may enforce the rights and claim damages for a member, unless such member opposes the same. [DCC 46]

A cooperative may conclude agreements with others similar to those it concludes with members, but it may not do so to such an extent that the agreements with members are only of subordinate importance. [DCC 53(3-4)]

A credit institution may operate a branch in another member state of the European Union or in a state which is not a member, only with permission of the Bank. [ASCS 16, 16a]

The Bank or the Minister must declare no-objection to major acquisitions by a credit institution or may attach conditions to the permission. [ASCS 13.1(b-c), 26]

A person or entity, to acquire a qualifying holding in a credit institution or control over such a holding, requires a declaration of no-objection from the Bank or the Minister who may attach conditions to the permission. [ASCS 24, 26]

Borrowing: Rabobank Nederland is the central bank for the cooperative banks which are its members. Members shall not accept funds from a bank nor from any other professional lender, unless granted an exemption by Rabobank.

Merger: The Bank must declare no-objection to a merger or financial or corporate reorganization or may attach conditions to its permission. [ASCS 23.1(d-e), 23.2-5]

Before deciding to transfer all or part of its business to, or take over all or part of the business from, another institution, a member cooperative bank must obtain the opinion of the regional delegates assembly of the Rabobank Nederland. [Rabobank 13(n)]

Liquidation: A resolution to wind-up an association requires a two-thirds vote of the members and must meet other procedural requirements. [DCC 42-43]

Before deciding to dissolve its business or cease operations, a member cooperative bank must seek the opinion of the regional delegates assembly of the Rabobank Nederland. [Rabobank 13(n)]

A credit institution which decides to liquidate all or part of its business or dissolve shall inform the Bank at least 13 weeks prior to the date of the change. The Bank may shorten this period. [ASCS 69]

A petition for bankruptcy of a credit institution, including its own petition, shall not be completed until the District Court has given the Bank the opportunity to express its views on the matter. [ASCS 70]

Where a court has placed a credit institution in the hands of a receiver, the receiver may petition for a declaration of bankruptcy if he/she cannot meet its obligations. The court supervises the liquidation of the credit institution. Provisions of the Bankruptcy Act also apply to liquidation. Procedures of winding up the business are detailed. [ASCS 71-80]

Federation or Association

Purposes: See "Central Finance Facility."

Membership: See "Central Finance Facility."

Dissolution: Rabobank Nederland may be dissolved according to internal procedures similar to those for amending articles of association. See also "Central Finance Facility." [Rabobank 74]

Central Finance Facility

Purposes: The Cooperative Centrale Raiffeisen-Boerenleenbank B.A., also called Rabobank Nederland, is a central bank organized as a cooperative, with cooperative banks as members. It is designated by the Credit System Act [ASCS] as a representative institution for its members.

Rabobank manages funds of its members and exercises supervisory functions delegated to it by the Netherlands Central Bank, under the ASCS. It issues general rules for the policy and procedures to be observed by members and issues regulations they must follow; advises members on a range of financial services; supervises management and administration of its members; helps with legal services, research, information and public relations and provides other services conducive to its members' continued existence and development. [ASCS 1.1(b), 1.1(d), 97/1774-U, Rabobank 3]

Membership: Cooperative banks are members of Rabobank Nederland and may not be members of another similar institution. [Rabobank 4, 13(c)]

Funds: Members shall take shares in Rabobank Nederland in proportion to their own balance sheet total and shall contribute annually to the cost of its services. [Rabobank 13(d-e), 14]

During the existence of Rabobank Nederland, the reserves shall not be distributed among the members in whole or in part. If it should wind up its business with a view to having it continued by another legal entity or institution, these reserves shall pass to that other entity or institution. [Rabobank 71]

Share and Deposit Protection

Purposes: A Collective Guarantee Scheme protects deposits in credit institutions of participating credit institutions. If the Bank determines that a credit institution cannot repay deposits to creditors or meet obligations to investors, it becomes an insolvent institution, and claims may be paid in compensation. This scheme conforms to directives of the European Parliament. [ASCS 84, CGS 1-3]

Coverage: The maximum amount which the Guarantee Scheme will pay is ECU20,000 for each creditor and ECU20,000 for each investor. [CGS 8]

Membership: All registered credit institutions under the Act participate in the Collective Guarantee Scheme. [CGS 1.7]

Funds: The total amount paid in compensation to creditors and investors with the insolvent institution shall be apportioned among the other participating institutions. [CGS 11]

NORTHERN IRELAND

<i>Region</i>	European
<i>Federation</i>	None
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union and Cooperative Societies
<i>Number of Credit Unions</i>	535 (2001, including the Republic of Ireland)
<i>Number of Members</i>	2,570,000 (2001)
<i>Total Assets (US\$)</i>	\$6,823,230,145 (2001)

Rev. 3-92;jc

Legal Authority

Law: The Credit Unions (Northern Ireland) Order 1985. [cited as "Act"]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: A "Credit Union" is a society registered under this Order or a society registered under the Industrial and Provident Societies Act (Northern Ireland) 1969 as a credit union. [Act 2(2)]

The objects of a credit union are to promote thrift among its members by the accumulation of their savings; to create sources of credit for the benefit of its members at a fair and reasonable rate of interest; to use and control members' savings for their mutual benefit and to train and educate members in the wise use of money and in the management of their financial affairs. [Act 3(3)]

Supervision and Regulation

Government Agency: Department of Economic Development [Act 2(2)]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: Law is silent.

Reports: Every credit union shall, not later than March 31st in each year, send to the Registrar a return relating to its affairs for the period required, together with a copy of the auditor's report on the credit union's accounts for the period and a copy of each balance sheet made during that period and of any report of the auditor on that balance sheet. [Act 49(1)]

Inspections: The Registrar may, on the application of 10 members of the credit union, each of whom has been a

member for not less than 12 months, appoint an inspector to investigate and report on the affairs of a credit union, may call a special meeting of the credit union, or may both appoint an inspector and call such a meeting. [Act 56(1)]

Regulations: Regulations may make provision for registration and procedure under this Act and may prescribe the forms to be used; the functions of the Registrar; the inspection and furnishing of copies or documents in the custody of the Registrar and the scale of fees to be paid. [Act 78]

Enforcement: If any credit union, officer, or member, or any other person contravenes any provision of this Act, makes a return, or knowingly or recklessly gives information which is false in a material particular, they shall be guilty of an offence and liable to a fine. [Act 73] There are also provisions for fines and restitution for fraud, misappropriation and falsification of records. [Act 74, 75]

Persons contravening the regulations shall be guilty of an offence and liable to a fine on conviction. [Act 78(2)]

A credit union which contravenes certain provisions or prohibitions in the Act is guilty of an offence and liable to a fine or imprisonment on conviction. Among the offenses listed are engaging in the banking business and accepting deposits; borrowing in excess of the legal limits; making unauthorized investments; or transacting business while under suspension. [Act 24, 25, 27, 33, 59]

The registrar may, with the consent of the Department, suspend the borrowing, lending and subscriptions for shares of any credit union if he/she considers it expedient to do so in the interests of the members and potential members. [Act 59(1)]

The registrar may petition the court for the winding-up of a credit union if the credit union is unable to pay sums due and payable to its members; if it is able to pay such sums only by obtaining further subscriptions for shares or by defaulting in its obligations to creditors; if the credit union has failed to comply with any provision of the Act; or if there is no longer a common bond between the members of the credit union. [Act 63]

Membership of Credit Unions

Common Bonds of Association: A society may be registered as a credit union with one or more of these common bonds: association (other than for the purpose of forming a credit union); occupation; residence or employment within a particular community; employment by a common employer; membership in a bona fide organization; any other common bond approved by the registrar and members of the family living at home with a credit union member. [Act 3,(4)(6)]

Non-Natural Persons Eligible: Only individuals shall be members of a credit union. [Act 14(1)]

Liability of Member: A credit union shall be a body corporate with limited liability. [Act 5]

Direction and Administration

Annual Meeting of Members: A credit union's rules shall provide the mode of holding meetings, the scale and right of voting, and the mode of making, altering, or rescinding rules. [Schedule 1(I)(5)]

The rules of a credit union shall contain provision with respect to the matters mentioned in Schedule 1, such additional provisions as the registrar shall determine. [Act 8(1)]

Board of Directors and Committees: The board of directors of a credit union is the committee of management or other directing body of a credit union. [Act 2(2)]

Management and Employees: "Officer" includes any treasurer, secretary, member of the committee, manager, or servant of the credit union, other than a servant appointed by the board of directors, but does not include an auditor appointed by the credit union in accordance with the requirements of the Act. [Act 2(2)]

A credit union's rules must provide for the appointment and removal of a committee, by whatever name, and of managers or other officers and their respective functions and remuneration. [Schedule 1(I)(6)]

Audits: In each year of account, every credit union shall appoint a qualified auditor or auditors to audit its accounts and balance sheet for that year. [Act 43] The auditors of a credit union shall make a report to the credit union on the accounts examined by them and on the revenue account and the balance sheet of the credit union for the year of account in respect to which they are appointed. [Act 47(1)]

Every auditor of a credit union shall have a right to access at all times to its books, deeds and accounts and to all other documents relating to its affairs and shall be entitled to require from the officers the information and explanations he/she thinks necessary. [Act 47(5)] The auditors shall be entitled to attend any general meeting of the credit union and to be heard on any part of the business of the meeting which concerns them as auditors. [Act 47(7)]

Liability of Officials: Law is silent.

Conflicts of Interest: Law is silent.

Surety Bond: A policy of insurance must insure the credit union in respect to every description of loss suffered or liability incurred by reason of the fraud or other dishonesty of any of its officers or employees. [Act 37(2)(a)]

Shares and Deposits

Shares: All shares in a credit union shall be of one pound denomination and may be subscribed for either in full or by periodical or other subscriptions. Sixty days notice may be required on withdrawable shares. [Act 23(1)(3)]

Deposits: Receiving money on deposit is an offence under the Act. [Act 24]

Dividends and Interest: The dividend payable on the shares of a credit union shall not exceed a rate of 8 percent per annum or such other rate as an order may specify. [Act 36(4)]

Not less than 90 percent of any balance of profit remaining at the end of a year of account, after statutory reserves have been complied with, shall be applied in the payment of a dividend on the amount of their paid-up shares, as a rebate of interest paid or due by members who have received loans from the credit union, or for any social, cultural, or charitable purpose. [Act 36(3)]

Lien on Holdings: A credit union shall have a lien on the shares of any member for any debt due to the credit union by that member and may set off any sum credited to the member on those shares in or towards the payment of that debt. [Act 16(2)]

Shares may be withdrawn by a member only at the discretion of the board of directors if their withdrawal would reduce that member's paid-up share holding in the credit union to less than his/her total liability to the credit union whether as borrower, guarantor, or otherwise. [Act 23(4)]

Loans

Purpose and Conditions: A credit union may make to a member who is of full age a loan for a provident or productive purpose, upon such security (or without security) and terms as the rules of the credit union may provide. [Act 28(1)]

Approval Procedure: A credit union's rules shall provide for the mode and circumstances in which loans to members are to be made and repaid including any special provision for the insurance of members in relation to loans made to them. [Schedule 1(9)]

Limits, Terms and Security: The total amount on loan to a member of a credit union shall not at any time be more than 2,000pounds, or such other sum as an order may specify, in excess of his/her total paid-up shareholding in the credit union. [Act 28(2)] The maximum period within which an unsecured loan must be repaid shall be two years or such other period as an order may specify. [Act 28(4)]

Interest Rates and Charges: A credit union may charge interest on loans made by it; but such interest shall be at a rate not exceeding 1 percent per month, or such other rate as an order may specify, on the amount of the loan outstanding, and such interest shall be inclusive of all administrative and other expenses incurred in connection with the making of the loan. [Act 28(5)]

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: Funds not invested or kept in cash shall be kept on current account with, or otherwise on loan to, an authorized bank. [Act 33(2)]

Authorized Investments: A credit union may not invest any part of its surplus funds except in the prescribed manner, and regulations may contain provisions authorizing the application of the funds of a credit union in any form of investment subject to any limitations as to the amount, whether by reference to a fixed sum or by reference to a proportion of the total investments of the credit union or otherwise. [Act 33(1)]

Capital Adequacy-Reserves

Initial Organization: Law is silent.

Permanent Capital: Reserve amounts must be kept between ten percent and 20 percent of the total assets of the credit union. See "Regular Reserve." [Act 36(2)]

Regular Reserve: At least 20 percent of any profit resulting from the operations of a credit union during the year of account shall be transferred to a general reserve until such time as it is equal to at least 10 percent of the total assets of the credit union. Thereafter, such sum shall be transferred to that reserve as is necessary to maintain it at not less than 10 percent but not more than 20 percent of the total assets. [Act 36(2)(a)]

If, at the end of any year of account, the amount standing to general reserve before any transfer is more than 20 percent of total assets, the credit union shall transfer to the revenue account and treat as revenue for that year a sum not less than that required to reduce the general reserve to 20 percent of total assets. [Act 36(2)(b)]

Loan Loss Allowance: In ascertaining the surplus or deficit resulting from the operations of a credit union during any year of account all operating expenses in that year shall be taken into account (including payments of interest) and provision shall be made for the depreciation

of assets, for tax liabilities and for bad and doubtful debts; but no provision shall be made in respect to amounts to be paid by way of dividend. [Act 36(1)]

Special Reserves: Credit union members at a general meeting may empower the board to apply a portion of the credit union's surplus to a fund to be distributed or expended at some future date. [Act 36(6)]

Powers of the Credit Union

General Powers: A credit union shall, by virtue of its registration, be a body corporate known by its registered name, by which it may sue and be sued, with perpetual succession and a common seal and with limited liability. That registration shall vest in the credit union all property for the time being vested in any person in trust for the credit union, and all legal proceedings pending by or against the trustees of the credit union may be brought or continued by or against the credit union in its registered name. [Act 5]

A credit union may acquire and hold in its own name any land for the purpose of conducting its business thereon, but for no other purpose. It may dispose of any land held by it. [Act 32(1)]

Borrowing: A credit union may borrow money from an authorized bank, another credit union, or an association of credit unions, but the balance of the loan shall not exceed one half of the total paid-up share capital. [Act 27(1)]

Merger: A credit union shall not amalgamate with, transfer its engagements to, or accept a transfer of engagements from any other society or body except a credit union which has the same common bond as itself. [Act 64] The property of each of those credit unions shall become vested in the amalgamated credit union without the necessity of any form of conveyance other than that contained in the resolution passed by at least two-thirds of the members entitled to vote at any general meeting called for the purpose of amalgamation and confirmed by a majority of credit union members at a subsequent general meeting. [Act 65(1)(2)]

Liquidation: The registrar may cancel the registration of a credit union under specified circumstances: if the number of members falls below 21 persons; if the registration has been obtained by fraud or mistake; if the credit union has ceased to exist; if it exists for an illegal purpose; or if there is no longer a common bond of association. The registrar may petition the court for an order to wind-up a credit union where it is unable to meet its obligations or it is in violation of the law.

A credit union may also be dissolved according to provisions of the Companies Act, or by consent of at least three-fourths of its members. [Act 60, 62, 68]

Federation or Association

Purposes: Law is silent.

Membership: Law is silent.

Dissolution: Law is silent.

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: With the approval of the registrar, a credit union or any two or more credit unions may enter into arrangements with a person carrying on the business of insurance for the purpose of making funds available to meet losses incurred by members of a credit union which is a party to the arrangements for that purpose. [Act 38(1)(3)]

A credit union's rules shall provide for the terms of admission of the members, including any special provision for the insurance of members in relation to their shares. [Schedule 1(I)(4), (II)(4)]

Coverage: Law is silent.

Membership: See "Purposes" above.

Funds: See "Purposes" above.

POLAND	
<i>Region</i>	Europe
<i>Federation</i>	National Association of Cooperative Savings and Credit Unions
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Credit Union and Cooperative
<i>Number of Credit Unions</i>	140 (2001)
<i>Number of Members</i>	525,055 (2001)
<i>Total Assets (US\$)</i>	\$445,794,906 (2001)

Rev. 01-00:rd

Legal Authority

Law: Cooperative Savings and Credit Union Act of December 14, 1995. [cited as "Act"]

Cooperative Act of September 12, 1982. [cited as "CA"] and Law on Economic Activity of November 19, 1999.

A credit union is a cooperative society. The Cooperative Act applies, unless the Credit Union Act provides otherwise. [Act 2]

Regulations: Prudential Standards issued by National Association of Cooperative Savings and Credit Unions as provided by Act 35(5). [cited as "CSCUA"]

Definition or Purposes of Credit Union

Definition: A credit union is a cooperative society and a non-profit organization. Its objectives are to accumulate financial resources exclusively for its members, to grant loans and credit to members, to make financial settlements for members and to broker insurance contracts. [Act 2, 3]

Supervision and Regulation

Government Agency: No government agency referred to in Act.

The National Association of Cooperative Savings and Credit Unions, a non-profit, cooperative membership organization is to secure financial stability of credit unions and supervise them for the safety of savings and for compliance with the law. [CSCUA Act 33(1), 34, 38]

Other Licenses Needed: A cooperative must apply to a Registration Court for registration. The Court decides on registering the cooperative after determining if its rules are consistent with the law. [CA 7, 8]

Other Institutions Regulated: National Association membership includes only credit unions. [Act 33(1)]

Reports: The National Association has the right to request written or oral information or explanations and data related to credit union business. [Act 39(2)]

Inspections: The National Association is authorized to carry out audits of member credit unions in accordance with cooperative law. It may enter premises and request information and explanations. [Act 33(3), 35(9), 39(2), 40]

Regulations: The National Association sets standards of acceptable risk in credit union activity. [Act 35(5)]

Enforcement: The National Association may request a credit union to eliminate an established violation by a specific date. If this is not done, it can order the credit union to cease the activity. Where it is established that a credit union operates at a gross breach of the law or the Articles of Incorporation, the National Association may move to a competent body of the credit union to remove the responsible members of the management board. While this matter is pending, such persons may be suspended by the National Association from making decisions regarding the credit union. [Act 41]

Where there is danger that a credit union is insolvent or where there is gross or persistent violation of the law, the National Association may suspend operation of the credit union and establish a temporary administrator. The suspension remains until new supervisory and management boards are elected, but it is not to exceed six months. [Act 22]

Membership of Credit Unions

Common Bonds of Association: Membership consists of natural persons having a common bond of a professional or organizational character, in particular employees of one or a number of companies or members of one social or professional organization. [Act 6]

Non-Natural Persons Eligible: Credit union membership consists of natural persons. [Act 6]

Liability of Member: A member is liable for losses of the cooperative only to the extent of his/her shareholdings. [CA 19(2, 3)]

Direction and Administration

Annual Meeting of Members: A general meeting of the members is the supreme body of a cooperative. It must be held annually, no later than June 30th. An extraordinary general meeting may be held at any time. Each member has one vote and must participate in person unless bylaws provide otherwise.

The general meeting elects the official bodies, approves reports, passes resolutions and amends rules. [CA 36, 38]

The general meeting may be replaced by a meeting of elected delegates in a cooperative with a large membership, if the rules so provide. [CA 37]

Board of Directors and Committees: The Act provides for a management board of three persons, a credit committee serving as an advisory body on loans and credit applications and a supervisory board. Members of these bodies serve as volunteers, except as provided for the management board members. See below. [Act 11, 12, 13, 14]

Management and Employees: The management board may be remunerated if the Articles so provide. [Act 11]

Audits: The National Association performs the audit of credit unions. [Act 35]

The auditor may examine the books and all documents to establish the cooperative's financial condition. Officials and employees must cooperate with the auditor who reports to the board and to the next general meeting. [CA 92, 93]

Liability of Officials: A board or council member guilty of an act or failure causing a loss to the cooperative shall be personally liable. The Labor Code's provisions concerning financial responsibility of employees shall apply to the liability of board or council members. [CA 58]

Conflicts of Interest: Requirements regarding the qualifications of management board members shall be set by the National Association to assure that the credit union is operated in a way providing safety for its financial resources. [Act 10]

Surety Bond: Laws and Regulations are silent.

Shares and Deposits

Shares: The share fund, part of the credit union's basic funds, consists of shares purchased by members and obtained from other sources specified in regulations. [Act 15(1)]

Deposits: The savings and loan fund is derived from members' deposits, from savings accumulated by members and from funds received from the National Association. [Act 15(2)]

Dividends and Interest: Articles of Incorporation determine the rules for payment on member deposits and savings. [Act 18]

Lien on Holdings: A credit union may deduct from a member's deposit and savings the amount of a mature loan, credit, or installments thereof. [Act 19]

Members' savings deposited with credit union are free from seizure based on court order up to an amount triple the average monthly salary in the national economy, as published. [Act 20]

Loans

Purpose and Conditions: Rules for making loans and repayment thereof shall be set forth in the Articles of Incorporation. [Act 29]

Approval Procedure: The credit committee submits its opinion on loans and credit applications to the management board. [Act 14(1)]

Limits, Terms and Security: A credit union may grant loans and credits to members for a term not to exceed three years, except housing loans where credit may be granted for up to five years. [Act 21]

Aggregate loans and credits to any one member are not to exceed 10 percent of the credit union's capital, except for business loans and credits which are not to exceed 15 percent of the capital. [Act 24]

Aggregate business loans and credits to all members may not exceed 15 percent of total capital. [Act 25a]

Interest Rates and Charges: Circumstances under which interest rates charged on loans and credits may be changed shall be determined in the Articles of Incorporation. [Act 18]

Loans to Officials: Loans may be made to members of the management and supervisory boards or credit committee provided the terms are no more favorable than those to other borrowers. The decision to make such loans is by joint resolution of a two-thirds majority of the management and supervisory boards in a secret ballot, and the aggregate of such loans may not exceed 20 percent of the credit union's assets. [Act 25]

Investment of Funds

Deposit of Funds: Credit union monies may be invested in fixed deposits, in deposits or shares of the National Association, or in fixed deposits of banks covered by the Banking Guarantee Fund. [Act 30(2, 3)]

Authorized Investments: Credit union monies may be invested with extreme prudence in bonds and other securities issued or guaranteed by the State Treasury or the National Bank of Poland or in deposits or shares of the National Association. A deposit, share, or purchased security of one kind may not exceed 8 percent of the credit union's assets, except for Treasury or National Bank of Poland investments and fixed deposits of the National Association. [Act 30]

Capital Adequacy-Reserves

Initial Organization: The rules of a proposed cooperative must specify the value and number of shares a member

must declare and the manner and date of contributing them. [CA 5(3)]

Permanent Capital: Basic credit union funds consist of: 1) shares purchased by members or other sources specified in the regulations; 2) resource funds such as membership fees, operating surplus contributions and pecuniary claims denied; and 3) from other sources determined in the regulations. [Act 15(1)]

The minimum capital to assets ratio is set at 5 percent. The National Association recommends 8 percent. [Prudential Standards]

Regular Reserve: The operating balance surplus shall increase the resource fund. [Act 16(1)]

Loan Loss Allowance: Book losses of a credit union shall be charged to the resource fund and any loss beyond that to the share fund.

Special Reserves: A credit union shall maintain a liquidity reserve up to 10 percent of the Savings and Loan fund. The National Association may increase that limit if the credit union is in jeopardy. The liquidity reserve is to be in the form of cash or such other form as specified by the National Association. [Act 31, 32]

Powers of the Credit Union

General Powers: The objective of a credit union is to accumulate financial resources exclusively from members; to grant loans and credits to members; to make financial settlements for members and to broker insurance contracts in accordance with the Insurance Business Act. [Act 3]

Borrowing: Loans and credits may be received by a credit union only from the National Association and are not to exceed 40 percent of the credit union's assets. [Act 30(4)]

Merger: One cooperative may merge with another if approved by two-thirds of their respective memberships at general meetings. The memberships and property of the merged cooperative is absolved into the surviving one along with its assets and liabilities. [CA 96-102]

Liquidation: On motion of a general meeting of the members or if it appears a credit union is insolvent, a court may revoke the credit union's registration on motion of its creditors or the National Association. [Act 43]

Federation or Association

Purposes: The objectives of the National Association of Cooperative Savings and Credit Unions is to secure the financial stability of credit unions, to exercise supervision of them for the safety and soundness of savings and to assure their compliance with the law. [Act 34]

The broad range of activities of the National Association includes 1) representation with governmental bodies; 2) legal opinions; 3) training and publications; 4) establishing standards or policies for risk management, record-keeping and data systems; 5) accepting fixed deposits; 6) granting loans and credits to credit unions and 7) performing audits and supervision of credit unions relative to compliance with the law and proper financial management. [Act 36, 39]

Membership: Membership in the National Association shall include only credit unions. [Act 33(1)]

Dissolution: Laws and Regulations are silent.

Central Finance Facility

Purposes: There is no specific reference to a central finance facility; however, the National Association accepts fixed deposits and grants loans and credits to credit unions. [Act 35(7) (8)]

Loans and credits may be received by a credit union only from the National Association up to 40 percent of the credit union's assets. [Act 30(4)]

Membership: Membership in the National Association shall only include credit unions. [Act 33(1)]

Funds: Credit unions may invest in fixed deposits, deposits, or shares of the National Association. [Act 30(2)]

Share and Deposit Protection

Purposes: A Stabilization Fund shall be created by the National Association to secure the financial stability of credit unions. Detailed rules concerning creation and use of the Fund shall be set forth in the Articles of Incorporation of the National Association. [Act 36]

Deposit insurance is also provided by the Credit Union Mutual Insurance Society. [Prudential Standards]

Coverage: Deposits are covered by the Mutual Insurance Society up to ECU11,000 (amount valid for year 2000).

Membership: Membership in the Fund consists of the credit unions associated with the National Association. [Act 36]

Deposit insurance provided by the Mutual Insurance Society is mandatory for all credit unions. [Prudential Standards]

Funds: The Stabilization Fund consists of contributions made by associated credit unions in the amount of at least 1 percent of their assets. [Act 36(2)] Any operating surplus of the National Association shall be added to the Fund. [Act 38(2)]

ROMANIA – CARS

<i>Region</i>	Europe
<i>Federation</i>	National Union of Mutual Benefit Societies of Romanian Employees
<i>Legal Type of Law</i>	System Civil Code Cooperative Credit Organizations
<i>Number of Credit Unions</i>	3,895 (2002)
<i>Number of Members</i>	1,526,076 (2002)
<i>Total Assets (US\$)</i>	\$179,110,239 (2002)

rev.1/04wj

Legal Authority

Law: Law 122/1996 regarding the legal regime of CARS, or Mutual Benefit Societies, as amended by Emergency Ordinance No. 74/08-28-2003. Cited as [CARS Law]

EXPLANATORY NOTE: The 1996 Law on mutual benefit societies, or CARS, applies to certain Savings, Credit and Assistance Associations that emerged in the mid-1900s to provide limited financial and social services for their employee members. The 1996 law affirmed the legal basis of existing CARS, and the 2003 Emergency Ordinance continues that authorization, while limiting their purposes, membership and services. CARS bear an historic relationship to credit cooperatives, and some may elect to convert their operations to the 2000 ordinance for Cooperative Credit Organizations. For this reason this Digest includes a review of the law for Cooperative Credit Organizations.

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: CARS, or Mutual Benefit Societies, are non-profit associations, created on the basis of free consent of employees, for support and financial mutual assistance. Their object is exclusively to make loans to their members subject to an interest rate that returns into the social fund of the members, after payment of statutory expenses. They may perform their business solely with their members. [CARS Law 1, 1-1]

Supervision and Regulation

Government Agency: CARS Mutual Benefit Societies which operated on the basis of Decree No. 358/1949 are required to harmonize their bylaws with the new law, and register with the head court of their local office. The

acts and operations of such societies performed in relation to their object of activity are exempt from any taxes and fees. [CARS Law 5,6]

Supervision of the activities of employees CARs and unions shall be undertaken by the National Union of CARs.

Other Licenses Needed: The law is silent.

Other Institutions Regulated: The law is silent.

Reports: A CAR must send an annual report to the National Union of Romanian CARs who report on all CARs to the Ministry of Public Finance.

Inspections: The law is silent.

Regulations: The law is silent.

Enforcement: The law is silent.

Membership of Credit Union

Common Bonds of Association: CARS, or Mutual Benefit Societies, are set up for employees, regardless of their place of work, or within a definite territory. [CARS Law 1,2]

Non-natural Persons Eligible: Only natural persons may be members of CARS Mutual Benefit Societies. [CARS Law 1(1)]

Liability of Member: CARS Mutual Benefit Societies are legal persons according to Law No. 21/1924. [CARS Law 3]

Direction and Administration

Annual Meeting of Members: The law is silent.

Board of Directors and Committees: The law is silent.

Management and Employees: The law is silent.

Audits: The law is silent.

Liability of Officials: The law is silent.

Conflicts of Interest: The law is silent.

Surety Bond: The law is silent.

Shares and Deposits

Shares: EXPLANATORY NOTE: The law of Romania refers to the “social parts” of a credit union, which are called “shares” in other jurisdictions. In this digest, the phrase “social parts” will be followed by “(shares)” to avoid confusion.

The fund used by an employees’ CAR for extending loans consists of the social fund which includes: monthly

membership fees which may be supplemented by registration fees, interest received for the funds located in current accounts, interest received on granted loans, grants, sponsorships or other such sources provided by legislation. [CARS Law 1-2(1)]

Deposits: CARS of employees may not accept deposits or other reimbursable funds, except for the social fund used for extending loans. [CARS Law 1-2]

Dividends and Interest: The law is silent.

Lien on Holdings: The law is silent.

Loans

Purpose and Conditions: The business of employees' CARS is to provide loans to its members. A written loan agreement is an executory deed. It contains specific lending terms and conditions. [CARS Law 1-1(1)]

Approval Procedure: The law is silent.

Limits, Terms and Security: The law is silent.

Interest Rates and Charges: Loans from CARS are subject to an interest rate that returns into the social fund of members. [CARS Law 1-1(1)]

Loans to Officials: The law is silent.

Investment of Funds

Deposit of Funds: The law is silent.

Authorized Investments: The law is silent.

Capital Adequacy - Reserves

Initial Organization: The law is silent.

Permanent Capital: The law is silent.

Regular Reserve: The law is silent.

Loan Loss Allowance: The law is silent.

Special Reserves: The law is silent.

Powers of Credit Union

General Powers: The law is silent.

Borrowing: The law is silent.

Merger: The law is silent.

Liquidation: The law is silent.

Federation or Association

Purposes: CARS of employees may associate in territorial unions, affiliated to the National Union of CARS of Romanian Employees. [CARS Law 1(2)]

Membership: The law is silent.

Dissolution: The law is silent.

Central Finance Facility

Purposes: The law is silent.

Membership: The law is silent.

Funds: The law is silent.

Share and Deposit Protection

Purposes: The law is silent.

Coverage: The law is silent.

Membership: The law is silent.

Funds: The law is silent.

ROMANIA – CREDIT COOPERATIVES

<i>Region</i>	Europe
<i>Federation</i>	National Union of Mutual Benefit Societies of Romanian Employees
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Cooperative Credit Organizations
<i>Number of Credit Unions</i>	3,895 (2002)
<i>Number of Members</i>	1,526,076 (2002)
<i>Total Assets (US\$)</i>	\$179,110,239 (2002)

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Legal Authority

Law: Emergency ordinance No. 97 of June 29, 2000 on Cooperative Credit Organizations, As amended by Emergency Ordinance No. 272 of Dec. 7 2000, and Law No. 200 of 2002. Cited as: [Law]

EXPLANATORY NOTE: *The law refers to the “constitutive act” of individual cooperatives, which appear to be akin to “bylaws” in other credit union acts. A “framework constitutive act” seemingly is standard guidelines on the setting up, organizing and operation of credit cooperatives, affiliated to a central organization, drafted by the latter and approved by the national Bank of Romania. The framework constitutive act includes minimum requirements for the drafting of the constitutive acts of the affiliated cooperatives, as well as the organizing and operation of the network.* [Law 2,24]

In the English translation, and in this digest, the members of the Board of Directors, are called administrators, not directors.

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: A credit cooperative is an autonomous association of natural persons who voluntarily unite in order to fulfill common needs and aspirations of an economic, social and cultural nature, and of which the main business is conducted according to the principle of mutual assistance between cooperative members. [Law 2]

Cooperative credit organizations are autonomous, non-political and non-governmental associations, including credit cooperatives and central organizations, whose main purpose is to perform banking activities in order to achieve mutual assistance among their members. [Law 2d,3]

NOTE: For definition and purposes of a central organization, see section on “Federation or Association”.

Supervision and Regulation

Government Agency: Credit cooperatives operate solely according to a license issued by the National Bank of Romania. Provisions regarding registration are detailed. [Law 77-90,165,185]

Other Licenses Needed: Before applying for a license with the National Bank of Romania, a credit cooperative must receive approval for its formation from the central organization with which it is affiliated. A credit cooperative must also register with the Register of Commerce. [Law 77]

Other Institutions Regulated: The Banking Law 58/1998, governs various aspects of credit cooperatives as well as other financial institutions. [Law 2,3]

Reports: Cooperative credit organizations shall submit to the National Bank of Romania and to the central organization financial statements, including balance sheet and other data as required by regulations. [Law 181,186]

Inspections: Inspections shall be carried out by the National Bank or its appointed auditor, or the central organization. Credit organizations must furnish full information to inspectors. Information required by the National Bank of Romania or the central organization must be kept available for inspection at the office of the credit organization. [Law 178,179,187,188]

Regulations: The National Bank of Romania issues regulations governing the activities of credit organizations. Framework regulations are also issued by central organizations. The regulatory authority of the National Bank of Romania is referred to throughout the Act. [Law 3,160,164,285]

Enforcement: Where the National Bank of Romania finds that a cooperative credit organization or any of its officers or auditors are responsible for violations of the law or regulations, or of restrictions in its license, or fraud, or failure to report as required or other infractions, it may impose sanctions. Sanctions include warnings, restriction of operations, fines, withdrawal of approval of officers and withdrawal of the operating license. It may order remedial measures, or suspend its chief executive, or impose special monitoring and administration. The central organization may also order certain sanctions if it finds infractions, and propose that the National Bank suspend the license. [Law 189-193]

Where the National Bank or the central organization finds infractions or a precarious financial position in a credit organization, they may order special monitoring for up to 120 days. The monitor oversees remedial measures, amendment of the cooperative’s own regulations, limitation or suspension of banking activi-

ties and any other measures deemed necessary. The monitoring commission reports to the National Bank or the central organization. [Law 195-197]

Measures of special administration may be ordered by the National Bank of Romania or the central organization, where the financial position of a credit cooperative appears to be near insolvency. The Bank, or as the case may be the central organization appoints the administrator, or a committee of up to three persons. The administrator takes over the duties of the Board of the cooperative credit organization. The activities of the general meeting, Board, managers and auditors are suspended, as well as the right to dividends, the right to remuneration of officers. The administrator administers the cooperative with a view to conservation of its assets and payment of claims in the interest of depositors and other creditors. It may recommend continued monitoring, suspension of the license and liquidation, or where financial recovery is effected, discontinuation of the administration. [Law 198-201]

Remedial measures for infractions include financial reorganization, suspension of administrators, replacement of auditors and improved internal audit. [Law 2n]

Orders issued for implementation of the law may be appealed to the Board of Directors of the National Bank of Romania. [Law 202]

Fines or imprisonment may be imposed for various infractions, detailed in the law. [Law 270-281,283]

Membership of Credit Union

Common Bonds of Association: Natural persons of full legal capacity who reside within a credit cooperative's territory may be members in accordance with the bylaws, which specify their rights and duties. [Law 2,8,22,25k]

Credit cooperatives are organized in specific territorial areas, specified in the bylaws. The territory of business shall represent a specific area within a county, which may include urban and rural localities, either neighboring or not. Territories affiliated to the same central organization may not overlap. [Law 23,25m]

A credit cooperative must have at least 1,000 members in order to organize. Where it is allowed by the framework constitutive act, as few as 100 members may form a credit cooperative, provided they subscribe and pay for at least 1,000 social parts (shares). [Law 24]

Non-natural Persons Eligible: The law is silent.

Liability of Member: Cooperative members are liable for the obligations of the credit cooperative to the extent of social parts (shares) subscribed. [Law 11]

Direction and Administration

Annual Meeting of Members: The governing body of the credit cooperative is the general meeting, which includes all the members. It meets at least once a year: to discuss and approve accounting reports; decide allocation of profit and loss; elect administrators and auditors; appoint representatives to the central organization and discuss the relationship with it; and has other oversight duties. Each member is entitled to one vote in the meeting, regardless of the number of social parts (shares) owned. [Law 31,32,34]

Cooperative members may be represented by delegates in the general meeting. The delegates must be members themselves, but may not be members of the Board, and may not represent more than 20 cooperative members. Voting rights may not be assigned. [Law 35,37]

The general meeting is convened by the Board, but may also be called by one-tenth of the members, or by the auditor, or the auditors of the central organization, or by the National Bank of Romania. [Law 39]

Board of Directors and Committees: The managing bodies of the credit cooperative are the general meeting, the board of directors and the managers. The general meeting may delegate certain powers to the Board. The Board may delegate some of its duties to an executive board of at most five members, which includes the managers. [Law 30,32,33]

The Board of Directors, elected by the general meeting, has general responsibility for operation of the credit cooperative, including the duties to: decide on membership applications and exclusions; set financial policies; draft organizational structure and rules; set the rights and duties of staff; set lending policy; review reports of the auditor; elect from among its members the managers of the cooperative; appoint the chief accountant; and other duties. [Law 10,59]

The board must meet at least monthly, and may be convened by at least two administrators, or by the internal auditor or the auditor of the central organization, or by the National Bank of Romania. [Law 52]

A person may not be elected to the Board if he/she was convicted of property crime; if he/she is an employee, administrator or auditor of another credit institution; or if he/she was denied a managing position within five years by the central organization or the National Bank of Romania. [Law 48]

Members of the Board may receive bonuses for their work, not greater than 20 percent of the cooperative chairman's gross salary. [Law 49]

Management and Employees: Day to day management of the credit cooperative is effected by the chairman of the

Board of Directors and by the chief accountant, or in the case of cooperatives with more than 5,000 members, by the chairman and deputy chairman, who are elected by the Board. The managers implement the decisions of the Board, hire and fire staff, and report to the Board on the fulfillment of their duties. They must be Romanian citizens, and have financial experience. Other qualifications are detailed. [Law 62-67]

The bylaws include provisions for management, administration and operation of the credit cooperative, and qualifications of officials. The annual general meeting appoints the administrators (Board of Directors), decides on their remuneration, and pronounces itself on their management. [Law 25h,i,l;32c,e,l]

Audits: A credit cooperative shall appoint an independent auditor. For cooperatives with fewer than 5,000 members, the members may appoint 1-3 auditors instead, according to the bylaws. Their qualifications are detailed. They monitor the affairs of the cooperative, examine the books and finances, and report to the general meeting. Other duties are detailed. They must report any irregularities to the proper authorities. Bylaws must include provisions for audits, and qualifications for the auditor. [Law 25i,l;68-76;183]

Liability of Officials: Obligations and liabilities of the administrators are governed by their mandate and the law. They are liable for the accuracy of payments, failure to implement regulations, efficiency of management, recordkeeping and accounting, and compliance with the bylaws and the law. [Law 57,58]

Conflicts of Interest: Managers and administrators of a credit cooperative must declare to the general meeting at least annually the names and addresses of their associates and their families, and their material interests of an economic and financial nature. [Law 153]

Where a manager or administrator fails to report a conflict of interest, a court may annul contracts or transactions in which they participated, and the National Bank or the central organization may ask that such persons be replaced. [Law 155]

Administrators who have a conflict of interest with the cooperative, or whose close associates have a conflict, must declare the conflict, and refrain from deliberations regarding it. Relatives or close associates of cooperative officials may not be the auditors of the cooperative. [Law 55,70,152,154]

A person whose interests are contrary to the credit cooperative, or who is involved in unfair competition against it, may not be a member. A cooperative member who has a conflict of interest on a specific issue, either personally or as a proxy, may not participate in discussions of the issue. [Law 8,36,41]

Surety Bond: Board members must furnish a banking guarantee not less than the value of ten social parts (shares), as a condition of serving on the Board. [Law 50]

Shares and Deposits

Shares: EXPLANATORY NOTE: The law of Romania refers to the “social parts” of a credit union, which are called “shares” in other jurisdictions. In this digest, the phrase “social parts” will be followed by “(shares)” to avoid confusion.

The nominal capital of a credit cooperative is variable and is composed of social parts (shares) of equal value, specified by the framework constitutive act, of not less than 100,000 lei. A minimum subscription for membership shall be specified, and must be paid in full. Social parts (shares) may not be sold, assigned or pledged. They are indivisible. A cooperative credit organization may not re-purchase social parts, except where reimbursement is allowed by law. [Law 16,17,25f,151]

Deposits: Credit cooperatives may accept deposits from their members, from natural persons, micro-enterprises, cooperative and religious organizations, family associations, natural persons with regulated liberal professions, who reside or work or have their head offices in the cooperative’s territory. [Law 21a]

A credit cooperative may not receive deposits or other assets when the level of solvency is below limits specified by the National Bank of Romania, or if the cooperative is insolvent. [Law 151d]

Dividends and Interest: Social parts (shares) are not interest-bearing, but they may earn dividends, payable only from real net profit, proportional to a member’s holdings. Bylaws provide for distribution of profit and loss, which is decided by the annual general meeting. Dividends may not be paid if such payments cause the cooperative to fall below minimum solvency standards. [Law 17,19,25o,32b,172]

Lien on Holdings: Social parts (shares) may not be assigned or pledged, and may not be used for payments of the personal debts of a member to the cooperative. [Law 17]

Loans

Purpose and Conditions: Credit cooperatives may extend loans, including mortgage loans, to their members, to micro-enterprises, cooperative and religious organizations, family organizations, and natural persons with liberal professions, who reside or work or have their head offices in the cooperative’s territory of business. The cooperative may also manage loans made on behalf of the state and other sources. [Law 21b-d]

Approval Procedure: A loan agreement must include the financial statements of the applicant and any of his guarantors, and a cash flow forecast for the period of reimbursement; a description of the manner of repayment and of collateral; description of lending terms including loan amount, interest rate, reimbursement schedule and purpose of the loan, and signatures of all parties. [Law 2]

Limits, Terms and Security: When extending loans, credit organizations must insure that applicants have credibility with respect to repayment of loans on time. [Law 168]

Loan agreements, together with real and personal guarantees, shall constitute executor titles. [Law 169]

Loans may not be extended with social parts (shares) used as guarantees. [Law 151c]

Loans extended by a credit cooperative to micro-enterprises, cooperative and religious organizations, family associations, natural persons with regulated professions, which operate in the cooperative's territory, may not exceed 25 percent of its assets. Loans to legal persons other than affiliated credit cooperatives, may not exceed 20 percent of its assets. [Law 170]

Interest Rates and Charges: The cooperative shall compute and accrue interest off balance sheet jointly with the relevant loans. [Law 169]

Loans to Officials: Loans granted to persons who have a special relation to the cooperative, and their families, are allowed only as regulated by the National Bank of Romania. [Law 176]

Investment of Funds

Deposit of Funds: A credit cooperative must open an interest-bearing or term account with a credit institution authorized to operate in Romania, to collect the nominal capital it is required to keep. [Law 78h;139g;166]

Authorized Investments: A central organization of credit cooperatives may accept deposits from members and may also issue securities. [Law 104] See "Central Finance Facility" below.

Cooperative credit organizations may not enter into joint ventures with third parties. They may not participate in the nominal capital of a commercial company, nor invest in the securities of investment funds, pension funds and similar entities. Credit cooperatives may not issue securities. [Law 173,174]

Cooperative credit organizations may not deal in movable or immovable assets, except where such assets are necessary for the performance of the business. Such

movable or immovable goods acquired must be sold within one year. [Law 151a]

Capital Adequacy - Reserves

Initial Organization: A credit cooperative must have at least 1,000 members in order to organize. Where it is allowed by the framework constitutive act, as few as 100 members may form a credit cooperative, provided they subscribe and pay at least 1,000 social parts (shares). Nominal value of a social part (share) must be at least 100,000 lei. Bylaws define the value of one social part, and the number of social parts subscribed and paid in the case of founding members. Nominal capital of a cooperative credit organization shall be paid in full and in cash at the time of subscription. [Law 16;24;25f,g;166]

New credit cooperatives must submit a feasibility study which outlines their activities and ability to achieve their purposes. [Law 78,81]

Permanent Capital: The nominal capital of a credit cooperative is variable and is composed of social parts (shares) of equal value. The credit cooperatives of a network shall keep at all times a minimum level of nominal capital according to regulations issued by the central organization to which they are affiliated. They may increase their nominal capital solely by subscribing new social parts. [Law 16,166,167]

Credit cooperatives shall assign annually 20 percent of their gross profit to set up a reserve fund, until such fund equals the nominal capital; then a maximum of 10 percent until the reserve fund reaches twice the amount of the nominal capital. After that, assignments shall be made from the net profit. [Law 18]

Every cooperative credit organization shall maintain such minimum capital as provided by regulations of the National Bank of Romania. [Law 171]

Regular Reserve: See "Permanent Capital" above.

Loan Loss Allowance: Credit cooperatives shall assign from their gross profit, amounts to build up the general reserve against lending risk, up to two percent of the amount of extended loans. [Law 18]

Special Reserves: Credit cooperatives shall assign annually 25 percent of their net profit to set up a mutual assistance reserve, intended to create necessary conditions for reduction of the costs of banking operations performed with members. [Law 18]

Powers of Credit Union

General Powers: A credit cooperative is a legal person upon registration according to the law. [Law 2,28]

In addition to accepting deposits and extending loans to members, a credit cooperative may issue and manage payment and credit instruments, handle payments and settlements, and transfers of funds. It may engage in currency trading and other functions. Bank accounts and transfers of funds are subject to regulations issued by the National Bank of Romania. [Law 21e-k; 159-163] Credit cooperative may set up agencies or secondary offices on their relevant territories. [Law 23,25n]

Borrowing: A credit cooperative may contract for loans with other cooperatives and banks. [Law 21h]

Merger: The Act details provisions for the merger and split-up of cooperative credit organizations. Mergers may only take place between two or more cooperatives whose territories of business are contiguous or overlap. Merger or split-up requires the approval of the central organization and the National Bank of Romania. The bylaws include provisions regarding merger and split-up of a credit cooperative. The general meeting of members decides on such measures and dissolution. [Law 25e;32m,n;213-224]

Liquidation: A cooperative credit organization shall dissolve if its term of operation expires; if it cannot achieve its purposes; or by decision of the general meeting. It must also dissolve if the central organization to which it is affiliated is dissolved; if the number of members falls below minimum levels; or if it becomes insolvent. Dissolution is also required if ordered by the central organization; or if its license is revoked by the National Bank of Romania.

The bylaws include provisions regarding dissolution and liquidation of a credit cooperative. Dissolution results in liquidation. The liquidator of a natural person credit cooperative is appointed by the central organization. Procedures for liquidation are prescribed in detail in the Act. [Law 25e;207-211;225-239]

Federation or Association

Purposes: A central organization is established by credit cooperatives for the purpose of managing common interests, centralized control of compliance with the law and its own regulations. The central monitors and controls, on an individual basis, the administrative, technical and financial aspects of organizing and operating of such cooperatives. The group of cooperatives and the central organization are the cooperative credit network. The network issues framework regulations, mandatory for all its members. [Law 2]

Central organizations may set up a professional association that represents the collective interests of cooperative

credit organizations with respect to public authorities. It may study issues of common interest and draft recommendations, carry out informational work, foster cooperation between networks, and organize and manage services. [Law 6]

The central organization has broad supervisory authority over its member cooperatives. It issues a framework constitutive act, which cooperatives must use as the model for their own bylaws; it conducts financial analysis and audits; and has educational functions, among other duties. [Law 2, 24,105,186,194-201]

In addition to supervision, the central organization maintains financial facilities for its members. See below: "Central Finance Facility."

The Act details the structure and activities of the central organization, including provisions for its general meetings, governing bodies and management, administration, audits, licensing, procedural and other matters. A central organization is structured according to a constitutive act (bylaws) which details its purposes, activities, powers, and the rights and duties of its members. It is a legal person, under the authority of the National Bank of Romania. [Law 95,98,106-150]

The central organization must approve the organization of new credit cooperatives within its territory. Conditions are detailed. [Law 78]

Modification of the territory of a credit cooperative requires the approval of the central organization to which it belongs. [Law 23]

Membership: Every credit cooperative must affiliate to a central organization. A central organizations must have at least 50 credit cooperative affiliates. Its territory of operation is at least that of its members. [Law 5,6,91,92,95]

Dissolution: The constitutive act of the central organization shall provide for its dissolution, liquidation, merger or split. [Law 95e]

Dissolution and liquidation procedures are detailed in the Act, and are essentially the same as for other cooperative credit organizations. The liquidator of a central organization is appointed by the Deposit Protection Fund. [Law 207-212;225-239]

A central organization is deemed bankrupt if it fails to honor due claims for 30 days, or if the value of the network's solvency is less than two percent. Bankruptcy procedures are initiated on the basis of claims by the National Bank of Romania, the creditors of the central, or of its affiliated cooperative credit organizations, or of the central itself. [Law 240-242]

Central Finance Facility

Purposes: The banking activity within a central's network is conducted primarily with and for its cooperative members and organizations. It fully guarantees the obligations of affiliated credit cooperatives through its mutual guarantee reserve. [Law 4,7]

The central organizations render advice on the operations of their members, and may mandate changes according to regulations of the National Bank of Romania. They also may perform a wide range of banking functions, to the extent of their licenses, such as: acceptance of deposits; extension of loans to legal persons which have their head office and conduct business within their territory; factoring and discounting of commercial papers and forfeiting; management of loans, in the name of and on behalf of the state and from such sources as made available, for their affiliated credit cooperatives.

The central organization may also invest on the interbank market; issue and manage payment and credit instruments; handle payments and settlements, including between affiliated cooperatives. It may handle transfers of funds; and issue guarantees and assume commitments; and borrow money.

The central may transact business in its own name or on behalf of clients, according to existing regulations, with foreign currency, negotiable money instruments (checks, bills of exchange, deposit certificates), treasury bills and securities issued by local authorities. [Law 104]

Central organizations may issue securities under such terms as defined by the National Securities Commission. [Law 174]

Investments by a central organization in certain types of commercial companies are limited. The total value of the investments of a central organization in securities may not exceed 100 percent of its own funds, with the exception of investment in treasury bills. [Law 175]

Membership: A group of credit cooperatives and their central organization form a network. [Law 2]

Funds: In order to guarantee the obligations of its members, the central organization shall build a mutual guarantee reserve from the dues paid by its affiliated credit cooperatives, and from a percentage of its gross profit. Where it finds a deterioration in the condition of its affiliates, the central organization may require an increased contribution. [Law 7]

The nominal capital of a credit organization is variable, and is composed of social parts (shares) of equal value. The nominal value of the social part is specified by the central organization's constitutive act (bylaws) but may not be less than 100,000 lei. It is forbidden to set up an organization with fixed capital. [Law 5,99]

A cooperative credit network shall observe prudential standards set by the National Bank of Romania, and its affiliated central organization which pertain to: minimum aggregate capital, minimum level of solvency; maximum exposure to a single debtor; maximum aggregate exposure; minimum liquidity; foreign currency position; management of investments. [Law 166,171]

Social parts (shares) may be sold, assigned, or pledged solely among associated credit cooperatives. They may not be represented by negotiable instruments, and may not be used for payment of debts to third parties, and are not interest bearing. They may pay dividends. [Law 19,100,101]

The aggregate capital of a network comprises part of the network's own capital, representing the shares (social parts) paid by the cooperative members, as well as other elements of own capitals of the network's cooperative credit organizations, computed according to rules of the National Bank of Romania. [Law 2]

Central organizations shall set up reserve funds, according to formulae in the Act and their own regulations, for purposes including lending risk management, and mutual guarantees. They must also maintain more liquid reserves at least equal to the mutual guarantee reserve. [Law 102]

Share and Deposit Protection

Purposes: A Fund is established to guarantee deposits made in credit cooperatives and central organizations by natural person depositors. [Law 203,204]

Coverage: The Fund guarantees the reimbursement, under the form of indemnities, of deposits made by natural persons in credit cooperatives and central organizations of them. Terms and limits of this guarantee are provided by law. [Law 203]

Reimbursement of deposits by the Fund shall be effected in the event of the bankruptcy of central organizations. [Law 204]

Membership: See "Central Finance Facility" above.

Funds: Organization and operation of the Fund shall be according to G.O. 39/1996 on the guarantee of deposits in the banking system. [Law 203,204]

RUSSIA

<i>Region</i>	Europe
<i>Federation</i>	Russian Credit Union League
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Citizens' Consumer Credit Cooperatives (Credit Unions)
<i>Number of Credit Unions</i>	78 (2000)
<i>Number of Members</i>	62,300 (2000)
<i>Total Assets (US\$)</i>	\$8,386,252 (2000)

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EXPLANATORY NOTE: In the translation of the Russian Act, bylaws enacted by each cooperative are referred to as "regulations". The word "bylaw" instead has been used in this summary as in the summaries throughout this reference work.

Legal Authority

Law: Federal Law on Citizens' Consumer Credit Cooperatives (Credit Unions) of August 2001. [cited as "Act"]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: A citizen's consumer credit cooperative is formed by citizens who voluntarily unite for the satisfaction of need for mutual financial assistance. Principles of activity are: voluntary entry and freedom of withdrawal from the cooperative; equality of rights and obligations, regardless of shareholding; and personal participation of members in the management of the cooperative. [Act 4.1-2, 5]

Bylaws (see explanatory note above) established by the general assembly of members state the object and goal of the activity of the cooperative and the rights and responsibilities of the cooperative before its members. [Act 11.2]

Supervision and Regulation

Government Agency: State regulation of citizens' consumer credit cooperatives is governed by the law on state registration of legal personages. A federal executive authority of registration and supervision is empowered to implement state regulation of these activities. [Act 10, 27]

Self-governing bodies created by consumer credit cooperatives, and related to the federal executive authority, may also carry on inspection, compliance and consultative functions. [Act 28]

Citizens' consumer credit cooperatives cooperate with government bodies of subjects of the Russian Federation to realize the requirements of the Federal law. Bodies of state authority may not make decisions which restrict the rights of citizens established under Federal law, which relate to credit cooperatives. [Act 29]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: Law is silent.

Reports: Law is silent.

Inspections: State regulation includes the inspection of activity of credit cooperatives and their unions (associations). [Act 27.1]

Governing bodies of self-regulation may also be involved by the federal executive authority in the inspectorial monitoring of credit cooperatives and their observance of federal law. [Act 28.3]

Regulations: Normative acts of the federal executive authority have obligatory force in relation to the activities of credit cooperatives and their unions. [Act 27.3]

Enforcement: The federal government body authorized to supervise consumer credit cooperatives may apply measures to cooperatives and their unions, in the case of non-observance of federal legislation. (See also "Regulations" above) [Act 27.1, 27.3]

Membership of Credit Unions

Common Bonds of Association: A citizens' consumer credit cooperative can be created by citizens who have in common a place of residence, labor activity, professional affiliation or any other commonality. At least 15, but not more than 2,000 members may form the cooperative. Citizens must be 16 years old to be members. [Act 4.1, 6.1, 10]

Non-Natural Persons Eligible: Only citizens older than 16 years old are mentioned in the act as eligible for membership; otherwise the Law is silent.

Liability of Member: A consumer credit cooperative carries responsibility for its liabilities before its members based on and according to legislation stipulated by the Russian Federation. [Act 20.4]

Members are required to defray any losses that the cooperative should suffer, through additional contributions in the course of three months after the annual

balance sheet is established. Members carry jointly subsidiary responsibility for the cooperative's liabilities, up to the unpaid amount of dues. [Act 6.3]

Personal savings of members of a cooperative, drawn into the fund of mutual assistance, are not the property of the cooperative, and are not burdened by execution of its liabilities. Share contributions, however, are funds transferred by a member to the property of the credit cooperative, for its use as prescribed in the bylaws. [Act 3, 14.3]

Direction and Administration

Annual Meeting of Members: The general assembly of members is the highest governing body of a citizens' consumer credit cooperative. It must meet at least once a year, and may be convened at other times by the board, the committee for loans, the inspection commission, the director of the cooperative, or by the demand of not less than one-third of the members.

The general assembly establishes bylaws, and makes changes to them; establishes procedures for formation of funds and gives other financial directions; establishes the agreements between the cooperative and its members; and establishes governing bodies and other activities for the cooperative.

The general assembly determines the principles for granting loans, including the maximum amount to be granted to a member, decides on membership in associations, and decides on reorganization or liquidation.

The general assembly by majority vote elects the board and the inspection commission, and examines their activities. It selects the auditor, reviews the audit and confirms the annual balance. [Act 21.1, 22]

The general assembly of members or bylaws of the cooperative may establish financial norms related to loans, savings and reserves. [Act 20.3]

Bylaws of the cooperative specify the composition and jurisdiction of its bodies, the procedure of their creation, and decision making. [Act 11.2]

Board of Directors and Committees: The board of a cooperative manages the cooperative between general meetings. Members of the board may not be the director (executive officer) of the cooperative, and may not be members of the inspection commission. A board member may be an employee of the cooperative, but employees may not make up more than one-third of the board. [Act 23]

The committee for loans decides on the issue of loans and procedures for their repayment. If the cooperative has more than 100 members, a committee for loans is

required. But with fewer than 100 members, loan decisions may be left to the board. Members of the loans committee may not be the director (executive), or a member of the board, or of the inspection committee, or an employee of the cooperative. [Act 24]

The inspection commission of a citizens' consumer credit cooperative monitors the activities of the cooperative and its governing bodies. Members of the inspection commission may not be members of the board or the loans committee, or employees of the cooperative. [Act 25]

Members of the board, the committee for loans and the inspection commission of a cooperative do not receive compensation for their services, but may be reimbursed for their expenses. Bylaws may stipulate positions to regulate the creation and activity of the cooperative and its bodies. The general assembly of members, the board and inspection committee are specified in the Act. A loans committee may be formed. [Act 11.3, 21]

Management and Employees: The executive director who manages the cooperative is appointed by the general assembly of members, or between general meetings, by the board. The executive director may not be chairman or a member of the board, or a member of the inspection or loans committees. The executive director may hire employees to work in the credit cooperative by labor agreement, as directed by the general assembly. [Act 26]

Audits: Bylaws stipulate the procedure for conducting regularly scheduled external checks of the financial activity of the cooperative. The general assembly of members makes decisions, if necessary, in regard to conducting audits and the selection of the auditor. [Act 11.2, 22.2]

Liability of Officials: Law is silent.

Conflicts of Interest: Bylaws may stipulate limitations on participation of close relatives of officers in the bodies of a cooperative. [Act 11.3]

Surety Bond: Law is silent.

Shares and Deposits

Shares: Members are required to contribute share contributions specified by the cooperative, but no member may hold more than 10 percent of the grand total of share contributions. Bylaws specify the size, composition of and procedure for depositing share contributions. The general assembly or bylaws specify the correlation between the amount of share contributions and the amount of personal savings. [Act 6.3, 11.2, 20.3]

Share contributions are funds transferred by a member to the cooperative, becoming the cooperative's property, for use according to its bylaws. [Act 3]

Deposits: Personal savings are funds transferred by a member to the cooperative, on the basis of a written agreement, for use in accordance with the goals of the cooperative. Members have the right to place personal savings in a fund for mutual assistance. [Act 3, 5.2, 15.1]

Dividends and Interest: Members have the right to receive compensation for the use of their savings by the cooperative. The savings agreement must contain conditions for payment for use of the funds. [Act 6.2, 15.2]

Lien on Holdings: A member is responsible for his/her own liabilities before a credit cooperative, according to legislation of the Russian Federation. [Act 6.4]

Loans

Purposes and Conditions: Members have the right to receive loans and other consumer needs from the cooperative, on terms stipulated by the cooperative. The fund of mutual assistance may only be used for loans to members. [Act 6.2, 17.1]

Loans for business purposes may not exceed, in aggregate, one-half of the fund of mutual assistance, created by the cooperative for use as loans. [Act 16.3]

Loans may not be made to persons who are not members, nor to legal persons. A cooperative may not be a guarantor for liabilities of its members, nor for third parties. [Act 19]

Approval Procedure: Loans must be registered by a written loan agreement. Bylaws specify the conditions and procedure for members to receive loans from the cooperative. [Act 11.2, 17.2]

Limits, Terms and Security: The general assembly of members or the bylaws specify the correlations of the amounts of loans issued to a member of the cooperative, and the size of the fund of mutual assistance. [Act 20.3]

The size of the temporarily free balance of the fund of mutual assistance used for loans may not exceed one-half of said fund. [Act 16.4]

Members are required to repay loans in a timely manner. [Act 6.3]

Interest Rates and Charges: Loans to members may be interest-free in certain circumstances, but not if they are made for business purposes of the borrower. [Act 17.3]

Loans to Officials: Law is silent.

Investment of Funds

Deposit of Funds: See "Authorized Investments" below.

Authorized Investments: The temporarily free balance of the fund of mutual financial assistance may be used exclusively for the acquisition of state and municipal securities, and may also be kept in deposit accounts in banks. [Act 16.4.]

A cooperative may not invest in the charter (joint stock) capital of economic companies, manufacturing cooperatives, or by other means participate in the formation of legal persons. It may not purchase stock shares or other securities or otherwise act in the financial and stock markets. [Act 19]

Capital Adequacy-Reserves

Initial Organization: Members are required to make share contributions to the consumer credit cooperative in accordance with its bylaws. [Act 3]

Bylaws specify the amount of, sources of forming and the procedures for making share contributions to the credit cooperative. [Act 11.2]

Permanent Capital: The property of a citizens' consumer credit cooperative is formed by the share contributions of its members, income from its activities, sponsor shares, charitable contributions and other sources not prohibited by law. This property belongs to the cooperative by right of ownership. The personal savings of members, drawn into the fund of mutual assistance, are not the property of the cooperative, and are not burdened by execution of its liabilities. [Act 14.1-3]

The fund of mutual financial assistance is formed by the cooperative's own resources and the savings of its members, transferred by agreement, and is used for granting loans to its members. [Act 3, 16.1-2]

Regular Reserve: Bylaws specify the reserves created by the citizens' consumer credit cooperative. [Act 11.2]

A cooperative must form a reserve fund to provide for unforeseen expenses. The amount of the reserve fund is established by the general assembly of members. [Act 20.1]

The general assembly or the bylaws establish the correlation of the size of the reserve fund and the size of the fund of mutual assistance. [Act 20.3]

Loan Loss Allowance: A cooperative may form an insurance fund to cover possible losses due to its activities. The amount of the fund is established by the general assembly of members. [Act 20.1]

A cooperative insures the risk of loan losses due to death or loss of ability to work by the borrower. Such insurance is to be purchased either from state companies, or insurance companies formed for the purpose by associations of credit cooperatives, or other companies approved by the general assembly of members. [Act 20.2] Bylaws specify the procedure for covering losses sustained by members of the cooperative. [Act 11.2]

Special Reserves: Law is silent.

Powers of the Credit Union

General Powers: A citizens' consumer credit cooperative may offer services to its members that include insurance agreements and consultation services. [Act 18]

The general assembly or the bylaws of the cooperative establish the correlation of its own funds, to the grand total of its liabilities. [Act 20.3]

Cooperatives may establish international ties with governmental and non-governmental organizations. [Act 9]

Borrowing: A citizens' consumer credit cooperative may not issue its own securities. [Act 19]

Merger: The general assembly of members of a cooperative may authorize reorganization. If the number of members exceeds 2,000, the cooperative must divide itself within six months of reaching the maximum size. Procedures are according to legislation of the Russian Federation. [Act 12]

Liquidation: Voluntary liquidation of a citizens' consumer credit cooperative is decided by the general assembly of members. A cooperative must be liquidated if its membership falls below 15 people. Procedures for liquidation are according to laws of the Russian Federation. Property of the cooperative remaining after satisfying creditors is to be distributed among the members, in accordance with their share contributions. [Act 13]

Federation or Association

Purposes: Citizens' consumer credit cooperatives have the right to unite in associations (unions), to join existing associations, and to withdraw from them, on vote of the general assembly of members. Such associations may establish international ties with organizations of foreign governments and non-governmental international organizations. [Act 8-9]

Consumer credit cooperatives have the right to create governing bodies of self-regulation of their activity. Such bodies are public organizations, associations and unions of legal persons. In cooperation with federal authorities, they have powers of inspection and monitoring of observance of federal laws; protection of cooperatives and their members' rights; consultation and education related to consumer credit cooperatives; and other functions. [Act 28]

Membership: An association (union) of citizens' consumer credit cooperatives consists of individual consumer credit cooperatives united voluntarily. Its supreme body is the general assembly of representatives of those cooperatives. [Act 8]

Dissolution: Law is silent.

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

UKRAINE

<i>Region</i>	Europe
<i>Federation</i>	Ukrainian National Association of Savings and Credit Unions
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	122 (2001)
<i>Number of Members</i>	111,493 (2001)
<i>Total Assets (US\$)</i>	7,674,687 (2001)

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Legal Authority

Law: Law of Ukraine on Credit Unions, in Documents No. 3(444), Dec. 20, 2001 #2908-III. [cited as "Law"]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: A credit union is a non-profit organization founded by natural persons on a cooperative basis in order to supply the needs of its members in terms of mutual credit and financial services, based on the pooled monetary contributions of the credit union membership. It shall be a financial institution, whose exclusive activity is providing financial service envisaged in this law. It shall operate on principles of voluntary membership and free withdrawal, equality of all members, self-government and openness. [Law 1, 2]

The credit union's bylaws (statute) shall specify its objective and tasks. [Law 7.2]

Supervision and Regulation

Government Agency: A credit union must be registered by the specially designated central executive authority in charge of regulating financial services markets (Special Authority). The Special Authority may only require the registration information specified in the law, including the application, meeting protocol, bylaws and registration fee receipt. [Law 8.1, 8.2, 26]

Other Licenses Needed: A credit union must comply with other pertinent laws of Ukraine and with state regulators of the financial services market. [Law 5, 26]

Certain activities of an amalgamated [central] credit union must be licensed by the Special Authority, in keeping with the laws of Ukraine on financial services and regulation of financial services markets. [Law 25.3]

Other Institutions Regulated: The Special Authority is in charge of the regulation of the financial services markets of the Ukraine. [Law 8.1]

Reports: A credit union shall file statistical reports with relevant authorities and file financial and other reports to the Special Authority in the form and at times the Authority requires. An annual report, attested by an independent auditor, must be submitted; the annual report must include a balance sheet and a statement of profits and losses. The chairman of the administrative board shall assume personal liability for the authenticity and completeness of financial reports. [Law 22]

Inspections: Credit unions shall be inspected in accordance with the law and with their own bylaws (statutes). [Law 22.2]

Regulations: Regulatory documents of the Special Authority are referred to. [Law 20.7, 21.1, 21.4]

Enforcement: In the event of transgressions of the Law of Ukraine on Credit Unions, sanctions shall be applied in accordance with the laws of Ukraine. [Law 27]

Membership of Credit Unions

Common Bonds of Association: At least 50 natural persons must be founders of a credit union. To qualify, members must belong to the same place of work or training; be members of the same local, district or regional trade union, volunteer or religious organization; or reside in the same village, township, city, administrative district or region (oblast). Citizens, foreigners and stateless persons permanently residing in Ukraine who meet the common bond criteria may be members. [Law 1, 6]

The law and bylaws (statute) specify membership attributes, members' rights and obligations, fees and dues, and the terms of joining and withdrawing from membership. [Law 7.1, 10.2-7, 11, 12]

Non-Natural Persons Eligible: Only natural persons may found a credit union, otherwise the law is silent. [Law 1]

Liability of Member: Credit union members shall be liable for the union commitments only within the limits of their respective initial shares. [Law 10.8]

Direction and Administration

Annual Meeting of Members: Bodies of authority specified in the law are: the general meeting, the supervisory board, the auditing committee and the administrative board. Other bodies may be formed by the general meeting. [Law 13]

The general meeting shall be the supreme body of authority of the credit union and may pass resolutions on any matter relating to the credit union. It shall have sole jurisdiction over approval and amendment of the bylaws (statute); election and recall of the members of the supervisory board and the auditing committee; approval of annual reports; resolutions on an increase in the compulsory initial shares or other payment requirements; resolutions on distribution of revenues and provision for losses; enactment of provisions relating to the supervisory board, the auditing committee, the credit committee and the administrative board; and resolution on termination of the credit union. The bylaws (statute) may stipulate other matters within the general meeting's jurisdiction. Extraordinary meetings may be called. [Law 14]

All members have equal rights, including the right to vote at the general meeting, regardless of shareholding or other contributions. [Law 2.2]

Members have the right to take part in the management of the credit union; to elect and be elected to its bodies of authority; to submit proposals to the bodies of authority; receive information about the credit union's performance; and to withdraw from it in keeping with legal procedures and the bylaws (statute). [Law 11]

The general meeting of members appoints the auditor, and approves the auditor's report. [Law 22.1]

Board of Directors and Committees: The supervisory board of at least five members is elected by the general meeting. It represents the credit union's interest in between general meetings. It appoints the administrative board and the credit committee members. It has broad jurisdiction over services to members, the kinds of credits made available to members, and other business matters. It must meet at least quarterly. The chairman of the supervisory board, elected according to the credit union's bylaws (statute), organizes the work of the board, and shall be personally responsible for fulfillment of the tasks assigned to it. Members of the supervisory board may not be compensated for their work. Persons under employment contract with a credit union may not be members of the supervisory board. [Law 15]

The credit committee of at least three members, appointed by the supervisory board, organizes the credit union's credit activities. It processes credit applications from members and decides on credits, monitors the credit portfolio, and may have other duties. Members of the supervisory board and the administrative board may be members of the credit committee, but may not be compensated for their work. Other members of the credit committee may be compensated. The chairman of

the administrative board is a member of the credit committee ex officio. [Law 17]

The auditing committee of at least three persons, elected by the general meeting, monitors the credit union's business performance. Members of the supervisory board and the credit committee, and persons working under contract with the credit union, may not be members of the auditing committee. [Law 18]

Bylaws (statute) specify the bodies of authority of the credit union. [Law 7.1]

Management and Employees: The administrative board of the credit union is appointed by the supervisory board, and is the executive body managing the credit union day to day, with powers specified in the law and bylaws (statute). Its members operate under contract with the credit union. The chairman of the administrative board represents the credit union before the state and other persons; makes contracts and other agreements; manages the credit union's property; and is personally responsible for fulfillment of tasks assigned to the board. [Law 16]

Audits: The Auditing Committee has powers of inspection, and may hire independent experts to assist it. It shall inspect at least once a year, and may do so at other times. The auditing committee may suspend any executive if it finds transgressions on his/her part that damage the credit union's stability. The auditing committee may convene a general meeting if it sees the presence of a threat to the credit union's existence. [Law 18]

Bylaws (statute) specify accounting procedures and control over the credit union management's performance. [Law 7.1]

Liability of Officials: The chairman of the administrative board shall assume personal liability for the authenticity and completeness of financial reports and other accounting documents. [Law 22.1]

Conflicts of Interest: If the credit committee is deciding on a credit for a member of the credit committee, that member may not participate in the decision. [Law 17.2]

Loans to members of the administrative board or workers of a credit union must be on the same terms as those made to members, to avoid conflicts of interest. [Law 21.1]

Surety Bond: Law is silent.

Shares and Deposits

Shares:

A credit union shall receive initial shares from its members. Only the general meeting may resolve on an increase

in the compulsory initial shares required for membership or increasing fees. [Law 14.2, 21.1]

Bylaws (statute) specify the finance sources for and funds raised by a credit union. [Law 7.1]

Deposits: A credit union shall place member deposits in deposit accounts in cash or cashless transactions. Such deposits and the interest paid on them shall be the members' private property. Its deposit commitments towards a single member may not exceed 10 percent of the credit union's total commitments. [Law 21.1, 23.1]

Dividends and Interest: The credit union has the right to make interest payments as accrued on members' deposits. [Law 21.2]

Members have the right to receive revenues from their initial shares, unless otherwise provided by the bylaws (statute). The general meeting has authority to distribute revenues, or provide for losses, after capital and reserve requirements are met, in accordance with legal requirements. Bylaws (statute) specify revenue distribution procedures. [Law 7.1, 11.1, 14.2, 21.3, 21.4]

Lien on Holdings: Law is silent.

Loans

Purposes and Conditions: A credit union shall provide loans to its members, and may determine their types. Farmsteads and private businesses belonging to members may receive loans. A credit union may lend to another credit union, unless otherwise resolved by the Special Authority. A credit union may act as guarantor of a member's commitments to a third party. [Law 21.1-2]

The credit union has the right to establish the terms and conditions of loans for credit union members. Bylaws (statute) specify the terms and conditions. [Law 7.1, 21.2]

Approval Procedure: The credit committee processes credit applications from members. [Law 17]

Limits, Terms and Security: Loans may be made on condition that they be repaid in time, secured, and in cash or cashless settlements. The amount loaned to a single member shall not exceed 20 percent of the credit union's capital. The credit union may establish the terms and conditions of issuance of a credit, collaterals and guarantees required, and repayment terms. [Law 21.1-2]

Interest Rates and Charges: The credit union has the right to establish interest rates on loans, and the costs of services. [Law 21.2]

Loans to Officials: To avoid conflicts of interest, services to members of the administrative board or to workers of

a credit union must be made on terms and conditions that cannot be different from the usual ones. [Law 21.1]

Investment of Funds

Deposit of Funds: A credit union may place idle cash in deposit accounts with licensed banks, or with an amalgamated [central] credit union. [Law 21.1, 23.2]

Authorized Investments: A credit union may invest in government securities approved by the Special Authority, and shares in cooperative banks. [Law 21.1, 23.2]

Capital Adequacy-Reserves

Initial Organization: Credit union assets are based on admission fees, compulsory initial shares, and other fees paid by members, but not deposit accounts. [Law 19.1]

Permanent Capital: Capital shall consist of share, reserve and additional capital, plus retained earnings, and shall not be less than 10 percent of the total amount of the credit union's commitments.

Share capital shall be formed by payments from members. [Law 20.1-2]

Regular Reserve: Reserve capital is meant to provide for possible losses that cannot be covered by the returns in the current year, for the credit union's solvency, and as protection of members' savings. Reserve capital shall be based on admission fees and part of the credit union's incomes, until it reaches at least 15 percent of the total amount of assets adjusted to credit risk. Other sources of reserve capital may be used, according to the bylaws (statute). [Law 20.3]

Loan Loss Allowance: In order to cover anticipated losses from bad loans, the credit union shall form a loan loss reserve, using part of its income. The procedures for forming and using this reserve shall be determined by the Special Authority. Bylaws (statute) specify provision for possible financial losses. [Law 7.1, 20.6]]

Special Reserves: Supplementary capital of a credit union shall be formed from contributions from members, charitable donations by natural and legal persons, and non-negotiable instruments. Other legal reserves may also be formed, upon resolution of the general meeting. [Law 20.4, 20.7]

Powers of the Credit Union

General Powers: A credit union upon registration shall be a legal entity with its own balance sheet, bank accounts

opened with banks chosen at its discretion, and shall have its official seal, stamps, and blanks bearing its name and logo. It may make agreements and contracts, acquire property and other rights, assume obligations and act as plaintiff and respondent in lawsuits.

A credit union cannot be the founder, or co-founder or participant in a business entity within or without Ukraine, except in the case of a local cooperative bank. It must operate on a self-financing basis and assume liabilities in conjunction with its performance and commitments. [Law 3]

A credit union may be a member of payments systems; it may pay for goods, works and services as instructed by its members, and within the limits of a given credit. It may undertake charitable projects using specially raised funds. A credit union shall not conduct activities other than those envisaged in the Law. [Law 21.1]

The credit union shall own its property, and possess, enjoy and manage it according to the law and its bylaws (statute). [Law 19, 21.1]

Money owned by the credit union membership shall be subject to separate accounting. It shall be used as loans to members, or otherwise according to the law. [Law 23.2]

Bylaws (statute) specify the procedures for forming branches and offices, and their powers; also use of money and other credit union property. [Law 7.1, 19.2]

Borrowing: A credit union may contract for credits from banks and an amalgamated credit union, and funds from other institutions and organizations, but only as loans for its members, unless otherwise resolved by the Special Authority. The total amount of such borrowing shall not exceed 50 percent of the credit union's commitments at the time of borrowing. Bylaws (statute) specify the finance sources for and funds raised by a credit union. [Law 7.1, 21.1]

Merger: See "Liquidation" below.

Liquidation: A credit union shall terminate by reorganization (merger, attachment, division) or liquidation. Reorganization or liquidation may be carried out by resolution of the highest body of authority in the credit union.

Liquidation may also be ordered by the Special Authority if a credit union's registration is found to be faulty. A court of law may order liquidation where the credit union is found to be improperly licensed, or in case of insolvency, or in other cases under the law, as submitted by the Special Authority, credit union members, or creditors. The Law and bylaws (statute) specify the credit

union termination procedure, priority of claims, and settlement of property disputes upon liquidation. [Law 7.1, 9, 14.2]

In the event of liquidation, any remaining balances of reserve capital shall be transferred to the state budget of Ukraine. [Law 20.3-4]

Federation or Association

Purposes: Credit unions may form associations to coordinate their efforts and provide mutual assistance. An association may be a founder, or co-founder of a business entity meant to carry out its purposes.

With the approval of the Special Authority, a credit union association may take on self-regulatory functions for its members. Such activities include financial recovery programs; procedural support for credit unions; training and certification of personnel; collection and analysis of credit union information; and other functions as specified in its bylaws (statute).

The association shall be sustained by its members' contributions, but shall not conduct any business except in terms of passive incomes such as interest, dividends, insurance payments, indemnities, and royalties. [Law 24.3, 24.4, 24.7]

Membership: Credit unions within a single political subdivision of Ukraine may form an association, provided more than one-third of the credit unions are members, but not less than three. All-Ukraine associations may be formed, provided their membership embraces more than half the political subdivisions of Ukraine. [Law 24.1]

Dissolution: Bylaws (statute) of an association shall provide for termination procedures and settlement of property disputes in conjunction with liquidation or reorganization. [Law 24.4]

Central Finance Facility

Purposes: An amalgamated credit union shall be a non-profit organization founded by credit unions on a cooperative basis, in order to facilitate their financial stability and combine union members' idle cash for mutual crediting. [Law 25.1]

Membership: An amalgamated credit union shall be formed based on a given credit union association's membership, and must have at least 10 credit union members. A credit union shall be a member of only one amalgamated credit union. [Law 3, 25.1]

Funds: Deposits may be made by credit unions and associations of credit unions in amalgamated credit union accounts. [Law 21.1, 24.4]

Share and Deposit Protection

Purposes: See “Central Finance” above.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

LATIN AMERICA

Region Includes:

Argentina
Bolivia
Brazil
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Honduras
Mexico
Nicaragua
Panama
Paraguay
Peru
Uruguay

ARGENTINA

Region	Latin America
Federation	COLAC
Legal System	Civil - Federal
Type of Law	Cooperative Law and Financial Institution Law
Number of Credit Unions	19 (1997)
Number of Members	95,000 (1998)
Total Assets (US\$)	\$1,479,450,000 (1998)

Rev.2-94: alc

Legal Authority

Law: Law No. 20,337 on Cooperatives, 1973. [cited as "L"]
 Law No. 21,526 on Financial Institutions, 1977 and its amendments. [cited as "LEF"]

Regulations: Regulatory standards issued by the Central Bank of the Argentine Republic. [cited as "BCRA"]

Definition or Purposes of Credit Union

Definition: Credit unions are institutions based on personal effort and mutual help to organize and provide services and meet certain definitions contained in the law. [L 2]

Supervision and Regulation

Government Agency: As cooperatives, government supervision of credit unions is prescribed by the cooperative law. The National Institute of Cooperative Action (INAC), a decentralized agency of the Ministry of Social Welfare, authorizes the operation of cooperatives throughout the country and exercises, to the same extent, public inspection on its own or by means of an agreement with the provincial agency having jurisdiction. [L 50, 99, Decree(1644/90)]

Other Licenses Needed: As financial institutions, credit unions are also subject to examination by the Central Bank. Insurance activities are also subject to special supervision. [LEF 4]

Other Institutions Regulated: Any type of cooperative is supervised by the INAC and any institution engaged in financial intermediation is regulated by the Central Bank of the Argentine Republic. [BCRA]

Reports: Requiring from cooperatives whatever documentation it deems necessary is a power inherent in government examination. [L 100(1)]

The BCRA may request from cooperatives providing financial intermediation any documentation and in-

formation needed from them, subject to the rules of the bank. [LEF 36]

Within 90 days of the end of the fiscal year, cooperatives must publish a balance sheet and operating statement, with certification by a chartered accountant containing the grounds therefore [LEF 36]. This must be done no less than 15 days prior to the annual members' meeting that is to consider them, and also have been submitted to the legal authority and the local agency having jurisdiction. [L 41]

Inspections: Conducting investigations and inspections is also inherent in government examination, to which end books and documents may be examined, information may be requested from the authorities and responsible persons, auditors, personnel and third parties. [L 100(2)] All of the financial institutions must provide officials at the BCRA appointed to examine their accounting access to necessary documentation. [LEF 37]

Regulations: The National Institute of Cooperative Action is empowered to issue regulations on matters under their authority or propose to the executive branch the adoption of standards which, because of their nature, exceed INAC powers. [L 106(8)]

The entities covered by the financial institutions law shall adhere to the rules dictated by the BCRA, particularly in the issuing of bonds, endorsements and guarantees; terms, interest rates, commissions and charges of any nature; the immobilization of assets; technical ratios between in-house resources and different types of assets and cash reserves. [LEF 4,30,31]

Enforcement: Failure to carry out the provisions of the financial institutions law or the rules issued by the Central Bank empowers the latter to order, subject to a prior summary notice, the revocation of the authority to act as a financial institution. This can occur without imposing on the sanctions provided in the law.

The sanctions are: notification, warning, fines, temporary or permanent suspensions and revocation of authorization. The sanctions can be appealed, but only for purposes of reimbursement. They are applicable to individuals or entities or to both at the same time and only the fines, suspensions and revocation of authorization may be appealed in court for the purposes of reimbursement. [LEF 41, 42]

Membership of Credit Unions

Common Bonds of Association: The provision of the law ensures the possibility of allowing anyone to join the cooperative who can use its services, including entities, with no other limitation than that which arises in the bylaws of the corporate mission. [L 2(7)(17)]

Non-Natural Persons Eligible: See “Common Bonds of Association” above.

Liability of Member: Liability is limited to the amount of their subscribed shares. [L 2(11)]

Direction and Administration

Annual Meeting of Members: The annual members' meeting shall be held within four months of the close of the fiscal year to consider the annual reports by the board of directors, the balance sheet and the reports of the comptroller and the auditor and elect its leadership without precluding other matters included in the agenda. Extraordinary meetings shall be held, whenever ordered by the board of directors, the comptroller or requested by at least 10 percent of the members. [L 47]

Whenever the number of members exceeds 5,000 the meeting shall consist of delegates elected in district meetings. Voting may be done by proxy, unless the bylaws prohibit it, but a proxy may not cast votes for more than two members. [L 50, 51]

Board of Directors and Committees: The board of directors is elected by the annual meeting with the frequency, form and number provided for in the bylaws. The directors must be members and there may not be less than three directors. They shall not serve for more than three fiscal years, but may be reelected, unless there is a prohibition in the bylaws. [L 63]

The board's powers are those implicitly assigned by the bylaws and those indicated for accomplishing the corporate mission, unless they are expressly reserved for the members' meeting. [L 68]

Management and Employees: The board may appoint managers and entrust them with executive management duties. For the performance of their position, the managers answer to the cooperative and third parties, the same as board members. Their appointment does not exclude the liability of the directors. [L 72]

Audits: From the time they are chartered until they are liquidated, cooperatives must have an external audit service under the responsibility of a chartered accountant. The service must be provided by a cooperative of a higher tier or entity specially chartered to this end. The local agency having jurisdiction shall provide the service free of the charge if the economic condition of the cooperative justifies it. The audit can be performed by the comptroller if he/she has the required professional capability. [L 81]

Liability of Officials: The board members can only be exempted from liability for violation of the law, the bylaws or the regulations by means of evidence of not having participated in the meeting that adopted the challenged resolution or the record in the minutes of their vote against it. [L 74]

Conflicts of Interest: When in a given transaction, a director has an interest contrary to that of the cooperative, he/she must make it known to the board of directors and the comptroller and refrain from participating in the deliberation and the vote. They may not carry out transactions on their own or with third parties in competition with the cooperative. [L 75]

Surety Bond: Laws and Regulation are silent.

Shares and Deposits

Shares: The capital consists of individual equity shares, all of which are of the same value, and shall be recorded on registered shares, representing one or more and shall be transferable only among members. [L 24]

Deposits: Credit unions are empowered expressly to receive term deposits. [LEF 26(a)]

Dividends and Interest: The distribution of surpluses in proportion to the capital shares or to the services used by each member is authorized, as established by the bylaws. If they are distributed in proportion to the services used, interest may also be paid on the equity shares, if the bylaws authorize it. This interest rate may not be greater than one point higher than the rate charged by the Bank of the Argentine Nation on its discount transactions. [L 42(4)]

Earnings may not be distributed when reserves have been used to compensate for losses until they have been restored to the level prior to their use. Earnings may not be distributed without having compensated for losses of previous fiscal years. [L 43]

Lien on Holdings: No final liquidation to a member may be carried out without first having discounted all of the debts he/she has with the cooperative. The equity shares are encumbered as the major guarantee of the transactions carried out by the member. [L 33]

Loans

Purpose and Conditions: Short-and medium-term loans may be granted to small companies and producers, professionals, craftsmen, employees, workers, private parties and entities of public utility. [LEF 26(b)]

Approval Procedure: Laws and Regulation are silent.

Limits, Terms and Security: Laws and Regulation are silent.

Interest Rates and Charges: Laws and Regulation are silent.

Loans to Officials: Laws and Regulation are silent.

Investment of Funds

Deposit of Funds: See “Authorized Investments” below.

Authorized Investments: Credit unions are empowered to make investments of a transitory nature in instruments that can be easily liquidated. [LEF 26(b)]

Capital Adequacy-Reserves

Initial Organization: Laws and Regulation are silent.

Permanent Capital: See “Regular Reserve” below.

Regular Reserve: Credit unions shall annually allocate to the legal reserve fund the proportion of their earnings established by the Central Bank of the Argentine Republic in a ratio of no less than 10 percent and no greater than 20 percent. [LEF 33]

Loan Loss Allowance: Special rules of the BCRA govern the technical ratios to be maintained between internal resources and the different types of assets, deposits and other sorts of obligations and direct or indirect intermediations of the different items of liabilities and assets and to grade credits, guarantees and investments. [LEF 30(e)]

Special Reserves: The financial institutions must maintain cash reserves established in relation to deposits and other financial obligations and liabilities. [LEF 31] The earnings derived from the rendering of services to nonmembers shall be allocated to a special reserve account. [L 42]

Powers of the Credit Union

General Powers: In addition to the powers mentioned with reference to investments and loans, credit unions may receive term deposits; grant endorsements, surety bonds or other guarantees; and carry out mandates and commissions related to their operations. [LEF 26]

Borrowing: Financial intermediaries may grant loans and buy/discount instruments of other entities, provided these transactions fall within those which they are authorized to engage. [LEF 27]

Merger: Two or more cooperatives can merge or one incorporate into another provided that their social objectives are similar or complimentary. [LG 83]

Liquidation: A cooperative may liquidate voluntarily by decision of its board and members. It may be ordered to liquidate for cause by the BCRA. Causes and procedures for liquidation are set forth in the cooperative law. [L 86-98]

Federation or Association

Purposes: For the accomplishment of economic, cultural or social objectives, cooperatives may join cooperatives of a higher tier if approved by a decision of the members’ meeting or the board of directors. These secondary cooperatives shall be governed by the same provisions governing first-tier cooperatives, with any modifications resulting from their nature.

The system of representation and voting in federal entities may be proportional to the number of members, to the volume of transactions or to both, on the condition that there is a minimum and maximum set to ensure the participation of all of the members and to prevent exclusive predominance by any of them. [L 85]

Membership: Federations shall have a minimum of seven primary cooperatives as members. [L 85]

Dissolution: Cooperatives of a higher tier are governed by the same law that governs first tier organization. See “Liquidation” above. [L 86-98]

Central Finance Facility

Purposes: Financial intermediaries may grant loans to other entities and buy/discount their instruments. [LEF 26]

Membership: Laws and Regulation are silent.

Funds: See “Purposes” above.

Share and Deposit Protection

Purposes: The deposit guarantee system established by Article 56 of Law 21,526 has been repealed by Law 24,144.

Coverage: See “Purposes” above.

Membership: See “Purposes” above.

Funds: See “Purposes” above.

BOLIVIA

<i>Region</i>	Latin America
<i>Federation</i>	Asociacion Tecnica de Cooperativas
<i>Legal System</i>	Civil - Unitary
<i>Type of Law</i>	Cooperative Societies
<i>Number of Credit Unions</i>	13 (2002)
<i>Number of Members</i>	85,093 (2002)
<i>Total Assets (USS)</i>	\$53,835,467 (2002)

Rev: 2-04: alc

Legal Authority

Law: General Cooperative Society Law of September 13, 1958. [cited as "LGSC"]

Banking and Financial Institutions Law of April 14, 1992 [cited as "LBEF" Law N° 1468 of April 14, 1993, as rearranged in 2002, [cited as "RL"]]

Central Bank of Bolivia Law of October 31, 1995 [cited as "LBC"]

Pension Law of November 29,1996 [cited as "LP"]

Law 2297, Strengthening of the Financial Regulations and Supervision of

December 29, 2001. Contains modification to LBEF, LBC, LP [cited as "LFSNF"]

Regulations: Regulations of Financial Activities for Credit Unions of November 24, 1993. [cited as "RG"]

Supreme Decree No. 24439 of December 13, 1996 (partially derogated. by SDS N° 24439, below)[cited as "DS"]

Resolution No. 31/97 of April 14, 1997, and Regulations for the Operation of Open Credit Unions. [cited as "R"; Model Bylaws-mandatory cited as "EM"] Supreme Decree N° 25703, of March 14, 2000 regulating Closed Credit Unions and supplementing Supreme Decree N° 24439 regulating Open Credit Unions cited as "SDS".

Definition or Purposes of Credit Union

Definition: Credit unions are organizations chartered under the LGSC whose purpose is to foster savings and grant to their members financial resources in the form of loans. [DS 2(1)] They are specialized [R 4] non-bank financial institutions [R 5] engaged in the intermediation of resources of their members, the public, the State and financial institutions. [R 3]

Two types of credit unions are distinguished: closed credit unions. [DS 28(1)], which do business exclusively with their members [DS 2(1)] and open credit unions,

of limited liability [LRmDS 3], which do business with the general public, government and foreign institutions. [SDS 2, III]

Open credit unions fall into four categories. See "Initial Organization". Each category has different limitations with regard to the transactions for which they are empowered. [DS 5] Closed credit unions are those societies incorporated under the Ley General de Sociedades Cooperativas established to promote savings with their member only and provide them with financial resources as loans. They are subject to both the LGSC, this decree and pertaining regulations. [SDS.2]

Supervision and Regulation

Government Agency: The existence as legal entities of all cooperatives including closed credit unions [SDS 5] is granted by the Instituto Nacional de Cooperativas (INALCO) which is also vested with supervisory authority over open credit unions [LR 70 and SDS 15]. Transactions of open credit unions remain under the authority of the Superintendency of Banks and Financial Institutions. (SBEF).

Closed credit unions are under the authority of the National Cooperative Institute (INALCO) with regard to their regulations, chart of accounts, disclosure of information, asset evaluation, external audits and regulatory and sanctioning system. [Art. 2-II DS] Federations are not authorized to engage in financial intermediation and are monitored by the INALCO.

Other Licenses Needed: In order for open credit unions to remain open or for closed credit unions to become open, they must also have a license authorized by the SBEF [DS 4(II)] and submit to the rules and regulations of the Central Bank of Bolivia. [BCB] Closed credit union incorporation is granted by the Instituto Nacional de Cooperativas, (INALCO) which is also vested with supervision authority. [SDS 5].

Other Institutions Regulated: The INALCO monitors all types of cooperatives, including closed credit unions. The SBEF monitors all the banks, bank and non-bank financial institutions and open credit unions. [DS 2(III)]

Reports: In open credit unions, the board of directors is responsible for sending reports to the supervisory committee. The supervisory committee sends semiannual reports and information requested to the SBEF pursuant to specific instructions. [R 14(j,k)] The general manager is responsible for preparing these according to the format, deadlines, regularity and rules of the SBEF. [EM 68] Closed credit unions are subject to the INALCOs control regulations and monitoring. [DS 34]

Inspections: Closed credit unions are subject to inspections by the National Cooperative Institute. [DS 34] Open credit unions are subject to inspections by the Superintendency of Banks and Financial Institutions. [LGSC 127(4)]

Regulations: The Superintendency possesses express powers to issue rules and regulations to be complied by the organizations subject to its monitoring. [R 3] The INALCO possesses these powers for the closed credit unions. [DS 34]

Enforcement: For open credit unions, the Superintendency is empowered to impose administrative sanctions, fines, temporary cease and desist orders and the suspension of directors, comptrollers, staff, including external auditors and others in cases of violations of legal provisions. [LB 99,100] No enforcement powers are mentioned by the SDSs, by implication they are vested with INALCO. [LGSC]. The prohibition of accepting non-members deposits is to be enforced by the Superintendency of Banks [SDS 22 DS] under Art.8 of the Banking Act.

Membership of Credit Unions

Common Bonds of Association: In open credit unions, membership is open and voluntary. In closed credit unions work under the same employer or belonging to the same trade organization and in community credit unions residence in the same municipality is required. [SDS 3]

Non-Natural Persons Eligible: In open credit unions, there is no other restriction than that of being authorized; [EM 7(b)] closed credit unions are subject to a bylaw provision and are restricted to similar non-profit institutions.

Liability of Member: In open credit unions, liability is limited to the amount of his/her shares. In closed credit unions, liability is supplemented by an amount equal to his/her shares. [DS 28 and SDS 4]

Direction and Administration

Annual Meeting of Members: The annual general meeting of the members is the highest authority of closed and open credit unions. [EM 23]

Board of Directors and Committees: In open credit unions, the work of monitoring, inspecting and internal auditing is the responsibility of the board of directors per the bylaws - the director, executive and supervisory body are regulated by the SBEF. [EM 34, DS 10] The supervision is entrusted to no more than two members

and their duties, as they may be applicable, shall be the same of corporations' trustees.

There is no credit committee and the duties of the supervisory committee are performed by the internal auditor or by an internal auditing unit [R 16, 17; EM 48] selected by the supervisory committee. [R 18] In closed credit unions, a credit committee may be created. Closed credit unions are administered by the board of directors and the supervisory committee and credit transactions are the responsibility of a committee. [D 5]

The Board of Directors of closed credit union shall have an uneven number of Members, no less than three or more than seven and three on the Supervisory Committee, in both cases elected at the general meeting. [SDS 11]

Management and Employees: In open credit unions, the board of directors shall delegate its executive and managerial duties to a general manager, the highest executive officer answerable to the board of directors, [EM 57] or special managers with specific powers [R 6] and it is empowered to appoint them and remove them; [R 9(h)] in closed credit unions, the delegation of the duties is optional.

Audits: In open credit unions, the obligation of submitting to external audits is implicit in regulations and the members' meeting has the option of opening an audit. [EM 25(g)] An individual auditor or an authorized auditing firm must perform a year examination. [SDS 13] The credit union must also have an internal auditor. [SDS 11]

Liability of Officials: The directors are jointly liable [L.R. 98, R 10, EM 38] for administration and supervision in open and closed credit unions. [R 15, EM 47] Liability arising from distribution of dividends in violation of the SDS is mentioned. For other reasons the LGSC and the Civil Code are applied.

Conflicts of Interest: The prohibitions, impediments and incompatibilities of the open credit unions are governed by regulations. [R 8]

Surety Bond: Although the cooperative law is silent on the matter of surety bonds, since supervisory committee are bound to comply with the corporations law, they are required to be bonded, and also as subject to the law or regulations for banking and financial institutions. In closed credit unions, the matter is taken up by the bylaws. [DS 2-11]

Shares and Deposits

Shares: In both open and closed credit unions, shares represent capital.

[DS 7, R 21] In closed credit unions, savings transactions are made by issuing either equity shares or voluntary shares. [SDS I] Voluntary shares are withdrawable, unless used as collateral of loans. [SDS 7 (a) and (b)] Dividends shall be calculated on the bases of share amounts and time deposited during a fiscal year. [SDS 13]

Deposits: Only open credit unions are authorized to accept deposits in savings accounts and term deposits. [DS 6(i)] Closed credit unions are prohibited from taking deposits or issuing equity shares for them. [DS 32(ii) and SDS 9] In closed credit unions, the payment of dividends is subject to existence of liquidity and limitations of the LGSC, the SDS and bylaws provided they are not used as collateral. [SDS 12 LGSC 69, 71, 72] In open credit unions, dividends and interest are distributed in the same way, but subject to regulations of the SBEF, with an audit report, provided there are no accumulated losses, deficiencies in reserves or technical limits. In open credit unions, the payment of interest shall be subject to the terms of the savings instruments. [DS 13]

Dividends and Interest: Dividends shall be calculated on the bases of share amounts and time deposited during a fiscal year provided there are actual profits. [SDS 13]

Lien on Holdings: Members' shares are subject to deductions of debit balances with certain limitations. [DS 12 and SDS 12]

Loans

Purpose and Conditions: Loans are subject to regulations of each credit union and, in open credit unions, the application must contain a certain amount of minimum information called for by the Superintendency. [RG 12]

Approval Procedure: See "Purpose and Conditions."

Limits, Terms and Security: Closed credit union may lend short, medium and long term loans with personal, real and mortgage guarantees or a combination thereof under the same conditions and limitations than open credit unions. [SDS 7 (f) and 8 (f)] In closed credit unions, no loan to a single borrower or borrower group may exceed three percent of the assets and, in the case of a signature loan, no more than one percent of the assets. [RG 16(iii, iv)]

Interest Rates and Charges: See "Purpose and Conditions".

Loans to Officials: Open credit unions cannot grant or hold loans to executives or related groups. Such existing loans shall be paid in full before the parties assume their

duties. [DS 16(ii); R 20; EM 20]. There is no similar order for closed credit unions.

Investment of Funds

Deposit of Funds: See "Authorized Investments".

Authorized Investments: Investments and deposits are restricted to institutions supervised by the Superintendent. Investments in insurance companies, real estate and other businesses are prohibited. [DS 3] Community credit unions may invest in deposit certificates issued by financial institutions and Government and Central Bank instruments. [SDS 8 (j)] DS] For both types of credit unions it is mandatory to publicly display the amounts of: loans granted, deposits in financial institutions and investments made, with specification of names of issuers, term, yield rate, date of transaction, as well as terms and conditions shall publicly displayed [SDS 14]. Community credit unions may invest in deposit certificates issued by financial institutions, Government and Central Bank instruments. [SDS 8 (j)]

Capital Adequacy-Reserves

Initial Organization: Closed credit unions shall not require a minimum level of capital to be chartered or to operate [DS 30(I)], unless they have more than 10,000 members. [DS 30(II)] The minimum initial capital for open credit unions is 100,000 SDR. [LR 71]

Permanent Capital: In open credit unions, capital is created by cash and represented by equity shares in an amount established in the Bylaws. [R 21] Depending upon its size and equity each credit union may qualify to perform financial transactions other than traditional savings and loans. According to the categorization, equity should be 20 per cent of the total assets for the first category; 15 per cent for the second and ten percent for the third and fourth categories. [DS 15]

Regular Reserve: See "Permanent Capital".

Loan Loss Allowance: In closed credit unions, ascending provisions are created according to the length of the delinquency. A similar provision is not found for closed credit unions.

Special Reserves: In closed credit unions, special reserves may be provided in the bylaws or may be ordered by the SBEF. A liquidity fund is required of open credit unions by the Central Bank.

Open credit unions, as admitted financial institutions are required to maintain a liquidity fund (two percent in

cash and ten percent in negotiable instruments) with the Central Bank, based on term deposits and savings, in local currency, foreign currency and readjustable local currency. This liquidity fund receives interest. [Title IX, Chapter of the Central Bank Act]

Powers of the Credit Union

General Powers: Open credit unions may take deposits in passbook accounts and term deposits, borrow and incur obligations, grant short-medium-and long-term loans; issue money orders and payment orders payable within the country; engage in exchange transactions and the sale and purchase of currency for their own transactions; receive promissory notes or other paper in collections, as well as engage in collection transactions. [DS 6]

Open credit unions are not allowed to issue traveler checks and credit cards, transact financial leasing, factoring, foreign currency futures, invest in banks and other financial institutions, insurance companies, pension funds administrators, and perform investments for third parties. [LR 71]

Other general limitations apply, such as lending operations to managers, officers or groups associated with them and loan limits to a single member or group (3 per cent of net worth), except for housing (5 per cent or 10 per cent with Superintendency approval). [LR 79]

Although closed credit unions are body corporates in respect of financial intermediation they can only perform those transactions for which they are specifically authorized by the Decree:

- issue mandatory and voluntary share certificates;
- grant loans to members only. [SDS 7 and 8)

Community credit unions may also purchase durable goods to sell them on credit to members having placed a firm purchase order, exchange foreign currency, issue money orders, operate as a collection agency for public utilities, and be correspondents of other banking or non-banking financial institutions. [SDS .8, (g), (h), (i), (l) and (m)]

Borrowing: Open credit unions are expressly empowered to borrow and contract banking and financial obligations in the country. [DS 6(ii)] Closed credit unions may borrow from the Government and national and foreign corporations.[SDS 7 (c) (d), 8 (c) and (d)]

Merger: The merger of open credit unions shall be subject to prior authorization by the SBEF and the procedures of Chapter VII of the regulations. [DS 19] For adequation purposes merging of credit unions operating with non-members by mandate of the Decree

is to be encouraged by the Superintendency of Banks and Financial Institutions. [SDS 22]

Liquidation: An open credit union may be forced to liquidate for the same reasons than other financial institutions: equity deficiency, unsound, illegal or fraudulent practices [L.R. 112]. Voluntary liquidation of an open credit union are subject to Art. 113 of LR, and Art. 120 and Chapter III, Title Nine of the Bank and Financial Institution Law and Chapter X of the regulations. [DS 25, 27]. Compulsory liquidations are covered by Arts. 133 through 140 of L.R. supplemented by the pertinent section of the Commerce Code [Art. 133 L.R.]. Voluntary liquidation of open credit unions is allowed after returning all members deposits and approval of the Superintendency. Liquidation of closed credit unions is covered by [SDS 19] and general principles from the commercial code and the LGSC.

Federation or Association

Purposes: The General Cooperative Society Law governs the formation, purposes and operation of federations. They cannot be financial companies because of the generic Banking and Financial Institution Law. [LGSC 110, 114]

Membership: See "Purposes".

Dissolution: See "Purposes".

Central Finance Facility

Purposes: Only open credit unions have the option of banding together to form another type of financial institution, subject to prior authorization by the SBEF. [DS 21] The legislation consulted is otherwise silent on the matter.

Membership: See "Purposes".

Funds: See "Purposes".

Share and Deposit Protection

Comment: The matter of deposit protection for banks and financial institutions is currently subject to consultation.

Purposes: See "Comment" above.

Coverage: See "Comment" above.

Membership: See "Comment" above.

Funds: See "Comment" above.

BRAZIL

*Region
Federation
Legal System*

Type of Law

*Number of Credit Unions
Number of Members
Total Assets (US\$)*

Latin America
SICREDI
**Civil-Federal-
Presidential**
**Cooperative Law and
the Monetary, Banking
and Lending Institution
and Policy Law**
129 (2003)
718,000 (2003)
\$1,245,844,875 (2003)

Rev. 2-04:alc

Legal Authority

Law: Cooperative Law No. 5,764, December 16, 1971. [cited as LC] Law No. 4,595, December 31, 1964. [cited as LF]

Regulations: Resolution of the Central Bank № 3.106, June 25, 2003, cited as CBR1 and CBR2 respectively.

Definition or Purposes of the Credit Union

Definition: A cooperative society is defined as a group of persons with its own legal form and nature, of a civil nature, chartered to render services to its members, that stands out from other companies because of its features of voluntary membership, open-ended capital stock represented by equity shares, return of surpluses, indivisibility of reserve funds, one vote regardless of the number of shares held. [Art. 4 LC]

Supervision and Regulation

Government Agency: The powers conferred upon the Ministry of Agriculture, with regard to the operating authorization and examination of credit cooperatives of any type, as well as credit sections of other types of cooperatives [\$1, Article 18 L, in harmony with Item No. 1 of Article 91 LC], are transferred to the Central Bank of the Republic of Brazil. [Art. 55 LF] The Central Bank authorizes the existence and operation of individual credit unions [Art. 2 CBR2] as well as central credit unions [Art. 3 CBR2] and may establish the requirements to prove the capability of holding meetings, control, and performance of services. [CBR 1 Par. 2]

Some territorial, population restrictions apply [Art. 9, I, II CBR2] as well as minimum capital by region, [Art. 10, I d) CBR2 and affiliation with a central credit union and a guarantee fund [Art. 10 II and III CBR2]. Micro and small entrepreneurs credit unions must also comply with minimum capital requirements [Art 2-ICBR 1]

Other Licenses Needed: See “Government Agency” above.

Since the Constitution was adopted in 1988, only credit unions are subject to this examination. For the others, the self-management and member examination system through their supervisory committee was instituted.

Reports: Cooperative societies must submit to the respective control agencies: a list of the members who have been admitted, retired, eliminated and expelled during the period (only in case the central); copies of minutes; balance sheets; and other reports of the fiscal year. Financial institutions are required to prepare their balance sheets by June 30 and December 31 of each year, according to the accounting rules imposed by the National Monetary Board. [Article 31 LC]. Micro and Small Entrepreneurs credit unions must also publicise their half year balance sheets prepared according to Central Bank regulation. [CBR 1 2-V].

Inspections: Cooperative societies shall allow access to any inspection commission of the federal monitoring agencies. The other administrative organizations of cooperatives shall cooperate in carrying out the relevant examination and control powers. [§ 2 Art. 92 LC] See “Government Agency” above.

Regulations: The National Monetary Board is solely responsible for controlling credit in all its aspects and credit transactions in all their forms, including mobilization, cosignatures and provision of guarantees by financial institutions. The Board is also responsible for setting indexes and other technical conditions on reserves, fixed assets or other asset ratios to be observed by financial institutions. [No. VI, XI Art. 4 LF] Credit cooperatives are subject to the provisions and disciplines of the Banking Law as far as applicable.

Enforcement: The Central Bank of Brazil has the following enforcement powers: Upon private initiative or at the request of the general meeting or supervisory committee, the public authorities, through the federal agencies having jurisdiction, may take over cooperatives in such cases as: violation of provisions of law, threat of insolvency, stopping business for more than 120 days and failure to observe S.2 Art. 56 LC (holding of managerial and auditing positions by the same person). [No. I-IV Art. 3 LC]

Membership of Credit Unions

Common Bonds of Association: A condition for a society to be considered cooperative is that the area of admission of members be limited by the possibilities of meeting, exercising control, operating and providing services. [No. XI Art. 4 LC] Cooperatives may restrict membership to persons who engage in a certain activity or profession or are linked to a certain entity. [Art. 29.1 LC]

Primary credit cooperatives must include in their by-laws the conditions of membership for natural persons: employees of a public agency, private corporation, similar economic activity, public agencies administratively related among themselves and similar and closely related corporate bodies, members of the same profession or specialized activity, their spouses and legally dependent family members; micro and small entrepreneurs [CBR1-1]).

These conditions must take into account, in addition to the relevant provisions of law, the existence of affinity among their members according to the criteria set forth in Art. 2 of the Regulation. The Central Bank of Brazil is responsible for deciding whether the corresponding bylaw proposals are adequate for approval. [Art. 2 Reg.]

The individual credit union bylaws shall establish the requirements of membership, such as work place, common or related work profession, trade, micro and small business men whose income does not exceed limits set forth by Art. 2 of Act 9841 of October 5, 1999. The membership requirements may include the credit union employees, spouses and children of members and some corporations [Art. 7 CBR2] apply as approved by the Central Bank. See also "Purposes" above.

Non-Natural Persons Eligible: All the non-profit legal entities are admitted. The profit entities are admitted when their mission statement includes the same or related economic activities as the natural person members. [BCB 17.5.6]

Liability of Member: Credit cooperatives have limited liability when the member's liability for the institution's commitments is limited to the value of the capital stock he/she has subscribed. [Art. II LC and BCB 17.1.16] In the absence thereof, it may be unlimited. [Art. 12 LC and BCB 17.1.17] The member's liability with regard to third parties for commitments contracted with third parties, for commitments contracted by the society for retired and expelled members is maintained until the fiscal year accounts are approved. The liability of the deceased is passed on to his/her heirs in a manner similar to an inheritance. [Art. 36 LC and BCB 17.1.18]

Direction and Administration

Annual Meeting of Members: The general meeting of members is the society's supreme body. It is empowered to decide what business will be undertaken by the society and to make decisions suitable for its development and defense. [Art. 38 LC and BCB 17.6.1.1, 2 et seq.]

Board of Directors and Committees: The cooperative society shall be administered by a board of directors. The creation of committees or bodies necessary for the management of the society is a power contained in the bylaws. [Art. 47 LC]

Management and Employees: The office of the manager may hire technical or commercial managers who are not members and set their compensation and powers. [Art. 48 LC]

Audits: The administration of the cooperative society shall be examined by a supervisory committee elected by the general meeting. [Art. 56 LC and BCB 17.6.2.31]

Starting with the close of the 1999 fiscal year, primary credit cooperatives unaffiliated to centrals must have their financial statements and explanatory notes, as required by the current legal rules, audited by independent auditors registered with the commission of securities. [Art. 14 Reg] In the case of the affiliated primary credit cooperatives, their central is responsible for auditing the financial statements and explanatory notes. [Art. 3 Reg]

Credit cooperatives affiliated to centrals are exempt from the provisions of this article. [Sole Clause, Art. 14 Reg]

Liability of Officials: Credit union directors shall be jointly liable for the damages resulting from their actions when they are carried out by fraud or negligence. [Art. 49 LC] They are jointly liable for the obligations assumed by the institution during their mandate and until they have been fulfilled. [BCB 17.6.2.14] The leaders and members of supervisory or administrative bodies are obligated to remain strictly current with the commitments they have assumed with the credit union. [BCB 17.6.2.19]

Violations of current legislative provisions and regulations, as well engaging into acts contrary to cooperative principles, subject the managers and board members to the penalties of Law No. 4595, 1964, without precluding others set forth in the current legislation. [Art. 13 Reg]

Conflicts of Interest: Conflicts of interest of a director or member with those of the society are contemplated in Art. 52 LC and BCB 17.6.2.15. Impediments to occupying the position of director or being part of a leadership body are found in: BCB 17.6.2.4. and Art. 51 LC and BCB 17.6.2.18, respectively.

Surety Bond: Laws and Regulations are silent.

Shares and Deposits

Shares: The capital stock is subdivided into shares the value of which is determined at the general meeting. [Art. 4, Art. 38 LC]

Deposits: Credit cooperatives are enabled to engage in active transactions of discounting securities, opening of simple lines of credit or lines of credit in checking accounts, rural loans for expenses, inputs and marketing. [BCB Title 17, Chapter 8, Section 1, Inc. b]

In addition to the equity represented by equity shares, a credit cooperative may mobilize demand or term deposits [BCB 17.3.3], which must only come from its members. [BCB 17.3.4]

Credit cooperatives may mobilize these resources:

- exclusively from members, from demand and term deposits without issuing a certificate;
- from domestic or foreign financial institutions in the form of loans, pass-through credits, refinancing and other types of credit transactions; or
- from any entity in the form of donations, loans or pass-through credits, from time to time, exempt from compensation or favored interest rates. [Art. 9, I, Reg.]

Cooperatives must limit their transactions to a debt limit of five times the adjusted equity. [Art. 10, I, Reg] In the case of central credit unions and primary members, the limit is increased by 100 percent over the set value. [Art. 10, Clause 1, Reg]

Dividends and Interest: With regard to dividends on shares, cooperatives are generally prohibited from recognizing profits on equity shares beyond a maximum interest rate of 12 percent per annum. [Art. 24 LC]

Lien on Holdings: Laws and Regulations are silent.

Loans

Purpose and Conditions: Credit cooperatives may grant loans to members who have been registered for more than 30 days. [Art. 40]

Credit cooperatives may grant loans exclusively to their members, including the members of bodies established by the bylaws using the following methods:

Discount of securities; loan and financing transactions; rural credit; and pass-through of resources from official agencies and the entities mentioned in "Deposits" above. [Art. 9, II, Reg.]

Cooperatives must observe in their transactions the limit of risk diversification of 5 percent of the adjusted equity. [Art. 10, II, Reg.] In the case of central credit unions and their primary members, the limit is increased by 100 percent over the set value. According to a resolution of the Central Bank of Brazil, cooperatives other than credit unions are no longer permitted to engage in granting loans. [Art. 10, Clause 1, Reg.]

Approval Procedure: Loan approval procedures, limits, terms and interest rates are under the authority of the financial institution examining agency. [Art. 4 LF]

Limits, Terms and Security: See "Approval Procedure."

Interest Rates and Charges: See "Approval Procedure."

Loans to Officials: See "Approval Procedure."

Investment of Funds

Deposit of Funds: Resources may be placed on the financial market, including term deposits with or without issuing a certificate, as long as the specific legal and regulatory restrictions of each investment are observed. [Art. 9, III, Reg.]

Authorized Investments: Credit cooperatives are authorized to participate in the capital of:

- cooperative banks (Note: The National Cooperative Credit Bank was closed by Presidential Decree in 1990);
- central cooperatives or federations of cooperatives; and
- companies providing services or goods indispensable to the cooperative, the access to which is subject to the subscription of shares. [BCB 17.8.10.1]

Providing the current legislation is respected, cooperatives may only participate in the capital of:

- central cooperatives, in the case of primary cooperatives;
- confederations of credit cooperatives, in the case of central cooperatives;
- financial institutions controlled by central credit cooperatives;
- other companies, provided there are directly controlled by the central credit cooperatives and created for rendering services and providing goods exclusively to the entities making up the respective cooperative systems; and
- entities of institutional representation or technical or educational cooperation. [Art. 11 Reg.]

Capital Adequacy-Reserves

Initial Organization: Primary credit cooperatives must observe the following minimum limits on paid-in capital and adjusted equity in the form of the current regulations:

For cooperatives executing their application for authorization to operate after this resolution goes into effect R\$50,000 (fifty thousand reals) paid in under the terms of the current legislation. [Sole Clause Art. 5 Reg]

Permanent Capital: R\$100,000 within a period of two years starting on: 1) the date on which this resolution goes into effect for the cooperatives operating on that date, or 2) the date on which the other cooperatives go into operation.

Cooperatives affiliated to centrals shall have a reduction of 30 percent on the limits mentioned in this article and a three-year extension for the period mentioned above. [Sole clause Art. 5 Reg.]

Regular Reserve: Adequate and sufficient capital reserves must be created to ensure the integrity of their capital stock and guarantee the continuation of their activities, without detriment to creating other funds with specific purposes, lined to their.

Cooperatives are obligated to create a reserve fund to make up for losses and care for the conduct of their activities with at least 10 percent of their operating earnings. [No. I, Art. 28]

Loan Loss Allowance: Credit cooperatives must maintain sufficient reserves to back up the amounts recorded in the bad loan account (credits in liquidation). [BCB 17.8.1 1 and 3]

Special Reserves: The general meeting may create other funds, including revolving funds, with resources devoted to special purposes, setting the amount for their formation, application and liquidation. [§ 2, Art. 28 LC]

They must keep a reserve in cash or demand deposits in the proportion necessary to maintain satisfactory continuity of their transactions. [BCB 8.14.1]

Powers of the Credit Union

General Powers: The analyzed legislation is silent on these matters. With regard to indebtedness, No. XXIII of the 3rd of the LF, empowers the National Monetary Board to limit mobilization of funds up to 15 times capital and unrestricted reserves. The excess, beyond this limit, shall be deposited in the Central Bank or applied according to the rules imposed by the aforesaid Board.

Cooperatives must observe in their liability transactions the limit on indebtedness of five times the adjusted equity. [Art. 10, I, Reg] In the case of central cooperatives and their primary members, the limit shall be increased by 100 percent over the fixed amount. [Art. 10, Clause I, Reg]

Borrowing: See "General Powers".

Merger: Two or more cooperatives may merge. Merger of two or more cooperatives involves the formation of a new society. [Art. 57 LC]

Liquidation: Cooperative societies are dissolved as a matter of law in the following cases:

- whenever a decision to dissolve is adopted at the general meeting;
- because of having reached the established term of duration.

- because of having attained the predetermined objectives;
- because of a change in its legal form;
- because of the reduction of the minimum number of members or minimum capital stock, if not re-established by the subsequent general meeting, held within a period of no less than six months; and
- because of the paralysis of their business for more than 120 days.

The dissolution of the society will entail cancellation of its authorization to operate and its registration. [Art.63 LC]

Federation or Association

Purposes: The purpose of federations or central cooperatives is to organize jointly or on a large scale economic or assistance services of interest to its members, by integrating and directing their activities, as well as facilitating the reciprocal use of their services. For the provision of services of common interest, central cooperatives may be created, which may be joined by cooperatives with different objectives and purposes. [Art. 8 LC]

The purpose of confederations of cooperatives is to guide and coordinate the activities of their members, in those cases in which they exceed the capacity and suitability of the centrals or federations. [Art. 9 LC; 17.1.11]

Membership: Federations or central cooperatives shall be composed of a minimum of three member organizations and, on an exceptional basis, they may admit individual members. [No. II, Art. 6 LC]

Confederations shall be composed of at least three federations of cooperatives or central cooperatives of the same or different types. [No. III, Art. 6 LC]

Dissolution: Laws and regulations are silent.

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

COLOMBIA

Region	Latin America
Federation	None
Legal System	Civil Code
Type of Law	Cooperative Society
Number of Credit Unions	360 (2001)
Number of Members	682,012 (2001)
Total Assets (US\$)	\$1,363,443,553 (2001)

Rev. 4-00:alc

Legal Authority

Law: Law 79, December 23, 1998. [cited as "L79"]

Law 454, August 4, 1998. [cited as "L454"]

Regulations: Decree No. 2206, October 29, 1998. [cited as "D"]

Decree No. 1401, July 8, 1999. [cited as "DSES"]

Definition or Purposes of Credit Union

Definition: Credit unions are specialized cooperative institutions whose primary function is financial intermediation exclusively with their members, governed by Law No. 79. Financial cooperatives, on the other hand, also render services to nonmember third parties. [L454 39]

Supervision and Regulation

Government Agency: Credit unions are subject to control, inspection and oversight by the Superintendency of Mutualistic and Cooperative Societies (SES). SES is a technical agency, with its own legal existence and administrative and financial autonomy, attached to the Ministry of the Treasury and Public Credit (L454 33). For credit unions, multipurpose cooperatives or full-service cooperatives with a savings and credit section, SES is the agency to which the president of the Republic assigns the duties of inspection, oversight and control under the same terms and powers and following the same procedures as the Superintendency of Banks. This includes salvaging institutions and takeovers by administering or liquidating them as needed. [L454 34, 36(23)]

Other Licenses Needed: Laws and Regulations are silent.

Other Institutions Regulated: SES inspects and has oversight and control over any mutualistic or cooperative organizations not subject to specialized supervision by the government. [L454 34] The financial cooperatives are subject to the control, inspection and oversight of the Superintendency of Banks. [L454 40]

Reports: SES is empowered to establish a system of regular and occasional socio-economic reports, as well

as to request any information of a legal, administrative, accounting or financial nature about the cooperative's activities. [L454 35(2), DSES 5(2)]

Inspections: SES, exercising its own power or at the request of a concerned party, shall conduct inspection visits, examinations of files and ascertain the socio-economic situation. [L454 36(4), DSES 5(4)]

Regulations: SES is empowered to regulate the reporting system, the accounting rules, the amount of the contributions coming from the supervised organizations and instructions on compliance with provisions governing the activities. [DSES 5(3), L454 36(22)]

Enforcement: In order to enforce compliance, SES may impose: personal administrative sanctions; monetary sanctions for authorizing or performing acts in violation of the bylaws, law, regulations or legal rules; and institutional administrative sanctions. It may also order the removal of directors, administrators, legal representatives, comptroller and executives and employees for irregularities committed; decree the dissolution of the cooperative; and issue cease and desist orders against illegal, unauthorized and unsafe practices. [L454 36(6, 7, 8, 9), DSES 5(6, 7, 8, 9), 31(5)(c)]

Membership of Credit Unions

Common Bonds of Association: There must exist a common bond of association based on the principles and purposes as provided for in Law 454. See "Definition and Purposes of Credit Unions" above. In general, membership is acquired through subscribing to an equity share as risk capital. The common bond is the result of the field of activity of cooperatives made up of employees of the same company. [L454 6(2)]

Non-Natural Persons Eligible: Eligible non-natural members include non-profit government-owned entities, cooperative entities and private-sector entities. Their contribution may not exceed 49 percent of the members' share equity. [L79 50]

Liability of Member: A member's liability for the cooperative's obligations is limited to the amount of his/her share contributions. [L79 9]

Direction and Administration

Annual Meeting of Members: The members' meeting is the body with the highest administrative authority. It consists of a meeting of qualified members and/or of delegates elected by them. Delegates are elected when the bylaws establish this by reason of the number of members, their geographic dispersion or the burdensome cost of holding a meeting. [L79 27]

Board of Directors and Committees: The board is the permanent administrative body, subordinate to the directives and policies adopted at the members' meeting. [L79 35]

Management and Employees: The manager is the legal representative and implementor of decisions adopted at the members' meeting and by the board of directors; he/she is appointed by the latter and is charged with his/her duties set forth in the bylaws. [L79 37]

Audits: The requirements of the Superintendency of Banks are applicable to cooperatives via the SES to audit cooperatives under the same terms, with the same powers and following the same procedures as the Superintendency of Banks. [L454 34, 36(23)]

Liability of Officials: The members of the supervisory committee are individually and jointly liable for failure to comply with the obligations imposed on them by law as by the bylaws. [L454 59]

Conflicts of Interest: Granting advantages, privileges, percentages and commissions to board members, promoters, founders and employees that affect the organization or are detrimental to its corporate mission is prohibited. [L454 13(3, 4)]

Surety Bond: Although there are no explicit provisions for this matter, the rules of the Superintendency of Banks are implicitly applicable. See "Supervision and Regulation" above.

Shares and Deposits

Shares: With approval of members, shares are the component that binds a member to the organization. The conditions of shares are provided for in the organization's bylaws. [L79 19(10)]

Deposits: Cooperatives are authorized to offer demand deposits and term certificates of deposit in a contractual form. See "General Powers" below. [L454 49]

Dividends and Interest: Payment of dividends and interest is determined by the bylaws and the enforcement of Art. 15 of Decree No. 1134.

Lien on Holdings: Equity shares are assigned to the cooperative to serve as security for obligations contracted by the borrowing member. By law, they cannot be encumbered by their owners and cannot be attached by third parties. [L79 49]

Loans

Purpose and Conditions: Loan purposes, conditions, terms, interest rates and procedures are determined in the bylaws and by what is expressly provided for by

analogy with the active operations of other financial intermediaries. [L454 36(22)]

Approval Procedure: See "Purposes and Conditions" above.

Limits, Terms and Security: For unsecured loans, the maximum loan amount per member is 10 percent of members' equity, commonly referred to as shares and institutional capital. For secured loans, the maximum loan amount per member is 25 percent of shares and institutional capital. [DSI 20(b)]

Interest Rates and Charges: See "Purposes and Conditions" above.

Loans to Officials: The members' meeting, committee or authority empowered by the bylaws shall approve in-house loans. Whoever fails to comply with the provisions of the bylaws and the law shall be personally and administratively liable. [L454 59]

Investment of Funds

Deposit of Funds: Via the SES, deposit of funds are subject to the regulations of the Superintendency of Banks. See "Authorized Investments" below.

Authorized Investments: Cooperatives may deposit or invest in organizations supervised by the SES, the Superintendency of Banks or by other government institutions; financial, technical or administrative service organizations that are subject to the Organic Law of the Financial System; non-cooperative organizations that are in agreement with the cooperative's corporate mission, given that the investment does not exceed 10 percent of the cooperative's shares and reserves; and personal or real property, subject to the same conditions as other lending institutions. [L454 50]

The SES is also empowered to approve capital investments in financial institutions, insurance and reinsurance companies and in foreign branches and agencies. [DSES 2]

Capital Adequacy-Reserves

Initial Organization: No explicit provisions are found in the summarized legislation. See "Permanent Capital" below.

Permanent Capital: Credit unions, multipurpose cooperatives and full-service cooperatives with savings and credit sections must authenticate and maintain a minimum amount of equity shares of no less than 500 million pesos [L454 42]. This is adjustable annually and cumulatively by applying the variation in the consumer price index, with the weighted total to be calculated by the National Administrative Department of the Mutualistic and Cooperative Societies (DANE) [L454 42(4)]

The national government may establish minimums lower than that indicated, taking into account the association's bond and the insufficiency of financial services in the geographic area of influence. [L454 42]

Regular Reserve: Law 79 requires a reserve of 20 percent of the cooperative's undistributable surplus. See also "Loan Loss Allowance" below.

Loan Loss Allowance: Credit unions are subject to the relevant provisions issued by the Superintendency of Banks. [L454 34, 36(23)]

Special Reserves: By decision of the members' meeting, other reserves and funds may be created for purposes to be determined. [L79 56]

Powers of the Credit Union

General Powers: The following are powers of credit unions: mobilizing savings through demand deposits and term deposits by issuing certificates of deposit or contractually; granting loans; marketing paper issued by third parties (other than managers, directors or employees); executing credit opening contracts; purchasing certificates representing bonds issued by government institutions; engaging in portfolio purchasing transactions or factoring on all sorts of paper; issuing bonds; entering into agreements to provide other services, especially with banks for the use of checking accounts. [L454 49]

Borrowing: See "General Powers" above.

Merger: SES is empowered to authorize the merger, conversion, incorporation or breakup of cooperatives subject to its jurisdiction, without precluding the powers of other institutions with special jurisdiction. [L454 21]

Liquidation: SES is empowered to oversee and supervise the liquidation process, including forced liquidation. It may appoint liquidators of those organizations subject to its oversight that are not covered by guaranty fund of cooperative organizations. [D1401 27]

Federation or Association

Purposes: Cooperatives are allowed to join together to improve their economic, social or cultural purposes in regional or national second-tier organizations or organizations specializing in a field or activity. [L454 14]. This includes banding together to create regional or national sector-wide cooperative organizations of a financial nature. [L454 19]

Membership: See "Purposes" above.

Dissolution: Liquidation procedures for a cooperative society apply to regional or second-tier cooperative organizations. See "Liquidation" above.

Central Finance Facility

Purposes: No explicit provisions in the law are applicable to the central finance facility. Implicitly, a central finance facility can be organized under the authorized definition of different types of financial institutions. [L79 98]

Membership: See "Purposes" above.

Funds: See "Purposes" above.

Share and Deposit Protection

The national government may establish mechanisms to fund the deposit insurance charged to the registered organizations. The amount of the premiums will be proportional to that of the organization's assets. [L454 51]

Decree No. 2206, October 29, 1998, creates the Guaranty Fund of Cooperative Institutions [FOGACOOP], as a financial institution linked to the Ministry of the Treasury and Public Credit. [D 1]

Purposes: The purpose of FOGACOOP is to protect the confidence of the depositors in the registered cooperative organizations by serving as a tool for asset strengthening; administering the deposit insurance system and any other funds and reserves established; and by organizing the system of purchasing the obligations of the member organizations being liquidated. [D 2,8]

FOGACOOP shall administer the reserves of the deposit insurance and of other funds and reserves in order to attend to the different risks associated with cooperative financial activity. [D 2]

Coverage: Laws and Regulations are silent.

Membership: Credit unions, multipurpose cooperatives or full-service cooperatives that have a savings and credit section with financial and solvency conditions allowing them to establish their financial viability through the indicators listed by the fund's board of directors may participate in the fund. [D 11]

Funds: FOGACOOP is funded with income from the premiums for the deposit insurance; interest for internal and external loans from its reserves; charges for its work of administering the reserves; profits, commissions, fees, interest and yield from the fund's transactions; proceeds from recoveries; residuals of liquidations of cooperatives; funds allocated to it by the national budget; and other sources. [D 4]

COSTA RICA	
<i>Region</i>	Latin America
<i>Federation</i>	Federación Nacional de Cooperativas de Ahorro, Crédito y Servicios
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Mixed: Cooperative and Financial
<i>Number of Credit Unions</i>	41 (1997)
<i>Number of Members</i>	200,000 (1997)
<i>Total Assets (US\$)</i>	\$178,761,721 (1997)

Rev. 3-00:alc

Legal Authority

Law: The Regulatory Law of the Financial Intermediation Activity of Cooperative Organizations, Law No. 7391, May 14, 1994. [cited as "Law"]

Cooperative Association Law No. 4179, August 22, 1968, amended by Law No. 675, May 5, 1982. [cited as "LAC"]

Regulations: None available.

Definition or Purposes of Credit Union

Definition: Credit unions are private-sector organizations with a cooperative nature and specializing in cooperative financial intermediation. They are created to promote habitual savings among their members and create sources of credit at a reasonable cost to meet the members' financial services needs. [Law 5,6]

Cooperative financial intermediation is any mobilization of money from members only for the purpose of using it to grant loans or place investments in the financial market, as set forth by the Central Bank of Costa Rica. This is the only activity permitted to credit unions and includes a contribution to capital stock. Doing business with nonmember third parties is expressly prohibited. [Law 3, 4, 5]

Supervision and Regulation

Government Agency: Supervision and oversight is entrusted to a specialized dependency of the General Accounting Office of Financial Institutions. [Law 7,32,35,48]

Other Licenses Needed: The General Accounting Office of Financial Institutions examines financial intermediation institutions in general, including cooperative membership

organizations chartered to provide financial services defined by the law. [Law 35,43]

In addition to having their articles of incorporation approved, federations that intend to provide financial services to their affiliates must obtain an authorization from the general auditor of financial institutions. [Law 52]

Other Institutions Regulated: The board of directors of the Central Bank authorizes the start-up of activities of a credit union association provided that there is a favorable opinion from the study of possibilities, viability and utility by the General Accounting Office. [Law 8]

Reports: It is mandatory to submit monthly financial statements within 15 days of the previous month and annual reports within 45 days of the close of the fiscal year, signed by the manager and accountant, with an opinion by a certified public accountant (CPA) according to the form, standards and instructions required by the annual general meeting (AGM). [Law 33]

Inspections: The AGM is empowered to perform examinations of the legal books, auxiliary books or of any other type, as well as the documents and files in any medium. [Law 32(d)]

Regulations: The AGM is empowered to establish rules, provide instructions, grant the use of forms and impose requirements for the audit opinion. [Law 33]

Enforcement: The system of sanctions, reform, total or partial takeovers and the liquidation of credit unions is governed by the Organic Law of the Central Bank of Costa Rica, in the chapter signed to the AGM. [Law 37]

Membership of Credit Unions

Common Bonds of Association: Credit unions must do business exclusively with their members; however, there is no express provision regarding the common bond. [Law 16]

Non-Natural Persons Eligible: With approval of National Institute of Cooperative Development (INFOCOOP), credit unions may extend their services to non-profit legal entities. [LAC 56]

Liability of Member: The liability of members for the credit union's operations is limited to the amount of their subscribed equity shares. [LAC 31(a)]

Direction and Administration

Annual Meeting of Members: The general meeting of the members is the supreme authority. The INFOCOOP may authorize a meeting of the members to be replaced by a meeting of delegates. [LAC 42]

Board of Directors and Committees: The board of directors is responsible for the overall direction of the society's operations, setting the guidelines for management and issuing internal regulations. [LAC 46]

The supervisory committee is responsible for internal examination and inspection of accounts and transactions. [LAC 49]

Management and Employees: The manager position, as part of the structure of the institution, is provided for in the law. [LAC 36]

Audits: Credit union accounts and transactions must be subjected to an annual opinion by a CPA or the federation to which it belongs or in the case of an auditor appointed by the board of directors, according to procedures, methods and forms established and designed by the General Accounting Office of Financial Institutions. [Law 28,33,35]

Liability of Officials: The liability of the directors and manager is joint for actions significantly contrary to the institution's interests, without precluding any appropriate actions. [LAC 52] This extends to the supervisory committee for actions that were not objected to at the proper time. [LAC 49]

Conflicts of Interest: Members of the board of directors or a corresponding body shall refrain from participating in the votes and analysis of loan applications in which they have a direct interest or that involve their relatives up to the second degree of consanguinity or affinity. [Law 20]

Surety Bond: The credit union shall contract for and pay the fidelity bond insurance premium to cover employees handling funds in the institution and in the amount indicated by the board of directors. [LAC 53]

Shares and Deposits

Shares: Share certificates represent a share in the equity in the credit union. They are registered, indivisible and transferable through the board of directors, with a value to be established in the bylaws. [Law 12]

Deposits: Credit unions are authorized to receive passbook savings and mobilize resources from their own members or accept term deposits. [Law 15]

Dividends and Interest: The rate of return of the certificates shall be set by the board of directors. If the credit union is a member of the federation, the rate shall not exceed the maximum set forth in the federation's regulations. [Law 12]

Interest rates on passbook savings and term deposits shall be set by the board of directors. [Law 15]

Lien on Holdings: A member's holdings and balances maybe withheld to guarantee repayment of obligations. [LAC 70]

Loans

Purpose and Conditions: The regulations of each credit union shall define the purposes and conditions of loans, active credits and endorsements. The board of directors shall establish policies with regard to loan guarantees and other conditions. This can be delegated to the loan committee, or officers of the credit union, according to the regulations. [Law 17]

Approval Procedure: Loan approval is a power of the board of directors. See "Purpose and Conditions" above.

Limits, Terms and Security: The maximum loan limit per member, directly or indirectly, including guarantor, is 5 percent of the total loan portfolio or 10 percent of shares, depending on which is greater. [Law 19]

For other terms, see "Purpose and Conditions" above.

Interest Rates and Charges: Laws are silent.

Loans to Officials: The internal lending operations shall be regulated by special provisions set forth in the bylaws. [Law 20]

Investment of Funds

Deposit of Funds: Laws are silent.

Authorized Investments: Credit unions may make investments in securities issued by government financial institutions; companies regulated by Law No.s 1644, 5044 and 7201, or belonging to the financial cooperative system. [LAC 17]

They may participate directly in cooperative organizations of any other type up to a maximum of 25 percent of their own equity. [Law 22]

Capital Adequacy-Reserves

Initial Organization: Laws are silent.

Permanent Capital: Laws are silent.

Regular Reserve: Not less than 10 percent of the annual surplus shall be allocated to a credit union's reserve until reaching 20 percent of the capital stock to cover losses when net surpluses are insufficient. The reserve may be

invested in real estate and administered by means of deposit funds (see below) of the membership of some other organizations. The AGM shall verify its investment. This reserve requirement replaces the provision provided for in Article 81 of the LAC. [Law 26, LAC 27]

Loan Loss Allowance: Laws are silent.

Special Reserves: Every credit union shall maintain a liquidity reserve in the proportion necessary to meet any obligations as follows: 20 percent on deposits with a term of up to 30 days; 15 percent on deposits with a term over 30 days and less than 180 days and 10 percent on deposits with a term of 180 or over. [Law 27]

Powers of the Credit Union

General Powers: Credit unions are authorized to: grant loans, credit and direct guarantees; purchase, discount and accept as security promissory notes, pledge certificates, letters of exchange, mortgages and, in general, any type of securities and commercial securities and instruments; make authorized investments. See "Authorized Investments" above. [Law 16]

They may engage in the following confidential transactions with members or third parties: receive in custody funds, securities, documents and objects and rent safety deposit boxes for the storage of securities; make collections and payments on account of others; set up retirement funds and mutual funds; administer member pension resources. [Law 24]

Borrowing: The indebtedness ratio of a credit union, expressed as total liabilities, including contingent liabilities, may not exceed (10 times or 10 percent) non-redeemable subscribed and paid-in capital and reserves and other accounts and the equity accounts not subject to distribution. [Law 25]

They may borrow from domestic and international sources in the latter case, of which approval from the Central Bank of Costa Rica is required. [Law 14(ch)]

Merger: Mergers can be supervised independently, or concurrently by the AGM, or by the respective federation.

Liquidation: This matter is provided for in the LAC, which was only partially available.

Federation or Association

Purposes: Every federation must establish and maintain an audit and inspection service for its members [Law 39] and, by means of regulations, financial mechanisms

used to create liquidity, deposit and stabilization funds for its members. [Law 40] Federations shall act as supervisory and oversight entities for their member credit unions under the terms and conditions set forth in the Law [Law 7]; they must have prior authorization from the auditor general (AG) and be supervised by them. [Law 43]

To administer deposits to meet liquidity requirements; deposit fund to administer deposits for investment purposes, including the reserves set forth in Article 26 (see "Special Reserves" above); a stabilization fund to assure them of obtaining funds under difficult situations. [Law 40]

Every federation must set up and maintain an audit of inspection service for its member cooperatives. [Law 39]

The respective federation must create liquidity, deposit and stabilization funds. It shall be the depository and administrator of the liquidity reserves for its members [Law 27] to ensure that resources will be obtained in difficult situations. [Law 40]

The federation, in turn, shall be examined by the AG.

Membership: This matter is provided for in the LAC, which was only partially available.

Dissolution: This matter is provided for in the LAC, which was only partially available.

Central Finance Facility

Purposes: See "Federation or Association" above.

Membership: See "Federation or Association" above.

Funds: See "Federation or Association" above.

Share and Deposit Protection

Purposes: Laws are silent.

Coverage: Laws are silent.

Membership: Laws are silent.

Funds: Laws are silent.

DOMINICAN REPUBLIC

Region	Latin America
Federation	COLAC
Legal System	Civil-Unitary
Type of Law	Cooperative Association Law
Number of Credit Unions	13 (2001)
Number of Members	89,787 (2001)
Total Assets (US\$)	\$97,358,659 (2001)

Rev:2-00:alc

Legal Authority

Law: Law No. 127 on Cooperative Associations, January 27, 1964. [cited as "L"]

Law No. 31, creating the Dominican Republic Cooperative Development and Credit Institution (IDECOOP), October 25, 1963. [cited as "LO"]

Regulations: Regulations in Law 127 of January 27, 1964. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: Cooperatives are societies of individuals and non-profit entities that meet as necessary; operate to the principle of the right of equality among their members; function with variable capital, indefinite duration and non-pursuit of profit; use the principal one member, one vote; pursue the economic improvement of their members by means of joint action; prorate distribution of net earnings or surplus among their members according to the transactions conducted; maintain and enforce the "Rochdale Principles" of cooperation; give no advantage or privilege to promoters, founding members or directors; give no preference to any part of the capital; clearly stipulate the member's limited liability. [Article 1 L]

Supervision and Regulation

Government Agency: The Cooperative Development and Credit Institute (IDECOOP) is the overseeing institution with primary powers of development, promotion and education and jurisdiction for fulfilling the development process of the Republic's cooperative movement. [Article 5 of its organic law]

See "Inspections" below.

Other Licenses Needed: Laws and Regulations are silent.

Other Institutions Regulated: All types of cooperative associations.

Reports: Balance sheets and financial statements must be filed with IDECOOP at least 15 days before their submission to the members meeting. A supervision department within IDECOOP may require the cooperative to correct the most obvious deficiencies before the members meeting. [Article 63, Regs.] Quarterly, they must also submit verification statements duly authorized by a certified professional. [Reg. 66]

Inspections: For the purpose of complying with the Law, cooperatives, federations and the confederation are obligated to provide and show their accounting and document books to inspectors from the Cooperative Development and Credit Institute and, for such purposes, to allow free access to their offices. [L 66]

Regulations: The IDECOOP shall formulate model bylaws, accounting systems, rules and schemes for the internal management of cooperative societies. [L 5]

Enforcement: If inspectors from the IDECOOP find violations of the law or harm to the interest or operations of the societies or their members, they shall advise the board of directors, the supervisory committee and, in a meeting, the members of the adoption of corrective measures, all of which will not preclude the enforcement of the corresponding sanctions. [L 67] Reviewed legislative texts remain silent with regard to the nature and extent of the sanctions. However, crimes such as embezzlement and fraud are covered under the Criminal Code. [L 69, 70] In proven cases of cooperative mismanagement, IDECOOP's supervision department may appoint a provisional administrator for a period no longer than six months and, if the financial situation warrants, may liquidate the cooperative. [Reg. 162]

Membership of Credit Unions

Common Bonds of Association: The bylaws of the cooperative may contain membership requirements and conditions. [L 10, (b)] Credit unions in particular may operate locally, regionally or nationally [Reg. 108] or by the occupational activities of their membership. [Reg. 109] Credit unions cannot make transactions with nonmembers. [L 51, 127]

Non-Natural Persons Eligible: Not-for-profit entities whose purposes show an affinity to those of the credit union movement. [L 11, 127]

Liability of Member: The limited liability of the members is enshrined in the Law [L 1, (j)] and also the bylaws of the cooperative. [L 7, (c)]

Direction and Administration

Annual Meeting of Members: The members' meeting is the maximum authority and its decisions are binding on both persons present or absent when approved pursuant to the society's bylaws and the Law. [L 16] It shall rule on any matters of importance to the society and shall set forth the general rules that are to govern its corporate operation. [L 18]

When there are more than 1,000 members, and they live in towns other than where the members' meeting is to be held, it may be attended by delegate members, elected by sections or by districts. [L 21]

Board of Directors and Committees: This is the executive organ of the members' meeting [L 23] and has the power to elect from among members and nonmembers one or more managers. [L 23]

No term of a board member may be longer than three years, nor may any board member be reelected for more than two consecutive terms. [L 25]

The supervisory committee shall supervise all of the society's activities and may veto decisions made by the board of directors. [L 28]

Cooperatives may appoint committees or commissions as set forth in their bylaws. Cooperatives established to grant loans or advances to their members shall appoint a credit committee, which shall be jointly liable with the board of directors and the supervisory committee for the proper operation of the cooperative. [L 33]

In addition, cooperatives may appoint whatever other committees are necessary. [L 36]

Management and Employees: The board of directors may appoint one or more managers. [L 23]

Audits: The regulations of Law 127 make explicit reference to the need for cooperatives with operational income higher than RD\$250,000 to submit to audit examinations through their federations or the confederation. [Reg. 64]

Liability of Officials: The members of the boards and committees, including the credit committee, are jointly liable for the proper operation of the society. [L 33]

Conflicts of Interest: Laws and Regulations are silent.

Surety Bond: The legislation leaves the manner in which the cooperative will guarantee the activities of its staff who are in charge of the institution's funds and assets to the bylaws of the cooperative. [L 8(1), Reg. 50] It also mandates that personnel in charge of writing checks and handling money be bonded.

Shares and Deposits

Shares: The capital stock of cooperative societies is made up of its members' equity shares. [L 37] Every member must contribute at least the value of one share certificate of the total subscribed capital to be considered a member with corresponding rights and obligations. The board of directors shall determine how additional equity shares shall be purchased. [L 40] Equity shares are represented by registered, indivisible certificates of equal value, which may only be transferred by decision of the board of directors and under the conditions set forth by the bylaws. [L 38]

Deposits: Term depositing and investment certificates are withdrawable on or after their contractual expiration dates. [Reg. 13]

Dividends and Interest: The interest that each equity share or capital stock share will accrue shall not exceed 5 percent per annum, payable from the earnings according to the balance sheet at the close of the fiscal year. [L 39, 127] No cooperative may distribute dividends the first five years of operation; surplus generated during such period shall be capitalized. [Reg. 45]

Lien on Holdings: Equity shares, deposits, holdings and rights of any kind of the members are linked, from their inception, in favor of the cooperative by the obligations the members have incurred with it. [L 43]

Decree 1498, December 17, 1971 authorizes employers to make payroll deductions payable to cooperatives in the amount of loan installments, subject to the member's prior authorization. [L 2]

Loans

Purpose and Conditions: Loans to members may be granted for productive or consumption purposes. During the first five years of their existence, credit unions may not grant loans for terms longer than three years. [Reg. 110]

Approval Procedure: The credit committee shall coordinate its activities with the board of directors and the general manager and may hire the services of a credit officer or credit analyst to evaluate the loan applications. [Reg. 36, 37] No other procedures are mentioned.

Limits, Terms and Security: The available legislation remains silent on these matters. They may be referred to in the cooperative's bylaws. [L 8 (b)]

Interest Rates and Charges: The texts of cooperative legislation and related matters include the text of Law No. 4290 on Small Loans and the Agricultural Promotion Law. See also "Limits, Terms and Security" above.

Loans to Officials: In cases of loans to officials in excess of their share balances, the applications must be approved not by the credit committee but by majority vote of the combined membership of the board of directors, supervisory committee and credit committee. [L 35]

Investment of Funds

Deposit of Funds: All cooperative funds shall be deposited daily in a local bank; if one is not available, they should be deposited at least once a week in the nearest bank. [Reg. 48]

Authorized Investments: Laws and Regulations are silent.

Capital Adequacy-Reserves

Initial Organization: The minimum capital required to organize a credit union and to file for authorization is RD\$3,000. [Reg. 107]

Permanent Capital: Laws and Regulations are silent.

Regular Reserve: Pursuant to the Commercial Code, it shall be mandatory to allocate on a yearly basis to the reserve fund at least one-twentieth of the benefits; when this fund has reached 10 percent of the society's capital, it is no longer mandatory. [Article 58 § 4 Commercial Code] The general reserve fund shall not be divided among the members even if the credit union is dissolved. [L46 (b)]

Loan Loss Allowance: Cooperatives granting loans to their members must create a bad loans reserve equivalent to no less than 5 percent of the interest generated by regular loans. [Reg. 62]

Special Reserves: The law authorizes the creation of "any other special fund according to the rules of Accounting and Management of businesses to achieve the objectives of the society." [L 46 (c)]

The funds mentioned in Article 46 shall be created prior to the payment of interest on capital or return of surplus to the members.

Powers of the Credit Union

General Powers: There is no restrictive provision regarding the general powers resulting from the recognition of the society's legal existence.

Borrowing: Loans obtained by cooperatives shall be secured with all of the assets held by the society. [L 44]

Merger: Laws and Regulations are silent.

Liquidation: IDECOOP shall appoint three members to carry out the liquidation process of any cooperative and the liquidation procedure shall be governed by the regulations. [Reg. 68 - 73]

Federation or Association

Purposes: The purposes of the federation are: coordination and supervision of the affiliated cooperatives; facilitating joint use of goods and services; purchasing, joint purchases and sales; representation and general defense of the interests of the federated societies; arbitration of disputes between its member organizations; and linkage between it, the confederation and the government. [L 55]

Membership: Five cooperatives are required for the founding of federations. [L 54]

Dissolution: The liquidation process of a federation shall be carried out by five officers of IDECOOP, and the procedure shall be the same as that for a cooperative. [Reg. 153, 154]

Central Finance Facility

Purposes: Laws and Regulations are silent.

Membership: Laws and Regulations are silent.

Funds: Laws and Regulations are silent.

Share and Deposit Protection

Purposes: In the case of liquidation of credit unions, member deposits shall be returned before the shares. [L 48 (d)]

Coverage: Article 21 of the General Banking Law No. 708, promulgated on April 14, 1965, expressly grants the privilege of guaranteeing the deposits of cooperative societies up to RD\$10,000 per person or entity in the event of the institution's bankruptcy or liquidation.

Membership: See "Purposes" above.

Funds: See "Coverage" above.

ECUADOR	
<i>Region</i>	Latin America
<i>Federation</i>	Asociación de Cooperativas Controladas por la Superintendencia de Banco y Seguros
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Cooperative and Financial Institution
<i>Number of Credit Unions</i>	332 (2001)
<i>Number of Members</i>	1,481,430 (2001)
<i>Total Assets (US\$)</i>	\$220,095,966 (2001)

Rev. 2-04:alc

Legal Authority

Law: Executive Decree No. 1227, March 19, 1998. [cited as "DE"]

Cooperative Law of Ecuador No. 1031, September 7, 1996. [cited as "LC"]

Law: General Law on Institutions of the Financial System No. 72. [cited as "L72"]

Regulations: General Regulations of the General Law on Financial System Institutions, Executive Decree 1852. [cited as "RG"]

Amending Law to the General Law on Financial System Institutions of May 5, 1999. [cited as "LR"]

Banking Commission Resolution N° JB-2002-429 (January 22, 2002)

Definition or Purposes of Credit Union

Definition: Credit unions are private-sector societies, made up of individuals or entities which, without pursuing profit [LC 1], take in savings and deposits, make discounts, grant loans to their members and make payments and collections on their account. [LC 66] In Ecuador, there is a dual credit union system: those that do business exclusively with members, are subject to the Cooperative Law [LC] and those that deal directly with the public are subject in their operations, in general to [L72] and, in particular, [DE 1227], which are part of the Ecuadorian financial system.

Supervision and Regulation

Government Agency: Credit unions that engage in financial intermediation with the public are private-sector financial institutions, with an exclusive mission statement. [RG 2] They are supervised and subject to

the rules of solvency and prudential standards applicable to financial institutions. [DE 4] Supervision is exercised through the National Cooperative Administration [LR 43, 48] and the DE. Those doing business exclusively with their members are supervised by the Ministry of Social Welfare and Cooperatives and the National Cooperative Directorate. [LC 7] Those open to the public are subject to [L72] and examination by the Superintendency of Banks.

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: The National Cooperative Directorate (subordinate to the Ministry of Social Welfare and Cooperatives) supervises transactions of all kinds of cooperatives; [LC 121(g)] the Superintendency supervises credit unions doing business with the public.

Reports: The credit unions shall send to the Superintendency on a monthly basis balance sheets, operating statements, statements of changes in financial position and equity using the formats, scope and regularity and accounting rules established for them. [L72 77]

For those credit unions conducting business solely with their members, no express provision has been found.

Inspections: The Superintendency is empowered to carry out preventive oversight programs and pay inspection visits unrestrictedly. [L72 182(f)] The National Cooperative Directorate (DNC) possesses the general power. [LC 121(g)]

Regulations: Chartering, organizing, operation and liquidation, as well as the powers of competency and control of the Superintendency regarding credit unions, shall be regulated by executive decree. [L72 215] They are part of the domestic financial system and are subject to all of the rules of solvency and prudence stipulated by the Law 72 and the Superintendency, while operating, however, subject to their own law (6 th Transitory Provision, Law 72). No provision has been found to directly authorize the DNC to issue rules and regulations.

Enforcement: The Superintendency is empowered to issue cease and desist orders, assess fines [L72 124] and impose administrative sanctions on those institutions controlled by it, whenever they violate the provisions that govern them. [L72 182(j)] The DNC contains in its Article 121 powers to impose sanctions on cooperatives, leaders or members, or to dissolve them. [LC 121(d and g)]

Membership of Credit Unions

Common Bonds of Association: There is no specific reference according to which a member must belong to a common bond in order to join; there is, however, a prohibition

against belonging to two or more cooperatives engaged in the same activity. [LC 12, and LC 19]

Non-Natural Persons Eligible: Non-profit legal entities may be admitted as members. [LC 11(d)]

Liability of Member: For those credit unions doing business with the public, the liability is limited [L72]; for the others, limited, supplemented or unlimited liability is optional. [Art. 9 of the LC; and Art. 15 and 16 of its Regulations]

Direction and Administration

Annual Meeting of Members: The meeting is the maximum internal authority of the institution and shall consist of a number of delegates of members according to the scale, elected by a simple majority for terms of two years and indefinitely re-electable, as follows [DE 17]:

From	To	Number of Delegates
15	50	All
51	500	Between 15 and 20
501	5,000	Between 21 and 25
5,001	10,000	Between 26 and 30
10,001	20,000	Between 31 and 40
20,001	More Than	Between 41 and 50

The decisions are adopted by a majority plus one of the required quorum; in addition, half plus one is required. [DE 20 and 25] A delegate cannot be a director; if this becomes the case, he/she is replaced by the alternate. [DE 19] The first two meetings postponed because of the lack of a quorum shall be installed without fail at the third call with whatever number of people are present. Thirty days shall transpire between the first and second call to meeting, and between the second and the final meeting, one hour. [DE 25] For those doing business with members only, the generic provisions for all types of cooperatives prevail.

Board of Directors and Committees: The board of directors is the administrative body. The members elected at the meeting shall remain in office for terms of two years and may be re-elected. [DE 27]

The supervisory committee is the oversight body of the board of directors and other officers of the cooperative and is composed of three regular and three alternate members, two of whom meet the requirements required by the members of the board of directors; care shall be taken so that the main office and the branches are represented. [DE 32] For those doing business only with members, the generic provisions for all types of cooperatives shall prevail.

Management and Employees: The general manager, whether or not a member, shall be appointed by the board of directors; he/she must have a university degree in the area and shall represent the institution subject to the bylaws and replacement in the event of an impediment. [DE 36] For those doing business with members only, the generic provisions for all types of cooperative shall prevail.

Audits: Credit unions, like any other institution of the financial system, shall have an internal auditor and another external auditor, ideally qualified by the Superintendency, which shall keep a record of the outside auditors [L72 83] and shall have full examining powers over the audits. [L72 84] One of the purposes of cooperative federations in general is to set up auditing services by means of examination units. The Special External Audit Regulations bind cooperatives with assets in excess of 90 SMU's, but no mandatory provision of submission to an auditing examination has been found. [LC 71]

Liability of Officials: Any directors, administrators, officers and employees causing losses to the institution or third parties shall be liable with their own assets and the Superintendency is empowered to enforce this. [L72 130] In general, officials are subject to the provisions contained in the General Law for Financial System Institutions. [DE 59]

Conflicts of Interest: Spouses, parents, adoptive children and relatives to the fourth degree of consanguinity and second of affinity of the members of the board of directors, supervisory committee, general manager, area managers, branches and internal auditor may not directly or indirectly participate in calls for bids for resources for the cooperative of any type (except work contracts and professional services contracts) and shall be subject to the rules of the Superintendency. [DE 60]

Surety Bond: The general manager must have a financial bond or guarantee before assuming office [DE 36] for the open credit unions. For those doing business with its members only, the manager must be bonded and compensated. He/She shall be covered by the labor laws and social security. [LC 46]

Shares and Deposits

Shares: Shares make up the capital stock, represented by individual and transferable registered certificates; their value shall be 10,000 sucres or multiples thereof. [Art. 39 DE] For those credit unions doing business with their members only, the generic provisions for all types of cooperatives shall prevail. In those not doing business with third parties, shares shall be 100, 500 or 1,000 sucres. [LC 52]

Deposits: Credit unions are allowed to engage in savings transactions with their members. [L72 216]

Dividends and Interest: For those doing business with third parties, no other references other than those arising from the General Law Financial System Institutions and the type of contractual operations in which they engage have been found. For the others, the distribution of the surplus is according to the number or amount of the transactions or work. [LC 61] Interest is set by the bylaws or the federation (D.S. No. A-749) (not available for consultation).

Lien on Holdings: When withdrawing funds, the amount owed and incurred by the members shall be taken into account. [DE 42 and LC 27]

Loans

Purpose and Conditions: A credit union may loan to members and to third parties provided the bylaws allow it and the board of directors has determined the terms and requirements. [Art. 46, DE] For those doing business only with members, the provisions of their bylaws and regulations shall prevail.

Approval Procedure: Lending must be regulated by the board of directors. [DE 46]

Limits, Terms and Security: A member may borrow only to a limit of 10 percent of the technical equity per individual or entity. This limit may rise to 20 percent if what exceeds 10 percent corresponds to liabilities secured with a guarantee from domestic or foreign banks of known solvency, or by adequate guarantees accepted as such by means of the rules of the Superintendency. The guarantees may not have a value less than 140 percent of the guaranteed liability. [L72 72]

Interest Rates and Charges: See "Purposes and Conditions" above.

Loans to Officials: Directors, managers, officers and employees of the cooperatives and their respective spouses may not obtain either directly or indirectly loans with a term, amount security or interest rate other than those of the lending rules. [DE 48] The DE does not seem to have repealed the following: conducting business with individuals or entities directly or indirectly linked with the management of the ownership of the financial institution [L72 73] is prohibited. Doing business with individuals or entities directly or indirectly with the administration or ownership of an institution of the financial system [LR 5] is prohibited. For those doing business with members only, the generic provisions for all types of cooperatives shall prevail.

Investment of Funds

Deposit of Funds: Laws and Regulations are silent.

Authorized Investments: For those doing business with third parties, the national financial system rules shall be enforced. For the others, the rules of their own bylaws shall apply. [L72]

Capital Adequacy—Reserves

Initial Organization: The minimum contribution to charter a credit union that is engaged in financial intermediation with the public shall be equivalent to 300,000 constant value units. [DE 11, 41(b)] There is no equivalent provision for those not doing business with third parties.

Permanent Capital: The capital of credit union shares is open-ended, unlimited and indivisible [Art. 39, DE] and is similar for both kinds. The Superintendency is authorized to establish the standards of the capital structure for credit unions as well as the minimum levels required. [DE 39, 41] The other financial institutions-in order to preserve their solvency are obligated to maintain at all times a ratio between their technical equity and the weighted sum of their assets and contingencies of 9 percent, or by resolution in the range of 9 to 12 percent [L72 47]. There is no legislative provision for those not doing business with third parties.

Regular Reserve: Institutions of the financial system must create a legal reserve fund equivalent to 50 percent of the paid-in capital by allocating at least 10 percent of their annual profits. [DE 44 and L72 40]. For credit unions doing business with their members only, at least 20 percent of the surplus shall be allocated to an undistributable reserve fund until it equals the capital stock; thereafter, the increase shall be 10 percent indefinitely. [LC 56]

Loan Loss Allowance: Provisions shall be created to cover risks of inability to collect, by means of periodic portfolio qualification, to be examined by the Superintendency. [L72 68] There is no equivalent provision for those not doing business with third parties.

Special Reserves: Special reserves may be established under the provisions of financial solvency and prudence set forth by the General Law on Financial System Institutions, issued by the Superintendency. [DE 45] There is no equivalent provision for those not doing business with third parties.

Powers of the Credit Union

General Powers: Credit unions subject to Law 72 are authorized to engage in savings and lending transactions with their members and third parties, if their bylaws allow it. [L72 216] They comprise all of the transactions set forth by the General Law of Financial System Institutions, with the exceptions, time periods and limitations established in that law [DE 46] and others, subject to prior authorization. Credit unions not doing business with third parties, inasmuch as they are not a part of the financial system, have their transactions restricted to savings, deposit and loan transactions exclusively with their members.

Borrowing: Those doing business with the public may receive loans and credits from domestic and foreign financial institutions. [L72 51(e)]

Merger: Credit unions not doing business with the public are empowered to merge with one another as a method of dissolution. [LC 98.5]

Liquidation: The Superintendency may declare the forced liquidation of the cooperative for justified reasons: reduction or deterioration [L72 145 and 146] of the minimum technical equity; failure to meet commitments with depositors; failure to adapt to preventive or regulatory oversight programs; technical deficiencies in its technical equity and others. [L72 150] The cases of voluntary dissolution are governed by provisions of the Civil Code and Company Law. [L72 152] Credit unions not subject to the Superintendency may be dissolved or liquidated by a decree of the Ministry subject to a prior report by the DNC for legal reasons. A liquidator shall be appointed by the Ministry and shall be subject to the Regulations. [LC 98]

Federation or Association

Purposes: Integration may take place by means of National Federations, Cooperative Chapters and Associations, Cooperative Credit Institutions and the National Confederation for those not doing business with the public. [LC 71] For those doing business with the public, integration, since this involves financial institutions, shall only be by way of a trade association; the LC has an additional aspect for credit unions; the comptroller is the Superintendency of Banks.

Membership: See “Purposes” above.

Dissolution: See “Liquidation” above.

Central Finance Facility

Purposes: See “Federation or Association” above.

Membership: Laws and Regulations are silent.

Funds: Laws and Regulations are silent.

Share and Deposit Protection

Purposes: Laws and Regulations are silent.

Coverage: Laws and Regulations are silent.

Membership: Laws and Regulations are silent.

Funds: Laws and Regulations are silent.

EL SALVADOR

*Region
Federation*

Latin America
Federación de
Cooperativas de Ahorro
y Crédito de El Salvador
de Responsabilidad
Limitada
Civil Code
Cooperative
29 (2001)
83,797 (2001)
Total Assets (US\$)
\$140,735,782 (2001)

Legal System

Type of Law

Number of Credit Unions

Number of Members

Total Assets (US\$)

Rev. 03-02:al

Legal Authority

Law: General Cooperative Association Law No. 339, effective since May 23, 1986. [cited as "L"]

General Bank Law, promulgated by Decree No. 697, September 2, 1999. [cited as "LB"] It prevails over any other law that contradicts it. (Cooperative associations may still engage in savings transactions under their own law [Art. 263]. Any other provisions that could be applicable to them without contradicting the Bank Law are quoted below.)

Rules: Decree No. 20, July 9, 1970, which enforces the regulations to the General Cooperative Association Law. [cited as "R"]

Decree No. 560, November 25, 1969, which enforces the Salvadoran Cooperative Development Institute (INSAFOCOOP). [cited as "LI"]

Non-banking Financial Intermediaries Act, January 15, 2000. [cited as "Act"].

Regulations: Regulations of the General Cooperative Associations Law in effect since September 6, 1986. [cited as "Reg"]

Definition or Purposes of Credit Union

Definition: Credit unions are private-sector entities organized and operating according to the General Cooperative Association Law and the Regulations thereof [L 1]. Their purpose is to serve as savings banks for their members and invest the mobilized savings in loans to their members or third parties, in any way authorized by their bylaws. [L 10/4]

Supervision and Regulation

Government Agency: Examination and oversight of cooperative associations, their federations and confederation is entrusted to the Salvadoran Cooperative Development Institute (INSAFOCOOP, according to its Spanish initials). [R 113; LI (f)]

Government-owned and private financial institutions established by their own enabling laws shall continue to be governed by them to the extent that they do not violate the Bank Law. Financial intermediation and insurance institutions are monitored by the Financial System Superintendency [LB 1]. In cases of dual examination, coordinating mechanisms must be established.

As of January 2000, credit unions as non-banking financial entities are regulated and supervised by the Financial System Superintendency and the Salvador Central Bank [Act 2,3,5] and for loan terms and limits regarding deposits of non-members, the Salvadoran Central Bank. [Act 35]

Other Licenses Needed: No other type of license is required.

Other Institutions Regulated: In the case of INSAFOCOOP, any type of cooperative association is regulated. The Superintendency regulates banking and non-banking financial system intermediaries [LB 1]. Non-banking institutions, savings and loans associations, foundations and non-profit organizations must obtain the required authorizations as mandated in the Act to perform intermediation activities (incorporation, organization and administration) [Act 2]. In areas not covered, the Banking Law shall apply by default. [Act 3]

Reports: Cooperative associations are obligated to provide INSAFOCOOP with as much data and information necessary, or relevant, for purposes of inspection and oversight. On a monthly basis, financial statements, lists of members, statistics and election results should be sent to INSAFOCOOP within 30 days, as well as the names of members of the leadership bodies [L 61(b)]. Credit unions are required to file call reports with the Financial System Superintendency as requested. [Act 39]

Inspections: INSAFOCOOP shall conduct at any time, without any restriction, reviews to establish the progress and status of associations subject to its jurisdiction. The associations are obligated to show their books, reports and documents to INSAFOCOOP [R 13, L1(f)]. The right to examine credit unions is vested with the Financial System Superintendency without prejudice of this right.

The Superintendency may authorize federations or other ancillary organizations specialized for this effect and meeting requirements to perform inspections according to regulation. [Act 53]

Regulations: The Board of Directors of the Superintendency sets general rules for the preparation and submission of financial statements and supplementary information. It also establishes criteria for the valuation of assets, liabilities, actual loan security required and provisions. [LB 224]

INSAFOCOOP may prepare accounting and auditing manuals aimed at standardizing the monitoring of transactions, and prepare reports and gather statistical information. [Item d, Article 5, LI]

Subject to Superintendency supervision, ancillary inspection organizations may issue instructions on limits. [Act 55]

Enforcement: INSAFOCOOP is empowered to enforce the sanctions set forth by the Law. These sanctions may be warnings, a takeover of the credit union or cancellation of the credit union registration. These sanctions are applied according to the severity and how many times the violation has been repeated. In the case of a takeover, INSAFOCOOP may carry out, or have carried out, special tasks to establish the true situation of the credit union taken over. Non-compliance of specific situations, such as solvency margins and other legal limits, reduction of minimum capital, and deficient handling of credit risks and liquidity, call for regularization, special supervision, receivership, dissolution and liquidation actions by the Superintendency [Act 71]. Imposing fines is also mentioned [Art. 71, inc d]. Fraudulent management cases are covered by Act 126 to 132.

Membership of Credit Unions

Common Bonds of Association: In the legal texts consulted, no specific references were found that made reference to a field of membership or common bond. Although the admission of members is open, it may be restricted by virtue of the nature or purpose of the credit union, though this is not required according to Act. 5. Otherwise, the Laws and Regulations are silent in this matter.

Non-Natural Persons Eligible: It is admissible for a legal entity to join a credit union, provided it is a similar non-profit organization.

Liability of Member: The liability of a member is limited to the amount of his/her shares.

Direction and Administration

Annual Meeting of Members: The general meeting of members, legally called by the board of directors, is the highest authority in a credit union. Its legally adopted agreements bind the leadership bodies and present and absent members, regardless of whether they are mentioned in the agreement.

The quorum for the first call to meetings is at least one-half plus one of the qualified members. In the absence thereof, one hour after it is convened, the meeting may deliberate and make valid decisions with a number of qualified members totaling not less than 20 percent of the total membership. In the absence of this quorum, it may be held with a second call to meeting, called 24 hours after the date on which the general meeting was to be held.

The bylaws may establish the holding of meetings of delegates chosen previously by groups of members established by the general meeting.

Board of Directors and Committees: The members of the board of directors, the supervisory committee and other committees are elected and removed at the annual general meeting.

The board of directors has full powers for direction and administration of the credit union's transactions. The Board shall consist of three or more financially knowledgeable and reputable directors with no less than two years of experience in the area [Act 15].

The supervisory committee is responsible for examination and overseeing operations and actions of the board of directors, other administrative bodies and staff.

Management and Employees: The Law makes no specific reference. The chairman of the board of directors can delegate legal representation for the proper operation of the credit union. The appointment of the management and the employees is up to the board of directors on the basis of the bylaws of each credit union.

Audits: External audits must be performed by individual or firm auditors approved by the Superintendency [Act 59]. The law empowers the federations or ancillary organizations to provide external auditing [Act 53].

Liability of Officials: The members of the leadership bodies (board of directors, supervisory committee and other committees) are jointly liable for the decisions they make in violation of the legal rules governing credit unions. This liability has a time bar of 10 years from the date on which the violation is known or revealed.

The directors, administrators, officers and employees of banks who violate provisions of laws, regulations and internal rules or who intentionally cause harm shall incur liability for damages [LB 201]. Act 123 & 125 also deal with criminal charges.

Conflicts of Interest: Board members are under the duty to disclose cases of conflicts of interest and to abstain themselves from participation in meetings when such conflict exists. Such excuse must be included in the minutes of the meeting. [Act. 51]

Surety Bond: The regulations [R 3 (p)] set forth that the bylaws of the cooperative association must establish the form of the bond that must be provided by the directors, managers and employees handling funds [R 3 (p)]. Likewise, the regulations empower the board of directors to require a bond in an amount adequate for those employees entrusted with the care and administration of the members funds. [R 42 (j)]

Shares and Deposits

Shares: Shares represent the capital stock of the members. Share certificates shall be contained in an individual passbook account [L 41, 45]. The AGM is empowered to capitalize the surplus in the form of shares [L 49]. Credit unions may accept deposits both as share capital and time deposits [Act 34, a]. Share capital of one member may not exceed 10 percent of total capital. [Act 24]

Deposits: Federations shall regulate every aspect related to nature, kind and conditions under which credit unions may accept savings and time deposits, as approved by the Central Bank [Act 36]; the Banking Law, with regard to credit unions, refers to the continuation of mobilization transactions. [LB 263]

Dividends and Interest: Shares totally paid-in shall accrue an annual interest rate not greater than that paid by the banking system on passbook savings. No reference was found with regard to the payment of interest on other deposits. The Act does not provide specific figures regarding figures or limits, other than distribution of dividends after legal and bad loans reserves.

Lien on Holdings: Limited to 5 percent of capital, members' withdrawal from membership and compensation with debits is allowed according to the civil legislation [Act 22 and 23]. The loan and savings balances of a member can be used to offset one another for the purpose of allowing credit unions to accept savings and time deposits [Act 36] to liquidate a member's obligation.

Loans

Purpose and Conditions: The regulation empowers credit unions to borrow and lend [Reg]. Likewise, banks are empowered to establish lending policies, practices and procedures [LB 63].

Approval Procedure: For associations, approvals are subject to bylaws. For banks, loan applications must allow appraisal of the risk of recovery, ability to pay, and moral solvency, and present a future economic situation. [LB 59]

Limits, Terms and Security: No loan may exceed 5 percent of net worth. Credit unions are free to fix interest rates, commissions and other charges, but should first report these to the Central Bank (CB). The CB has the power to fix them in restricted cases and for no longer than 180 days [Act 42]. The same rule applies to banks [LB 64]. Adjustable rates are allowed. [Act 44]

Interest Rates and Charges: See "Limits, Terms and Security" above.

Loans to Officials: In the aggregate, loans to officials and borrowers related to them may not exceed 5 percent of capital. Such loans are to be made known to the Superintendence [Art. 49 and 50]. For banks, loans and contracts with individuals and entities related directly to the management or directly or indirectly to the ownership of the institution may not exceed in the aggregate 5 percent of the capital and reserves [LB 203]. The transactions permitted in all cases must always be done under the same conditions as for the general public. [LB 202]

Investment of Funds

Deposit of Funds: Other than a liquidity reserve, no specifics are provided by the Act regarding funds to be placed with the Central Bank or institutions authorized by the Central Bank. For banks, the obligation exists to deposit minimum reserves (see "Special Reserves" below), which shall be kept in the form of demand deposits in the Central Bank and will generate interest in the manner determined by the Bank. [LB 45]

Authorized Investments: Investment in real estate and equipment is limited to 50 percent of net worth less 25 percent of revaluations under instructions of the Superintendence [Act 45]. Investments in other credit unions require the prior approval of the Superintendence, and in no case may exceed more than 15 percent of net worth.

Capital Adequacy-Reserves

Initial Organization: New or existing credit unions falling under the application of the Act are required to have no less than five million colones minimum capital paid [Act 16]. The U.S. dollar exchange rate has been fixed at 8.75 by Decree 201, November 30, 2000. [Art. 1]

Permanent Capital: Every two years capital must be adjusted according to the Consumer Price Index to maintain its real value. [Act 16]

Regular Reserve: Twenty percent of annual profits must be reserved up to a minimum of 50 percent of the paid capital. This regular reserve cannot be capitalized. [Act 19]

Loan Loss Allowance: After the regular reserve and before distributions of dividends, a loan loss reserve must be established. [Act 20]

Special Reserves: The bylaws and the AGM shall determine the amount of the surplus that can be allocated for the creation of other reserves. [L]

Banks must maintain, by way of a cash reserve, a reserve proportional to the deposits and liabilities, differentiated according to the provisions of the Central Bank [LB 44]. The Central Bank may impose reserve requirements on other legally established entities that habitually receive money from the public through any borrowing transaction. [LB 49]

Likewise, creating special reserves in the case of associations is a matter to be determined by the provisions of the bylaws.

Powers of the Credit Union

General Powers: Credit unions are body corporates authorized to perform savings and loan operations, collections for third parties, and restricted banking operations such as: issue of debit cards, issue or administration of debit and credit cards and other limited commercial paper transactions as approved by the Federation and authorized by the Central Bank. Non-financial operations are not spelled out [Art. 34]. Both the law and the regulations enable credit unions to engage in financial intermediation (mobilizing funds and granting loans).

Borrowing: The law enables cooperatives to issue investment certificates for the purpose of obtaining resources to finance specific productive operations. If the placement of these amounts is done privately, it does

not require the authorization of the Superintendency of Securities. Credit unions may borrow from banks and financial institutions, either national or foreign, or from other sources. [Act 34]

Merger: Credit unions may merge with another credit union instead of being liquidated. Credit unions may merge among themselves with prior approval of the Superintendency. Merging procedures must follow the Commercial Code provisos [Act 10]. No procedure is defined to carry out a merger.

Liquidation: Voluntary liquidation is allowed with the approval of the Superintendency [Act 10]. Compulsory liquidation is regulated by Chapter III, Articles 82 through 105. According to the law and the regulations, the liquidation of the credit union is subsequent to its dissolution. Among the reasons for dissolution, the following are set forth: reduction in the minimum number of members, inability to carry out the specific purpose for which the credit union was chartered, total or partial loss of economic resources, merger with another cooperative or when the reasons that led to the temporary suspension of the credit union are repeated.

The dissolution and liquidation of a bank that the Deposit Guarantee Institute decides not to restructure shall be the result of a decision issued with the grounds therefore stated made by the Board of Directors of the Superintendency and shall be subject to the procedures set forth. [LB 88, 112]

Federation or Association

Purposes: The main purpose of federations is to promote the efficient, solvent and competitive development of the credit union system, geared to provide financial services to medium and low income families in urban and rural areas and micro, small and medium size enterprises. Federations have regulatory powers subject to approval by the Central Bank and the Superintendency [Act 36, 55]. They can also make inspections as ancillary supervision organizations with the approval of the Superintendency [Act 53]. Federations may act as liquidity centrals, administer legal liquidity funds, obtain and mediate in lending funds to credit unions, administer Stabilization Funds, supervise and examine credit unions accepting deposits of non-members, and issue limited operational guidelines [Act 148]. A federation is formed for the purposes stated in its articles of association and bylaws. In general, its purposes are to represent and defend the interests of its members; provide services,

GUATEMALA

advice and technical assistance in different areas; provide audits according to its ability; provide for the creation of new credit unions; and other purposes as set forth by the regulations and the bylaws.

Membership: The federations are made up of 10 or more cooperatives and may be directly affiliated with confederations, with the requirement that they have legal standing granted by INSAFOCOOP. Confederations are organizations made up of at least three federations of the same type or by five of different types.

Dissolution: Dissolution of a federation is the result of the same causes and is subject to the same procedures as those of primary associations.

GUATEMALA

*Region
Federation*

Latin America
Federacion de
Asociaciones
Cooperativas de
Ahorro y Credito
Civil-Unitary
General Cooperative
Law
Number of Credit Unions
Number of Members
Total Assets (US\$)
26 (2002)
348,769 (2002)
\$246,336,878 (2002)

Rev: 2-04: alc

Central Finance Facility

Purposes: In essence, federations may act as the Central Finance Facility for their affiliate credit unions with the approval of the Superintendency. [Act 148, f, 154]

Membership: Affiliated credit unions [Act 151]. See "Purposes" above.

Funds: Minimum paid capital required is 20 million colones from members share contributions [Art. 149, 150]. See "Purposes" above.

Share and Deposit Protection

[Note: The following subtitles refer exclusively to banking institutions. The legislation consulted makes no reference to cooperatives or non-bank financial institutions. A future special law is referred to in Article 1, LB.]

Purposes: Article 153 (LB) creates the Deposit Guarantee Institute for banks. The purpose of the Deposit Guarantee Institute is to guarantee deposits of the public in the event of forced dissolution and liquidation of a member bank, up to an amount of 55,000 colones per depositor. [LB 167]

Coverage: See "Purposes" above.

Membership: All banks regulated by the LB (except the Agricultural Development Bank and the Multi-Sectoral Bank) shall be members. [LB 156]

Funds: The Institute's equity consists of a single contribution by the Central Bank of 250 million colones, the premiums paid by the member banks, donations and other income [LB 155]. The premium is 10 percent of the daily average of the balances maintained during the previous quarter. [LB 169]

Legal Authority

Law: General Cooperative Law of Guatemala, 1978. (D.S. (82-78) [cited as "LG"]

Regulations: Regulations of the General Cooperative Law of Guatemala, № M.de E 7-79- 17/ 7/1979. [cited as "R"]

Definition or Purposes of Credit Union

Definition: Duly chartered, credit unions are the titular associations of an economic enterprise serving its members. They shall have their own legal existence apart from that of their members upon being registered in the Cooperative Registry. [Article 2 LG]

Supervision and Regulation

Government Agency: The National Cooperative Institute (INACOP) is responsible for serving as a Cooperative Registry. [Articles 31, 32 and 33, Item (c) LG] In addition, the Inspectorate General of Cooperatives (secondary to but independent of the INACOP) is responsible for the ongoing examination and supervision of cooperatives, cooperative federations and a confederation. [Article 26, 53 LG]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: See "Government Agency" above.

Reports: Thirty days after the annual members' meeting, it is mandatory for the cooperatives to send the inspector general a copy of their business and financial statements

for the fiscal year and, within 10 days of their election, the list of persons elected to the different positions. [Article 27, Item (c) and (d) of the LG] Accounting to be performed according to Inspectorate regulations [Item (a) same article]

Inspections: At least once a year, without prior notice, the Inspectorate will perform inspections, cash counts and other checks as it deems advisable to supervise compliance with laws, regulations and applicable provisions. [Article 55, Item (a), (c), (e) LG]

Regulations: There is no restrictive legal text recognizing the Inspectorate General of Cooperatives; this institution is implicitly recognized to have the specific power to issue rules and regulations in matters of accounting rules [Article 27, Item (a) LG]; to assess the annual fee to defray the expenses of examination by the INGECOOP [Article 56 LG]; and, generally speaking, to perform the duties and exercise the functions inherent in the best compliance with this mandate. [Article 55, Item (k) LG]

Enforcement: The Inspectorate has explicit powers arising from the inspection of cooperatives: to point out flaws to those in charge; to request and have errors or irregularities corrected or resolved; and, should they persist, to sanction them, adopt measures to correct them and approve liquidation if all other options fail. [Article 55, Items (a), (b), (c) and (e) LG]

Membership of Credit Unions

Common Bonds of Association: These issues are to be determined by the bylaws. [Article 8 (b) LG]

Non-Natural Persons Eligible: Law and Regulations are silent.

Liability of Member: The cooperative's liability (and, accordingly, that of the members) for the cooperative's transactions is limited to the amount of its equity shares. [Article 7 LG and 2 R]

Direction and Administration

Annual Meeting of Members: There are ordinary meetings held at least once a year, within 90 days of the close of the fiscal year, and extraordinary meetings may be held. [Article 4, 5 and 6 R] The extraordinary meetings may be called by the supervisory committee when the board of directors fails to do so or when at least 20 percent of the active members request one. [Article 8 of the R] Cooperatives with more than 500 members may include in their bylaws the holding of meetings by duly accredited delegates. [Article 13 R]

Board of Directors and Committees: The board is the cooperative's management body. [Article 3 R] There shall be no less than five members elected to it. [Article 15 of the R] There shall be a supervisory committee as the internal supervision and control body and other committees as the board may see fit. [Article 3 R] The supervisory committee is the body responsible for monitoring and examining the cooperative; the law refers to the bylaws for its makeup [Article 18 R]. The powers and duties of the supervisory committee include the conducting of audits or instructing the board of directors to hire an auditor or request one from the INACOP; periodically reviewing the accounting documents; and conducting cash counts and securities inventories. [Article 20 R] The board of directors may create any other committees it deems necessary. [Article 3, Item d R]

Management and Employees: In the bylaws of the cooperatives, the inclusion in their structure of one or more managers is allowed when necessary. [Article 22 R]

Audits: The supervisory committee oversees audits. [Article 20 R]

Liability of Officials: The members of the management bodies are jointly liable for their decisions, [Article 12 of the R] and the cases in which liability is incurred are defined. [Article 29 of the LG]

Conflicts of Interest: Among the members of the boards, and the supervisory committees, there may be no kinship of relatives to the fourth degree of consanguinity or the second degree of affinity. [Articles 16 and 19 R]

Surety Bond: Law and Regulations are silent.

Shares and Deposits

Shares: The value of the shares, the way they are paid in, their reimbursement and the way they are transferred are discussed in the bylaws. [Article 19, Item (e) and (I) LG]

Deposits: Law and Regulations are silent.

Dividends and Interest: Law and Regulations are silent.

Lien on Holdings: There is no express provision, except in the case of withdrawal, under which the obligations outstanding on the day of withdrawal are deducted from the member's net balance. [Article 9 of A]

Loans

Purpose and Conditions: Law and Regulations are silent.

Approval Procedure: Law and Regulations are silent

Limits, Terms and Security: Law and Regulations are silent.

Interest Rates and Charges: Law and Regulations are silent.

Loans to Officials: Law and Regulations are silent.

Investment of Funds

Deposit of Funds: Law and Regulations are silent.

Authorized Investments: Law and Regulations are silent.

Capital Adequacy-Reserves

Initial Organization: Law and Regulations are silent.

Permanent Capital: Law and Regulations are silent.

Regular Reserve: It shall be mandatory to set aside 5 percent of the surplus of each fiscal year for the indivisible reserve. [Article 19, Item (h) LG]

Loan Loss Allowance: Law and Regulations are silent.

Special Reserves: The credit union's bylaws may provide other reserves for its development and expansion. [Article 23, Item (b) R]

Powers of the Credit Union

General Powers: Cooperatives can engage in any legal activity within the areas of production, consumption and services compatible with cooperative principles and spirit [Article 5 L] and with their capacity as legal entities.

Borrowing: There is no specific provision, although loans to the cooperative are mentioned in the Economic Rules. [Article 23, Item (d) R]

Merger: See "Liquidation" below.

Liquidation: A cooperative may liquidate voluntarily by decision of two-thirds of members or may merge with another cooperative. The reasons allowed include the loss of 60 percent of equity, reduction of the number of members below the minimum and the social objective is impossible to maintain. [Article 13 LG]

Federation or Association

Purposes: The federations are associations of first-tier cooperatives; the confederation is an association of second-tier associations. Federations are chartered to achieve for their members social and economic goals and representational services. Each represented cooperative shall be entitled to a single vote. [Articles 34-36] Federations can establish service centrals under

their responsibility; they shall be governed by the General Cooperative Law without being considered as such and they are established by means of a public document. [Articles 40-42 R]

Membership: See "Purposes" above.

Dissolution: Federations are considered cooperative associations and therefore are governed by the same liquidation procedures as first-tier cooperatives. [Article 17 LG]

Central Finance Facility

Purposes: There is no express provision for the operation of a central liquidity facility but the federation can establish one. The disadvantage would be having to operate it under its own liability, without it having an independent legal existence. See "Federation" above.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

HONDURAS

*Region
Federation*

Latin America
Federación de
Cooperativas de
Ahorro y Crédito
de Ltda.
Civil Code
Cooperative
98 (2001)
401,000 (2001)
Total Assets (US\$)
\$254,593,822 (2001)

Legal System

Type of Law

Number of Credit Unions

Number of Members

Total Assets (US\$)

Rev. 3-00: alc

Legal Authority

Law: Cooperative Law, April 30, 1987. [Note: Not expressly repealed by the Law of the National Commission of Banks and Insurance, J. [cited as "LC"] cited below.

The Law of the National Commission of Banks and Insurance, October 24, 1995. [cited as "LCNBS"]

Regulations: Regulations of the Cooperative Law of Honduras, May 7, 1987. [cited as "RLC"]

Definition or Purposes of Credit Union

Definition: Credit unions are private-sector voluntary organizations, consisting of persons inspired by self-effort and mutual assistance, who engage in socio-economic activities to provide goods and services for the satisfaction of community and individual needs. [LC 6]

Supervision and Regulation

Government Agency: Starting October 24, 1995, inspection and oversight of credit unions previously exercised by the state through the Honduran Cooperative Institute (IHDECOOP, according to the Spanish initials) have been transferred to the National Commission of Banks and Insurance(CNBS). [LCNBS 6]

Other Licenses Needed: Laws and Regulations are silent.

Other Institutions Regulated: The CNBS is responsible for the supervision, oversight and control of public-sector and private-sector banking institutions, insurers, finance companies, savings and loan associations, general depot warehouses, securities markets, cooperative exchange bureaus and other savings and credit organizations, government-owned or private-sector administrators of pensions and retirement funds and

any others accomplishing functions similar to the foregoing. [LCNBS 6]

Reports: The CNBS shall require data and information to carry out its objective, including balance sheets, operating statements, financial indicators and any other similar information. [LCNBS 14(4)]

Inspections: The CNBS is empowered to carry out any audits, evaluations, inspections and reviews it deems necessary and verify compliance with legal, bylaw, regulatory and other applicable obligations. [LCNBS 14(5)]

Regulations: The CNBS is empowered to issue rules that are required for: compliance with review, verification, control and examination; prudent standards which credit unions must comply with on the basis of the current legislation and international agreements and practices; the submission of accounts; appraisal of assets and liabilities; creation of risk provisions; liquidity and solvency; and coordination with internal and external audits. [LCNBS 13]

Enforcement: The CNBS may prohibit the practice of transactions or functions, providing services or marketing financial products, impose sanctions and fines for violations and decree the takeover, liquidation or closing of supervised institutions. [Art. 13]

Membership of Credit Unions

Common Bonds of Association: No express reference has been found that to be a member one must belong to a common bond. LC 77 allows the inclusion in the bylaws of specific non-discriminatory demands as may be necessary for the purposes pursued by the credit union. Article 151 of the Regulations prohibits belonging to two or more credit unions.

Non-Natural Persons Eligible: Legal non-profit, non-cooperative entities may be admitted as members. [LC]

Liability of Member: Limited to the amount of his/her shares. [LC 73]

Direction and Administration

Annual Meeting of Members: Credit unions shall be governed and administered by the general meeting, the board of directors and the management. [LC 20]

The general meeting, legally called and assembled, is the supreme authority of the credit union and expresses its collective will. Any powers not attributed to other bodies by law, its regulations or bylaws are its responsibility. [LC 22]

HONDURAS

Board of Directors and Committees: The board of directors is elected at the annual general meeting and serves two years in its duties. Its members may not be reelected for more than two consecutive periods. [RLC 63] The members of the supervisory committee, also appointed at the meeting [LC 32], may only be reelected one time. [RLC 80]

Management and Employees: The management staff is recognized [LC 62(k)]; it is appointed or removed by the board of directors. [RLC 65-79] deal with the obligation, requirements, security and guarantees applicable to the manager.

Audits: Implicitly, audits are mandatory. [LCNBS 13(8) and LCNBS 14(5)]

Liability of Officials: The directors' liability is joint and is defined in the law. [LC 29]

Conflicts of Interest: Laws and Regulations are silent.

Surety Bond: The bylaws of the credit union must regulate the amount and type of guarantee that must be rendered by the staff in whose custody the goods or funds are entrusted. [RLC 26(j)]

Shares and Deposits

Shares: Shares are the funds credit union members must give the credit union, as a bylaw obligation, to make up the capital stock. They shall not be less than 120 lempiras a year, and the minimum amount shall be set by the bylaws. [RLC 96]

Deposits: Credit unions are empowered to accept from their members other economic resources. [RLC 97] Savings are amounts that the members voluntarily deposit according to the regulations issued by the board of directors. [RLC 99]

Dividends and Interest: Totally paid-in shares shall accrue interest at a rate that shall be set annually by the board of directors. The interest may be compounded totally or partially by the decision adopted at the annual general meeting [RLC 42], and the rate may not exceed that set by the Central Bank of Honduras. [RLC 104]

Lien on Holdings: Shares, deposits, holdings and rights of any kind of the members are subject preferably in favor of the credit union for any obligations the members may have incurred with it. [LC 124 and 125]

Loans Because they are of a general nature, the law and its regulations do not contain specific provisions related to granting the loans that are not referred to in the words of the charter. [RLC 26]

Purpose and Conditions: Laws and Regulations are silent.

Approval Procedure: Laws and Regulations are silent.

Limits, Terms and Security: Laws and Regulations are silent.

Interest Rates and Charges: Laws and Regulations are silent.

Loans to Officials: The CNBS shall oversee strict compliance with the regulations of the Central Bank of Honduras for granting loans, discounts, guarantees and other credit transactions to directors and officers of the institutions examined. [LCNBS 13(19)]

Investment of Funds

Deposit of Funds: Laws and Regulations are silent.

Authorized Investments: Legal reserves shall be invested in bonds or other securities that are readily converted, issued by cooperative federations, banking institutions or by the government. [RLC 44(a)]

Capital Adequacy-Reserves

Initial Organization: The primary credit unions must be chartered with a capital stock of no less than 2,000 lempiras. [RLC 21]

Permanent Capital: By reference to the Law on Financial System Institutions, the CNBS is empowered to oversee compliance with a ratio between capital and capital reserves and a system of weighted assets, aimed at maintaining the soundness of the financial system. [LCNBS 14(2)]

Regular Reserve: Of the surplus, at least 10 percent will be used to form a legal reserve fund, accruable annually, but which cannot be distributed. [LC 44 and RLC 106]

Loan Loss Allowance: The CNBS is empowered to establish criteria for the valuation of assets and create provisions for risks. [LCNBS 13(10)] They shall establish a special fund for bad loans in percentages set forth in the bylaws. [RLC 108]

Special Reserves: Credit unions mobilizing resources through savings and insurance certificates may create a liquidity reserve of no less than 25 percent of the amount mobilized. [RLC 99]

Powers of the Credit Union

General Powers: Neither the cooperative legislation nor the financial legislation contain specific provisions related to credit union powers that are not those arising

from the recognition of its essential legal standing and its field of activity. [LC and LCNBS]

Borrowing: Laws and Regulations are silent.

Merger: The merger, incorporation and conversion of credit unions is permitted. [Chapter I, Title III of the RLC] The CNBS is now empowered to oversee the merger of financial institutions. [LCNBS 13(5)]

Liquidation: Liquidation of a credit union may be voluntary by decision of a meeting of the members or it may be compulsory by action of an officer at the urging of the IHDECOOP. [RLC 69]

Federation or Association

Purposes: Secondary and tertiary cooperatives may carry out any activity of a technical, economic, commercial, administrative, financial and social nature for credit unions that belong to them as well as nonmember credit unions. [RL 89]

The federation, by delegation of the IHDECOOP, may exercise inspection and supervision of its member credit unions. [LC 97]

Membership: Secondary cooperatives have credit unions (primary cooperatives) as members. [RL 89]

Dissolution: This shall be governed by the Cooperative Law and its regulations by analogy with the primary organizations. [RLC 179]

Central Finance Facility

Purposes: The power to organize a central finance facility is implicit in the power to establish secondary and tertiary cooperatives. [RLC 89]

Membership: See "Purposes" above.

Funds: Laws and Regulations are silent.

Share and Deposit Protection

Purposes: Laws and Regulations are silent.

Coverage: Laws and Regulations are silent.

Membership: Laws and Regulations are silent.

Funds: Laws and Regulations are silent.

MEXICO

<i>Region</i>	Latin America
<i>Federation</i>	Caja Popular Mexicana
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Mixed: Cooperative - Financial
<i>Number of Credit Unions</i>	330 (2001)
<i>Number of Members</i>	496,581 (2001)
<i>Total Assets (US\$)</i>	\$475,718,559 (2001)

Rev. 03-02:al

Legal Authority

Law: General Law of Cooperative Societies, March 8, 1994. [cited as "LGSC"]

Popular Savings and Credit Act, April 30, 2001 [cited as "Act."], which mandates that in areas not covered therein, the Cooperative Law, Commercial Code, Federal Civil Code, the Common practices, the Federation Fiscal Code, and the Federal Administrative Law apply in that order [Act. 8]. It derogates all provisions in contradiction with the Act. [Art. 16 of the Transitory Section, Act]

Regulations: Decree by the Secretary of the Treasury and Public Credit, December 27, 1991 [cited as "D"], regulating savings and loan societies, non-profit organizations, legal entities that operate only with natural persons as members, considered Ancillary Credit Organizations and subject to specific rules, including those issued on August 31, 1992 by the Central Bank.

General Rules for the Organization and Operation of Savings and Credit Societies, July 15, 1992. [cited as "RR"]

Banking Rules of Mexico for Savings and Credit Societies. [cited as "RRBM"]

Definition or Purposes of Credit Union

Definition: Popular savings and loans organizations that include savings and loan associations, cooperatives, 'cajas populares,' which have the purpose of providing borrowing to their members, financing micro, small and medium enterprises, and enhancing the welfare of members and communities [Act. 4, 6]; excluding labor 'cajas' [Act. 6]. Credit and savings cooperatives are classified as consumer cooperatives [LGSC 26]. They are also called savings and credit societies under the Decree of the Secretary of the Treasury and Public Credit that reforms and adds to the General Law of Organization and Ancillary Credit Activities. Their objective is to

secure financial resources and invest them exclusively in loans to their members or in investments for their greater benefit. [D 38]

Supervision and Regulation

Government Agency: Secretary of Treasury and Public Credit [Act. 1] and the National Banking Commission [Act. 2, 32, 35]. The National Banking Commission (“Commission”) is in charge of the inspection and supervision of those organizations performing ancillary credit activities that have been assigned them by the law of credit institutions. [D 56]

The Secretary of the Treasury is the competent agency to interpret for administrative purposes the precepts of the law in all matters related to ancillary credit organizations and activities. [D 1]

They should be registered in the Public Commercial Registry corresponding to their business address. [LGSC 13]

Also see below: “Reports,” “Inspections,” “Regulations,” and “Authorized Investments.”

Other Licenses Needed: Authorization is required from the Secretary of the Treasury and Public Credit [D 5]. Incorporation also requires agreement from both the Federation and the Commission. [Act. 9]

Other Institutions Regulated: Popular Financial Societies [Art. 41], Confederations and Federations [Act. 47, and 59]. All ancillary credit institutions classified as: public warehouses, financial lessors, credit unions, financial billing companies and others that the law considers as such. [D 3]

Reports: Credit unions shall provide their Federations information and documentation related to the auxiliary inspection function [Act. 58, II]. Monthly and annual information and documentation, within the limits of their respective jurisdiction, can be requested at the time and in the manner desired by: the Secretary of the Treasury and Public Credit, the Bank of Mexico and the National Banking Commission. [D 51]

Inspections: Confederations and Federations have auxiliary supervision powers under terms determined by the Commission [Act. 60 II, 62, 69 V]. Inspection and supervision is entrusted to the National Banking Commission, in accordance with the law of credit institutions. [D 56]

Regulations: The Commission shall issue general operational regulations [Act. 32], including prudential standards, loan loss allowances, liquidity ratios, investments, internal controls, lending procedures,

investments, etc. [Act. 116]. The Secretary of the Treasury and Public Credit is responsible, in the areas of organization and operations (allowed operations), for setting a maximum limit of direct or contingent liability [D 38] and minimum paid-up capital [Rule 14a. of the RR]. The National Banking Commission is responsible for the subject and type of publicity for monthly and annual financial statements. [D 53]

Enforcement: Auxiliary supervision organizations may remove directors or managers [Act. 77], place the credit union under temporary receivership [Art. 78], or partially suspend operations and close branch offices and agencies [Art. 80, Act]. Title Six of the Act contains sanctions as fines [Act 131], and other penalties in cases of non-compliance and prison in cases of crimes [Act. 133-136, 138]. Also, authorization to operate may be revoked and liquidated [Act 37]. In the event of a violation of the rules, upon inspection, the National Banking Commission can intervene administratively in the corporation, without prejudice to its eventual administrative closing and/or the application of other sanctions provided for under the law [D 64]: closing, administrative intervention, managerial intervention [D 65], fines [D 69], suspension [D 71] and civil and criminal liability. [D 74]

Membership of Credit Unions

Common Bonds of Association: There is no legal requirement for membership. Therefore it is determined by the bylaws [V LGSC 16] and by agreement by the board of directors [Rule 15a. of the RR]. Requirements for admission to membership are left to the bylaws or incorporation articles. [Act. 11]

Non-Natural Persons Eligible: The eligibility of non-natural persons is subject to determination by the Secretary of the Treasury and Public Credit. [D 38]

Liability of Member: The articles of incorporation of the society can determine whether liability is limited or pro rata with business operations and up to an amount established in said articles. [LGSC 14]

Direction and Administration: The appointment of the board of directors, the supervisory committee and the committees established by law or by the articles of incorporation is the responsibility of the general assembly. [LGSC 34; Rules 11a and 13a of the RR]

Annual Meeting of Members: The general assembly of members is the supreme authority. It resolves all business and important issues for the corporation and establishes norms for business operations. [LGSC 36]

Board of Directors and Committees: Required additional governance bodies are: Board of Directors, Supervisory Committee, Credit Committee and Manager [Act. 16, 26, 28]. Internal management, administration and supervision are the responsibility of the board of directors, as the executive committee of the assembly [LGSC 41]. The supervisory committee practices supervision with the right to veto [LGSC 45, 46] those tasks established by law, designated by the assembly [D 34] or indicated by the Secretary of the Treasury under the general rules [D 38]. Members are appointed or removed for justified reasons by the general assembly. [LGSC 36 V]

Management and Employees: The appointment of a general manager should be of a person who has recognized moral quality, knowledge and experience in the commercial, financial or administrative fields and who does not have any legal impediments [Rule 12 RR]. Other than an executive director or manager, no other personnel is mentioned by the Act.

Audits: The annual financial statements of ancillary credit organizations are subject to exam and opinion through an external and independent audit [D 53], with characteristics and requirements to be established by the National Banking Commission. [D 53]

Liability of Officials: Officials of credit organizations are subject to civil and criminal liability for violations of the law or rules. [D 74]

Conflicts of Interest: Persons that directly or indirectly execute services, supplies, construction contracts or that participate in corporations which are parties to such contracts may not be directors. The same prohibition applies to politically elected officials [Act. 21, VII]. A person cannot be a director who has a certain degree of family relation with another director. Nor can someone who has pending litigation, nor can those sentenced for property crimes, those unable to perform commercial acts or perform work in the public or financial sectors, those who are insolvent or in bankruptcy proceedings who have not been discharged or officers who perform supervisory work in this sector. Members cannot directly or through an agent enter into contracts for work, service, supply or other similar contracts. [Rule 13 RR]

Surety Bond: Those responsible for financial management must have a joint guaranty or bond during the period of their work [LGSC 43]. The duty to have a surety bond may be inferred as required by the Federations and enforcement of prudential standards.

Shares and Deposits

Shares: Shares make up the capital of the cooperative, with every member required to own at least one share [LGSC 51]. They are of equal value, fully paid and confer equal rights [D 38]. The minimum amount will be equivalent to 10 times the prevailing general minimum daily salary in the federal district [Rule 14a. RR]. Each member has the right to only one share. [G 38]

Deposits: Deposits of money can be received from members and economically dependent minors of members, the latter being legal representatives of the former. [Rule 16.I RR]

Dividends and Interest: The retained net earnings from operations and others will be distributed among the members in order to proportionally reduce the interest and other charges on credit granted to them or in order to provide a greater return to member savers [D 38(I-III)]. The Secretary of the Treasury and Public Credit, with the opinion of the Bank of Mexico, will indicate through general rules the terms and percentages by which the excess earnings will be distributed [D 38(I-III)]. If the issuance of excess or volunteer certificates is agreed upon, these will earn interest in accordance with economic possibilities and based on banking rates for fixed term deposits [LGSC 51]. Dividends are mentioned by the Act in connection with the allocation of the regular reserve. [Act. 13]

Lien on Holdings: The return of shares will be made subject to a member's liquidation of any pending obligations. [Rule 15a. RR]

Loans

Purpose and Conditions: Purposes and conditions for loans are to be established by Board of Directors policies [Act. 22, I] and procedures manuals [Art. 22, IV Act]. Loans or credits can be granted to members and labor-related credits can be granted to employees. [Rule 16A IV RR]

Approval Procedure: The credit committee or its equivalent approves loan applications based on policies determined by the Board of Directors [Act. 26]. Lending procedures shall be decided in the bylaws. The credit committee or its equivalent approves loan applications based on policies determined by the Board of Directors. [Act. 26]

Limits, Terms and Security: Credit terms should be congruent with the terms of liability operations [Rule 6a

RR]. The terms and guarantees are to be decided in the bylaws. In general, credit unions are not allowed to operate in terms and conditions different from the practices followed by the market and cannot grant loans which are not within its corporate object or which are in excess of their operational level [Act. 33]. Loans to insiders must be approved by three-fourths of the Board Members attending the meeting. [Act. 35]

Interest Rates and Charges: Passive interest rates can be based on those of banking instruments, denominated in national currency, announced by the Bank of Mexico; or rates of return on an initial investment can be based on treasury certificates from the Federation or development bonds from the federal government. If the one chosen does not exist, an alternate recommendation will be given for the instrument. [Rule 12a. RR]

Loans to Officials: Law and Regulations are silent.

Investment of Funds

Deposit of Funds: Demand and time deposits in financial institutions, including Federations, are authorized [Act. 36 XIV]. See also “Authorized Investments” below.

Authorized Investments: Investment in securities [Act. 36, XVI]; liquidity loan to credit union affiliated to the same Federation [Act. 36, III]. Real estate required for their operations [Act. 36 XIX] and, in general investments should follow the basis provided by the Commission for Level IV credit unions in the areas of cash. No limits are given. Credit institutions can invest 15 percent in banking instruments and/or government securities with terms of less than 91 days; the remaining 85 percent can be invested in credit and other assets, in accordance with the law and limited by it. [Rule 6a. of the RR]

These institutions can make demand deposits in credit institutions and acquire shares with fixed income in investment corporations, deal in government securities and banking bonds, the terms of which do not exceed six months and similar or related investments authorized by the Bank of Mexico [Rule 17a. RR].

The Secretary of the Treasury and Public Credit will determine the terms under which paid capital stock should be invested. [H 38]

Capital Adequacy-Reserves

Initial Organization: The Commission is vested with the authority to issue regulations regarding minimum capital requirements [Act. 116]. Capital is made up of member

shares, returns that the assembly agrees to set apart in order to increase capital [LGSC 49] and the issuance of share certificates for risk capital for a determined time. [LGSC 63] The Commission is vested with the authority to issue regulations regarding minimum capital requirements [Act. 116] Legislation requires an implicit minimum initial capital, 10 times the prevailing general minimum daily salary in the federal district, multiplied by the minimum number of initial members. No fewer than 10 members should appear before the notary public who authenticates the constitution [Rule 4a. RR]. But there should be a minimum of 500 members with paid-up shares in the aforementioned amount [Rule 14a. RR]. For corporations with fewer than the minimum but with 100 or more members, the Secretary of the Treasury will determine the total amount of assets during the first quarter of each year. [Rule 5a. RR]

Permanent Capital: The Commission may require additional capital related to credit risks or when applicable market risks [Art. 116, Act]. The Secretary of the Treasury is responsible for establishing, through general rules, a minimum paid-up capital that in its judgment will maintain an adequate ratio of capital to at-risk assets. It can be different depending on the characteristics of the institution’s operations [Rule 14a. RR]. The Commission may require additional capital related to credit risks or when applicable market risks. [Act. 116]

Regular Reserve: A 10 percent reserve of annual profits is the legal reserve to be maintained in Government liquid obligations mandated by law [Act. 12, I and 13]. Reserves are constituted by 10 percent of the annual earnings returned until reaching no less than 10 percent of capital stock [LGSC 54; D 8], and up to an amount equaling capital and are reserved for handling losses or restoring working capital. They should be refunded at the end of the fiscal year with a charge to returns. [LGSC 55]

Loan Loss Allowance: A reserve should be created and maintained for losses on loans in an amount no less than 50 percent of the balance of the matured portfolio or 1 percent of the direct and contingent credit portfolio, whichever is greater. This serves as a global prevention for possible losses in the direct and contingent loan portfolio [Rule 19a. RR]. Although the Act provides no specifics, the subject is left to the Commission and prudential guidelines from the Federations. [Act. 116]

Special Reserves: A reserve for the development of the savings and credit society movement is authorized [D 38 (I)(II)]. The Act remains silent on this subject.

Powers of the Credit Union

General Powers: Credit unions are body corporates with stated statutory powers to: accept savings and time deposits, make payroll deductions, collect public utilities bills, exchange foreign currency, issue credit cards, and several other financial operations not reserved to banks [Act. 36 and 38]. Credit societies can participate freely in any legal economic activity [LGSC 8], including entering into acts, contracts and free association with others in the pursuit of their corporate objective. [LGSC 13]

Borrowing: Borrowing from national or foreign sources, development trusts and international financial organizations is authorized provided their Operational Level allows [Act. 36, II]. They may also borrow from their Federations [Act. 36, IV]. Credit societies can receive loans and credits from credit institutions in the country for their operations or for temporary liquidity needs related to their objective, as long as these do not exceed 20 percent of their total assets. [Rule 16a. II, RR]

Merger: Credit unions may merge following procedures set forth by Section 5 of the Act. The merger of one or more cooperatives is specified. [LGSC 73]

Liquidation: The Act provides six compulsory and voluntary causes for liquidation to be completed following the Commercial Corporation liquidation procedures [Act. 96]. Voluntary and involuntary liquidation of cooperatives is authorized by the General Cooperative Act. Federal and state jurisdictions may be involved in administering provisions contained in the Bankruptcy and Interruption of the Payments Act. [LGSC 66-73]

Federation or Association

Purposes: Federations and the Confederation have to be authorized by the Banking Commission as an auxiliary supervisory agency [Act. 3, VII]. Confederations may be authorized to administer a Protection Fund (see “Share and Deposits Protection” below) and shall cooperate with the Government to promote popular savings and loans [Act. 49]. They also may provide credit reporting services [Act. 52] and grant loans to affiliates [Act. 55, k]. They act as Registry [Act. 57]. Cooperative corporations should observe the principle of participation in cooperative integration. [LGSC 6]

Membership: Affiliation is voluntary. No affiliation to a Federation or Confederation is required to obtain the Share and Deposit Protection (see “Share and Deposit Protection” below).

Dissolution: Dissolution of a Federation, as a cooperative corporation, is governed by the same provisions that govern other cooperatives. See “Liquidation” above. [LGSC 74]

Central Finance Facility

EXPLANATORY NOTE: The Organic Law of the National Savings and Financial Services Bank of May 30, 2001 led to the creation of BANSEFI (Banco del Ahorro Nacional y Servicios Financieros) in January 2002. BANSEFI is a government development bank that serves as a central finance facility for the credit union sector in Mexico. It also provides access to payment services. Further details will be forthcoming as BANSEFI builds up its operations.

Purposes: See “Explanatory Note” above. Confederations and Federations also have the power to contract loans to be channeled to their affiliates [Act. 52, III and LGSC 55, k].

Membership: See “Explanatory Note” above.

Funds: See “Explanatory Note” above.

Share and Deposit Protection

Under the Act, a Protection Trust is mandated. For this purpose, each Confederation must establish and administer its guarantee trust fund. [Act. 3 and 105 through 115]

Purposes: Coverage afforded to individual deposit accounts is paid in cases of liquidation and bankruptcy. Under specified conditions, the Fund may also provide preventive solutions to liquidity problems. [Act. 106]

Coverage: Individual deposit accounts are covered up to four, six, eight and ten thousand investment units for credit unions in Operational Levels classified as I, II, III and IV. Body corporates are covered [Act. 106]. Effective coverage is limited by the size of the Fund [Act. 109, I]. The protection is implemented through individual Trust agreements with each credit union and is also conditional to credit union’s consent to be subject to auxiliary supervision. [Act. 105]

Membership: Membership is compulsory for federated and non-federated credit unions. [Act 105]

Funds: The Fund is built by monthly contributions: one to three per thousand of credit union liabilities to be protected as determined by the Commission.[Act. 108]

NICARAGUA

Region	Latin America
Federation	N/A
Legal System	Unitary Civil Code
Type of Law	General Cooperative Law
Number of Credit Unions	17 (2001)
Number of Members	17,937 (2001)
Total Assets (US\$)	\$4,006,109 (2001)

Rev: 3-00:alc

Legal Authority

Law: General Cooperative Law, June 17, 1971. [cited as "LN"]

Agricultural and Agroindustrial Cooperative Law, March 24, 1990. [cited as "LC"]

Regulations: Regulations of the General Cooperative Law, March 4 1975. [cited as "DR"]

Definition or Purposes of Credit Union

Definition: Credit unions are cooperatives engaged in financial activities: they receive savings and deposits and make loans and deductions by charging low interest rates as stipulated in the bylaws. They do business only with their members. [LC 9]

Supervision and Regulation

Government Agency: The General Directorate of Cooperatives, which was originally the Department for the Promotion of the Cooperative Movement under the Ministry of Labor, supervises cooperatives. [LC 19]

Other Licenses Needed: Laws and Regulations are silent.

Other Institutions Regulated: Every type of cooperative society is supervised by the department.

Reports: Credit unions are obligated to submit to the department a report with the financial statements within 30 days of the close of the fiscal year including a list of the appointed directors and manager and any other information requested. [LC 73(3)]

Inspections: The Department for the Promotion of the Cooperative Movement monitors the credit unions to assure that they perform periodic audits, comply with the legal provisions and meet the principles of the cooperative movement. The Ministry of Labor may perform inspections or audits whenever it deems them advisable. [LC 20(c)]

Regulations: The Ministry of Labor shall issue rules related to the department for the promotion of the cooperative movement, with advice from the permanent advisory committee. [LC 21]

Enforcement: The department for the promotion of the cooperative movement is empowered to establish sanctions or corrective measures and cancel the authorization to operate in defined cases. [LC 64] The assessment of fines and temporary suspension or liquidation is regulated by Article 19 of the DR.

Membership of Credit Unions

Common Bonds of Association: A credit union's common bond is to be established by the bylaws. [LC(b)] No person may belong to more than one cooperative engaged in the same type of activity. [LC 33]

Non-Natural Persons Eligible: The following may be members of cooperatives: certain types of rural or indigenous communities, non-profit legal entities and cooperatives of another type. [L 19, DR 50, 51]

Liability of Member: The members' liability for obligations of the cooperative is limited. Any person who becomes a member shall be liable for his/her shares, together with the rest of the members, for obligations incurred before he/she joins the cooperative and until the time he/she is no longer a member. [LC 4, 27, 32]

Direction and Administration

Annual Meeting of Members: The functions of the general meeting, the board of directors and committees is established by law, regulations, bylaws or the general meeting. [LC 35] The general meeting is the cooperative's supreme authority. [LC 38, BCB 17.1.1,2 et. seq.] When the number of members in a cooperative surpasses 200, the meetings may consist of delegates. [LC 45]

Board of Directors and Committees: The board of directors is responsible for direction and administration. Its powers shall be defined by the bylaws, within the standards set by the regulations. [LC 39] The duties of the supervisory committee are provided for in laws. [LC 43, 44-46]

Management and Employees: The executive part of the operations is assigned to a manager appointed by the board of directors [LC 35(c), 40]

When there is a manager, the position of treasurer is not mandatory. [R 61]

Audits: The annual submission of the balance sheet and operating statements for the fiscal year to the department

must be accompanied by a certification from the Association of Public Accountants or by the audit department of the federation to which the cooperative belongs. [DR 73]

Liability of Officials: The members of the board of directors and of the committees with management duties are jointly liable for their respective decisions. This liability reaches the members of the supervisory committee for any actions it fails to object to at the proper time. [LC 46]

Conflicts of Interest: Laws and Regulations are silent.

Surety Bond: Laws and Regulations are silent.

Shares and Deposits

Shares: Shares, which constitute the capital, are represented by indivisible registered certificates, each with the same value and transferable only with authorization. The general meeting may also allow the interest and surplus to be capitalized. [LC 47] No member of the cooperative may possess more than ten percent of the cooperative's capital stock. [LC 50]

Deposits: Deposits are referred to in the law as loan security and are relative to a lien on holdings. The regulations impose a limitation on credit unions taking deposits in a ratio of 10 to 1 with regard to their capital. [DR 52] The rates of interest to be paid on deposits must appear in the bylaws. [DR 1]

Dividends and Interest: Shares draw a yearly interest limited to the surplus. The law refers to the regulations to prescribe these standards on this. [LC 49] Other surpluses are distributed according to the transactions. [LC 52(d)]

Lien on Holdings: The members' surpluses, interest, shares and deposits in the credit union may be applied to the extent that they cover debts owed by him/her to the credit union. [LC 58]

Return of member credit balances will be deferred in case of existing outstanding debts or when the credit union financial situation does not allow withdrawal of shares. (LG 34)

Loans

Purpose and Conditions: Employers of the public or private sector are obligated to deduct from the payroll any obligation incurred by their employees with the cooperative. [LC 59] The department for the promotion of the cooperative movement, if it deems it necessary, may limit the maximum amount to be loaned to the members. [DR 52]

Approval Procedure: Loan procedures, limits, terms and conditions are governed by the regulations. [DR 75]

Limits, Terms and Security: See "Approval Procedure" above.

Interest Rates and Charges: Interest rates must be stated in the credit union's bylaws. [DR 1] The institution must recognize limited interest on the capital pursuant to the regulations of the law. [LC 2(g)]

Loans to Officials: There are no special provisions in the law for loans to officials.

Investment of Funds

Deposit of Funds: Laws and Regulations are silent.

Authorized Investments: Laws and Regulations are silent.

Capital Adequacy-Reserves

Initial Organization: Laws and Regulations are silent.

Permanent Capital: See "Regular Reserve" below.

Regular Reserve: The percentage applicable to the reserve fund must not be less than 10 percent of the net surplus. [LC 52(a)] This reserve fund is used to cover: a) any losses that might occur during the fiscal year; and b) an education fund in the form set forth in the regulations of the law. [LC 53, 55] The regulations ratify the creation of a reserve fund with 10 percent of the surplus. [DR 55]

Loan Loss Allowance: There are no explicit provisions in the general law related to financial intermediation transactions (see "Regular Reserve" above). In the regulations, the board is given the authority to create technical reserves to cover asset accounts and the necessary reserves to protect assets that are depreciated or consumed for the purpose of adjusting the asset accounts to reflect actual economic conditions. [DR 54]

Special Reserves: The bylaws or the general meeting are empowered to create funds for specific purposes with the surplus. [LC 52(c)]

Powers of the Credit Union

General Powers: A credit union enjoys those powers implicit in private-sector legal entities. The law offers no detail with regard to express rights or powers. [LC 1]

Borrowing: In general, all cooperatives are authorized to borrow in part or whole for specific operations, interest and surpluses to which the members are entitled. The general law contains no specific provision for credit

unions. Additionally, they may obtain loans only from domestic banking or financial institutions subject to oversight by the Superintendency of Banks, from another cooperative organization and with authorization from the Ministry of Labor, from domestic or foreign individuals or entities. [DR 61, 75]

Merger: Laws and Regulations are silent

Liquidation: The Department for the Promotion of the Cooperative Movement, as an ex-officio member of the liquidating committee, shall proceed with the dissolution of a cooperative in any of the following cases [LC 63], subject to the procedures set forth in the regulations. [DR 58-66]

1. By a decision of a special general meeting called to this end with two-thirds of the members' votes;
2. Because of the reduction in the number of members below the minimum set by law or by the regulations;
3. Because the specific purpose for which it was created has been extinguished or completed;
4. Because of the total or partial loss of capital and the reserve fund it becomes impossible to pursue the cooperative's operations;
5. Because of a merger or take over by another cooperative;
6. Because of bankruptcy, which shall be governed by the appropriate law;
7. When for any other cause, it cannot accomplish its mission statement; and
8. For the other reasons set forth in this law or its regulations.

Federation or Association

Purposes: The regional chapters and the national federations permitted by law are considered cooperative organizations. Their purpose is to achieve greater economic strength for the organizations that make up their membership. [LC 69-71] The regulations mention that, among the purposes of federations, is the creation of stabilization funds and any other similar or related funds. [DR 67(c)]

Membership: Three or more cooperatives of the same type and within the same region may join together in a regional chapter. They, in turn, may join national federations. [LC 69]

Dissolution: As a cooperative organization, a federation would be liquidated in the same manner as a credit union. See "Liquidation" above. [LC 69]

Central Finance Facility

Purposes: A purpose of federation is the creation of a stabilization fund or any other similar or related fund. [DR 69(c)]

Membership: Primary cooperatives are members of a federation. [DR 69]

Funds: Laws and Regulations are silent.

Share and Deposit Protection

Purposes: Laws and Regulations are silent.

Coverage: Laws and Regulations are silent.

Membership: Laws and Regulations are silent.

Funds: Laws and Regulations are silent.

PANAMA

*Region
Federation*

Legal System

Type of Law

Number of Credit Unions

Number of Members

Total Assets (US\$)

Latin America
Federación de
Cooperativas de Ahorro
y Crédito de Panamá
Civil – Unitary
Cooperative
179 (2000)
125,365 (2000)
\$283,411,159 (2000)

Rev. 4-00:alc

Legal Authority

Law: Statute Executive Decree: N° 39, March 20, 1997, enacted as Act 17, May 1, 1999, Act 17/97. [cited as “Act”]

Regulations: Regulation of the Law: Act N° 17, May 1, 1997. [cited as “Reg.”]

Definition or Purposes of Credit Union

Definition: Credit unions are cooperatives promoting thrift among their members and the use of personal, mutual and secured credit. [Reg. 8]

Supervision and Regulation

Government Agency: Credit unions are supervised and regulated by the Instituto Panamá Autónomo Cooperativo (IPACOOP) as are cooperatives in general. [Act 118] Cooperatives shall contribute a percentage of their profits to the IPACOOP. [Act 70(1)]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Cooperatives engaged in different forms of cooperative enterprise. [Act 118]

Reports: Credit unions must keep accounting records and file financial reports within 90 days after the closing of their fiscal years. [Act 124] IPACOOP requires reporting of names of officers elected and employees hired and may recommend their removal for proven causes. [Reg. 76]

Inspections: IPACOOP has the authority to examine and revise the financial and institutional documentation of credit unions as may be required. [Reg. 86]

Regulations: IPACOOP has the general power to institute supervision mechanisms and to authorize systems, programs, records, accounting, codes of accounts and general documentation. [Act 125]

Enforcement: IPACOOP is empowered to apply sanctions in case of noncompliance with rules and regulations, failure, delays and false reporting. It may issue warning rulings, impose fines or order liquidation of cooperatives. [Act 135; Reg. 85]

Membership of Credit Unions

Common Bonds of Association: Membership is open. The act and regulation do not require a specific common bond for membership admission; however, admission requirements may be introduced by credit union bylaws. [Act 25] Credit unions may provide their services to nonmembers. [Reg. 8(a)(f)]

Non-Natural Persons Eligible: Governmental bodies and other cooperatives may be eligible for membership, and private corporations may join a credit union provided that they have non-profit purposes. [Act 25(2)]

Liability of Member: The credit union bylaws may include either limited or supplementary liability for members. [Act 27]

Direction and Administration

Annual Meeting of Members: The annual members meeting is the highest administrative body and shall occur once a year within the three months following the close of the fiscal year. [Act 37] Credit unions with more than 2500 members must hold annual meetings with delegates. Also, the bylaws of credit unions with more than 250 members or with members who live in different areas may allow the installation of annual meetings by delegation. [Act 41]

Board of Directors and Committees: Between five and nine directors [Act 46] and three members of the supervisory committee [Act 55] shall be elected at the annual members meeting. [Act 43(2)] The board of directors is in charge of the permanent administration of the credit union, the determination of policies and the planning process and supervision. [Act 45] The board members may be reelected only once. [Act 47]

Action may be taken at the general members meeting to remove a member of the board or the supervisory committee for justified reasons. [Act 60] Cooperatives that require a credit committee may appoint its members with the powers identified in the bylaws. No credit committee member may belong to any of the other governing bodies. [Act 53]

Management and Employees: The administration of the credit union shall be the charge of a manager appointed

by the board of directors, who may or may not be a member. [Act 54]

Audits: Audit examinations are mentioned as well as financial, accounting, administrative and legal examinations. [Reg. 86.]

Liability of Officials: Board members are liable for civil or penal violations of the act, regulation or bylaws. [Act 49] Members of the supervisory committee and the manager are similarly liable for dereliction of their duties, negligence, dishonest acts and competition against credit union interests. [Act 52, 58]

Conflicts of Interest: Close relationship among officers is restricted [Reg. 59]; board members cannot be elected nor employees hired who have personal interests conflicting with those of the credit union. [Act 57]

Surety Bond: Credit union bylaws shall contain the fiscal responsibility and manner in which credit union personnel must guarantee faithful handling of credit union property. [Act 18 (17)] Contracting for fidelity bonds is also mentioned. [Reg. 8(c)]

Shares and Deposits

Shares: The bylaws should prescribe that membership requires the purchase of at least one share or as many shares as are required by the number of member transactions. [Act 66]

Deposits: Law and Regulation are silent.

Dividends and Interest: In profitable years, shares may be paid a dividend as indicated in the bylaws. [Act 70(3)] Payment of dividends in the form of shares, as opposed to cash, may be approved by the annual meeting. [Act 71]

No provision is found regarding interest to be paid by a credit union for members' deposits.

Lien on Holdings: Credit balances on member accounts or supplementary liability obligations shall offset member debit balances if they exist. Supplementary liability will expire after the member has been separated from the credit union for two years. [Reg. 29]

Loans

Purpose and Conditions: Credit unions are empowered to determine and implement their credit policies, including interest rates. [Reg. 8(e)]

Approval Procedure: See "Purpose and Conditions" above.

Limits, Terms and Security: See "Purpose and Conditions" above.

Interest Rates and Charges: See "Purpose and Conditions" above.

Loans to Officials: See "Purpose and Conditions."

Investment of Funds

Deposit of Funds: Law and Regulation are silent.

Authorized Investments: Law and Regulation are silent.

Capital Adequacy—Reserves

Initial Organization: Law and Regulation are silent.

Permanent Capital: Law and Regulation are silent.

Regular Reserve: No less than 10 percent of yearly profits shall be allocated as legal reserve. [Act 70(1)]

Loan Loss Allowance: Law and Regulation are silent.

Special Reserves: The credit union bylaws or its annual meeting may provide for other reserves. [Act 70(2)]

Powers of the Credit Union

General Powers: Credit unions may provide their members and nonmembers with banking-related services, including loans. [Reg. 8(a)] Cooperatives, including credit unions, have the legal power to constitute and manage, according to current acts, retirement funds, unemployment benefits, pension plans and special retirement plans, directly or by means of their federations and ancillary organizations. [Act 77]

Borrowing: Cooperatives may issue investment certificates and other redeemable and term commercial paper to increase their assets. Their purpose shall be specified to and their issue approved by IPACOOP. [Act 80] Obligations from such certificates and paper shall have preference over other liabilities. [Act 81] Commercial paper is described as negotiable instruments, bonds, stock and debt or participation certificates. [Reg. 62]

Merger: Law and Regulation are silent.

Liquidation: Credit unions may be liquidated or dissolved for the following reasons: reduction in the number of members; impossibility or extinction of their specific purpose; entering a state of insolvency; merger with another firm; or any other cause that makes it impossible for the credit union to meet its corporate or economic goals. The application shall be ruled on by a decree from

IPACOOP, which will appoint a liquidating committee composed of a representative of the federation or another membership organization and two representatives from INACOOP. [Act 88, 89]

Federation or Association

Purposes: Federations have general trade organization powers including: representation, promotion and defense of the movement; providing technical assistance, education and research; and establishment of protection for stabilization funds. [Act 96]. Federations also enjoy those powers referred to in "General Powers" for credit unions. See "Powers of the Credit Union" above. Federations may also provide common goods and services. [Act 96(4)] Cooperatives and federations may join to establish insurance cooperatives or promote other activities with the approval of IPACOOP. [Act 97] There shall be no more than one federation by category. [Reg. 70]

Membership: Law and Regulation are silent.

Dissolution: Federations are governed by the same rules that govern credit unions. See "Liquidation" above. [Act 102]

Central Finance Facility

Purposes: Other than the general authorization to establish organizations for the mutual economic benefit of cooperatives, no specific authority is found in either the Act or the regulation. [Act 97]

Membership: See "Purposes" above.

Funds: See "Purposes" above.

Share and Deposit Protection

As stated in "Federation or Association", federations may set up protection and stabilization funds. No additional provisions are found in the legislation consulted. [Act 97]

Purposes: Other than the general authorization to establish organizations for the mutual economic benefit of cooperatives, no specific authority is found in either the law or the regulation.

Coverage: See "Purposes" above.

Membership: See "Purposes" above.

Funds: See "Purposes" above.

PARAGUAY

<i>Region</i>	Latin America
<i>Federation</i>	Central Cooperativa Nacional, Ltda.
<i>Legal System</i>	Civil - Unitary
<i>Type of Law</i>	Cooperative
<i>Number of Credit Unions</i>	30 (1999)
<i>Number of Members</i>	156,882 (1999)
<i>Total Assets (US\$)</i>	\$74,455,757 (1999)

Rev. 4-00:alc

Legal Authority

Law: Cooperatives Law, November 29, 1994. [cited as "Act"]

Regulations: Decree No. 14052/96, July 3, 1996. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: Credit unions fall under the general definition of non-profit economic and social enterprises where persons seek voluntarily the satisfaction of individual and collective needs through self-help and mutual effort. [Act 3]

Supervision and Regulation

Government Agency: Credit unions are supervised and regulated by the National Institute of Cooperatives (INCOOP), which is in charge of the supervision and regulation of all kinds of cooperatives. [Act 115]

Other Licenses Needed: Paraguay's Central Bank must approve issuance of bonds by cooperatives. [Reg. 4]

Other Institutions Regulated: INCOOP supervises and regulates all kinds of cooperatives. Under Act 438/94, cooperative banks [Act 111] and cooperative insurance societies [Act 112] fall also under INCOOP's jurisdiction. Both must have the approval of their respective supervisory agencies. [Act 113]

Reports: Credit unions must provide financial information to any officer appointed by INCOOP when necessary with a court order. When a cooperative falls also under the jurisdiction of any other governmental agency, INCOOP is entitled to coordinate the required supervision. [Reg. 119] INCOOP's Resolution No 1 requires credit unions to file balance sheets, financial reports and supervisory committee findings after the annual members' meeting.

Inspections: INCOOP may examine credit unions as often as it deems necessary [Act 118(a)] as part of its supervisory powers. [Act 117]

Regulations: No specific provision regarding INCOOP's power to regulate cooperatives is found in either the Act or the Regulations. However, as of February 22, 1999, INCOOP had issued six rules and regulations. [Reg. 14052/96]

Enforcement: INCOOP has statutory powers to issue a warning ruling, to assume temporarily the administration of the cooperative, to impose fines for non-compliance and to cancel the cooperative's registration. [Act 125]

As a part of the temporary administration of a cooperative, INCOOP may require a cooperative to be audited. [Act 127(c)]

Membership of Credit Unions

Common Bonds of Association: No common bond is required to join a credit union. Although membership is open, it may be restricted by the purpose or nature of the cooperative. [Act 26]

Non-Natural Persons Eligible: Upon INCOOP's authorization, non-natural persons may be eligible for membership in cooperatives, provided these potential members are social, non-profit organizations. [Act 25]

Liability of Member: Members' liability is limited to the members' shares. [Act 27]

Direction and Administration

Annual Meeting of Members: The maximum authority to manage and control the cooperative is vested in the general members' meeting [Act 53] called by the board of directors or at the initiative of the supervisory committee. [Act 55] The quorum required for the first call is more than half the membership. The bylaws may provide for a different quorum for the following calls. [Act 58]

Board of Directors and Committees: The members of the board of directors and supervisory committee are elected [Act 64] or removed [Act 65] by the members' meeting. The board of directors is in charge of the administration and the supervisory committee of the unlimited control of the cooperative. [Act 74]

Management and Employees: The board of directors may appoint one or more managers to manage the daily affairs of the cooperative. [Act 71]

Audits: The Act authorizes the appointment of examination committees to help supervise the credit

union [Act 62]. No specific mention is made regarding audit examinations by independent professionals.

Liability of Officials: Members of the board of directors [Act 67] and supervisory committee [Act 77] are personally and jointly liable for violations of the Act, Regulations and bylaws, as well as for negligent performance of their duties.

Conflicts of Interest: Board members cannot be appointed when they have personal interests in conflict with those of the credit union. [Act 72(c)]

Surety Bond: Law and Regulations are silent.

Shares and Deposits

Shares: Member shares are their contribution towards the capital of the cooperative. [Act 36] They are personal in nature, equal in value, indivisible and transferable only among members. [Act 38]

Deposits: By inference, the Act distinguishes between shares and other savings deposits. [Reg. 105]

Dividends and Interest: Shares receive a minimum interest rate from credit union profits. Such rate shall not exceed the weighted average of interest paid on time deposits by the national banking system. [Act 2(d)] No provision is found regarding interest to be paid by credit unions for members' deposits.

Lien on Holdings: Credit balances on member accounts shall offset member debit balances. [Act 29]

Loans

Purpose and Conditions: Under the description of savings and loan cooperatives, the Regulation allows credit unions the power to grant loans. [Reg. 105]

Approval Procedure: Law and Regulations are silent.

Limits, Terms and Security: Law and Regulations are silent.

Interest Rates and Charges: Law and Regulations are silent.

Loans to Officials: Law and Regulations are silent.

Investment of Funds

Deposit of Funds: Law and Regulations are silent.

Authorized Investments: Law and Regulations are silent.

Capital Adequacy-Reserves

Initial Organization: Law and Regulations are silent.

Permanent Capital: Law and Regulations are silent.

Regular Reserve: Each profitable year, at least 10 percent of the profits shall be placed in a legal reserve fund or account until it totals 25 percent of the capital account of the cooperative. [Act 42(a)]

Loan Loss Allowance: Law and Regulations are silent.

Special Reserves: The cooperative bylaws or the annual meeting may provide for other reserves. [Act 42(c)]

Powers of the Credit Union

General Powers: Under the description of savings and loans cooperatives, the Regulation allows credit unions the power to accept savings deposits and to grant loans. [Reg. 105]

Borrowing: In general, cooperatives are granted the power to issue investment bonds for productive purposes related to their nature and activity. [Act 37] However, the power requires prior approval of the Paraguayan Central Bank. [Reg. 4]

Merger: A credit union may merge with another as an alternative to liquidation. [Act 95] No express provisions are given to implement the merging procedure.

Liquidation: Credit unions may be dissolved by the general meeting of the members because its specific purpose no longer exists; because it is impossible to recover accrued losses in its equity [Act 97]; or due to the passage of other laws relative to the activity in which the cooperative engages. [Act. 99] The liquidation procedure is governed by provisions in the Civil Code and other legal rules and regulations. [Act. 100] Once the dissolved institution ceases to exist as a cooperative, this will be recorded in the proper register. [Act. 101]

Federation or Association

Purposes: The legislation distinguishes between credit union centrals and federations. The former are defined as secondary organizations with legal and economic independence, made up of primary cooperatives. For central credit unions, the rules applicable to primary credit unions prevail to the extent that they are compatible. [Act. 92]

The purpose of federations cannot be economic but rather must be the defense and promotion of common interests of their members and the provision of services to them. [Act. 93]

Federations have general trade organization powers of representation, promotion and defense of the move-

ment; provide technical assistance, education, research and arbitration between credit unions and between credit unions and their members. [Act 89] No regulatory or examination functions are mentioned.

Membership: Seven primary organizations are required to form a federation; no special membership requirements are mentioned. [Act 88]

Dissolution: The rules governing primary credit unions shall be applicable to federations. [Act 92]

Central Finance Facility

Purposes: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

Share and Deposit Protection

Purposes: Law and Regulations are silent.

Coverage: Law and Regulations are silent.

Membership: Law and Regulations are silent.

Funds: Law and Regulations are silent.

PERU	
<i>Region</i>	Latin America
<i>Federation</i>	Federación Nacional de Cooperativas de Ahorro y Crédito del Perú
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Mix: Cooperative / Financial
<i>Number of Credit Unions</i>	175 (2001)
<i>Number of Members</i>	348,551 (2001)
<i>Total Assets (US\$)</i>	\$270,665,152 (2001)

Rev. 5-00:wj

Legal Authority

Law: General Cooperative Law of Peru, May 10, 1981. [cited as "LG"]

Regulations: Resolution of the Superintendency of Banks and Insurance No. 0504, June 15, 1999. [cited as "R"]

Definition or Purposes of Credit Union

Definition: Every credit union organization must be chartered as a non-profit organization and shall seek, by means of its own efforts and mutual assistance of its members, to provide service first to them and through them to the community. [LG 3]

Supervision and Regulation

Government Agency: The National Credit Union Federation (FENACREP) supervises credit unions not authorized to do business with third parties. [No. 3, 24th Final and Supplementary Provision of the General Law of the Financial System, Insurance System and Organic Law of the Superintendency of Banks and Insurance – Law No. 26702 and Article 37, R] The federation's examining functions are also stipulated by the Superintendency of Banks and Insurance. [R 37]

Supervision by the federation is aimed at ensuring for the economic and financial soundness of credit unions compliance with legal, regulatory and bylaw rules. [R 38]

The federations, in turn, shall be supervised and controlled by the superintendency with all of the powers necessary to carry out these duties. [R 54]

Other Licenses Needed: The credit unions require registration in the Corporate Register. [R 3]

Other Institutions Regulated: The federation only examines credit unions not authorized to do business with third parties or with the public's resources. [R 37]

Reports: The federation shall require credit unions to submit financial statements, accounting attachments and reports needed to ascertain their economic and financial situation, according to the form, regularity and deadlines stipulated by the superintendency or by the federation itself. [R 38(e)]

In turn, the federation shall submit to the superintendency, with the regularity and in the form determined by the latter, information on its operation and results of its supervisory work. [R 58]

Inspections: The federation shall make general or special inspection visits to credit unions [R 39(c)], without prior notice and as frequently as deemed necessary at the request of the superintendency. [R 43, 44, 45, 46, 47]

Regulations: Law and Regulations are silent.

Enforcement: The levels of enforcing powers are: warning, personal fines to directors and/or managers (not less than half of one tax unit (UIT) nor greater than 10); fines imposed on the institution (not less than one UIT nor greater than 20); suspension of the responsible director or manager (not less than three days, nor more than 15) and removal in the event of repeat offenses; removal of the responsible director and/or manager; disqualification of the director or manager responsible for the takeover or liquidation of the institution, if it has been proven that he/she has committed fraudulent acts in his/her duties; takeover of the credit union. [R 49]

Membership of Credit Unions

Common Bonds of Association: The common bond is implicit in the geographical area indicated in the bylaws of the credit union. [R 4]

Non-Natural Persons Eligible: Persons other than natural must be chartered and registered according to law and authorized by the credit union's bylaws or competent body to join the credit union. Further, they must meet the requirements imposed by the bylaws. [LG 16(3)]

Liability of Member: Liability is limited to the amount of a member's paid-in shares. [LG 20]

Direction and Administration The management, administration and control of the credit union shall be the responsibility of the general meeting, board of directors and supervisory committee, respectively. [LG 25]

Annual Meeting of Members: The general meeting is the supreme authority in the credit union organization. [LG 26]

Board of Directors and Committees: The directive functions (administration and oversight) are personal and cannot be delegated; they are incompatible with executive positions, functions or administrative activities; they may be compensated by means of honoraria for actual attendance or that of the alternates only in the absence of the regular members. The directors must meet the conditions of technical, moral and experiential suitableness. [LG 26]

Monitoring of the credit union is foremost the responsibility of the supervisory committee and the members' meeting. [R 9] In addition to the functions assigned by the Cooperative Law and the bylaws, the committee shall perform minimal tasks of internal audits, according to the rules of the superintendency. [R 18]

Management and Employees: The manager must be a person who meets the conditions of technical and moral adequacy and is answerable to the board of directors. [R 15]

Audits: Credit unions must submit to external audits, pursuant to the provisions of the Superintendency with regard to the established requirements, scope and standards. [R 19] The federation shall arrange for special external audits of credit unions, which shall bear the expense thereof. [R 39(a)]

Liability of Officials: The sanctions provided for in Article 40 of the Resolution does not exempt the violators from any civil and criminal liability. [R 49]

Conflicts of Interest: Law and Regulations are silent.

Surety Bond: Law and Regulations are silent.

Shares and Deposits

Shares: The initial share shall not be greater than the equivalent of 3 percent of the tax unit. [R 21]

Deposits: There is express authorization empowering credit unions to accept deposits from their members (see "General Powers" below), but they are not covered by the Deposit Insurance Fund. [R 8]

Dividends and Interest: The credit unions are obligated to submit to the federation an explanatory report of the agreements referring to the distribution of the surplus. [R 41]

The accrued surpluses and the surpluses of the period itself shall be incorporated into the actual equity by a decision to capitalize adopted at the AGM or by the board of directors by express delegation of the AGM. [R 22]

Lien on Holdings: The surplus, interest, shares and deposits of a member shall be applicable to extinguish debts of outstanding goods under their responsibility or because of voluntary or legal obligations payable to the credit union. [LG 47]

Loans

Purpose and Conditions: The lending regulations of credit unions shall contain policies and procedures to evaluate and grant credit, including requirements, conditions and levels of approval, types of security, approved by the board of directors. [R 6] Credit transactions shall maintain a match, albeit not exact, between the terms of the lending and borrowing transactions, as well as between those of the mobilizations of resources and the respective placements of investments [R 27] and shall be subject to the current provisions approved by the superintendency. [R 6]

Approval Procedure: Loans shall be subject to lending regulations approved by the board of directors, containing policies and procedures to evaluate and grant loans. [R 6]

Limits, Terms and Security: The total amount of loans granted to a member, directly or indirectly, may not exceed 5 percent of the credit union's actual equity [R 23(b)] and 20 percent for direct and contingent loans to another cooperative when it is a member, in addition to the endorsements, bonds and other guarantees received from said cooperative. [R(23)(e)]

Interest Rates and Charges: Law and Regulations are silent.

Loans to Officials: Loans to directors and member managers, their spouses and relatives may not be granted under conditions more advantageous than those granted to the other members. [R(26)(g)]

Investment of Funds

Deposit of Funds: Credit unions are empowered to make deposits in other financial institutions. [R 5]

Authorized Investments: Of the actual equity, no more than 15 percent may be in shares, bonds and certificates of participation in mutual funds and investment funds; no more than 40 percent in the personal and real property necessary for its activities; no more than 50 percent in credit unions or in societies providing services to their members or compatible with its mission statement. [R 23] Depending on the guarantees of the first mortgage, a first pledge and warrants, on an exceptional basis, these limits may be exceeded to the extent provided for by R 25.

Capital Adequacy-Reserves

Initial Organization: The initial capital stock shall be indicated by the bylaws of the credit union. [R 21]

Permanent Capital: The capital stock of credit unions is represented by the shares of their members. [R 21]

The amount of assets and contingent credits, weighted by the credit risk in local or foreign currency, may not exceed 11 times its actual equity. [R 23(a)]

Regular Reserve: This reserve must reach not less than 35 percent of the capital stock, allocating annually no less than the 20 percent of the surplus, without precluding the bylaws from approving higher percentages. [R 22]

Loan Loss Allowance: The federation is empowered to require the creation of specific provisions for credits (and assets) according to the relevant general rules of the superintendency: among others, the evaluation and classification of the borrower and requirements of provisions of total or partial charge-offs. [R 39(d)]

Special Reserves: With the designation of "available funds", credit unions may create a reserve level compatible with the nature of their transactions. [R 28]

Powers of the Credit Union

General Powers: Credit unions are authorized to: take deposits from their members, grant loans to them directly, or by endorsements and bonds; purchase, retain and see shares and bonds which, issued by joint-stock companies, are listed on the stock market; purchase certificates of participation in mutual funds and investment funds. They may also band together with other cooperatives; purchase shares or holdings in companies that provide associated services or services compatible with their mission statement, although not listed on the stock market; receive lines of credit for the purchase of personal and real property necessary for its use; perform lending transactions with other credit unions or enterprises of the financial system; make deposits in financial institutions or institutions on the credit union system; and other transactions authorized by the superintendency. [R 5]

Borrowing: Credit unions are authorized to receive loans from other credit unions or institutions of the financial system, subject to approval by the Superintendency. [R 5(e) 6]

Merger: The general assembly is empowered to approve the merger of the credit union. [LG 27(15), LG 53(5)].

Liquidation: The procedure of voluntary liquidation or dissolution is provided for by Article 33 of the Regulations and is subject to Articles 52-56 of the Cooperative Law. The bylaws and rules are dictated by the superintendency. [R 35(a)]

Federation or Association

Purposes: The federation has supervisory functions over credit unions such as: ordering external audits; approving the establishment of offices, their transfer and closing; conducting inspections; provisions for delinquency; submission of financial statements, attachments and accounting reports in the format, with the regularity and by the deadlines stipulated by the superintendency or itself; ordering measures necessary for solvency and others of a non-financial nature. [R 39]

Membership: Credit unions may band together with other cooperatives. [R 5]

Dissolution: This matter is provided for in Articles 33-36 of the General Cooperative Law, which regulates the federations in the absence of an express interpretation of the resolution of

Central Finance Facility

Purposes: The federation is for creating a contingency fund for the financial support of credit unions and to manage it. [R 39(h)]

Membership: See "Purposes" above.

Funds: Fund resources are: fines assessed by the federation, deposit balances with no activity for more than 10 years; favorable balances upon the liquidation of credit unions not claimed for more than five years; output of the fund's assets; premiums collected pursuant to the respective regulations; others determined according to the superintendency's regulations. [R 61]

Share and Deposit Protection

Purposes: In their publicity, credit unions shall clearly state that they do not mobilize resources from the public and that the deposits of their members are not covered by the Deposit Insurance Fund. [R 8]

Coverage: See "Purposes" above.

Membership: See "Purposes" above.

Funds: See "Purposes" above.

URUGUAY

*Region
Federation
Legal System
Type of Law*

Latin America
COLAC
Civil - Unitary
Cooperative Society
Law, Credit Union Law
and Financial
Intermediation Law
23 (2001)
122,675 (2001)
\$481,243,616 (1999)

*Number of Credit Unions
Number of Members
Total Assets (US\$)*

Rev. 2-00:alc

Legal Authority

Law: No. 10761 on Cooperative Societies, August 8, 1946; Law No. 13, 988, July 15, 1971; Law No. 14,919, August 15, 1979; and Law No. 15,322 on the Financial Intermediation System, September 14, 1982.

Regulations: Regulations are not available.

Definition or Purposes of Credit Union

Definition: The law considers as cooperative societies those that distribute their earnings on a prorated basis among the members by reason of the work performed by each member, in the case of production cooperatives, and in proportion to the transactions carried out, in the case of consumer cooperatives. [Article 1 L]

Credit unions are considered to be made up of individuals or non-profit entities related to one another by a duly authenticated common bond (whether territorial, occupational or any other type), whose purpose is to promote ongoing and systematic savings among the members and provide them with loans and other services to enable them to obtain greater economic and social standing. These cooperatives may do business only with their members. [Article 2. L13,988]

Supervision and Regulation

Government Agency: The Central Bank of Uruguay shall provide, by whatever means it deems necessary, supervision and orientation of private financial activity by monitoring compliance with the laws and decrees governing such activity, as well as the general standards and the special instructions it dictates. [Article 15 L.15,322]

Accordingly, in matters related to financial intermediation, credit unions are subject to the rules issued by the Central Bank of Uruguay within the framework of current provisions.

In cooperative matters, control shall be entrusted to the inspectorate general of the treasury. [Art 9 of L.10,761]

Other Licenses Needed: Laws are silent.

Other Institutions Regulated: For the Central Bank of Uruguay, all non-government-owned public or private parties engaged in financial intermediation. [Article 1 of L.15,322]

For cooperatives of all types, the inspectorate general of the treasury. [Article 9 of L.10,761]

Reports: The Central Bank of Uruguay may issue rules for recording the transactions of companies and institutions of the financial intermediation system, as well as for the preparation of balance sheets and operating statements and require them to provide information with whatever regularity and in whatever form it deems necessary. It may also set forth the only date for the close-out of their fiscal years. [Article 14 of L.15,322]

Inspections: See "Reports" above.

Regulations: The Central Bank of Uruguay is empowered to establish minimum mandatory reserves on deposits, regulate the methods whereby resources are mobilized and issue general rules and special instructions for the purpose of maintaining the liquidity and solvency of the enterprises, as well as to limit any risk they might assume. [Article 16 of L.15,322]

Enforcement: The Central Bank of Uruguay may impose the sanctions contained in Article 20 of L.15,322: observation, warning, fines, take over with or without total or partial substitution of the leadership, total or partial suspension of the activities with express setting of a term. The power to revoke authorization to operate is the reserve of the executive branch with a report from the bank.

Membership of Credit Unions

Common Bonds of Association: Required legally as derived from Article 2 of Law 13, 988. See "Definition" above.

Non-Natural Persons Eligible: See "Definition" above.

Liability of Member: Cooperatives are chartered so that individual liability is limited to the amount of equity shares held. [Article 2 of Law 10,761]

Direction and Administration

Annual Meeting of Members: The general meeting shall be held once a year and the society's balance sheet shall be submitted to it. [Article 10, L10,761]

Board of Directors and Committees: The society's bylaws shall establish the manner in which the board of directors is elected. [Article 8 of Law 10,761]

Management and Employees: Laws are silent.

Audits: In order for a balance sheet to be approved by the Treasury Inspectorate, it must necessarily have an auditing report under the responsibility of the federation. [Article 4, L.13,988]

Liability of Officials: Laws are silent.

Conflicts of Interest: No member may receive loans exceeding 5 percent of the total amount of the equity shares and savings of his/her credit union, unless the application is approved by two-thirds of the members of the board of directors, the supervisory committee and the credit committee in a special session called for this purpose. (Item D, Article 3, Law 13, 988)

In equity shares and savings, no member may hold more than 10 percent of the credit union's total equity shares and savings. [Item C, Article 3 of Law 13,988]

Surety Bond: Laws are silent.

Shares and Deposits

Shares: Laws are silent.

Deposits: Article 30 of L.15,322 enables, by way of exception, credit unions to receive term deposits from residents. As a rule, this option is among those reserved for bank-type financial institutions. [Item c, Article 17 of Law 15,322]

Dividends and Interest: Once the reserve for bad loans (10 percent of earnings) and the education fund (10 percent) have been deducted, the rest is used to pay interest on the equity shares up to the current interest on the market (Item 3), and if there is a surplus, it shall be distributed among the borrowers in proportion to whatever interest they have paid. [Item 4, Article 3 of L.13,988]

Lien on Holdings: Government-owned or private institutions or companies are obligated to discount from the wages of their employees with other withholdings the cooperatives communicate to them and deliver the money within the next five days (these withholdings may not exceed 20 percent of the nominal wages). [Article 6 of Law 13, 988]

Loans

Purpose and Conditions: Laws are silent.

Approval Procedure: By reference, anything concerning the granting loans to credit union members is subject by enforcement of Item A, of Article 3, of L.13,988, to loan regulations approved at the members' meeting or by board of directors. See "Board of Directors and Committees" above.

Limits, Terms and Security: Laws are silent.

Interest Rates and Charges: Laws are silent.

Loans to Officials: Laws are silent.

Investment of Funds

Deposit of Funds: The cash collected, by way of equity shares, savings or the amortization of loans, shall be deposited in accounts in the Bank of the Eastern Republic of Uruguay, or in accounts of second-tier organizations when they have been created. [Item e, Article 3 of Law 13,988]

Authorized Investments: Laws are silent.

Capital Adequacy-Reserves

Initial Organization: If the credit union has a surplus, it shall allocate 15 percent to the constitution of a reserve fund until it equals the capital, at which time it shall be reduced to 10 percent and shall cease when the capital has been tripled. [Article 10 of L. 10,761]

Permanent Capital: Laws are silent.

Regular Reserve: Laws are silent.

Loan Loss Allowance: Twenty percent of the surplus from transactions shall be set aside for the creation of a reserve fund for bad loans. [Item 1, Article 3, L. 13,988]

Special Reserves: Laws are silent.

Powers of the Credit Union

General Powers: Laws are silent.

Borrowing: Credit unions are authorized to manage and obtain funds from domestic and foreign sources to finance the production by their members. [Article 5, Law 13,988]

When so authorized by the bylaws, obligations may be contracted for amounts not exceeding 40 percent of the realized capital. [Article 11 of Law 10,761]

Merger: Laws are silent.

Liquidation: Laws are silent.

Federation or Association

Purposes: The cooperatives may create centrals, federations or confederations by a two-thirds vote of those present at the annual members' meeting. The provisions of Law 13,988 are likewise applicable to any second- and third-tier organizations founded. [Article 4, Law 13,988]

Membership: Cooperatives may charter centrals, federations or confederations. It is mandatory that they be affiliated with a federation. [Article 4, Law 13,988]

Dissolution: Laws are silent.

Central Finance Facility

Purposes: See "Federation and Association" above.

Membership: Laws are silent.

Funds: Laws are silent.

Share and Deposit Protection

Purposes: Article 32 of Law 15,322 makes reference to the existence of a Special Guarantee Fund created by Article 9 of Law 13,330, on April 30, 1965.

The third paragraph of L. 13,988 only makes reference to life insurance on member loans and savings.

Coverage: Laws are silent.

Membership: Laws are silent.

Funds: Laws are silent.

NORTH AMERICA

Region Includes:

Canada
Alberta, Canada
British Columbia, Canada
Manitoba, Canada
New Brunswick, Canada
Newfoundland, Canada
Nova Scotia, Canada
Ontario, Canada
Prince Edward Island, Canada
Québec, Canada
Saskatchewan, Canada
United States of America

CANADA	
<i>Region</i>	North America
<i>Federation</i>	Credit Union Central of Canada
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Cooperative Credit Associations Act
<i>Number of Credit Unions</i>	694 (2001)
<i>Number of Members</i>	4,888,921 (2001)
<i>Total Assets (US\$)</i>	\$40,468,504,678 (2001)

Rev. 02-02:wj

EXPLANATORY NOTES: The Credit Union Central of Canada has been the only entity incorporated federally under the Cooperative Credit Associations Act of 1991. Provincial centrals are allowed to register under a special provision of this Act (Part XVI). Six have done so: CUC British Columbia, CUC Alberta Ltd., CUC Saskatchewan, CUC Manitoba, CUC Ontario, and CUC Nova Scotia.

In June 2001, the Canadian Parliament enacted major financial reform legislation, governing nearly all sectors of the financial services industry in that country: Bill C-8, "An Act to establish the Financial Consumer Agency of Canada and to amend certain Acts in relation to financial institutions". Among its extensive provisions are amendments to the Canadian Cooperative Credit Associations Act. These were designed to provide the credit union system with new organizational and operating flexibility in the national marketplace, while enhancing the business powers available to the Credit Union Central of Canada, and those provincial centrals registered under Part XVI of the CCA Act.

The amended Act also allows greater flexibility for new associations to form, with broader membership rules, and to act as federally registered entities, with new business and investment powers.

This digest reviews the federal law governing these centrals in the same manner as has been done for the provincial laws governing individual member credit unions.

Legal Authority

Law: Cooperative Credit Associations Act, S.C. 1991, c.48; revised and amended in S.C. 2001, c.9, passed in June 2001. [cited as "Act"]

Regulations: The following are regulatory areas within which multiple regulations affect cooperative credit associations:

Prospectus (Cooperative Credit Associations) Regulations

- Subsidiaries Holding Association Shares (Cooperative Credit Associations) Regulations
- Supervisory Information (Cooperative Credit Associations) Regulations
- Prospectus Exemptions (Cooperative Credit Associations) Regulations
- Name Use (Cooperative Credit Associations) Regulations
- Resident Canadian (Cooperative Credit Associations) Regulations
- Equity Valuation (Cooperative Credit Associations) Regulations
- Commercial Loan (Cooperative Credit Associations) Regulations
- Minority Investment (Cooperative Credit Associations) Regulations
- Regulatory Capital (Cooperative Credit Associations) Regulations
- Related Party Transactions (Cooperative Credit Associations) Regulations
- Securities Dealing Restrictions (Cooperative Credit Associations) Regulations
- Protection of Assets (Cooperative Credit Associations) Regulations
- Specialized Financing Corporation (Cooperative Credit Associations) Regulations
- Security Certificate Transfer Fee (Cooperative Credit Associations) Regulations
- Real Property Interests Valuation (Cooperative Credit Associations) Regulations
- Rules Governing Proceedings at Public Inquiries into Objections (Cooperative Credit Associations)

Definition or Purposes of an Association

Definition: The Act applies specifically to an association, the Canadian Cooperative Credit Society Ltd. (AKA: Credit Union Central of Canada), a body corporate formed under previous federal legislation and organized and operated on cooperative principles. The act also provides for other bodies corporate to be incorporated or formed under it.

An association provides financial services primarily to members, which are limited to associations, central and local cooperative credit societies, cooperative corporations, a league, a deposit protection agency, or an unincorporated organization consisting wholly of any of these entities. (See 'Membership of Association' below.) [Act 2, 14, 41]

An association shall only engage in or carry on the business of: providing financial services to a member, to an entity in which it has a substantial investment as permitted under the Act, to another association, to a cooperative credit society, to a cooperative corporation or to entities they control. An association may also provide administrative, educational, promotional, technical, research and consultative services and related goods to any cooperative credit society, or any person intending to organize or operate such a society, in support of the financial services provided or to be provided by the society. An association may also act as a financial agent for, and provide investment counseling and portfolio management services to any entity to which it may provide financial services. [Act 375(1)]

An association may, with the approval of the Minister of Finance (Canada) and, subject to any order made by the Superintendent of Financial Institutions regarding its commencement and carrying on of business, provide financial services to persons other than those listed above, and provide clearing, settlement and payment services to members of the Canadian Payments Association, and engage in or carry on ancillary services related to those clearing, settlement and payment services. [Act 375.1]

Certain other powers are granted to associations under the Act. See "General Powers" below.

Supervision and Regulation

Government Agency: The Minister of Finance for Canada issues letters patent incorporating an association, and may impose conditions on its incorporation. [Act 2-Definitions, 24, 25, 28]

Applications for incorporation must be made to the Superintendent of Financial Institutions (the "Superintendent"), who is appointed under the Office of the Superintendent of Financial Institutions Act and is responsible for, among other things, the regulation, monitoring and inspection of associations. An association may only commence business after the Superintendent issues an order permitting it, and the Superintendent may impose conditions. [Act 2 Definitions, 24-25, 28, 56, 60-62]

A central cooperative society that is incorporated under provincial law for the principal purpose of providing liquidity support to local cooperative credit societies, and whose membership consists wholly or primarily of local cooperative credit societies or whose directors are wholly or primarily elected or appointed by local cooperative credit societies, may apply to the Superintendent for an order that Part XVI of the Act apply to it.

If the Superintendent is satisfied with the application and required supporting evidence, he/she may issue an order whereby the central is deemed an association incorporated under the Act for the purpose of specified provisions. [Act 2, 472, 474(1-5)]

The Commissioner of the Financial Consumer Agency of Canada is appointed under the Financial Consumer Agency of Canada Act, and is responsible for monitoring consumer-related activities of retail associations. [Act 2-Definitions, 452.1]

Other Licenses Needed: No other licenses are needed, however:

1. An association may apply to the Minister for continuance, or amalgamation and continuance, as company under the Trust and Loan Companies Act, or a bank or bank holding company under the Bank Act. With the approval of the Minister, an association may also apply for a certificate of continuance under the Canada Business Corporations Act, or the Canada Cooperatives Act. [Act 32]
2. The Winding-up and Restructuring Act is referred to as applying to insolvent associations, rather than the liquidation and dissolution provisions of the Act. [Act 324]

Other Institutions Regulated: The Superintendent is responsible for the regulation of other sectors of the financial services industry. [Office of the Superintendent of Financial Institutions Act]

Reports: An association shall provide the Superintendent with such information, at such times and in such form as required. [Act 431]

The Act specifically requires reports or returns on such matters as background information on the directors and auditors, changes in bylaws or the adoption of new bylaws, declaration of dividends, unclaimed deposits and bills of exchange, and the mandate, responsibilities and activities of the conduct review committee. [Act 86(2), 200(4,6), 431-433]

An association must send a copy of the annual financial statement, and certain information regarding its subsidiaries, to the Superintendent not later than 21 days before the annual meeting of members. A retail association must file required information with the Commissioner of the Financial Consumer Agency of Canada at the time and in the form that the Commissioner requires. [Act 296, 452.1]

Persons who solicit proxies must file with the Superintendent the management or dissident's proxy circular,

the notice of meeting (in the case of a solicitation by or on behalf of the association's management), the form of proxy and other documents for use in connection with the meeting. [Act 166.05]

Insiders and deemed insiders of a distributing association (i.e., an association any of the outstanding shares of which were or are part of a distribution to the public), either natural persons or corporate entities, must file periodic and other reports in prescribed form with the Superintendent. Certain insiders, deemed to hold beneficially shares legally held by another body corporate, must disclose separately the securities owned and the name of the owner. Certain exemptions are listed. [Act 261-264]

The auditor of an association must provide to the superintendent a copy of the report made to the board's chairperson, the chief executive officer, and chief financial officer on various financial matters, including transactions outside the business powers of the association, and doubtful loans. [Act 312]

The liquidator of an association must report to the Superintendent, on the required form, any information the Superintendent requires. [Act 325]

Inspections: The Superintendent or his/her delegate, from time to time but at least once each year, shall make any examination and inquiry into the business and affairs of each association that the Superintendent believes to be necessary or expedient, to determine compliance with the Act, and financial soundness, and report to the Minister of Finance. The Superintendent has full access to the books, records, cash and security held by an association, and the power to require all directors and officers, and the auditor, of the association to provide information. The examiner may obtain evidence under oath. [Act 437-438]

The Commissioner or his/her delegate, from time to time, but at least once a year, shall make any examination and inquiry that the Commissioner considers necessary to determine compliance with the applicable consumer provisions, and shall report to the Minister. The Commissioner has full powers to see records and may require the directors and officers of the retail association to provide information and explanations, to the extent they are reasonably able to do so, and obtain evidence under oath. [Act 452.3, 452.4]

Regulations: The Governor in Council (i.e. Cabinet) may make regulations on a wide range of matters, over 30 listed in the Act, prescribing anything that is required or authorized by this Act to be prescribed, and generally for carrying out the purposes of the Act. Among the major areas dealt with by regulations:

- Regulatory capital and total assets of an association; the value of assets of an association to be held in Canada; and the determination of the equity of an association. [Act 463]
- What an association may or may not do with respect to the provision of financial services to persons or entities other than those an association may usually serve, or the provision of clearing, settlement and payment services and ancillary services related to them, and imposing terms and conditions on the provision of those services. [Act 375.1(3), 376(4)]
- Imposing terms on conditions in respect of guarantees made by an association on behalf of another person. [Act 379(4)]
- Requirements for prospectuses. [Act 270]
- Associations' dealings in securities and insurance. [Act 380-381]
- Determination of the amount or value of loans, investments and interests; the loans and investments, and the maximum aggregate amount of all loans and investments that may be made or acquired by an association and its prescribed subsidiaries, to or in a person and connected persons; specifying who is a connected person, and concerning certain specialized financing. [Act 389]
- Disclosures and procedures by a retail association on various matters relating to borrowing and lending, and relating to its business and products and services, and customer relations. [385.21, 385.26, 385.28]
- Records that must be retained by an association, and for how long. [Act 244]
- Contents of the annual financial statement. [Act 292(3,5)]
- (See also below at various points in this digest, other references to specific regulations.)

Enforcement: The Superintendent may enter into a prudential agreement with an association in order to implement any measure designed to maintain or improve its safety and soundness. The Superintendent may direct a person in respect of an association, or an association, to cease any activity considered unsafe or unsound, or to perform such acts as the Superintendent considers necessary to remedy the situation. Where an association or person contravenes the Act, fails to comply with a prudential agreement, or omits required actions, the Superintendent may apply to the court for an order for compliance. [Act 438.1, 439, 441]

The Superintendent may disqualify any nominee to be a director or senior officer of an association that is subject to measures designed to maintain or improve its safety

and soundness. The Superintendent may order a director or senior officer removed from their position, if he/she is of the opinion that person is not suitable to hold that office on the basis of their competence, business record, experience, conduct or character. Other reasons for disqualification or removal are detailed in the Act. [Act 441.1, 441.2]

Where an association becomes insolvent, or a practice or state of affairs exists in respect of the association that may be materially prejudicial to the interests of its creditors, or the association fails to comply with an order of the Superintendent to increase its capital or liquidity, or its assets or regulatory capital are insufficient to protect its depositors and creditors, or, in the case of a retail association, its deposit insurance is cancelled, the Superintendent may take control of the assets of the association, or of the association. The Superintendent may do all things necessary or expedient to protect the rights and interests of the depositors and creditors of the association. The powers of the Superintendent to control the assets and manage an association under his/her control are detailed in the Act, and, where the Superintendent takes control of an association, the powers, duties, functions, rights and privileges of its directors and officers are suspended. The Superintendent may apply for an order to wind up the association.

[Act 442, 446-452]

When granting any consent, order, exemption, extension or other permission under the Act, including the issuance of letters patent, the Minister, or the Superintendent, may impose any conditions considered necessary or require undertakings of the association. Failure to comply with such conditions may result in revocation, suspension or amendment of the approval, or application to the court for orders to comply. [Act 459.2(2-7)]

An association or a member, shareholder or director of an association may apply to a court to resolve any dispute in respect of the election or appointment of a director or an auditor. The court may make any order it thinks fit. [Act 164]

A complainant or the Superintendent may apply to the Court for leave to bring an action under the Act in the name or on behalf of the association or any of its subsidiaries, or to intervene in an action under this Act to which the association or a subsidiary is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of the association or the subsidiary. Conditions for the action and the court's powers are detailed. [Act 318-321]

The Superintendent may call a meeting of directors to consider any matter the Superintendent considers necessary, and may attend the meeting. [Act 191]

The Superintendent may order divestment of any loan, investment or interest made or acquired in contravention of investment or loan limits, and may order an association to do all things necessary to ensure it no longer legally or effectively controls an entity. [Act 404]

The Superintendent may order an association to increase its capital or liquidity reserves. [Act 409(3)]

Every person who, without reasonable cause, contravenes any provision of this Act is guilty of an offense. Every director, officer or employee of an association who willfully gives fraudulent or undue or unfair preference to one creditor over other creditors, by giving security to the creditor, or changing the nature of the creditor's claim, or otherwise, is guilty of an offense. Every person who, without reasonable cause, refuses or fails to comply with a requirement that he or she provide information or explanation to the Superintendent to assist in determining if an association has complied with the provisions of the Act and is in a sound financial condition, commits an offense. Natural persons guilty of an offense are liable to substantial fines or imprisonment or both. In the case of an entity, it is liable to a fine, on summary conviction, not exceeding \$500,000, or on conviction on indictment, not exceeding \$5,000,000. A court may order compliance with the Act, and in certain cases where the accused or a related party benefited from the offense, supplementary fines. [Act 465, 466, 467.1]

Where an entity commits an offense under the Act, any officer, director or agent of the entity who directed, authorized, assented to, acquiesced in or participated in the commission of the offense is a party to and guilty of it, and liable to fines or imprisonment or both, whether or not the entity has been prosecuted or convicted. [Act 467]

Membership of Associations

Common Bonds of Association: Only a person that is an association, a central cooperative credit society, a local cooperative credit society, a cooperative corporation, a league, a deposit protection agency, or an unincorporated organization consisting wholly of any of those entities may be admitted to membership in an association. [Act 41]

An application for incorporation may only be made by, and the membership of an association must include: an association; or persons who are entitled to be members of an association, including at least two central cooperative credit societies not all of which are incorporated

under the laws of one province; or at least 10 local cooperative credit societies, not all of which are incorporated under the laws of one province; or at least two or more leagues, not all of which are incorporated under the laws of one province. [Act 24, 50]

See also below: "Non-Natural Persons Eligible"

Non-Natural Persons Eligible: Non-natural persons are eligible for membership in an association. Further:

1. A central (organized under provincial laws) may apply to the Superintendent for an order deeming it to be an association for certain purposes under the Act. Every central cooperative credit society regarding which such an order has been issued is deemed to be an association incorporated under the Act for specified purposes. The Act details how the provincial and federal legislation is reconciled. [Act 472-4]
2. A corporation incorporated under the Canada Business Corporations Act, or other Acts of Parliament, or otherwise if the laws of its incorporating jurisdiction allow it to do so, may apply to the Minister for letters patent continuing the corporation as an association. Special conditions may be applied to such associations, permitting them to continue to carry on a business that an association may not otherwise carry on, to continue to have outstanding debt obligations the issue of which is not permitted under the Act, or to hold, or to acquire and hold, assets which an association is not otherwise permitted to hold under the Act, for a period of time after the continuance. [Act 31.1(1,2), 31.3, 31.7]
3. No person or entity controlled by a person may acquire a significant interest in, or control of, an association without the permission of the Minister, who may impose conditions on such an acquisition. Procedures and circumstances of the permission, and exemptions from the usual requirement to obtain permission, are detailed in the Act. [Act 354-364]

Liability of Members: Members and shareholders of an association are not, by reason only of holding membership or other shares in the association, liable for any liability, act or default of the association, except as specified in the Act. [Act 19]

Membership shares and shares issued by an association under the Act are non-assessable, and members and shareholders are not liable to the association or to its creditors in respect thereof. [Act 73]

Certain claims may be brought against an association after it is dissolved. A member or shareholder, or class of shareholders, is liable for satisfaction of such claims to the extent of the amount he, she or they received on the

distribution of the association's property. No action to enforce such liability shall commence after two years after the association is dissolved. [Act 345-347]

Direction and Administration

Annual Meeting of Members: The directors shall call an annual meeting of an association within six months after the end of the financial year. Special meetings of members or shareholders may be called. A quorum is present at a meeting of members or shareholders if holders of a majority of the voting rights that may be exercised are represented by a personal representative or delegate. [Act 144, 155]

Two or more members of an association, who together hold not less than 5 percent of the voting rights that membership confers, may requisition the directors to call a special meeting of members for the purpose stated in the requisition. Two or more shareholders who together hold not less than 5 percent of the issued and outstanding shares which carry the right to vote, may requisition the directors to call a special meeting of shareholders for the purpose stated in the requisition. [Act 162]

Where it is impractical to call a membership or shareholder meeting in the manner in which meetings are to be called, or to conduct the meeting in the manner required by the bylaws and the Act, the court, on application of a director or a person entitled to vote at the meeting, may order a meeting of members or shareholders of an association to be called, held and conducted in such manner as the court directs, and may vary the quorum requirements. [Act 163]

Each member of an association shall have one vote on all matters decided by the members. The members may, by bylaw, provide that the voting rights of a member shall be vested in one or more delegates to be elected or appointed by the member in such manner as may be provided in the bylaws. A member or shareholder of an association who is an entity may, by resolution of the directors or other governing body of the entity, authorize a natural person to represent it at meetings of members or shareholders. [Act 42, 158]

Where voting rights are attached to non-membership shares, each share shall have only one vote. [Act 72, 157]

Shareholders may agree in writing to pool their voting rights. Proxy voting is allowed. [Act 166, 166.02]

The annual meeting appoints the auditor, who must be a qualified natural person or a firm of auditors, resident in Canada, and independent of the association. The auditor has the right, at the expense of the association, to attend meetings of members or shareholders, and be

heard on matters relating to his/her duties. A member, shareholder or director may demand the presence of the auditor or former auditor at a meeting, at the expense of the association, to answer questions. [Act 298-299, 304]

The directors shall place the comparative annual financial statements relating separately to the fiscal year immediately preceding the meeting and the preceding fiscal year, the auditor's report, and any other information respecting the financial position of the association and the results of its operations required by bylaw, before the members at the annual meeting. The statement shall include: a balance sheet; a statement of income; a statement of changes in the financial position during the year; and a statement of changes in equity, showing such information as to present fairly the financial position of the association. The statement must also include a list of specified subsidiaries and certain information about them, and any other information as the Governor in Council may order. The financial statements shall be prepared in accordance with generally accepted Canadian accounting principles. [Act 292, 293]

The first meeting of members of an association elects directors for terms of no more than three years, makes bylaws, and appoints an auditor to hold office until the close of the first annual meeting of the association. [Act 54]

Members may submit proposals for discussion at the annual meeting of members. [Act 152]

Members may make, amend or repeal bylaws at a meeting of members. Directors may make or amend bylaws, but only if the bylaw or amendment is not contrary to any bylaw made by the members, and such bylaws must be voted on by members at their next meeting. [Act 192, 193, 221]

The members may by bylaw establish one or more classes of members, with special qualifications and rights (including the right to delegate representation and board representation) in the association. [Act 43]

Board of Directors and Committees: An association shall have at least seven directors, elected or appointed at an annual meeting. At least two-thirds of the directors must be, at the time of their election or appointment, resident Canadians. Where shareholders are entitled to elect one or more directors, no more than one-third of the directors may be elected by shareholders. No more than 15 percent of the directors may be, at the time of their election or appointment, employees of the association or its subsidiaries.

A person may not be director who is: less than 18 years of age; of unsound mind; bankrupt; a Minister of Her Majesty in right of Canada or in right of a province; an agent or employee of a foreign government; or not a

natural person. Bylaws establish the minimum and maximum number of directors. Terms of office are one, two or three years; if a bylaw provides for two or three year terms, it may provide that each director will serve the full term, or may provide that there should be, as nearly as possible, an equal rotation of directors. Directors may be re-elected. [Act 169-174, 176]

Directors must meet at least four times during each fiscal year, and shall not transact business unless a majority of the directors present are resident Canadians. [Act 185, 188]

The directors of an association shall manage or supervise the management of its business and affairs. The directors shall establish an audit committee and a conduct review committee. They shall develop procedures to resolve conflicts of interest, and designate a committee of the board to monitor those procedures. Other committees may be appointed. The directors also: establish investment and lending policies, standards and procedures; and, in the case of a retail association, establish procedures to disclose required information to consumers and for dealing with complaints, and designate a committee to monitor the procedures and to ensure the retail association is adhering to them. [Act 167, 198]

Certain powers must be held by the board of directors alone, and not delegated, namely the power to: submit to the members or shareholders a question or matter requiring their approval; admit members; fill a vacancy among the directors or a board committee or in the office of auditor; issue or cause to be issued securities; declare dividends, or bonus or patronage allocations; authorize the redemption of shares; authorize the payment of a commission on a share issue; approve a management proxy circular; approve the annual statement; expel members; and adopt or amend bylaws. [Act 202]

The audit committee of an association shall consist of at least three directors, none of whom may be employees of the association or a subsidiary of it, or officers of the association or a subsidiary of it who are involved in the day-to-day operation of the association or its subsidiary. The audit committee reviews annual statements before approval by the board, and any returns the Superintendent may specify; requires management to implement and maintain appropriate internal control procedures, and reviews, evaluates and approves these procedures; reviews such investments and transactions of the association that could adversely affect the well-being of the association as the auditor or any officer of the association brings to the committee's attention; meets the auditor to discuss the annual statements and other returns; and meets the internal auditor and management to discuss the effectiveness of internal control procedures.

The audit committee may call a meeting of directors to discuss any matters of concern. The auditor may call a meeting of the audit committee. The auditor is entitled to receive notice of every meeting of the audit and conduct review committees and, at the expense of the association, to attend and be heard at those meetings. If so requested by a member of the audit committee, the auditor shall attend every meeting of the audit committee during that member's term of office. The internal auditor of an association shall, at the auditor's request and on reasonable notice, meet with the auditor. [Act 199, 314-5]

The conduct review committee must have at least three directors, none of whom are employees of the association or its subsidiaries, or officers of the association or its subsidiaries involved in the day-to-day operations of the association or subsidiary. The conduct review committee requires management to establish procedures to comply with self-dealing rules in the Act, reviews those procedures and their effectiveness, and reviews the practices of the association to ensure that transactions with related parties of the association that may have a material effect on the stability and solvency of the association are identified. The association must report periodically to the Superintendent on the mandate and responsibilities of the conduct review committee and the actions taken during the year to comply with the self-dealing provisions of the Act. [Act 200]

Management and Employees: Directors may designate the offices of an association and appoint officers to them, specify the duties of those officers and delegate powers to them. A director may hold any office in the association. A person may hold two or more offices. Directors may fix remuneration for directors, officers and employees of an association, in accordance with bylaws. No remuneration shall be paid to directors until a bylaw fixing the aggregate amount to be paid to all directors during a fixed period of time is confirmed by special resolution. [Act 201, 203]

Audits: The auditor shall make such examination as necessary to report on the annual statement and other financial statements required by the Act to be placed before the members, and report to the members not less than 21 days before the annual meeting. The auditor shall state whether the annual statement or other statements fairly present, in accordance with generally accepted Canadian accounting principles, the financial position of the association, and the results of its operations and changes to its financial position for that fiscal year. The auditor is required to report to the directors and the chief executive and chief financial officers of an association, and to the Superintendent, on

any transactions outside the association's powers, and on doubtful loans by the association that could cause losses in excess of one-half of 1 percent of the association's assets. [Act 307-312]

An association shall take all necessary steps to ensure that its auditor is duly appointed as the auditor of each of its subsidiaries. [Act 313]

Liability of Officials: Directors and officers must act honestly and in good faith with a view to the best interests of the association, and exercise the care, diligence and skill a reasonably prudent person would exercise in comparable circumstances. They must comply with the law and regulations, and with the incorporating instrument and bylaws of the association. No provision in any contract, or in a resolution or in the bylaws of an association, relieves a director, officer, or employee of such duties, or from liability for a breach of them. [Act 168]

Directors of an association who vote for or consent to certain illegal transactions are jointly and severally liable for any loss suffered by the association as a result of the illegal transaction. Illegal transactions include: issuing shares without compensation; share redemption in violation of capital or liquidity requirements; payments to directors contrary to the act and self-dealing violations.

Directors are jointly and severally liable to the employees of an association for all debts not exceeding six months wages for services performed for the association while they were directors. Exceptions to this liability are detailed in the Act. [Act 214]

A director, officer or employee incurs no liability under the two preceding paragraphs hereof if he or she relies in good faith upon audited financial statements or financial statements which an officer of the association represents as fairly reflecting the financial condition of the association, or a report of an accountant, lawyer, notary or other professional. [Act 215]

An insider who, in connection with a transaction in a security of the association or any of its affiliates, makes use of confidential information for his or her own benefit, which information, if generally known, might reasonably be expected to affect materially the value of the securities, is liable to compensate others for any losses they incurred unless they knew or should have known the information, and is accountable to the association for any direct benefit or advantage received as a result of the transaction. [Act 267]

Directors, officers, former directors and officers, and those who, at the association's request, were directors or officers of an entity in which the association was a member, shareholders or creditor, may be indemnified, in certain circumstances, by the association for certain costs or judgments incurred as the result of their posi-

tions. An association may purchase and maintain insurance for the benefit of such persons against such liabilities. [Act 216, 217]

An authorized person who signs a genuine security with reasonable grounds for believing that the security is in the form and within the amount the issuer is authorized to issue, does not assume any further liability for the validity of the security. [Act 110]

An issuer who registers the transfer of a security on an unauthorized endorsement is liable for improper registration. [Act 124(2)]

Conflicts of Interest: A director or officer of an association who is a party to a material contract or proposed material contract with the association, is a director or an officer of any entity (other than a member) that is a party to a material contract or proposed material contract with the association, or has a material interest in any person who is a party to a material contract or proposed material contract with the association, must disclose such interest. Disclosure rules are detailed in the Act. The director must not be present when such a contract is discussed, nor vote on any resolution to approve it. A director who knowingly contravenes these provisions ceases to be a director, and becomes ineligible for five years to be director of any financial institution incorporated or formed by or under an Act of Parliament. Where a director or officer fails to disclose a material interest in a contract as required, a court may, on application of the association or a member of it, set aside the contract on such terms as it thinks fit. [Act 206-210]

Transactions by an association with related parties are prohibited, but the Act provides for many exceptions. Permitted transactions include loans with certain security, certain deposits, transactions where the value of the transaction is nominal or immaterial to the association when measured by criteria established by the conduct review committee and approved by the Superintendent, sales of assets to related parties under prescribed circumstances, purchase of certain securities and goods, leases, service contracts, and other transactions. The Superintendent may exempt transactions from the prohibition. [Act 413-419, 423-424]

Except as outlined below, any transaction between an association and a related party must be on terms and conditions that are at least as favourable to the association as market terms and conditions. Where an association enters into a prohibited transaction with a related party, the association or the Superintendent may apply to the court for an order setting aside the transaction, or for any appropriate remedy. (Certain loans to senior officers may be on special terms. See also below, "Loans to Officials".) [Act 425, 430]

Loans, other than margin loans, may be provided to senior officers of the association on favourable conditions if the terms and conditions of the loan have been approved by the conduct review committee of the association. [Act 420(4)]

The association may also grant loans secured by a mortgage on the principal residence of the spouse or common-law partner of a senior officer of the association on favourable conditions if those terms and conditions have been approved by the conduct review committee of the association. [Act 420(4.1)]

An association may provide financial services, other than loans, on favorable terms and conditions to senior officers, their spouses or common-law partners, and their children under 18 years of age, if the same terms and conditions are available to employees and the conduct review committee has approved the practice of making these services so available on favourable terms. [Act 420(5)]

Approval of two-thirds of the board of directors is required for specified transactions between an association and related parties. Certain limits apply to the aggregate of loans to all related parties of an association. [Act 421]

Insiders of a distributing association may not sell shares they do not own or for which they have not fully paid. They may not buy or sell a call or put on a share of their association or any of its affiliates. The definition of insiders is detailed. [Act 260, 265]

The auditor of an association must be independent of the association. Independence is a question of fact. A person is deemed not to be independent in certain circumstances. [Act 299(1)(a)(iv), 299(2)]

Surety Bond: The Governor in Council may make regulations respecting the bonding of directors, officers and employees of an association. [Act 463(g)]

Shares and Deposits

Shares: A membership share is an interest in the equity of an association that confers equal rights upon the holder to receive dividends declared on the shares, and to receive the remaining property of the association on dissolution. No non-membership shares shall confer upon the holder the right to vote otherwise than permitted by the Act, or to receive any of the remaining property of the association on dissolution. [Act Definitions, 68(2)]

Bylaws, approved by the members by a special resolution, specify the rights, privileges, restrictions and conditions attached to the shares of each class, and the maximum

number of shares of any class that the association may issue. Directors may authorize the issuance of membership shares and other shares, when, and to whom, and for such consideration as the directors determine, according to the bylaws. Series of shares are allowed. Shares must be in registered form, and shares shall be without nominal or par value. [Act 53, 66, 70, 71]

Where an association is to be sold as permitted under the Act, each share of the selling association carries the right to vote in respect of the sale, whether or not the share otherwise carries the right to vote. [Act 233.1, 233.3(2)]

Members may make changes by bylaw to the conditions attached to shares. Holders of a class, or in some cases a series, of shares are entitled to vote separately on bylaw changes that affect their shares. [Act 221-224]

Shares must be fully paid for in money or, with the approval of the Superintendent, in property. Payment may be made in currency other than Canadian currency. [Act 74]

An association may issue conversion privileges, options or rights to acquire securities of the association. Such rights may be made transferable or non-transferable, and separable or inseparable from any securities to which they are attached. [Act 77]

An association may not hold its own membership shares, or permit its subsidiaries to hold more than the minimum number of membership shares required by the association's bylaws. However, an association may under certain conditions purchase its own membership shares for the purpose of cancellation, and hold its own membership shares for certain purposes. [Act 78-80]

Detailed capital rules dealing with the cancellation of shares, the sale of shares acquired by the association or its subsidiaries through realizing on the association's or subsidiary's security interest in the shares, reduction of stated capital, and other adjustments to its stated capital accounts are set forth in the Act. [Act 81-85]

Deposits: An association may receive money on deposit, on such terms as to interest and time and mode of repayment as may be agreed on, from the government of Canada, a province or municipality in Canada, or any agency of them; or from a deposit protection agency. A retail association shall not accept deposits in Canada unless it is a member of the Canada Deposit Insurance Corporation. [Act 376(1)(c), 378.1]

Subject to the order permitting it to commence and carry on business, an association shall not receive money on deposit from a local cooperative credit society, or a cooperative corporation, that is not a member of the

association. However, a central cooperative credit society that is deemed to be an association under this Act is exempt from this restriction. [Act 375(3), 474(1)(d)]

A retail association may accept a deposit from any person, whether or not that person is qualified by law to enter contracts, and repay all or part of it to the depositor's order. The association must disclose, in the prescribed manner and at the prescribed time, to its customers and the public, any charges applicable to its deposit accounts, and its usual service charges. The retail association cannot increase its service charges or impose new service charges without disclosing this to its customers. [Act 385.01, 385.11, 385.12]

Dividends and Interest: The directors of an association may declare and an association may pay a dividend by issuing fully paid membership shares or other classes of shares, or options or rights to acquire membership or other shares. Dividends may also be paid in money, including in currency other than that of Canada, or in property. [Act 86]

Dividends may not be declared or paid if such payments reduce the capital or liquidity of the association below approved limits; or if the total of all dividends declared in that year would exceed the aggregate of the association's net income for that year up to the date of the declaration, and its retained net income for the preceding two financial years. [Act 86(4.5), 409]

Membership shares shall confer on the holders equal rights to receive dividends declared on the shares. [Act 67(2(a))]

Fractional shares are referred to. Holders of fractional shares are not entitled to voting rights or to receive a dividend in respect of the fractional share. [Act 97, 99]

A retail association shall not open an interest-bearing deposit account in Canada in the name of a natural person, unless the association discloses, in accordance with the regulations, to the opener of the account, the rate of interest applicable to the account and how interest will be calculated. This does not apply if the deposit is greater than \$150,000 or any greater prescribed amount. [Act 385.07]

Patronage allocations are referred to as payments to members, or to member and non-member patrons, based on the business they do with or through the association. [Act 2-Definitions]

Lien on Holdings: Unless bylaws provide otherwise, where a member is indebted to an association, the association has a lien to the extent of the debt on the membership shares and deposits of the member and any dividends payable to the member. [Act 51, 67(6(f))]

Loans

Purposes and Conditions: A loan includes an acceptance, endorsement or other guarantee, a deposit, a financial lease, a conditional sales contract, a repurchase agreement and any other similar arrangement for obtaining funds or credit, but does not include investments in securities. [Act 386(1) Definitions]

The directors shall establish and the association adhere to investment and lending policies, standards and procedures that a reasonable and prudent person would apply in respect to portfolio investments and loans to avoid the risk of loss and obtain a reasonable return. [Act 387]

An association may make loans to and investments in entities that are not members of the association. [Act 376(1)(d)]

Approval Procedure: Law and Regulations are silent.

Limits, Terms and Security: Commercial loans are carefully defined in the Act, but the definition excludes certain loans made to natural persons, loans to governments or their agencies, loans secured by residential or other real estate, deposits and other fully-secured or fully-guaranteed loans, certain investments in debt obligations, certain investments in shares or in ownership interest in an unincorporated entity, or loans with specified government or other guarantees. [Act 386(1)(a)]

Mortgage loans made or refinanced by a retail association for the purchase, improvement, or renovation of residential property may not exceed 75 percent of the value of the property. Exceptions are allowed for loans made or guaranteed under a government financing program, or if the excess is guaranteed or insured by a government agency or private insurer approved by the Superintendent, or in other specified transactions. [Act 382.1]

An association with \$25 million or less of regulatory capital shall not, nor allow its subsidiaries to, make commercial loans or acquire control of an entity that holds commercial loans, if the aggregate of all loans held by it and its subsidiaries exceeds, or the acquisition or making of the commercial loan or the acquisition of control of the entity would cause the aggregate value of all commercial loans held by the association and its subsidiaries to exceed, 5 percent of the total assets of the association. Associations with more than \$25 million of regulatory capital may exceed that limit only with permission of the Superintendent, who may impose conditions on the approval. [Act 398, 399]

A retail association shall not make a loan to a natural person that is repayable in Canada, the terms of which prohibit prepayment of the money advanced or any in-

stallment thereon before its due date. This does not apply to loans secured by a mortgage on real property, or to business loans greater than \$100,000 or such other amount as is prescribed. Any minimum credit balance requirement for a loan must be by express agreement between the borrower and the association. [Act 385.25(1-3)]

An association shall not guarantee on behalf of any person the payment or repayment of any sum of money unless it is for a fixed sum of money and the person on whose behalf the association gives the guarantee has an unqualified obligation to reimburse the association for the full amount of the payment or repayment. Exceptions to this rule are made for a subsidiary, or for a central or local cooperative credit society, under certain circumstances. [Act 379]

Interest Rates and Charges: A retail association must disclose borrowing costs, including interest rates and charges, any penalties, and other rights and obligations, for loans, credit cards, lines of credit and other loans. [Act 385.14-385.19]

Loans to Officials: An association may make loans to officers and employees of the association, and to related parties under certain conditions. [Act 376(1)(e), 415, 420(2)]

Any transaction between an association and a related party must be on terms and conditions that are at least as favorable to the association as market terms and conditions. [Act 425]

Loans to senior officers, or their spouses or common-law partners, may be made on terms and conditions more favorable than market terms and conditions, with the approval of the conduct review committee. [Act 420(4,4.1)]

Various kinds of loans to related parties are allowed within limits specified in the Act. The Superintendent may establish terms and conditions with respect to the making by an association of margin loans to a director or senior officer of the association. [Act 421, 422]

See also "Direction and Administration, Conflicts of Interest" above.

Investment of Funds

Deposit of Funds: See "Authorized Investments" below.

Authorized Investments: The directors shall establish and the association adhere to investment and lending policies, standards and procedures that a reasonable and prudent person would apply in respect of portfolio investments and loans to avoid undue risk of loss and obtain a reasonable return. [Act 387]

An association may acquire control of, or acquire or increase a substantial investment in: an association; a bank or bank holding company; a body corporate to which the Trust and Loan Companies Act applies; an insurance company, fraternal benefit society or insurance holding company incorporated or formed by or under the Insurance Companies Act; a trust, loan, or insurance company incorporated or formed by or under provincial law; a cooperative credit society incorporated or formed and regulated by or under provincial law; an entity incorporated or formed by or under federal or provincial law that is primarily engaged in dealing in securities; and entities incorporated or formed, and regulated, otherwise than federally or provincially that provide banking, cooperative credit, insurance, fiduciary and securities dealing services outside Canada.

Also permitted are investments in entities whose businesses are limited to one or more of: providing financial services that a retail association may provide; acquiring or holding shares of, or ownership interests in, entities the shares or ownership interests of which an association is permitted to hold or acquire; providing services to the association, any member of its group, and certain other parties; the activities of a mutual fund entity, mutual fund distribution entity or real property brokerage entity as defined in the Act; and other prescribed activities. Certain exceptions are specified in the Act. Specified investments, and relinquishment of control, require the approval of the Minister, or the Superintendent. [Act 390-394]

Substantial interests or control of entities acquired as the result of realization of security or default of a loan, must be disposed of, or may be kept with permission of the Superintendent. [Act 81(2), 394-395]

Acquisition of interest in real property and in certain equity investments is limited to the percentage of regulatory capital prescribed by regulation. [Act 401-402]

The value of all asset transactions within a year between the association and a person not a member of it may not exceed 10 percent of the total value of the assets of the association without approval of the Superintendent. [Act 406]

The definition of commercial loan in the Act includes investments in debt obligations and shares, with specified exclusions. [Act 386(1)(b,c) Definitions]

An association may make loans to and investments in entities that are not members of the association. [Act 376(1)(d)]

Capital Adequacy-Reserves

Initial Organization: An association must have a paid-in capital of at least \$5,000,000 before the Superintendent may issue an order approving its commencement and carrying on of business. [Act 60(1(b))]

The Minister shall, among other things, consider the nature and sufficiency of financial resources of the applicant or applicants, their business record and experience, their character and integrity, and the soundness and feasibility of their business plans when issuing letters patent to form an association, either through incorporation or amalgamation. [Act 27, 31.3(1(b)), 231(4)]

Permanent Capital: An association shall maintain adequate capital and liquidity, subject to regulations and any order of the Superintendent to maintain a higher level of capital or liquidity than required by regulation. [Act 409]

The Governor in Council may make regulations respecting the regulatory capital and total assets of an association; the retention in Canada of assets and the value of assets to be held in Canada; the protection and maintenance of assets of an association; and determination of the equity of an association. [Act 463(d-g, i.1)]

Regular Reserve: See "Permanent Capital" above.

Loan Loss Allowance: Law and Regulations are silent.

Special Reserves: An association shall maintain adequate and appropriate forms of capital and liquidity, and shall comply with any regulations in this regard, and any order of the Superintendent to maintain capital or liquidity in excess of regulatory requirements. [Act 409]

Powers of the Association

General Powers: An association has the capacity, and, subject to the Act, the rights, powers and privileges of a natural person. It may carry on business throughout Canada. Subject to the Act, it may also do business outside Canada, to the extent and in the manner permitted by the laws of the foreign jurisdictions. [Act 16]

Where a provincial central has been deemed to be an association, the Act defers to powers granted, and prohibitions specified, under the provincial law, except in certain business powers relating to the central's granting of guarantees for the obligations of another and of security interests in its property, and its making of permitted investments. [Act 2, 472, 474(1-5)]

An association may hold, manage and otherwise deal with real property; and act as custodian of property on

behalf of specified entities. It may provide management, investment, administrative, advisory, educational, promotional, technical, research and consultative services to entities to which it could provide financial services. It may, outside or inside Canada with Ministerial approval, collect economic and financial information, and information relating to the business of an entity in which an association may make a substantial investment, and provide advice on the design, development or implementation of information management systems, and design, develop and market computer software and, in certain circumstances, computer hardware. With permission of the Minister, it may also develop, design, hold, manage, manufacture and otherwise deal with data transmission systems.

If it is a retail association, it may act as a financial agent, provide investment counseling and portfolio management services, promote goods and services to its charge-card holders, sell urban transit tickets, sell lottery tickets generally on a non-profit public service basis; act as receiver, liquidator or sequestrator, and provide, under prescribed terms and conditions, specialized business management or advisory services. Except as authorized, an association shall not deal in goods or engage in any trade or business. [Act 376(1)(a,b,f,g,h,i), 376(2,3)]

An association may act as an agent for any entity to which it could provide financial services, or for a member of a cooperative credit society, or for certain other persons, enter into an arrangement with any person in respect of the provision of that service, or refer any person to such a financial institution or entity. [Act 377]

Except as authorized under the Act or regulations, an association shall not deal in securities. An association shall not engage in the business of insurance except to the extent permitted by the Act and regulations, nor act as an insurance agent, nor lease space in its offices to persons who place insurance. An association may not engage in personal property leasing. [Act 380, 381, 382]

An association shall not act in Canada as executor, administrator or official guardian, tutor, curator, judicial advisor or committee of a mentally incompetent person; nor as trustee of a trust. [Act 378]

An association may not be a general partner in a limited partnership, or a partner in a general partnership, without approval of the Superintendent. [Act 385]

Under a sunset provision, an association shall not do business after the day that is five years after the Act comes into force (October 24th, 2001). Limited, short extensions are provided for by the Governor in Council, to allow time for Parliamentary action. [Act 22]

Borrowing: An association shall not issue subordinated indebtedness unless the subordinated indebtedness is fully paid for in money or, with the approval of the Superintendent, property. Provisions regarding trust indentures related to the public issuance of subordinated indebtedness, and trustees, are detailed in the Act. [Act 87, 278-290]

The directors shall establish and the association shall adhere to policies regarding creation of security interests in property of the association to secure its obligations, and the acquisition by the association of beneficial interests in property that is subject to security interests. The Superintendent may direct amendments to the policy. [Act 383]

Merger: Two or more corporations, including associations, incorporated by or under an Act of Parliament, may jointly apply to the Minister to amalgamate and continue the applicants as one association under the Act. An association may amalgamate with its wholly-owned subsidiaries, using, in certain circumstances, a simplified procedure. Procedures and conditions for the amalgamation are detailed in the Act. [Act 226-233]

A body corporate incorporated or continued otherwise than under this Act may apply to continue itself under this Act for the purpose of amalgamating with another association. [Act 31.1(3)]

An association may sell all or substantially all of its assets to a financial institution incorporated by or under an Act of Parliament, a central cooperative credit society which is deemed to be an association under the Act, a bank holding company or an authorized foreign bank, if the buyer assumes all or substantially all of the liabilities of the association. The consideration must be cash or fully paid securities of the purchaser, or a combination of them. Such a sale must be submitted to the Minister before sending it to the members and shareholders. The members and shareholders of the vendor must approve the sale. Each share, regardless of its usual conditions, carries the right to vote on a sale. Within three months after approval by the members and shareholders of the vendor, the sale agreement must be submitted to the Minister for approval. [Act 233.1-233.5]

Liquidation: The directors or a member of an association may propose voluntary liquidation and dissolution of the association. A special resolution authorizing the association's application to the Minister for letters patent dissolving the association must be approved by the members, and, where one or more classes of shares have been issued, by each class of shareholders. Procedures

for liquidation and dissolution are specified. The Superintendent or any interested party may apply to a court to have the voluntary liquidation supervised by the court, and where a court enters the process, it has broad powers, including appointing the liquidator, determining the validity of claims, and making orders on various matters. The powers and duties of a liquidator are detailed in the Act. [Act 327-344]

If membership in an association falls below the minimums specified, the association shall without delay apply for continuance under different legislation, or liquidate and dissolve the association. [Act 50]

An association with no property and no liabilities may, when authorized by special resolution of the members, apply to the Minister for letters patent dissolving it. [Act 326]

In the case of insolvency of an association, the Act sets forth the priority of charges against its assets: first, payments due to the federal government; then payments due to the provincial governments; then payment of deposit liabilities; then subordinated indebtedness; and last the payment of any fines and penalties for which the association is liable. [Act 353]

Membership shares shall confer on the holder equal rights to receive the remaining property of the association on dissolution. [Act 67(2(b))]

An association shall not issue any non-membership share that confers on the holder the right to receive any of the remaining property upon dissolution of the association. [Act 68(1(b))]

Federation or Association

Purposes: See “Definition or Purposes of an Association” above.

Membership: See “Membership of an Association” above.

Dissolution: See “Liquidation” above.

Central Finance Facility

Purposes: The Canadian Cooperative Credit Society and the provincial Central Cooperative Credit Societies serve as central finance facilities for their members. See “Definition or Purposes of an Association” above.

Membership: See “Membership of an Association” above.

Funds: See “Capital Adequacy - Reserves” above.

Share and Deposit Protection

Purposes: The Canada Deposit Insurance Corporation may make short term loans (six months or less) to an association that has exhausted its ordinary sources of funds, at interest rates higher than the association could otherwise obtain, to enable the association to meet the requirements for liquidity needed to discharge its maturing debt obligations.

Canada Deposit Insurance Corporation may also lend funds to a deposit protection agency, with the approval of the Governor in Council, for the deposit protection agency's liquidity needs. [Act 481-484]

Coverage: See “Purposes” above.

Membership: Law and Regulations are silent.

Funds: The Minister of Finance may advance funds to the Canada Deposit Insurance Corporation for its loans under this Act, out of the Consolidated Revenue Fund. For other sources of funds, the Law and Regulations are silent. [Act 485]

ALBERTA, CANADA

<i>Region</i>	North America
<i>Federation</i>	Credit Union Central
<i>Legal System</i>	Alberta Ltd.
<i>Type of Law</i>	Common Law
<i>Number of Credit Unions</i>	Credit Union
<i>Number of Members</i>	73 (2001)
<i>Total Assets (US\$)</i>	533,000 (2001)
	\$4,688,679,200 (2001)

Rev: 3-00:rd

Legal Authority

Law: Credit Union Act, Statutes of Alberta, 1989, Chapter C-31.1, as amended to 1998. [cited as "Act"]

Regulations: Alberta Regulations 249/89 (Principal Credit Union Regulation). [cited as "Reg."]

Regulation 250/89 (Credit Union Ministerial Regulation). [cited as "2 Reg."]; and Regulations 262/85 (Credit Union Stabilization Preferred Shares Regulation). [cited as "3 Reg."]

Definition or Purposes of Credit Union

Definition: The purposes of a credit union are to provide on a cooperative basis financial services wholly or primarily for its members and receive deposits from and make loans to its members. [Act 26(1)]

Supervision and Regulation

Government Agency: The minister is a member of the executive council, which is charged with the administration of the Act by the lieutenant governor. The minister may in writing delegate any of his powers to the Credit Union Deposit Guarantee Corporation, (Deposit Guarantee Corporation), except those relating to the Credit Union Central Alberta, (Central). [Act 1(1kk), 6(2)]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Law and Regulations are silent.

Reports: The minister may direct that any document that is to be returned to him is to be in the authorized form and contain the information required by him, and may similarly direct the number of originals or copies to be provided. A credit union shall provide such periodic reports on or before such dates as are prescribed by the minister. A credit union shall, within three months of the end of the fiscal year, provide to the minister a copy of all annual financial statements. [Act 12, 84(1,2)]

Inspections: The minister may examine any aspect of the business of a credit union to determine: the credit union's condition and ability to meet obligations; whether the credit union follows sound business and financial practices; the credit union's management procedures; the standards of the credit union's management; or whether the credit union contravenes the Act or Regulations. The minister may order a special examination to be made where he/she considers that the interests of the credit union's members, customers or creditors must be safeguarded or any provision of the Act or regulations has been contravened. [Act 94, 95(1)]

The Deposit Guarantee Corporation may conduct a review of a credit union regarding its financial position, business or financial practices, solvency or need for financial assistance. [Act 96]

Regulations: The minister shall administer and enforce the Act; generally he/she may in writing delegate certain of his/her powers to the Deposit Guarantee Corporation, except his/her power to make regulations relating to the Central. He/She may make regulations prescribing anything that by this Act is to be prescribed by him/her. [Act 6(1, 2), 227]

Enforcement: The minister may order a credit union whose action or failure of action violates the Act to cease or refrain. The minister may apply for an injunction to restrain a credit union from violating the Act or Regulations. Where a prohibited transaction takes place, the minister may apply for a Court order setting aside the transaction and requiring that the participants pay compensation.

Where the minister considers that a credit union is in need of assistance or supervision he/she may make an order placing the credit union under supervision and appointing a supervisor. The minister may apply for a court order to dissolve a credit union. [Act 179(1), 194(1), 214(1), 215, 216(1), 220]

Membership of Credit Unions

Common Bonds of Association: "Bond of association" means the community of interests, if any, between members of a credit union deriving from a common occupation, employer, association, religious affiliation or membership of an organization that exists generally in Alberta or in a particular area in Alberta. The articles of incorporation of a credit union must set out, among other things, whether the credit union is to have a bond of association. [Act 1(1i), 21(2)]

Non-Natural Persons Eligible: A credit union may not be a member of another credit union. The membership of a credit union must consist wholly or substantially of (natural) individuals. [Act 61(3, 4)]

Liability of Members: Common shares are non-assessable and their holders are not liable to the creditors of the credit union in respect of them. [Act 106(5)]

Direction and Administration

Annual Meeting of Members: The annual general meeting shall be held within five months after the end of each fiscal year. A credit union may by bylaw divide the territory in Alberta in which it has members and does business into regions to hold separate general meetings instead of one general meeting for all members. Only members may vote at meetings, but members cannot vote by proxy. [Act 55, 57(1), 60(2, 5)]

Board of Directors and Committees: A credit union shall have a board of at least five directors. The board is held responsible for the general management of the business and affairs of the credit union. The board may appoint from among its members an executive committee of at least three directors and delegate to it certain powers, duties or functions.

The board shall appoint one or more credit committees and either an audit committee and a finance committee or an audit and finance committee. The finance committee shall recommend to the board the annual budget for the year, recommend investment procedures and financial policies, and perform such other duties assigned by the minister or by board resolution.

A credit union's audit committee shall: review the annual audited financial statements before they are approved by the board; review and make recommendations to the board on the appointment of the auditor and the internal auditor, on their remuneration and on the methods and scope of conducting audits; and ensure that any recommendations of the auditor receive the attention of the board. [Act 63, 67(1), 79(1), 80, 86(a, b, h)]

Management and Employees: The board may delegate any of its powers, duties or functions. Act refers to duties and liabilities of directors, officers and employees. [Act 67(1), 72(1)]

Audits: A credit union with assets of CD\$5 million or more must have an auditor. A credit union with less than CD\$5 million in assets must have an auditor unless there is in force an ordinary resolution of its members specifying it is not to have an auditor. However, the credit union can be ordered by the minister or the Deposit Guarantee Corporation to appoint an auditor. The auditor is responsible to conduct an audit of the financial situation of the credit union and its subsidiaries for the preceding fiscal year and make such examination as necessary. [Act 88(1, 2), 90(1, 2)]

Liability of Officials: A director or officer of a credit union, in exercising his/her powers and performing his/her duties, shall act honestly, in good faith and with a view to the best interest of the credit union as a whole, and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. [Act 73(1a, b)]

If the board of directors passes a resolution authorizing an illegal payment by the credit union, the directors who voted for or consented to the resolution are liable to restore to the credit union any amount so paid. When a director or officer first becomes aware that the credit union has acted illegally, he/she must report that fact to the minister within seven days. [Act 74(1), 75(1)]

Conflicts of Interest: A person is a related party with respect to a credit union if that person is a director or officer, or a spouse of a director or officer, is a relative of a director or officer or his/her spouse and lives in the same home, or is an auditor of the credit union, among other things. A credit union or its subsidiary shall not enter into any transaction with a related party, except to the extent permitted by the related party provisions of the Act. [Act 2(4a, b, c, d), 49(1)]

A related party shall not enter into a transaction with a credit union if he knows that he would make use of information confidential to the credit union in order to obtain a profit wholly for himself or any person other than the credit union. [Act 30(1)]

Surety Bond: Law and Regulations are silent.

Shares and Deposits

Shares: A credit union shall issue and maintain common shares. The number of common shares to be issued is unlimited, and unless the bylaws restrict the number of common shares that a member may hold, the credit union shall issue them to any member who subscribes and pays for them.

A credit union may also issue shares other than common shares and maintain a stated capital account for each class of shares. Regulations govern their creation issue, sale, redemption, transfer, rights, restrictions, conditions, etc. [Act 106(1, 2), 107(1, 5), 226(c), 3 Reg. 2]

Deposits: A deposit is money held by a corporation in a debtor and creditor relationship in the ordinary course of the business of raising money. It is repayable on demand, after notice, at a fixed rate.

A credit union shall not accept deposits from individuals who are not members, except from an individual who at the same time applies for membership, or from a legal representative or guardian of an individual who is a member, or a trustee. [Act 1(1q), 112]

Dividends and Interest: A credit union may pay dividends except where there are reasonable grounds for believing that the credit union is or would thereby become insolvent or if its capital is not adequate as prescribed in the law and regulations. On the basis set out in the bylaws, a credit union may pay a share dividend by issuing shares instead of paying money. [Act 107(4), 111(3, 4), Reg. 43.7(5)]

Lien on Holdings: A credit union has a lien on shares issued and right of set-off on deposits held by it, regarding indebtedness to the credit union of the member or customer to whom the shares or deposits belong. [Act 139]

Loans

Purpose and Conditions: A credit union shall generally not make loans to individuals who are not members. It shall adhere to prudent lending standards with reasonable expectation of fair return without undue risk. [Act 130(1, 2), 134]

Approval Procedure: The board of a credit union shall establish policies regarding the inquiries to be made into the character and financial condition of loan applicants as well as the approvals required and the procedures to be followed. The credit committee shall ensure that such policies are followed before granting any approval for a loan. the Deposit Guarantee Corporation may also approve loans in excess of the loan limits established by it for a credit union. [Act 130(1, 3), 133]

Limits, Terms and Security: The board of a credit union shall establish policies respecting the security required for loans and the terms of repayment. The board shall establish by resolution the maximum amount that may be loaned to a specific borrower. [Act 130(1), 132(1)]

A credit union may only lend to a member, but may acquire the rights of a lender on an existing loan to a nonmember. A credit union may also renew a mortgage loan to a nonmember. [Act 134, 138]

Regulations prescribe a schedule of maximum loan amounts based on the assets of the credit union as at the end of the fiscal year preceding that in which the loan would be made. These limits may be increased by the Deposit Guarantee Corporation, not to exceed 5 percent of assets. [Reg. 54]

Interest Rates and Charges: A credit union shall charge and collect interest on loans, as prescribed by the minister. [Act 137]

Loans to Officials: A credit union may make a loan to a related party if the board has previously authorized it, and it is made at fair market rate, and it does not exceed the prescribed amount, if any. [Act 135(2)]

A loan to a credit union's related-party auditor must be reported to the minister. [Reg. 57]

Investment of Funds

Deposit of Funds: A purpose of the Central is to accept deposits from credit unions. [Act 160(1)]

Authorized Investments: A credit union shall adhere to prudent investment standards in making and managing its investments. The board must establish written procedures to ensure this. These must be approved by the Deposit Guarantee Corporation.

Certain investments are prohibited or are restricted to prescribed conditions or amounts. Among these are: acquiring securities of another credit union and investing in derivative securities. Investments in a subsidiary organization or affiliate are subject to strict limits and conditions and require prior approval of the Deposit Guarantee Corporation. [Act 100(1)(3), 101(1)(2), 103(1) 104]

A credit union shall not acquire land unless it is needed for the credit union to carry on its business, except with prior approval of the Deposit Guarantee Corporation. Where a credit union is permitted to acquire land, the fair market value of total land holdings must not exceed 5 percent of the assets of the credit union. [Act 98(1), 101(1)]

Capital Adequacy-Reserves

Initial Organization: Before the minister approves the commencement of business of a credit union, he/she must be satisfied the members have collectively paid for the prescribed number of common shares and made the prescribed deposits and agreed to maintain them for at least six months. These deposits and shares are to be held by the Central, pending the commencement of business. [Act 24(2)]

Permanent Capital: A credit union shall maintain adequate capital as prescribed. [Act 108] The rules for determining whether a credit union is maintaining adequate capital are set forth in detail in Schedule 2 of the regulation. In general, they require a credit union to maintain total capital to equal or exceed the greater of: a) 4 percent of its total assets less any debentures owned by it in S C Financial Ltd., and b) 8 percent of its risk-weighted assets, determined in accordance with detailed weighting factors. [Reg. 41.3, Sch. 2]

Regular Reserve: See "Permanent Capital" above.

Loan Loss Allowance: Law and Regulations are silent.

Special Reserves: Law and Regulations are silent.

Powers of the Credit Union

General Powers: A credit union is a “body corporate” with the rights, powers, capacity and privileges of an individual. A credit union may carry on any business that is entailed in the fulfillment of any of its purposes, except as prescribed. [Act 1(1f), 42(1), 46(3)]

Borrowing: A credit union shall not borrow money except in compliance with a board resolution, passed in the last 13 months, specifying the credit union’s maximum net borrowing. When the total borrowings, including shortfalls as above, exceeds 20 percent of the assets of the credit union, the Deposit Guarantee Corporation shall examine the credit union and, if it is found financially unstable, shall place the credit union under supervision. A credit union shall not borrow money for any term exceeding two years except pursuant to a board resolution or from the Deposit Guarantee Corporation. [Act 125(1, 2), 126(1), 127(1)]

Merger: Two or more credit unions may enter into a voluntary amalgamation and continue as one credit union. The amalgamation agreement is subject to approval by their respective memberships and by the Deposit Guarantee Corporation. Two or more credit unions that are under supervision may be ordered by the Deposit Guarantee Corporation, with the prior approval of the Minister, to undergo compulsory amalgamation. [Act 184, 185(5), 187(1)]

Liquidation: A credit union, by special resolution, may undertake voluntary dissolution and liquidation through discharging all its obligations and subsequent distribution of all its property. This requires prior approval of the minister on recommendation of [the Guarantee Corporation.] [Act 190]

The minister may involuntarily dissolve a credit union or appoint a liquidator if he/she has reasonable cause to believe it is not carrying on business or its membership has fallen below a prescribed number. The minister may also apply to the Court for an order to dissolve and liquidate a credit union which has violated the law or failed to fulfill its purposes as a cooperative. [Act 192-194]

Federation or Association

Purposes: The purposes of the Central are:

- a. to provide the services to credit unions of accepting deposits from them, lending money to them, providing and managing their clearing house arrangements and guaranteeing their loans;
- b. to provide and manage a liquidity system for them;
- c. to manage those of their investments that are held with the Credit Union Central of Canada Central;

- d. to provide them with educational, technical and advisory services; and

- e. to provide other services consistent with the above. [Act 160(1)]

Membership: The Central consists of all credit unions, except those prescribed not to be members of it and those prescribed corporations that are admitted to membership. [Act 159]

Dissolution: Act provides for placing the Central under supervision or under administration by order of the lieutenant governor in council, but is silent on dissolution. [Act 175, 176]

Central Finance Facility

Purposes: See “Federation or Association.”

Membership: See “Federation or Association.”

Funds: The Central may charge general membership fees and charge reasonable fees of non-members. It may also accept deposits from its members, non-member credit unions, the Deposit Guarantee Corporation or from the Governments of Canada or Alberta. [Act 160(2), 173(1)]

Share and Deposit Protection

Purposes: The purposes of the Deposit Guarantee Corporation are:

- a. to regulate and enforce the Act and Regulations;
- b. to guarantee the repayment of deposits held by credit unions;
- c. to adopt measures which minimize the risk and size of claims under that deposit guarantee;
- d. to stabilize credit unions in financial difficulties; and to assist them to avert or alleviate financial difficulties;
- e. to supervise or administer the business and affairs of a credit union under supervision for unsoundness and/or to serve as liquidator where needed; and
- f. to provide other services consistent with this Act. [Act 146(1)]

Coverage: The Deposit Guarantee Corporation guarantees the repayment of all deposits made with credit unions. The Government shall ensure that this obligation of the Deposit Guarantee Corporation is carried out. [Act 154]

Membership: The Deposit Guarantee Corporation’s purposes and business activities relate to credit unions to the extent provided. [Act 146(1)]

Funds: With the prior approval of the lieutenant governor in council, the provincial treasurer may provide financial assistance to the Deposit Guarantee Corporation as needed to carry out its purposes. The Deposit Guarantee Corporation may also assess and levy on credit unions a periodic assessment not exceeding the prescribed rate. Additionally, the Deposit Guarantee Corporation may assess and levy special assessments on credit unions as needed to meet specific purposes previously approved by the minister. [Act 150, 151(1)]

BRITISH COLUMBIA

<i>Region</i>	Canada
<i>Federation</i>	Credit Union Central of British Columbia
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union, combined with Company and Financial Institutions Acts
<i>Number of Credit Unions</i>	65 (2001)
<i>Number of Members</i>	1,484,485 (2001)
<i>Total Assets (US\$)</i>	\$15,822,641,000 (2001)

Rev.3-00:wj

Legal Authority

EXPLANATORY NOTE: The registration, supervision, administration and corporate powers and structure of credit unions in British Columbia are governed by three laws and various regulations. The Financial Institutions Act and Company Act provide the basic structure and rules for credit unions as financial corporations. The Financial Institutions Act includes many provisions specific to credit unions, the Credit Union Deposit Insurance Corporation and stabilization of credit unions. The Credit Union Incorporation Act provisions apply only to credit unions and central credit unions.

Law: Financial Institutions Act, 1996. [cited as "FIA"]
Company Act RSBC, 1996, Chapter 62 (updated 1998). [cited as "CoA"]

Credit Union Incorporation Act, 1996 (updated 1998). [cited as "CUIA"]

Regulations: Regulations and Orders under the Financial Institutions Act, 1990; FIA Audit and Audit Committee Regulation; FIA Capital Requirements Regulation; FIA Credit Union Deposit Acceptance Regulation; FIA Credit Union Deposit Guarantee Regulation; FIA Credit Union Minimum Level of Capital Regulation; FIA Credit Union Offices Location Regulation; FIA Investment and Lending Regulation; FIA Liquidity Requirement Regulation; FIA Marketing or Financial Products Regulation; FIA Shared Premises Regulation; FIA and CUIA Definitions Regulation; FIA and CUIA Financial Institutions Forms Regulation; CUIA Credit Union Disclosure Statement Exemptions Regulation; CUIA Credit Union Extraprovincial Business of Subsidiaries Regulation; CUIA Credit Union Directors Election Regulation. [cited as "Reg"]

Definition or Purposes of Credit Union

Definition: “Credit union” means a corporation incorporated under Credit Union Incorporation Act or former acts and includes a central credit union. [CUIA 1]

Incorporation applicants are 25 or more persons who propose to form a credit union for the purpose of carrying on deposit business or both deposit business and trust business. They must also adopt a common bond of membership and all or any of prescribed model rules. [CUIA 6, 7]

Supervision and Regulation

Government Agency: The Financial Institutions Commission, (the Commission), is established to exercise powers and duties under the Financial Institutions Act. The chair of the Commission appoints the superintendent of financial institutions. [FIA 201-205, 207]

The Commission and the minister of finance and corporate relations must consent to registration of a credit union under the Act. [CUIA 11(2)]

Other Licenses Needed: A credit union must also be authorized under the Financial Institutions Act to carry on trust business or deposit business. Special conditions on a business authorization may be imposed. [FIA 59, 61(1), 236(1)(a)(iii)]

No special insurance sales license is required of a credit union that acts as agent for credit insurance. [FIA 171(3i)]

Other Institutions Regulated: Financial institutions, insurance companies, trust companies and other companies are governed by the Financial Institutions and Company Acts and Regulations.

Reports: A financial institution must file an annual return with the superintendent within 90 days after the end of its financial year, outlining its financial condition and affairs. It must include prescribed financial statements, the report of the auditor and other information.

Any statements filed with the British Columbia Securities Commission, (Securities Commission), or similar authorities outside the province, or that is distributed to the members of the financial institution, or any amendments to investment and lending policies, must be filed with the superintendent within five days. Other periodic reports may be required. [FIA 127; FIA and CUIA Financial Institutions Forms Reg. Form]

Every company must file a notice of appointment or election of directors, and must also file an annual report with the registrar, in prescribed form. [CoA 113, 333-334, 336-339]

A credit union shall file annually a detailed report on its risk-weighted capital, and a report showing sufficient liquidity. [FIA Capital Requirements Reg. 20; FIA Liquidity Requirement Reg. 6]

The superintendent may order a financial institution to provide information or produce records. [FIA 211]

Investment and lending policies must be filed with the superintendent. Special resolutions by members in a general meeting must be filed. [FIA 136(6); CUIA 80]

If the auditor of a financial institution considers that it has failed to respond appropriately to a report of financial difficulties, or he/she becomes aware of adverse circumstances, or prohibited transactions, or that it has contravened the FI Act, he/she must report the matter to the superintendent. [FIA 123, 156]

The superintendent may order the auditor of a financial institution to report on his/her audit, enlarge or extend its scope, or apply specified standards to an audit. [FIA 124]

Directors and senior officers of a financial institution must submit a personal information return to the superintendent before commencing their duties. [FIA 105; FIA and CUIA Financial Institutions Forms Reg. Form 13]

Inspections: At least annually the superintendent or his appointee must examine the condition and affairs of every financial institution, and make reasonable inquiries respecting its solvency, business, financial and management practices, compliance with laws or other orders and its business authorization. Special examinations, investigations and audits may be ordered. [FIA 212-219]

Regulations: The lieutenant governor in council may make regulations governing financial institutions and their business, such as: trust, deposit or insurance business by financial institutions; required information, authorizations and forms; determining asset structure and prescribing investments; officers’, duties and responsibilities; business relationships; deposit insurance; central credit unions; shares and deposits in credit unions; and other matters. [FIA 289; CUIA 108; FIA and CUIA Financial Institutions Forms Reg. 2(d), Forms]

Enforcement: The Commission may declare a credit union subject to supervision for various causes, including: request for supervision or for assistance by the credit union; inadequate liquidity or capital; conduct that may harm the interests of depositors, or of persons for whom the credit union is a fiduciary; failure to file required reports; failure to comply with laws or the superintendent’s orders; failure to comply with investment and lending policies.

The Commission may order corrections or compliance with laws or orders, and appoint an administrator. The administrator has full powers to operate the credit union and to exercise its powers and those of its officials. The Commission's administrator may order a credit union to amalgamate with another credit union, to dispose of its assets and liabilities to another, or to be wound up. The minister may also order a credit union wound up. [FIA 275-279; CUIA 38]

If, in the opinion of the superintendent, a person commits an act or pursues a course of conduct contrary to law or any order or a business authorization, or that could harm the interests of the depositors, then the superintendent may order corrective measures, or apply for a court order to remedy the problem. The property of a financial institution may be frozen under certain circumstances. [FIA 244-246]

The minister of finance and corporate relations may impose conditions, suspend operations or revoke the business authorization of a financial institution, for various reasons, such as failure to comply with the law or orders, or if a credit union has fewer than 25 members. If operations are suspended, the Commission may exclude a financial institution's directors, officers, employees and the public from its premises. [FIA 249]

The Supreme Court on its own motion or on application of an interested party may order corrections where defects, errors or irregularities have been found in the conduct of affairs or business of a financial institution. [FIA 259]

The superintendent may remove directors or officers of a financial institution for various causes, such as a person's bankruptcy, conflict of interest, contravening the FIA or orders of the superintendent, or other reasons. [FIA 99]

Contravening the FIA, or the CUIA, or failure to comply with them, or with orders or the conditions of a business authorization, and various other matters are offenses, and persons and entities are liable on conviction to fines, and in the case of individuals, to imprisonment. A court may order compliance with the law, compensation or restitution for losses. [FIA 253, 256-257; CUIA 101-107]

Where a credit union violates its business authorization, the court, on application by a member, a receiver, receiver manager, liquidator or a trustee in bankruptcy, may restrain the credit union and make other orders. [CoA 25]

Membership of Credit Unions

Common Bonds of Association: A credit union must have a common bond of membership based on only one of the following: religious interest, social interest, occupa-

tion, employment, community, geographic area. Changes in common bond must be by special resolution and approved by the superintendent. After an amalgamation, a credit union may have more than one common bond basis. [CUIA 40]

Persons who are members of the common bond and their relatives may be members. A credit union must have at least 25 members. Directors may admit others who may be conveniently served. Employees of a credit union may be members. Persons under 19 years old may become junior members, with restricted rights. Auxiliary membership is referred to. [CUIA 6, 41-42, 46]

Non-Natural Persons Eligible: The government, a public body or a subsidiary of the credit union may be members. [CUIA 41(6)]

Liability of Member: The liability of a member for a share is limited to its value. No member is personally liable for the debts, obligations or acts of the company. [CoA 55]

Direction and Administration

Annual Meeting of Members: A credit union must hold an annual general meeting, not more than 135 days after the end of the fiscal year. Other general meetings may be called. Members have the right to put proposals before a general meeting. [CUIA 74-77]

Directors must present to members at the annual meeting: a comparative financial statement which includes a report of profit and loss, a report of surplus, a balance sheet and the report of the auditor; the report of the directors to members and any other prescribed information. The auditor is appointed at the meeting. [CoA 145, 178(3)]

Each member has only one vote for a resolution or election of directors. Election of directors is governed by regulation. Proxy voting is allowed. [CUIA 70, 83(2); CUIA Credit Union Directors Election Regulation 1-3]

Board of Directors and Committees: Directors manage or supervise the affairs of a credit union. A financial institution must have at least five directors. They must be members of the credit union, and may represent a geographic area or class of members. Directors must meet certain qualifications, and each director must complete a prescribed training program. [FIA 97; CUIA 83(3-4), 84; CoA 112-115, 117]

The directors may appoint or elect committees and delegate powers to them, except for filling director vacancies, issuing securities, declaring dividends, approving financial statements and other reserved matters. Such committees must have at least three members. [FIA 111; CoA 174]

The directors must appoint or elect an audit committee of at least three members, which reviews returns filed with the superintendent and other reports, and reports to the directors. A majority of the members must not be officers or employees of the financial institution. [FIA 115; CoA 187 (4-5); FIA Audit and Audit Committee Reg. 4]

The directors must appoint or elect an investment and loan committee of at least three members. One of them must be an officer, but the majority may not be officers or employees of the financial institution. The committee recommends investment and loan policies consistent with prudent standards, and reviews the policies annually. It must ensure that procedures follow the policies, and review other lending matters. [FIA 135-136; FIA Investment and Lending Reg. 7]

Management and Employees: Every company must have a president and a secretary. Officers of corporations include a credit officer, an employee who has authority to approve loans, and an employee who reports directly to the directors. [FIA 5; CoA 133; FIA and CUIA Definitions Reg. 1]

Other references are made to employees, for example in the power to insure them, and other provisions of the laws and regulations. [FIA 206]

Audits: Every financial institution must have a qualified, independent auditor. The auditor must be the same for the financial institution and its affiliates. The superintendent may appoint an additional auditor. [FIA 113, 120, 125; CoA 180-183; FIA Audit and Audit Committee Reg. 3]

The auditor must make an examination and report to the members on the financial statement, and give his opinion on whether it presents fairly the financial position of the company and its subsidiaries, and is in accordance with generally accepted accounting principles. [CoA 188-191]

Liability of Officials: A financial institution may purchase and maintain insurance for the benefit of directors and officers against any liability they incur. [FIA 102(7)]

Persons who participate in or otherwise further a prohibited transaction between a financial institution and a related party are jointly and severally liable for losses to the institution. [FIA 154]

Insiders or their affiliates who use confidential information in a transaction that affects the value of a share or debt obligation, are liable for losses. [CoA 129]

Every director is jointly and severally liable to compensate the company and any member for any loss, damage and costs by reason of the allotment or issue of a share in contravention of rules regarding share values. Other liabilities are specified. [CoA 42, 43, 45, 127(1b, f)]

Conflicts of Interest: The directors must elect from among themselves a conduct review committee of at least three members, which establishes written procedures on disclosure, on preventing conflicts of interest and resolving them if they occur and for restricting the flow of confidential information. It must report to the directors on related party transactions. [FIA 112; FIA Related Party Transactions Reg. 7]

Restrictions apply to transactions between a financial institution and directors or other related parties to it. Related parties must disclose any interest they have in such transactions. [FIA 145-156; CoA 120-124; FIA Related Party Transactions Reg. 2-6]

Restrictions apply to a financial institution's holding of its own or a related party's securities while acting as a fiduciary in a trust or estate. [FIA 146]

Directors and officers must not disclose confidential information, or enter into transactions in which they make use of it to obtain benefit for any other than the financial institution. [FIA 104]

A credit union must keep a register of its indebtedness in excess of \$5000 to each director or officer or their associates. [CoA 75]

Every officer must disclose any office or property he holds whereby duties or interests might be created in conflict with his position for the credit union. [CoA 137]

Surety Bond: The Commission may require a credit union to carry insurance satisfactory to and against all risks it designates on all directors, committee members, officers and employees of the credit union and its subsidiaries. Other risk insurance may also be required. [FIA 206]

Shares and Deposits

Shares: A credit union may issue an unlimited number of shares, with or without par value, and provide for one or more classes of shares. Changes in conditions attached to shares may be made by special resolution. Issue of non-membership shares and other securities requires approval of the superintendent. Transfer of non-membership shares is permitted under certain circumstances. [CoA 59-64; CUIA 55-58, 62, 64; CoA 19; CUIA Credit Union Disclosure Statement Exemptions Reg. 1-4 and Form]

Membership shares have a par value of CDS1, and each member must subscribe to and pay for at least five, but not more than 1000 membership shares. Only members may own membership shares. Equity shares may be owned by non-members (auxiliary members). [CUIA 44, 46]

Deposits: A credit union must not carry on deposit business unless authorized by the Financial Institutions Commission. [FIA 59(1), 81(1b)]

A credit union may receive money on deposit only from or on behalf of: its members; the government of Canada; the government of British Columbia; a public body; partnerships among members; a member acting as a trustee; a member in joint ownership with another person; corporations that are agents of the Crown or controlled or owned by the government of Canada. A credit union may accept a deposit from a person whether or not that person is qualified by law to enter contracts. [FIA 82, 83; FIA Credit Union Deposit Acceptance Reg. 1-2]

Dividends and Interest: A credit union may declare and pay dividends on any class of shares. It may pay dividends in the form of fully paid equity shares. [CUIA 65]

A credit union may pay a patronage allocation to a person in respect of that person's borrowings, money on deposit, or goods or services provided. [CUIA 69]

Dividends and patronage allocations may not be made if they would reduce the credit union's capital base below authorized levels, without permission of the superintendent. [CUIA 65(3-4), 69(2)]

Lien on Holdings: If a credit union redeems or purchases a person's equity shares, it may apply money due by it in satisfaction of indebtedness owed by the person. [CUIA 64(6)]

Loans

Purpose and Conditions: Loans may only be made if they are consistent with lending policy standards. [FIA 138]

A credit union may not loan money to a member or auxiliary member for the purpose of buying its new shares or debt obligations. [CUIA 68]

Approval Procedure: A financial institution must adhere to prudent standards in lending decisions. [FIA 136(2)]

Lending policies must include criteria for evaluating applications for loans and leases. [FIA Investment and Lending Reg. 3(b)]

Limits, Terms and Security: Investment and lending policies must contain an upper limit on the amount of money a financial institution and its subsidiaries may lend under all loans, and commit under all guarantees or other obligations to any combination of one person and that person's associates. Limits are also required on the amount permitted to lend on the security of a mortgage of land. [FIA 136(5)]

Lending policies must contain procedures for managing loans and leases, and for realizing on security given for them; dealing with non-productive loans; and other matters. [FIA Investment and Lending Reg. 3(c, d, e, f)]

Any person may require insurance to be placed by a borrower as security for a loan. [FIA 76(1a)]

See also "Authorized Investments" below.

Interest Rates and Charges: Lending policies must contain procedures for monitoring interest rate risk. [FIA Investment and Lending Reg. 3(h)]

Loans to Officials: Restrictions apply to loans and other transactions made to related parties of a financial institution. The conduct review committee must approve certain transactions, and fair market rates must be paid. Limits apply to the size of all related party transactions relative to the size of the capital base of the institution. Disclosure of related party interest in transactions is required. [FIA 147-151]

Investment of Funds

Deposit of Funds: A credit union must keep a prescribed percentage of its assets on deposit with a central credit union prescribed by regulations. [FIA 67]

Authorized Investments: A financial institution must adhere to prudent standards in its investment and lending decisions. Policies must deal with the management and diversification of its investment and loan portfolio, and other matters. The superintendent may order review and changes in a financial institution's policies. [FIA 136-137]

A credit union must establish a policy requiring that at least a specified percentage of its total assets be held in low-risk investments. [FIA Investment and Lending Reg. 3(I)]

A credit union that is not a central may not make a loan or guarantee indebtedness of, nor invest in equity shares issued by, another credit union that is not a central. [FIA 139]

Loans or investments may not result in a financial institution acquiring more than 10 percent of the voting shares or other interest in a corporation or entity, but a subsidiary of the financial institution may acquire such an interest in accordance with the regulations.

Financial institutions may invest to acquire more than 10 percent interest in certain businesses: banking; insurance; trust; deposit; broker or underwriter of or dealer in securities; investment counseling; portfolio management; mutual fund investment; data processing; financial leasing; factoring; issue of credit cards or credit card systems; dealing in

land; other prescribed financial business. Such investments are limited to a percentage of the investing corporation's assets. The superintendent may vary investment limits, or order a financial institution to dispose of or realize on an unauthorized investment or loan. [FIA 138(1), 140-143]

An aggregate limit of 10 percent of assets is placed on investment in land by a credit union. Exception is made for land acquired for its own use or in settlement of loans. [FIA Investment and Lending Reg. 5]

Capital Adequacy-Reserves

Initial Organization: See "Permanent Capital" below.

Permanent Capital: A credit union must insure that its capital base is at all times adequate in relation to its business. If the superintendent considers the capital base inadequate, he may order it increased. Capital structure, including shares, investments, and specified components of the capital base, are detailed in Regulations. Capital adequacy minimums are prescribed for credit unions and deposit-taking trust companies. [FIA 68(1, 2f, 4, 5); FIA Capital Requirements Reg. 1-7, 9-10, 13-19 (with amendments); FIA Credit Union Minimum Level of Capital Reg. 2]

Regular Reserve: See "Permanent Capital" above.

Loan Loss Allowance: See "Permanent Capital" above.

Special Reserves: A credit union must ensure that at all times it has sufficient liquid assets in relation to its business; and it must keep a prescribed percentage of its assets on deposit with a central credit union prescribed by regulations. [FIA 67]

Prescribed investments for liquidity purposes and the structure of a credit union's deposits and debt liabilities are set forth in regulations. [FIA Liquidity Requirement Reg. 3-5]

Powers of the Credit Union

General Powers: A credit union has the power and capacity of a natural person of full capacity. It may not carry on unauthorized business. [CUIA 12; CoA 22]

Upon incorporation, subscribers and members are a company capable of exercising the functions of a corporation, with powers and liability according to the Act. [CoA 12]

A credit union may apply to the Financial Institutions Commission for authorization to carry on trust business. Conditions of approval are detailed. [FIA 61(1, 5, 8)]

Credit unions that made or participated in contracts of insurance before 1990 may continue to do so. Central credit

unions may provide or arrange for insurance if authorized to do so. The business office of a credit union must be separate and distinct from those of an insurance agent. [FIA 75(h, I), 76, CUIA 82, 90; FIA Shared Premises Reg. 2]

A credit union other than a central credit union must not carry on business outside British Columbia. But certain exceptional powers and activities are permitted, and subsidiaries may do trust, deposit and insurance businesses and ancillary work outside the province. [CUIA 81; CUIA Credit Union Extraprovincial Business of Subsidiaries Reg. 1-2]

A credit union may operate, locate or relocate one or more offices to serve members with regard to their common bond. [FIA 134(3); Credit Union Offices Location Reg. 1-3]

Tied selling of products or services with other transactions of a financial institution is restricted. [FIA 94; Marketing of Financial Products Reg. 2]

Every company has the power to acquire and hold property in joint tenancy in the same manner as a natural person. [CoA 32]

Borrowing: A credit union may issue subordinated notes under certain conditions. [FIA 87]

Borrowing by debenture issue is referred to, with restrictions. [CoA 80-85; CUIA 5(4)]

Merger: A credit union may transfer all or substantially all of its assets to another credit union, or be ordered to do so, or to amalgamate with another. Voluntary amalgamation is permitted. Procedures are detailed. [FIA 277(g); CUIA 16-24]

Liquidation: A credit union may be wound up, by special resolution of the members, or by order of the commission or the minister, or by court order. The Commission or the court appoints the liquidator. The liquidator has full powers of the officers and directors and may exercise the company's powers. The court may make restrictions on the liquidator's powers, or whatever orders it considers necessary. Procedures are detailed. [CoA 267-269, 271, 274, 282(a-c), 283-288, 289(1), 290-293, 295-6; FIA 277(g); CUIA 25-39 CUIA 93-95]

The minister must consent to the appointment of a receiver for a financial institution. [FIA 69]

Federation or Association

Purposes: See "Central Finance" below.

Membership: See "Central Finance" below.

Dissolution: Laws and Regulations are silent.

Central Finance Facility

Purposes: A central may accept and exercise all rights, powers and privileges conferred under the Cooperative Credit Associations Act (Canada) and the Financial Institutions Act (British Columbia). It may become a member of and deal with another central, or with a cooperative credit society or an association in Canada. [CUIA 86]

The lieutenant governor in council may designate a central credit union as the stabilization authority. The commission may delegate supervision powers to the stabilization authority, which must follow the policy direction of the minister. [FIA 282, 285, 286]

A central may make loans to a member, an employee or an employee of a member. It may provide other services, including officers' risk insurance. [CUIA 89-90]

A central may act as agent of bond distribution for indebtedness of guaranteed by the government of Canada or a province. [CUIA 88]

Membership: At least 10 credit unions may incorporate a central credit union. [CUIA 85]

Every credit union is required to be a member of the central credit union that is designated as the stabilization authority. [FIA 283]

Funds: A central credit union may issue only equity shares. Rules provide for their transfer, redemption or purchase. [CUIA 85(2), 92(2-3)]

A central credit union may buy shares in, deposit with or borrow money from another central, or other credit institutions in Canada. It may obtain loans or other financial assistance or policies of insurance from the Canadian Deposit Insurance Corporation or the government of Canada. [CUIA 86(2), 87]

Coverage: Credit union deposits are insured to CD\$100,000 for each prescribed separate deposit. [FIA 266(2); FIA Credit Union Deposit Guarantee Reg. 1-3] Equity shares are not guaranteed by the Credit Union Deposit Insurance Corporation. [CUIA 60(3)]

Membership: Members of the Financial Institutions Commission are the directors of the CUDIC, and they are its only members. [FIA 261]

Funds: The CUDIC may raise or borrow money and secure its obligations in amounts and in a manner it sees fit. The Commission may order each credit union to purchase debentures issued by the CUDIC, in an amount not exceeding .50 percent of all deposits of the credit union. [FIA 262(b), 269-270]

The Commission may assess credit unions for the fund, an amount not exceeding .30 percent of the total of all deposits with the credit union, or such amount as the Commission determines. Special assessments may be ordered if the fund is impaired. [FIA 268, 271]

The CUDIC may make prescribed investments. Deposits and investment in credit unions are restricted. [FIA 272]

The Commission may authorize the CUDIC to advance money from the fund to the stabilization authority for use in supervising or providing financial assistance to a credit union. [FIA 287]

Share and Deposit Protection

Purposes: The Credit Union Deposit Insurance Corporation, (CUDIC), administers and operates the fund and guarantees deposits of credit unions. It may guarantee the obligations of a credit union; provide or arrange for insurance for credit union directors, officers and employees; reinsure the liability of the fund with one or more insurers; and carry on other financial and corporate activities. [FIA 262, 266-267]

The Credit Union Deposit Insurance Corporation may grant financial assistance to a credit union in any manner the Commission thinks fit, directly from the fund, or as a charge against the fund, or otherwise. It may purchase equity shares of a credit union. [FIA 280]

MANITOBA, CANADA

<i>Region</i>	North America
<i>Federation</i>	Cooperative Credit Society of Manitoba Limited Inc. and la Fédération des caisses populaires du Manitoba
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	61 (2001)
<i>Number of Members</i>	459,714 (2001)
<i>Total Assets (US\$)</i>	\$4,188,050,300 (2001)

Rev.2-00:rd

Legal Authority

Law: Credit Unions and Caisses Populaires Act, 1986, as amended to 1997. [cited as "Act"]

Regulations: Credit Unions and Caisses Populaires Regulation, 1987. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: The purpose of credit unions is to provide, on a cooperative basis, a comprehensive range of financial services that meet the needs of their members and to provide for the direction and democratic control of such services by residents of Manitoba. Caisses populaires operate similarly, in the French language for French-speaking residents. [Act 2]

Supervision and Regulation

Government Agency: The minister may appoint a registrar and one or more deputy registrars to carry out the duties and exercise the powers in the Act. [Act 226]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: The Cooperative Credit Society of Manitoba Limited (Central); La Fédération des caisses populaires du Manitoba; Inc., the Credit Union Deposit Guarantee Corporation (Deposit Guarantee Corporation), and la Société d'assurance-dépôts des caisses populaires are also regulated by the Act. [Act Parts XI, XII]

Reports: Annual financial statements, the report of the auditor and any other information prepared for the annual meeting must be filed with the registrar and with the Deposit Guarantee Corporation. A quarterly report

to the Central must be made showing investments and loans matched with deposits and liabilities. [Act 98(1), 101] [Reg. 22]

Every credit union must file an annual return with the registrar listing the name and address of the credit union; the date of the last annual meeting; names, addresses and principal occupations of directors; names and addresses of officers and any other information as required. The registrar may require any other reports for the purposes of inspection. [Act 97, 204]

Where any director becomes aware that the credit union is unable to make its payments, or is financially unsound, he/she must report the matter to the registrar. [Act 90]

Inspections: The registrar shall have the right to inspect and examine the business and affairs, accounting and other records of credit unions, centrals and guarantee corporations at all reasonable times and shall have access to all information he/she requires. [Act 20(8), 203]

Regulations: The lieutenant governor in council may make regulations prescribing matters related in the Act. [Act 227]

Enforcement: Where the registrar finds overstatement of asset values he/she may order the accounts of a credit union adjusted. [Act 51(1)] Where he/she finds that assets are less than liabilities, the registrar may prohibit a credit union from taking deposits or making payments to its members or impose other restrictions. [Act 51(2)]

A person who contravenes the Act is guilty of an offence, liable on conviction to a fine not exceeding CD\$500. [Act 206] Where a director or officer fails to correct errors in financial statements and to inform the members, the registrar and the Deposit Guarantee Corporation, he/she shall be guilty of an offence; a person who makes false reports is guilty of an offense and liable upon conviction to a fine not exceeding CD\$5,000 or imprisonment not exceeding six months or both. [Act 111(7, 8), 205(1, 2)]

Where the registrar is satisfied that a credit union or a central is carrying on its business in a manner that contravenes the act or regulations or it has become financially unsound, he/she may place it under supervision. [Act 209, 210] A Deposit Guarantee Corporation may place a credit union under temporary supervision. [Act 218]

Where a credit union is in default in sending required documents to the registrar or paying required fees, the registrar may order it dissolved. A member or the registrar may apply to the court to liquidate and dissolve a credit union and if the court is satisfied that the credit union or its directors have acted in a manner that is oppressive or unfairly prejudicial to any depositor, security holder, credi-

tor, director or officer or that the credit union is not fulfilling proper purposes or for other causes, the court may order dissolution. [Act 134, 135]

In other disputes in court, the court may make any order it thinks fit regarding the operations of a credit union. [Act 194]

Membership of Credit Unions

Common Bonds of Association: The articles of a credit union may provide that membership in the credit union shall be limited to groups having a bond of association. [Act 53(1)]

The bylaws shall provide for the qualifications, conditions and methods of applying for and terminating membership and associate status in a credit union. [Act 6(4)(a)]

Persons under 18 years old may be members. [Act 52(3)] Joint memberships may be held if allowed in bylaws. [Act 70]

Non-Natural Persons Eligible: By reference, a body corporate or an association may be a member of a credit union. [Act 68] No credit union may be a member or an associate of another credit union. [Act 52(4), 54(3)]

Liability of Member: Subject to the Act, a member is not responsible for any act, default or liability whatsoever of the credit union. [Act 36]

Notwithstanding dissolution of a credit union, a member or shareholder to whom any of its property has been distributed is liable to any person who establishes a claim upon the property for two years after the date of dissolution. [Act 137(4)]

Direction and Administration

Annual Meeting of Members: The directors of a credit union shall call an annual meeting of members to consider the annual report of the directors, the financial statements and auditor's report, to appoint an auditor, to elect directors and such other matters proper to the meeting. Special meetings may be called. [Act 61, 98] A special meeting may be called if required by 25 members or by the registrar if he/she thinks fit. [Act 74, 75]

A member over 18 years of age may vote in a meeting of the credit union, has only one vote and may not vote by proxy unless allowed in bylaws. [Act 67, 69] A corporation or association which is a member may appoint a representative, who shall be recognized by the credit union and who may exercise the rights of an individual member on his/her group's behalf. [Act 68]

A member has the right to dissent against major proposed changes in a credit union, except when it is ordered by a

court and where he/she has objected in writing; the change does not become effective unless approved by the registrar. [Act 127, 128, 194(5)]

Charter bylaws shall provide the location and mode of holding meetings; the rights of voting by members; election of directors, committee members and officers; their powers, duties and remuneration and their terms of office and removal procedures. [Act 6(4)]

Board of Directors and Committees: The board of directors, which must have at least five members, shall exercise the powers of the credit union directly or indirectly and direct the management of its business and affairs. [Act 76(1), (2)] The directors may fix the remuneration of the directors, officers, committee members, delegates and employees of the credit union. They may elect or appoint committees and delegate powers to them. A director may become a member of a committee. [Act 92, 93]

The directors shall establish an audit committee of at least three members or directors to perform such duties and functions as may be prescribed. [Act 111]

Management and Employees: The directors may designate the officers of the credit union and delegate to them powers to manage the business and affairs of the credit union. The directors may fix the remuneration of employees. A director may become an officer. [Act 92, 93]

Audits: An auditor must be appointed by the members at a credit union's annual meeting from a list approved by the Deposit Guarantee Corporation. If a credit union does not have an auditor, the court, on application of the registrar or a member, may appoint an auditor. The auditor, who must be independent of the credit union, shall conduct an annual audit. [Act 102, 106]

The auditor shall have full access to all information and documents necessary for his/her audit. He/She shall report any questionable transactions or unsound practices to the manager, audit committee, directors and the Deposit Guarantee Corporation. [Act 110, 112]

Liability of Officials: Directors and officers and members of committees are jointly and severally liable for any payments or loans or advances they authorize which are contrary to the Act or regulation. [Act 88]

Every director and officer of a credit union, in exercising the powers and discharging the duties of a director or officer, shall act honestly and in good faith with the view to the best interest of the credit union, and shall exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. [Act 94(1)]

A credit union may purchase and maintain insurance for the benefit of its officials against liability they incur. [Act 96(3)]

Conflicts of Interest: A director or officer who is a party to a material contract or proposed material contract with a credit union or who has a material interest in a contract or proposed contract between a person and the credit union, has a conflict of interest and must disclose it and shall not participate in any vote on the matter. [Act 91(6)]

Failure to disclose a conflict of interest by a director or officer is an offence punishable upon conviction by a fine not exceeding CD\$5,000 and suspension of the right to be a director or officer for five years. [Act 91(12)]

No person may be a director of a credit union who is an undischarged bankrupt; an employee of a credit union, a central or a deposit guarantee corporation; an auditor or member of the auditor's firm of that credit union; a real estate appraiser or member of the firm; the credit union's solicitor; a member who is in arrears for more than 180 days under a debt or obligation to the credit union or a civil servant whose official duties are concerned with the affairs of credit unions. [Act 77] The auditor of a credit union must be independent of the credit union, but may be exempted from this rule. [Act 102(4)(7)]

Surety Bond: A credit union shall maintain such types and minimum levels of insurance and bonding coverage as may be determined by the guarantee corporation. [Act 50]

Shares and Deposits

Shares: The articles of a credit union shall fix the issue price of common shares, but the price shall not be less than CD\$5.00 each. A credit union is not limited as to the number of common shares it may issue. A member shall purchase at least one fully paid common share. [Act 23]

More than one class of shares may be issued with different rights, restrictions and conditions, including dividends. [Act 25] Special rules regarding changes to a class of shares apply to holders of shares, which are not common or surplus shares. [Act 35]

No person shall hold more than 10 percent of the total number of issued shares of any class comprising the capital of the credit union, unless the bylaws otherwise provide. [Act 33]

A credit union may require notice of intention to redeem shares. [Act 40]

Deposits: A member may withdraw his deposit with interest at any time, but a credit union may require notice of withdrawal of deposits. [Act 40]

Dividends and Interest: A credit union may declare and pay such dividends on its shares as may be established by the directors. [Act 31]

After providing for all known liabilities, making allowance for doubtful accounts and other such provisions as required, the directors may allocate any surplus arising from the operations of the credit union as a patronage refund and credit to its members. The refund is to be computed on the basis of the business done with the credit union by the member. [Act 28]

No dividend or patronage refund may be paid if by doing so the credit union reduces its value below specified amounts. [Act 32]

The credit union in its bylaws may require the patronage refund or dividend on shares to be used to purchase surplus shares. [Act 29]

Lien on Holdings: A credit union has a lien on the deposits and shares, together with interest or dividends thereon of any member or other person for any indebtedness to the credit union, and the deposits and shares may not be withdrawn or redeemed unless the credit union consents. The credit union may apply such holdings to indebtedness in default. [Act 44]

Loans

Purpose and Conditions: A credit union may make loans to its members, including directors, officers and employees, in accordance with its established loan policies and the regulations. A credit union may permit its members to repay loans in whole or in part, on any day the office is open for business. [Act 42]

Approval Procedure: Directors shall establish a written loan policy and make such changes to its policy as are directed by the guarantee corporation. [Reg. 8] A loan may only be made after an application has been submitted to and approved by the proper authority. [Reg. 12]

Limits, Terms and Security: Large loans shall be submitted to the system credit committee of the Central for approval. [Reg. 9, 10] A credit union must meet liquidity requirements before making loans. [Reg. 12(1)(b)]

No loan may annually be made to a person if the amount of the loan together with the aggregate balances outstanding on other loans, including interest, to that person, that person's spouse, dependent children or company in which the person, that person's spouse or dependent children or any of them together have an ownership interest, constitute more than 5 percent of the share capital of deposits in the credit union or such lesser percentage as may be required by the credit union's policies. Greater percentages are allowed where the borrower is a municipality, school board or hospital or where the debt is government-guaranteed. [Reg. 12(2)]

Interest Rates and Charges: Law and Regulations are silent.

Loans to Officials: A credit union may make loans to directors, officers and employees. [Act 42]

Loans by a credit union to its directors or officers or to persons in whom they have a material interest, outside normal lending practices, must be disclosed to the annual meeting. [Act 98(2)(c)]

Investment of Funds

Deposit of Funds: Investments to meet liquidity reserve requirements shall be made in financial instruments as prescribed. Regulation prescribes deposits or investments in the Central which are redeemable or cashable at any time. [Act 46(2)] [Reg. 15]

Liquidity investments by the Central may be made in deposits redeemable on demand in a bank or other institution, other than a credit union, authorized to accept deposits under the laws of Canada or any province of Canada, in bonds guaranteed by the government of Canada or one of its provinces or in high quality bonds, debentures, notes or other instruments of indebtedness which are redeemable or cashable at any time. [Reg. 17]

Authorized Investments: Investments other than for liquidity reserve requirements must be made as prescribed by regulation. The Central's charter bylaws shall set forth the authorized investments of a credit union. [Act 46(3)] [Reg. 16]

A credit union shall match the term and return of its investments and loans with the term and return of member deposits in the credit union as prescribed in regulations. [Act 49] [Reg. 22]

Capital Adequacy-Reserves

Initial Organization: Law and Regulations are silent. Act defines "capital account" as including the full amount a credit union receives for any shares issued. [Act 1(1)]

Permanent Capital: A credit union shall establish and maintain a level of capital as prescribed. Regulation requires an amount of not less than 5 percent of the assets of the credit union, of which not less than 60 percent shall be retained surplus of the credit union. [Act 48] [Reg. 21]

Regular Reserve: See "Permanent Capital" above.

Loan Loss Allowance: A credit union shall establish and maintain an allowance for doubtful accounts as prescribed by regulation. [Act 47] [Reg. 20]

Special Reserves: To meet withdrawals from deposit accounts, every credit union shall establish and maintain liquidity reserves of at least 8 percent of the total amount of deposits in the credit union or such greater percentage as the charter bylaws of the Central require, in cash on

hand, deposits or redeemable investments in the Central. A credit union shall not borrow to maintain its liquidity reserves other than from its members or the Central. [Act 46(1)] [Reg. 15]

Powers of the Credit Union

General Powers: Upon acceptance for filing and approval of the articles, the registrar shall issue a certificate of incorporation. [Act 8]

A credit union has the capacity and, subject to the Act, the rights, powers and privileges of a natural person. Subject to the approval of the registrar, a credit union has the capacity to register, carry on its business, conduct its affairs and exercise its powers in any jurisdiction outside Manitoba to the extent that the laws of that jurisdiction permit. [Act 14, 130]

Borrowing: Bylaws of a central shall provide for the loan of any moneys to its member credit unions. [Act 184]

Merger: Two or more credit unions may amalgamate and continue as one credit union. The directors of each credit union must submit the amalgamation agreement to meetings of the members for approval by special resolution. A credit union under supervision can be ordered to amalgamate by its supervisor. Any amalgamation is subject to the registrar's approval. [Act 119-124]

Liquidation: The directors or a member may propose the voluntary liquidation and dissolution of a credit union or a credit union may do so by special resolution of the members. A proposal to liquidate must be submitted to a members' meeting with proper advance notice. If approved, a statement of intent to dissolve is then submitted to the registrar, who must be satisfied the credit union will be able to discharge all of its obligations and liabilities.

If the registrar assents to the dissolution, the credit union ceases to carry on business, except to the extent necessary to dispose of its property and discharge its obligations to creditors and shareholders. [Act 131-133] The registrar may also dissolve a credit union involuntarily for reasonable cause, such as failure to return notices or documents or pay required fees or for not being in operation and carrying on business. [Act 134]

Federation or Association

Purposes: The purpose of the Cooperative Credit Society of Manitoba or Fédération des caisses populaires du Manitoba is to receive and manage the liquidity reserves of credit unions; develop and provide financial services to credit union; promote and develop sound management principles and operating procedures for credit unions; promote the

organization, development and welfare of credit unions in Manitoba; promote cooperation among cooperatives, credit unions and caisses populaires; and in the case of the Fédération, to do so in the French language and promote the use of that language in its system. [Act 165]

Membership: Every credit union shall be a member of the Cooperative Credit Society of Manitoba and every caisse populaire shall be a member of the Fédération. [Act 178]

Dissolution: Law and Regulations are silent.

Central Finance Facility

Purposes: See “Federation or Association” above.

Membership: See “Federation or Association” above.

Funds: A central is authorized to issue an unlimited number of common shares and other classes of shares with special rights, restrictions and conditions. [Act 169, 170]

Share and Deposit Protection

Purposes: The purposes of a guarantee corporation are to guarantee the deposits of members of credit unions and to ensure and promote the development of sound financial procedures and controls to protect credit unions against financial losses. It shall do such things as are necessary to enable a credit union assigned to it to satisfy the claims of the members for withdrawals are for deposits. [Act 142, 143, 144]

Coverage: Law and Regulations are silent. There is no limitation on the amount of deposits guaranteed by the guarantee corporation.

Membership: Every credit union shall be assigned to the Credit Union Deposit Guarantee Corporation and every caisse populaire shall be assigned to the Société d’assurance-dépôts des caisses populaires. [Act 158]

Funds: A guarantee corporation may borrow money and issue debt obligations, fix levies upon credit unions, establish and maintain a guarantee fund and perform other financial functions including arranging insurance to enable it to meet its liquidity needs through the Canada Deposit Insurance Corporation, the Government of Canada or that of Manitoba. [Act 144, 159, 160] [Reg. 25]

NEW BRUNSWICK, CANADA

<i>Region</i>	North America
<i>Federation</i>	Credit Union Central of New Brunswick
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	25 (2001)
<i>Number of Members</i>	101,459 (2001)
<i>Total Assets (USS)</i>	\$476,100,620 (2001)

Rev. 1-00:des

Legal Authority

Law: Credit Unions Act, 1992, Chapter C-32.2. [cited as “Act”]

Regulations: General Regulation-Credit Unions Act, 1994. [cited as “Reg.”]

Definition or Purposes of Credit Union

Definition: A credit union provides cooperatively a comprehensive range of financial services that meet the needs of its members. [Act 2, 3]

Supervision and Regulation

Government Agency: The minister of justice is responsible for general administration of the Act and the regulations and appoints a superintendent of credit unions who carries out duties and exercises powers required or authorized by the Act. [Act 290]

Other Licenses Needed: The lieutenant-governor in council decides whether an application for incorporation as a credit union should be approved or denied. He/She does so on recommendation of the superintendent. [Act 9]

Other Institutions Regulated: Regulated bodies include the federations and stabilization boards and the New Brunswick Credit Union Deposit Insurance Corporation (Corporation). [Act 163, 193, 214]

Reports: Within fourteen days after the annual meeting, a credit union must file with the superintendent and the stabilization board financial statements and other information that may be required. The stabilization board may require that the auditor of a credit union report to it and to the superintendent on the auditor’s procedures and may require that they be enlarged or extended [Act 108(3), 125 (1)]. A credit union also must file, within four months after the end of its fiscal year, a return with the superintendent on a form provided. [Act 107(1), (3)]

Inspections: The superintendent may examine the records of a credit union. The stabilization board shall make inspections and examinations concerning the business affairs of its member credit unions at least every eighteen months or at such other times as the stabilization board finds necessary or as the superintendent may require, and may, at any time in writing, require the auditor of a credit union to make a particular examination of procedures of a credit union for the safety of its creditors and members or for the public interest. [Act 27(7), 252, 125(2)]

Regulations: The lieutenant-governor in council may make regulations prescribing any matter required or authorized by the Act and concerning such other matters that are set forth. [Act 292]

Enforcement: If a credit union, federation or stabilization board, or any director, officer, member, or agent violates or does not comply with a provision of the Act or articles or bylaws of a credit union or federation, or an order by the minister, superintendent, or stabilization board, a complainant, in addition to remedies available, may apply to the court for an order directing compliance or restraining such a person from violation of the Act or regulations [Act 244]. A person who knowingly makes an untrue statement of a material fact or omits one required in a report to the superintendent or to any other person commits an offense. The court may—in addition to any punishment imposed—order a person convicted of an offense to comply with provisions of the Act. [Act 27(4), 243, 250(1), (2)]

Membership of Credit Unions

Common Bonds of Association: “Bond of association” is a characteristic common to all members of a credit union that leads them to join together in a credit union. The articles of a credit union may provide that membership shall be limited to such groups; a member who leaves the group may retain membership if the credit union’s bylaws so provide. [Act 1, 2, 61(1)]

Non-Natural Persons Eligible: A body corporate or association, if a member, has through its representative all the powers an individual member could exercise. [Act 75]

Liability of Member: A credit union member is not responsible for any act or liability of the credit union or for any claim against it. [Act 41]

Direction and Administration

Annual Meeting of Members: The directors shall hold an annual meeting of members within four months after the end of the fiscal year to consider the directors’ annual report, financial statements and other business

and to elect directors. Members have only one vote at meetings and may not vote by proxy. [Act 68, 74(2), 76]

Board of Directors and Committees: A credit union shall establish a fixed number of directors (not fewer than seven). They are elected to a term established in the bylaws (not to exceed three years) and may be reelected but not for more than nine consecutive years. They exercise the powers of the credit union directly or indirectly and manage the credit union’s affairs.

The directors shall establish an audit committee and a credit committee. The audit committee reviews financial statements and makes recommendations on issues arising out of audits. The credit committee considers loans requiring its approval, receives reports from the general manager on loans in arrears and on other matters and recommends policies and procedures on loans. [Act 83(1), 85, 94] [Reg. 13.2, 13.4]

Management and Employees: The directors manage a credit union directly or indirectly through its employees and agents. [Act 83(2)]

Audits: The auditor’s report shall be given to the members at every annual meeting. The credit union must make available to the auditor on demand all records and information necessary in the auditor’s opinion for a financial statement. The audit committee meets with the auditor. Other duties of the audit committee are set forth in the regulations. [Act 120, 121] [Reg. 13.2]

Liability of Officials: Directors who consent to an improper payment are liable to restore the sum to the credit union. All directors, officers and committee members who knowingly make a loan in violation of the Act or the regulations are liable to the credit union for the unpaid balance of the loan, with interest. [Act 97(1), (2)]

Conflicts of Interest: A director or officer, including a committee member, a general manager and an agent, who has a material interest in a credit union’s contractual arrangements must disclose the nature and extent of his or her interest in writing or in the minutes of meetings of the directors. [Act 100]

Surety Bond: A credit union shall maintain such types of insurance and bonding coverage required by its stabilization board. [Act 58]

Shares and Deposits

Shares: The articles fix the price of membership shares (not less than CD\$5 each). Shares are not limited in number. A member shall hold only one fully paid membership share unless bylaws permit or require members to hold more than one. In addition, the articles

may provide for surplus shares or, with the superintendent's approval, other classes of shares. Membership shares rank behind all other classes. [Act 30, 32]

Deposits: A credit union may receive deposits from its members and conduct checking services for them. The Superintendent may require a report of a member's deposit of more than CD\$500,000. A credit union may not accept deposits from another credit union. [Act 18(1), (2), 49] [Reg. 2.5]

Dividends and Interest: With approval of the members at the annual meeting, a credit union may pay dividends on any shares issued. [Act 37]

Lien on Holdings: A credit union has a lien on deposits and shares of a member or other person for any indebtedness due. [Act 50(1)]

Loans

Purpose and Conditions: A credit union may make loans to its members, including personal loans and mortgages on residential property. It may also make loans to certain governmental agencies and educational institutions in the province and loans guaranteed by the government of Canada or of a province. Commercial loans, mortgages on non-residential property, and loans to not-for-profit bodies may be made only if the credit union's stabilization board has authorized the credit union to make such loans. [Act 18(1)] [Reg. 3, 4(1)]

Approval Procedure: Loan policies established by a credit union shall provide for the manner in which loans are to be considered and approved. Such policies are subject to approval by the stabilization board. [Act 48(1), (2)] [Reg. 6(1)]

Limits, Terms and Security: Loan policies shall provide for the maximum amount of the loans that may be made to a member and may be outstanding at any time, the extent to which loans are to be secured and policies governing unsecured loans. [Reg. 6(1)]

Interest Rates and Charges: Law and Regulations are silent, but terms and conditions of loans may be established by the stabilization board. [Reg. 6(1)]

Loans to Officials: Loan policies shall provide for the manner in which loans to directors, officers and employees of the credit union are to be dealt with. [Reg. 6(1-b)]

Investment of Funds

Deposit of Funds: A federation receives and manages the deposits made by its member credit unions.

Deposits redeemable on demand may be maintained in meeting the liquidity requirements of the regulations. [Act 164] [Reg. 7(3)]

Authorized Investments: A credit union may make investments in accordance with regulations and in accordance with prudent investment standards—those that a reasonable and prudent person would apply in making investments to avoid undue risk of loss and to obtain a reasonable return. It shall not invest in real estate for its own use if the total cost exceeds 50 percent of its equity unless that investment is approved by the stabilization board. The term and return of investments and loans shall be matched with the term and return of its members' deposits. [Act 53, 57] [Reg. 9]

Capital Adequacy-Reserves

Initial Organization: Law and Regulations are silent.

Permanent Capital: A credit union shall maintain a level of equity not less than 3 percent of total assets and on or before January 31, 2004, not less than 5 percent. [Act 55] [Reg. 11]

Regular Reserve: See "Loan Loss Allowance," "Permanent Capital" and "Special Reserves".

Loan Loss Allowance: A credit union shall maintain an allowance for doubtful accounts in an amount determined in accordance with generally accepted accounting principles and reported in the credit union's financial statements. [Act 54] [Reg. 10]

Special Reserves: A credit union shall maintain liquid assets in an amount not less than 10 percent of its total liabilities. [Reg. 7(1)]

Powers of the Credit Union

General Powers: A credit union has the capacity, rights, powers and privileges of a natural person and may carry on any business appertaining to that of credit unions. No credit union shall provide real estate brokerage services, carry on the business of an insurance company, or engage in any other trade or business. Subject to regulations, it may enter into arrangements with a financial institution or any other body corporate for any services offered by them. [Act 16, 18, 20]

Borrowing: The amount that may be borrowed by a credit union shall be not more than 10 percent of the total deposits of its members and the equity of the credit union or such greater amount authorized by the stabilization board. [Act 56] [Reg. 13(1)]

Merger: Two or more credit unions may amalgamate and continue as one credit union. They must mutually agree on the terms and submit the agreement to their members for approval. Consent of the stabilization board and certification by the superintendent are also needed to complete the dissolution. [Act 133(1), 134, 135, 136, 138] [Reg. 19.1(3), Form 9: Articles of Amalgamation]

Liquidation: A credit union may be dissolved voluntarily by special resolution of the members provided the credit union distributes any property and discharges any liabilities. The superintendent may involuntarily dissolve a credit union where: 1) it fails to send required notices or documents for two consecutive years; 2) defaults on payment of required fees or assessments; or 3) the superintendent has cause to believe the credit union is not carrying on business. [Act 142(3), 143, 144] [Reg. Form 12: Articles of Dissolution]

Federation or Association

Purposes: The purposes of a federation are to receive and manage credit union deposits made by its credit unions for the purpose of meeting the liquidity requirements of its member credit unions and to provide members with financial, advisory, educational and research services. It encourages cooperation among credit unions and cooperatives in New Brunswick, among other activities required by the Act or the regulations. Its investments for the purpose of meeting liquidity requirements of its member credit unions shall not exceed 25 percent of the federation's equity. [Act 164, 168]

Membership: Membership in a federation is compulsory for a credit union doing business in New Brunswick. Member credit unions are not liable for any claim against the federation. Credit unions are represented at and vote at federation meetings through one or more representatives. They are appointed or elected by each credit union in accord with the Act and the regulations. A representative is entitled to only one vote at a meeting of the federation. [Act 176, 177, 179(1), 181] [Reg. 14]

Dissolution: Law and Regulations are silent.

Central Finance Facility

Purposes: The purposes of a stabilization board, established in relation to a federation, include protecting member credit unions from financial loss and insolvency, promoting sound policies and procedures by members and establishing a stabilization fund, among other services. A stabilization board shall make inspections

and examinations of the affairs of each member credit union and may place a credit union under its supervision if it does not comply with the Act's operating standards and the regulations. [Act 196, 267] A stabilization board may provide, on request of the Corporation, such services as the Corporation may direct, including assuming liabilities or purchasing assets of a credit union upon liquidation. [Act 199]

Membership: A credit union shall be a member of the stabilization board established in relation to the federation to which the credit union is a member. [Act 195]

Funds: A Stabilization Board shall collect levies from each member credit union and may discontinue them when the total amount in the stabilization fund equals an amount determined in the regulations. [Act 202(1), (4); Reg. l5]

Share and Deposit Protection

Purposes: The Corporation provides insurance against loss of deposits with credit unions in the province. It assists stabilization boards in providing financial assistance to credit unions and provides other services required or authorized under the Act or the regulations. [Act 216]

Coverage: The Corporation insures deposits placed with a credit union to an amount determined in the regulations; the maximum amount covered by the Corporation shall equal the maximum amount insured by the Canada Deposit Insurance Corporation. [Act 220(1)] [Reg. 16]

Membership: The Corporation provides insurance against loss of deposits with credit unions in the province. [Act 216] See also purposes of Stabilization Board under "Central Finance Facility," above.

Funds: The Corporation may determine amounts to be levied and collected from credit unions to enable it to carry out its purposes. It may borrow money, pledge assets of the Corporation as security, enter into agreements with a stabilization board or apply to the minister for loans or guarantees of loans. The minister may, with the approval of the lieutenant governor in council, make loans or advances to the Corporation and guarantee any loans or advances made to the Corporation by others. [Act 217, 228]

NEWFOUNDLAND, CANADA

<i>Region</i>	North America
<i>Federation</i>	Credit Union Central for Newfoundland and Labrador
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	15 (2001)
<i>Number of Members</i>	38,496 (2001)
<i>Total Assets (US\$)</i>	\$247,798,740 (2001)

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Legal Authority

Law: Credit Union Act, December 21, 1995, amended 1996 cR-10.1 s21; 1998 c15. Chapter C-37.1 proclaimed June 11, 1999. (This law succeeds the Cooperative Societies Act as the effective law for credit unions and their trade associations.) [cited as "Act"]

Regulations: Newfoundland Regulations 55/99 - Credit Union Regulations under the Credit Union Act, proclaimed June 11, 1999. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: A credit union shall operate on a cooperative basis to provide a range of financial services that meet the needs of its members and to provide for the direction and control of those services by those members. [Act 3]

Supervision and Regulation

Government Agency: The superintendent of credit unions is appointed by the minister, who is appointed under the Executive Council Act to administer this Act. [Act 2, 241]

The guarantee corporation acts as the supervisor of credit unions and trade associations and may administer the regulations under the Act. [Act 177(e), 179(r)]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Law and Regulations are silent.

Reports: A credit union must file an annual return with the superintendent with specified information and with any other information the superintendent may require. Any auditor's report highlighting weaknesses of the credit union must be submitted to the superintendent. [Act 105]

The credit union must file with the superintendent all documents it presents to its members at the annual meeting. It must also furnish the guarantee corporation with any information it requires. [Act 106, 179(p)]

A credit union must report its liquidity position every month to the guarantee corporation; report quarterly its schedule of doubtful loans and file a report showing investments and loans with maturities matched with deposits and other liabilities; annually file an updated equity plan and a copy of its internal audit report; and any other information the guarantee corporation requires. [Reg. 16(4), 18(2), 19(3), 21(1b), 26(2), 30]

A director who becomes aware that a credit union is unsound or in financial difficulty must report the matter to the superintendent. [Act 96]

Inspections: The superintendent may enlarge the scope of an audit, order examination of any part of a credit union's business or order a particular procedure to be established. [Act 117]

The superintendent or the guarantee corporation may make whatever examinations of a credit union or trade association it considers appropriate. [Act 179(e), 208, 209, Reg. 31-32]

Regulations: The minister may make regulations respecting the organization, financial structure and conduct of business of credit unions and trade associations. Matters subject to regulation are detailed in the Act. Among them are classes of shares, insurance services, deposit accounts, loans, liquidity, members' rights, trade associations and the guarantee corporation. [Act 243]

Enforcement: The superintendent or the guarantee corporation may order a credit union placed under supervision where they are found to be contravening the Act, in financial distress or for other reasons, and may appoint a supervisor. The superintendent may order a trade association placed under supervision for similar reasons and appoint the supervisor. The guarantee corporation may be an appointed supervisor. [Act 220-222]

In a court action brought by a qualified complainant, the court may make any interim or final orders it finds necessary, including: payment of money due; appointment of directors; restraining conduct complained of; compliance with the Act, the articles or bylaws of the credit union or order of the minister or superintendent or the guarantee corporation; placing a credit union or trade association under supervision; liquidation; and various financial and procedural orders. [Act 199-202, 205]

A supervisor has broad powers to intervene in the affairs of a credit union or trade association placed under supervision, including: exercising the powers of the entity, and conducting its affairs; inspections; ordering officials or the entity to follow certain procedures or make specified payments; excluding directors and other functionaries from the property and business of the credit union; in the case of a credit union, order it to

reorganize, amalgamate, dissolve, wind up, liquidate or otherwise dispose of the business of the credit union; and any other powers that may be granted by the court. [Act 224]

Where the superintendent finds a credit union or trade association not in compliance with the Act, or likely to become non-complaint, he/she may order corrections. [Act 210-211]

The superintendent may order corrections or other measures to reflect accurately the position of the credit union, when he/she finds that the stated value of a credit union's assets is greater than their real value. Where its assets are less than its liabilities, the superintendent may prohibit or limit the credit union from taking deposits or making payments to members, or take whatever steps he/she considers necessary to protect the interests of the members. [Act 58]

Failure to disclose conflict of interest is an offense and may result in loss of office and a fine. [Act 98(8)]

Fines or imprisonment may be imposed for various offenses under the Act, along with orders to comply with the Act. [Act 216-218]

Membership of Credit Unions

Common Bonds of Association: Articles of a credit union may provide that membership in the credit union shall be limited to groups having a bond of association. The bond is the characteristic common to all the members and which leads them to join together in a credit union. Bylaws govern the conditions of membership.

Persons under 19 years old may be members. Associate memberships are permitted. A credit union shall not be a member or associate member of another credit union. [Act 6(1), 7(1d), 7(3), 8(1a), 59, 60, Reg. 24]

If a member leaves a group having a common bond, that person may remain a member of the group's credit union. Members may withdraw or be expelled from a credit union under certain circumstances. [Act 60(2), 62-3]

Non-Natural Persons Eligible: Provision is made for representation of members which are corporations and associations. [Act 74]

Liability of Member: A member is not responsible for an act, default of liability of the credit union or any action or thing relating to the credit union except to repay loans or deposit overdrafts. [Act 40, 41]

Direction and Administration

Annual Meeting of Members: Directors must call the annual meeting of members within three months after the end of the fiscal year to consider the annual report of the directors, financial statements and the auditor's

report; to appoint the auditor; to elect directors; and other matters. Special meetings may be called. [Act 67, 80, 81, 106, 109]

A member who is 19 years of age may vote at a meeting of members. Each member has only one vote. Voting by proxy is prohibited, except for representatives of members which are corporations or associations. Joint memberships with a single vote are allowed. An executor or administrator holding a share, may vote that share. A voting member has the right to submit a proposal to a meeting of members. [Act 71, 73-77]

Bylaws govern meetings of members, voting, election of officers and the conditions of their service. Bylaws may call for election of the audit committee and the credit committee. [Act 8(1b), Reg. 27(1), 28(1)]

Bylaw changes, and amendments to the articles of incorporation are voted on by members, and must be approved by the superintendent. [Act 64, 126-130]

Board of Directors and Committees: A credit union must have at least five directors, the number fixed by bylaws. The board directs the management and business affairs of the credit union, directly or indirectly, through employees and agents.

Members who are citizens of Canada, 19 years of age or older, may be directors. Persons may be disqualified from directorship for various reasons, such as bankruptcy, loan in arrears or certain conflicts of interest. [Act 82, 83, 84, Reg. 25, 41]

The directors of a credit union may appoint committees and delegate certain of their powers to the committees. Regulations may require creation of certain committees. [Act 91, 92]

Where a credit committee is established, it shall have at least three members who are either elected by the members or appointed by the board, according to the bylaws. Members may not be employees of the credit union involved in lending or officers or members of the audit committee.

The credit committee shall review all loan activity, recommend policies for approving and granting loans, report to the board and the members annual meeting and perform other lending related duties. [Reg. 28]

A credit union shall have an audit committee of at least three persons, none of whom is an officer. The members may be elected by the members or appointed by the board. It shall review financial statements, meet at least annually with the auditor and perform other oversight duties detailed by regulation. [Act 120, Reg. 27]

Directors may be paid remuneration and reimbursement for expenses with approval of members at the annual meeting. [Act 100]

Management and Employees: Directors may appoint officers of the credit union. Directors may become officers, and one person may hold two or more offices. [Act 99]

Audits: A qualified auditor shall examine the affairs of a credit union at least annually and report on its financial statements at least 10 days before the annual meeting. The superintendent may enlarge or extend the scope of an audit and order special examinations or procedures.

The auditor must report to the directors and other officials of the credit union if he/she finds errors or misstatements in the financial statements, violations of the Act or the Canada Criminal Code or improper transactions or business practices. The auditor may also be required to report to the superintendent and the guarantee company. [Act 117-123; Reg. 26]

Liability of Officials: Directors and other officials and members who vote for or consent to illegal or improper payments or other measures are jointly and individually liable to restore any losses for two years after the date of the improper act. [Act 95]

Conflicts of Interest: A director or officer, or their family members or close associates, who are a party to or have an interest in a material contract with a credit union, must disclose such interest, and may not participate in decisions regarding it. [Act 97-98]

All credit unions and trade associations must make provision in their bylaws respecting conflicts of interest. [Reg. 29] The auditor must be independent of the credit union's business, management or financial relationships but may be a member. [Act 109(2)(a)(iii), 109(3-4)]

Surety Bond: All directors, officers, committee members and employees of a credit union, a trade association or the guarantee corporation shall provide a bond in the form required by the guarantee corporation. The superintendent may exempt a trade association from this requirement. [Act 57; Reg. 22(3-4, 6)]

Shares and Deposits

Shares: Member equity shares of a credit union shall have an issue price fixed by the articles of not less than CD\$5 per share. The total number of equity shares is not limited. A member must hold at least 20 member equity shares purchased at par. Equity shares may be redeemable at par with the approval of the board of directors. Bylaws may permit a member to hold more than the minimum. [Act 30, 34; Reg. 8]

Articles of incorporation shall set out the classes and maximum number of shares issued, other than membership shares and conditions attached to them. Surplus

shares and other classes of shares are mentioned. Regulations may be made respecting classes of shares and their rights, etc. [Act 7(1)(e-f), 32, 37, 243(f)]

Deposits: A credit union may receive deposits and operate checking services for its members. [Act 18(1a)]

A credit union may require up to 90 days notice before withdrawing deposits. [Act 43]

Dividends and Interest: A credit union may declare and pay a patronage refund or a dividend on its shares with the approval of the members at the annual meeting. Dividends or patronage refunds of a credit union may be paid, in whole or in part, in surplus shares, according to the bylaws. [Act 35-37]

Dividends and patronage refunds may not be paid if they would damage the credit union's equity position, solvency or reserve position, according to the Act and Regulations, except with permission of the superintendent. [Act 38]

Lien on Holdings: A credit union has a lien on the deposits and shares and interest in them for indebtedness or other obligations due to it by a member and it may apply the deposits or shares to the debt. Shares and deposits pledged as security for a loan shall not be withdrawn to an amount which would reduce the security below the balance outstanding. [Act 49; Reg. 14(10)]

Loans

Purpose and Conditions: A credit union may make loans to its members, including officials; it may participate in a loan to a member of another credit union; and it may acquire an interest in a loan from another credit union in the province. Loan policies are subject to conditions by the guarantee corporation and the Regulations. Loan policies must be reviewed annually by the credit committee or the board of a credit union. [Act 18(1b), 47, Reg. 13]

Various classes of loans are permitted: personal loans; loans secured by mortgages; loans to the government of the province or a Crown agency; loans to non-profit organizations; and commercial loans. Special reserve requirements and conditions must be met in order to make commercial loans. [Reg. 14(1-3)]

A credit union may not make a loan to an associate member. [Reg. 24(2)]

Approval Procedure: Loan policies established by the credit union provide for the manner in which loans are to be considered and approved. [Reg. 13(c)]

Limits, Terms and Security: Loan policies establish the maximum amount of loans outstanding to a member at one time; the extent and manner in which they are

secured and circumstances in which unsecured loans may be made. Loan conditions for various circumstances are detailed. [Reg. 13(a,d,e), 14]

A credit union shall not make a loan to a member, or family or group connected to the member, where the aggregate of loans outstanding exceeds 2 percent of the assets of the credit union. Exceptions are detailed. [Reg. 14(7-9)]

A credit union may require insurance to be placed for the security of the credit union, but it may not require a borrower to place insurance with a particular agency or company. [Act 19]

The guarantee corporation may establish terms, conditions, restrictions and limitations in relation to the lending activities of credit unions and their loan policies. [Act 179(i)]

Interest Rates and Charges: Interest rates on loans shall be set in accordance with loan policies approved by the board of directors. [Reg. 14(12)]

Loans to Officials: A credit union may make loans to its directors, officers, employees and their family members in a manner prescribed in its loan policies with the approval of the credit committee or the board. [Act 47(1a)]

Investment of Funds

Deposit of Funds: See "Authorized Investments" below.

Authorized Investments: A credit union may invest to meet liquidity requirements and make other investments in accordance with the Regulations. Qualified investments for liquidity include: demand deposits with a financial central or deposits with a maturity of one year or less. A credit union shall not borrow for liquidity purposes other than from its members. [Act 52; Reg. 16(1-3)]

A credit union shall match the term and return of its investments and loans with the term and return of its members' deposits in accordance with the Regulations. [Act 56; Reg. 21]

Investment in or guarantee of obligations of a subsidiary, except where it is a trust company or loan company, may not exceed 5 percent of the total assets of the credit union. [Reg. 6(3-4)]

Capital Adequacy-Reserves

Initial Organization: Law and Regulations are silent.

Permanent Capital: A credit union shall maintain a level of equity of at least 5 percent of its assets with not less

than 3 percent of its assets in the form of retained earnings. [Act 54, Reg. 19]

Regular Reserve: See "Permanent Capital" above.

Loan Loss Allowance: A credit union shall make an allowance for doubtful loans in accordance with the Regulations. [Act 53; Reg. 18]

Special Reserves: A credit union shall maintain liquid assets in accordance with the regulations and may invest to meet liquidity requirements. Liquidity must be at least 6 percent of the total amount of deposits and borrowings of the credit union. [Act 51; Reg. 16(1)]

Powers of the Credit Union

General Powers: A credit union has the capacity, and subject to the Act, the rights, powers and privileges of a natural person. It may carry on its business and extend it to a jurisdiction outside Newfoundland with the approval of the superintendent. [Act 16, 17, 18]

A credit union shall not carry on a business that does not appertain to credit unions and is prohibited from other activities such as real estate brokerage services; carrying on the duties of trust company, except as provided under other law; issuing securities on behalf of another person, or being a securities dealer; carrying on the business of an insurance company, or acting as insurer, agent, broker or adjuster. A credit union may enter into an agreement for services with a person who is not a member, as prescribed by regulation. [Act 18; Reg. 3]

A credit union may purchase group insurance for its members such as credit or charge related insurance; creditors' disability, life, loss of employment or vehicle inventory insurance; export credit insurance; group accident and sickness and life insurance; personal accident insurance; travel insurance; or other group plans approved by the superintendent. [Act 18(2b); Reg. 5]

A credit union may not carry on business adjacent to the office of an insurance company, agent or broker. [Reg. 4]

A credit union may establish a subsidiary corporation as prescribed by regulations, but except as provided in the Act, shall not deal in goods, wares and merchandise or engage in a trade or other business.

Permitted subsidiaries include companies that do data processing, factoring, financial leasing, investment counseling, mutual fund distribution, portfolio management, real estate or real estate brokerage or management services. Also permitted are insurance company, securities dealer, bank, trust company, loan company or other enterprise the superintendent may approve. [Act 20; Reg. 6]

A credit union may establish a branch office, according to the regulation, with the approval of the superintendent. If it does not meet equity requirements set out in the regulation, it also needs approval from the guarantee corporation. [Act 25; Reg. 7]

Borrowing: A credit union shall not borrow money in excess of 20 percent of the total amount of deposits of its members, unless authorized by the guarantee corporation, according to the Regulation. [Act 55; Reg. 20]

Merger: Two or more credit unions may amalgamate and continue as one credit union, after resolutions by both sets of members and approval of the superintendent. Procedures for merger are detailed. [Act 132-136]

The sale, lease or exchange of all or substantially all of the property of a credit union requires the approval of the members in accordance with the Act and approval of the superintendent. [Act 137, 138]

A credit union may be reorganized in accordance with a court order under certain conditions. [Act 140]

Liquidation: A credit union may be dissolved by resolution of the members; by the superintendent if he/she finds it in default or not carrying on business or by court order under certain circumstances. Conditions and procedures of dissolution are detailed. [Act 141-148]

After dissolution, a credit union may be revived where an interested party applies to the superintendent or to the court. Conditions and procedures of revival are detailed. [Act 149-151]

Federation or Association

Purposes: Trade associations for credit unions include, the Credit Union Central of Newfoundland and Labrador, and the Alliance for Newfoundland and Labrador Credit Unions Limited Incorporated, which continue in operation from under the previous law. [Act 154]

The purpose of a trade association is to provide services to its members, but it may not carry on financial services or those provided by a financial central. Its powers are prescribed by regulation. [Act 156; Reg. 35]

Membership: A trade association may be incorporated by five or more credit unions. Associate memberships are allowed. [Act 157; Reg. 34]

Dissolution: Law and Regulations are silent.

Central Finance Facility

Purposes: A financial central is a central incorporated under the laws of a province or of Canada which is permitted to provide financial services to its members

and affiliates and is a member of the Credit Union Central of Canada. Every credit union must be a member or affiliate of a financial central. [Reg. 2(e); 16(5)]

Membership: See "Purposes" above.

Funds: A credit union shall participate in the National Liquidity Pool established by the Credit Union Central of Canada. [Reg. 16(6)]

Share and Deposit Protection

Purposes: The Credit Union Deposit Guarantee Corporation (Deposit Guarantee Corporation), incorporated under the previous Cooperative Societies Act, is continued. It provides deposit insurance, provides assistance to credit unions for stabilization or orderly liquidation; protects deposits against impairment because of financial losses and insolvency and other duties delegated to it by the superintendent.

It acts as the supervisor of credit unions and trade associations. Its employees are employees of the province of Newfoundland. The Deposit guarantee corporation has broad powers to direct or assist credit unions. [Act 176-177]

Coverage: The Deposit Guarantee Corporation protects deposits by promoting sound business practices and provides deposit insurance against loss by making payments to depositors to the extent and in the manner authorized in the Act. It may arrange compulsory insurance programs for credit unions. [Act 177, 179(o), 187]

The maximum amount that may be paid by the guarantee corporation in respect of the deposits of a person, shall be set at the same amount insured by the Canada Deposit Insurance Corporation. [Reg. 43]

Membership: The deposit guarantee corporation insures deposits placed with credit unions and provides them with certain other related services. [Act 177-178]

Funds: The guarantee corporation may determine the amounts of money to be levied and collected from credit unions, borrow money, make investments and loans and charge interest on loans and make other transactions. It may not invest in a credit union whose deposits it insures, except for the purpose of providing stabilization assistance. [Act 179(a,b,g), 190-191, 197; Reg. 44-48]

The minister may make loans to the guarantee corporation from the Consolidated Revenue Fund of the province of Newfoundland or guarantee loans to the corporation from other sources. [Act 192]

The guarantee corporation shall establish and maintain a deposit guarantee fund to use in stabilization, paying claims or costs and expenses. [Act 189]

NOVA SCOTIA, CANADA

<i>Region</i>	North America
<i>Federation</i>	Credit Union Central of Nova Scotia
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	45 (2001)
<i>Number of Members</i>	166,067 (2001)
<i>Total Assets (USS\$)</i>	\$674,213,830 (2001)

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Legal Authority

Law: Credit Union Act, 1994, Chapter 4. [cited as "Act"]

Regulations: Credit Union Regulations, 1995, (amended 1999). [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: The purposes are to provide cooperative financial services that meet member needs and to provide for the direction and democratic control of such services by residents of the province. [Act 2]

Supervision and Regulation

Government Agency: The Financial Institutions Division of the Department of Business and Consumer services regulates credit unions. The superintendent [appointed under Section 256] approves applications for incorporation and supervises the conduct and business of credit unions both in and outside the province. [Act 3(ah), 15]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Credit Union Central of Nova Scotia (Central) and the Nova Scotia Credit Union Deposit Insurance Corporation (Corporation) are also subject to the Act. [Act 4(c), (d)]

Reports: The regulations in Schedule A prescribe official forms with instructions for completing and filing these with the superintendent. In addition to periodic operational and financial statements, they cover such matters as initial incorporation, changes in address and directors, amendments to articles, amalgamation, reorganization and dissolution. [Reg. 2, Sch. A]

A credit union shall file with the Corporation at least quarterly a report on policy and procedures for matching terms and returns of investments and loans. [Reg. 24(b)] It shall report on the position of its liquidity reserves at the end of each month to the Central and the

Corporation. [Reg. 19(6)] The Corporation may require credit unions to make reports and may specify the contents, frequency and form for them. [Act 157(p)]

Inspections: The superintendent has the right to inspect a credit union's records at any reasonable time. [Act 24(8)] He/She has the power to examine the business and affairs of any credit union and to make necessary inquiries as to compliance with the law or any order. [Act 225]

Regulations: The governor in council may make regulations prescribing matters required or authorized by the Act. He/She may also make regulations on various other credit union operational matters such as bylaws, forms, returns, classes of shares, conditions of loans, liquidity reserves, investments, insurance, selecting and qualifying the board and establishing audit and credit committees. [Act 257]

Enforcement: The superintendent has broad powers to compel compliance with the law, regulations, articles and bylaws, as well as his/her own orders, directives or notices. Among these are: instituting an inquiry where he/she may exercise the powers of a commissioner, arranging a program of voluntary compliance by the credit union and issuing orders to cease a course of conduct or to perform acts of a corrective nature.

The superintendent may also declare a credit union under the control of a supervisor he/she appoints who can exercise all powers of the credit union, take corrective action and manage its operations. Ultimately, the superintendent can amalgamate, dissolve or liquidate a credit union for cause. Decisions by the superintendent are subject to a hearing and can also be appealed to the minister and/or the courts. [Act 227 through 235, 238]

Membership of Credit Unions

Common Bonds of Association: The Articles may provide that membership in the credit union is limited to groups having a common bond of association. [Act 57(1)] "Bond of association" includes groups having a common occupation or association; residents of a defined community; employees of a common employer; members of bona fide fraternal, religious, co-operative, labor, educational or similar organizations; and members of the immediate family of such persons. [Act 3(f)]

The Articles may provide for associate status. An associate is a person other than a member with the rights, privileges and obligations of a member, except for voting and holding credit union office. [Act 58]

Non-Natural Persons Eligible: Persons may be accepted into membership in the credit union. In addition to natural persons, the definition of "person" includes

partnerships, associations, bodies corporate and trustees. A credit union, however, may not be a member of another credit union. [Act 3(aa), 56(1)(4)]

Liability of Member: A member is not responsible for any act, default or liability whatsoever of the credit union. [Act 40]

Direction and Administration

Annual Meeting of Members: The Articles of Incorporation (Articles) or the charter bylaws shall provide for location of members' meetings, quorums, voting rights and procedures. [Act 6 (4b)]

The annual meeting shall be held within four months after the fiscal year ends. The members consider the annual report of the board, the financial statements and the audit report. They also appoint the auditor, elect the directors and deal with other matters that may come before them. A system of election of directors at district meetings may be provided. [Act 65, 83]

Board of Directors and Committees: The board of directors exercises the powers of the credit union, directing management of the business and affairs. [Act 80]

The directors shall establish, in accordance with the regulations, an audit committee and a credit committee. The audit committee reviews the financial position of the credit union and the audited financial statements, discussing these with the auditor along with his/her findings and recommendations. It also reviews the goals and work of any internal auditors. [Reg. 26]

The credit committee reviews the detailed status of loans, including those that are in arrears and those outstanding in each classification. It recommends policies and procedures for approving and granting loans to the directors. [Reg. 27]

Management and Employees: The directors designate the officers of the credit union, specify their duties and delegate to them powers to manage the business affairs of the credit union. The directors fix the remuneration of officers and employees, as well as that of directors and committee members. [Act 98, 99]

Audits: The auditor is appointed by the annual meeting from a list of approved auditors prepared by the Corporation and must be independent of any business or other relationships with the credit union. [Act 109] The auditor makes any examinations deemed necessary to report on the credit union's financial statements. Examinations must be conducted in accordance with generally accepted auditing standards. [Act 117]

Liability of Officials: Directors who consent to credit union loans, credits or payments that are contrary to the Act or Regulations are liable for any loss incurred by the credit union. [Act 94]

Conflicts of Interest: A director or officer who is a party to a material contract with the credit union or has an interest or relationship with a person who is party to such a contract with the credit union has a conflict of interest. The director must disclose the conflict and may not participate in any vote of the board relating to the contract. [Act 96(6)]

Surety Bond: A credit union shall maintain such types and minimum levels of insurance and bonding coverage as is determined necessary by the Corporation. [Act 55]

Shares and Deposits

Shares: The common share price shall be fixed by the Articles (not less than CD\$5 each); the number a credit union may issue is not limited. A member shall purchase and hold only one fully paid common share unless bylaws provide otherwise. [Act 27] Common shares rank behind all other classes that the Articles may authorize and that the superintendent approves. [Act 29]

Deposits: A credit union may receive deposits from its members and operate checking services for them. [Act 3(p), 16 (1a)] A credit union shall report to the Central any deposit more than CD\$50,000 or 2 percent of its assets. [Reg. 17]

Dividends and Interest: The Articles may provide for more than one class of shares and may set out the dividend attached to each class among other conditions. [Act 29(1)]

Lien on Holdings: A credit union has a lien on the deposits and shares of a member or other person, together with any interest or dividends thereon, for any indebtedness or related obligation due or accruing to it. [Act 47(1)]

Loans

Purpose and Conditions: A credit union may make loans to its members. [Act 16] They may be personal loans (or against a personal line of credit); loans secured by mortgages on residential or other property; loans to a government agency and certain other provincial institutions; and commercial loans. Policies shall be in accord with prudent lending standards and procedures that prudent persons would apply to avoid undue risk and to obtain a reasonable rate of return. [Reg. 15, 16]

Approval Procedure: A credit union's loan policies shall provide for the manner in which loans are to be considered and approved. [Reg. 15(b)]

Limits, Terms and Security: A credit union's loan policies shall provide terms, conditions, and restrictions relating to lending activities. The total amount of loans and loans secured by non-residential property is limited to 25 percent of the total assets of the credit union. A credit union shall not make a loan to a member if the amount of the loan and other outstanding balances exceeds 1 percent of the assets of the credit union. [Reg. 16]

Interest Rates and Charges: Law and Regulations are silent.

Loans to Officials: A credit union's loan policies shall provide for administration of loans to directors, officers and employees. [Act 45, Reg. 15(b)]

Investment of Funds

Deposit of Funds: A credit union may invest its liquidity reserves in cash and cash equivalents, in demand or term deposits (maximum maturity one year), in the Central or in a financial institution that is a member of the Canadian Deposit Insurance Corporation. [Reg. 19]

Authorized Investments: A credit union shall only make investments as prescribed. [Act 50] A credit union may make prudent investments authorized by its investment policies if the investments are approved by the Corporation and filed with the superintendent. It may not invest in real estate for its own use without securing prior approval of the Corporation if such investment exceeds 50 percent of the equity of the credit union. [Reg. 20]

Capital Adequacy-Reserves

Initial Organization: Law and Regulations are silent.

Permanent Capital: A credit union shall maintain a level of equity not less than 5 percent of its assets. [Reg. 23] Equity includes the value paid for all shares and for any other securities issued by the credit union that are not subject to guarantee by the Canadian Deposit Insurance Corporation and are or are not repayable within one year, along with the retained surplus or accumulated deficit of a credit union. [Act 52]

Regular Reserve: Other than the reference above to retained surplus being included in the credit union's equity, the Law and Regulations are silent.

Loan Loss Allowance: A credit union shall maintain an allowance for doubtful accounts as prescribed. [Act 51] This allowance shall be equal to the aggregate amount of any loans considered to be uncollectible and a percentage of the collectible loans outstanding calculated on the basis of past loss experience. [Reg. 22]

Special Reserves: A credit union shall maintain liquidity reserves of not less than 10 percent of the total amount of deposits and borrowings. [Reg. 19] Funds of CD\$300 or less held by inactive members may, after due notice, be transferred to a special trust fund. [Reg. 13]

Powers of the Credit Union

General Powers: A credit union has the rights and powers of a natural person. [Act 14] It may exercise its powers outside the province where laws of that jurisdiction permit. [Act 15] It may not make loans to or receive deposits from another credit union, nor carry on any business other than that of a credit union. It may not engage in real estate brokerage, provide services commonly performed by a trust company, or undertake the business of insurance. Subject to regulations, however, it may enter into an arrangement with a financial institution or other corporate body for services that they may offer. [Reg. 16] It is prohibited from engaging in trade or other businesses. [Reg. 18]

Borrowing: A credit union shall not borrow for the purpose of maintaining liquidity reserves other than from its members or the Central. [Reg. 19(5)]

Merger: Two or more credit unions may amalgamate after entering into an agreement with each other setting out terms and means of implementation. The directors of each credit union must submit the agreement for approval at a meeting of their members. If approved, the articles of amalgamation are then sent to the superintendent, together with a declaration that adequate notice was given to creditors with an opportunity to object to the amalgamation. A credit union that has been placed under supervision by the superintendent may be ordered to amalgamate. [Act 132 to 135; Reg. Form 8]

Liquidation: A credit union with property or liabilities may be dissolved by special resolution of the members, and by the shareholders where it has issued more than one class of shares (other than surplus shares). Notice must be sent to the superintendent, who may issue a certificate authorizing it to cease business except as needed to liquidate its affairs. It must give notice to creditors and proceed to collect and dispose of property

and discharge all of its obligations. After attesting to the superintendent that it has complied with the law and dissolved, the credit union shall be issued a certificate of dissolution and shall then cease to exist. [Act 142, 143, 144; Reg. Form 11]

The superintendent may dissolve a credit union on his/her own initiative if it is in default for two years in sending notices or documents or in paying fees required, or if it is not carrying on business or in operation. [Act 145]

Federation or Association

Purposes: Credit Union Central of Nova Scotia serves in a dual capacity as a league or federation to promote the interests of credit unions and as a central bank for credit unions. Among its varied purposes set forth in the Act are to:

- * Receive and manage deposits made by credit unions for meeting liquidity requirements and for other purposes;
- * Develop and provide centralized services of a financial, research, advisory or educational nature;
- * Develop and promote sound business and financial policies and procedures; and
- * Promote the organization and development of provincial credit unions. (Act 185)

Membership: Every credit union is a member of the Central. Associate Members who are not credit unions may be provided for in the bylaws. [Act 201, 202]

Dissolution: The superintendent may place the Central under the control of a supervisor appointed by him/her, with the power to take various enforcement actions. However, the Law and Regulations are silent on the matter of dissolution. [Act 239]

Central Finance Facility

Purposes: See “Federation or Association” above.

Membership: See “Federation or Association” above.

Funds: The Central may levy and collect dues from its member credit unions to carry out its purposes. It may also issue an unlimited number of common shares, and members and associate members may be required to purchase and hold them. In addition, classes of shares other than common shares may be issued, as provided in the articles. [Act 191, 193, 194]

Share and Deposit Protection

Purposes: The purposes of the Nova Scotia Credit Union Deposit Corporation, which was originally the Nova Scotia Credit Union Stabilization Fund [Act 155(1)], are to protect persons having deposits with credit unions against loss of such deposits; to assist credit unions with stabilization; and to develop, promote and implement sound business and financial policies and procedures. [Act 156]

Coverage: The Corporation insures credit union deposits to an amount determined by the regulations [Act 168]; the maximum amount of coverage is CD\$250,000. [Reg. 28]

Membership: The Corporation may arrange compulsory insurance programs for credit unions or insurance coverage on behalf of them. [Act 157(o)]

Funds: The Corporation determines the amount of money to be levied and collected from credit unions to carry out its purposes; it may borrow money, may apply to the Minister for loans or guarantees of loans, may make investments in relation to the deposit insurance fund and may do such other things as may be necessary or incidental to the attainment of its purposes. [Act 157]

ONTARIO, CANADA

<i>Region</i>	North America
<i>Federation</i>	Credit Union Central of Canada
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	257 (2001)
<i>Number of Members</i>	1,384,993 (2001)
<i>Total Assets (USS\$)</i>	\$8,812,578,600 (2001)

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Legal Authority

Law: The Credit Unions and Caisses Populaires Act, 1994 - Statutes of Ontario, 1994, Chapter 11. [cited as "Act"]

Regulations: Credit Unions of Ontario Reg. 76/95. [cited as "Reg."] Leagues Regulations 77/95. [cited as "Reg. 77/95"] Deposit Insurance Corporation of Ontario Regulation 78/95. [cited as "Reg. 78/95"] Stabilization Funds 79/95. [cited as "Reg. 79/95"]

Definition or Purposes of Credit Union

Definition: The object of a credit union is to provide financial services primarily for its members on a cooperative basis. Net income is used to provide services, develop business and increase reserves or retained earnings for distribution to its members and shareholders or for any other purpose approved by the members. [Act 24(1,2)]

Supervision and Regulation

Government Agency: The minister of finance is responsible for incorporation of credit unions. His/Her powers may be delegated to any employee or agent of the ministry, such as the superintendent of financial services. The superintendent is responsible for regulation of credit unions. [Act 10, 15]

Other Licenses Needed: A credit union must have a lending license issued by the superintendent. It authorizes making certain classes of loans. [Act 193, 196, Reg. 57-60]

Other Institutions Regulated: In addition to credit unions, the superintendent regulates various other financial service organizations, such as loan and trust companies, insurers, pension plans and mortgage brokers.

Reports: A credit union shall file an annual return with the superintendent, and shall provide the superintendent with any other information at such time as he/she requests it. [Act 225, 226]

If the superintendent believes a credit union is unable to meet its obligations on time, he/she shall notify the Deposit Insurance Corporation of Ontario and the credit union's stabilization authority. [Act 227(4)]

The Deposit Insurance Corporation of Ontario ("Corporation") may require reports, including an audited statement of deposits from a credit union. [Act 281(3), Reg. 78/95: 11]

A credit union shall report its compliance with capital and liquidity requirements in a form approved by the superintendent to such persons and at such times as required. [Act 89]

Inspections: The affairs of each credit union shall be examined at least once a year for the purposes of the Deposit Insurance Corporation of Ontario by a league, the superintendent or the stabilization authority for the credit union. The Corporation may accept the auditor's annual report instead of an official examination. [Act 279]

The Superintendent or his/her appointee may examine all books, records and other documents of a credit union; may require officials of the credit union to furnish any necessary information; and may seize any records to copy them. [Act 227-229]

The superintendent may require the auditor to report on his/her examination of a credit union, to enlarge the scope of the audit, to perform any other procedure or to conduct a special audit; he/she may appoint an auditor for a special audit. [Act 171]

Regulations: The lieutenant governor in council may make regulations governing credit unions, branches, leagues, stabilization authorities and funds; financial organization and capital requirements; insurance; and similar matters. [Act 317-321]

Enforcement: The superintendent may order any person to perform or cease performing any act or course of conduct if the superintendent finds a person doing anything that is, or that might result, in contravention of the Act or Regulations or that could prejudice or adversely affect the interest of a member, depositor or shareholder. Procedures for making such orders and appeals against them are detailed. [Act 234-236]

After examination, the superintendent may order a credit union to discontinue doing business if he/she considers it in the interest of the members, depositors or shareholders; he/she shall notify the deposit insurer and the stabilization authority of the order. [Act 240]

The superintendent may require a credit union to be subject to supervision by a stabilization authority on various grounds. The stabilization authority has broad powers to act, examine, reorganize and give assistance to a credit union in financial difficulty. [Act 285, 287-289]

The Deposit Insurance Corporation of Ontario may order a credit union placed under its administration on various grounds. As administrator, the Corporation has full powers to operate the credit union and may require it to amalgamate, dispose of its assets and liabilities or to close. [Act 294(1), 295]

The superintendent may order a credit union to call any loan it has made that is not authorized by the Act, regulations or bylaws. [Act 238]

The superintendent may order a credit union to set aside such funds as he/she considers necessary, if the value of assets shown is greater than a fair value of the assets as determined by an examination. [Act 239]

Contravening the Act or regulations or failure to comply with their provisions are offenses. Conviction of an offense under the Act may result in fines and in the case of an individual imprisonment. Offenses and penalties are detailed. A court may order compliance with the Act or Regulation and may impose such conditions as it thinks fitting. [Act 322-331]

Membership of Credit Unions

Common Bonds of Association: Twenty or more persons may incorporate a credit union. Bylaws govern membership in a credit union, subject to its articles of incorporation and the Act. Members must have a common bond of association. Such a bond exists among persons who have a common occupation or association or who reside or work within a municipality, neighborhood or other reasonably well-defined community. Employees of a credit union may be members. [Act 13, 29, 30; Reg. 23.1-3]

Persons or entities outside the common bond may be members if their number does not exceed 3 percent of all members. Persons who no longer retain their association with the common bond may retain their memberships. Persons under 18 years old may be members with limited borrowing rights and may vote only if bylaws allow it. [Act 31-34, 41]

Two or more persons who hold a share jointly are considered one member or shareholder. If they hold enough shares to entitle each of them to membership, they are considered separate members. [Act 2, 40]

The beneficiary of shares held in trust by a member shall also be deemed a member, but without the right to receive notice of meetings or to vote at meetings. [Act 39(3)]

Non-Natural Persons Eligible: Her Majesty the Queen in right of Ontario or in right of Canada (i.e., the provincial and federal governments and all of their ministries and

agencies) and corporations including municipalities, unincorporated associations and partnerships may be members of a credit union. [Act 34]

Liability of Member: Members of a credit union are not responsible for any liability, act or default of a credit union by reason only of holding membership shares, except as defined in the Act. Shares are non-assessable, and no person is liable to the credit union or its creditors in respect of his/her shares. [Act 37, 60]

Despite dissolution of a credit union, each of the members or shareholders among whom its property has been distributed, unless through refunds of deposits, remains liable to the credit union's creditors to the extent of the amount received upon distribution. An action may be brought in court to enforce such liability for two years after dissolution. [Act 302]

Direction and Administration

Annual Meeting of Members: The annual meeting of a credit union shall be held no more than 120 days after the end of its fiscal year. Directors shall place before the members the financial statements, the reports of the audit committee and the auditor, the report of the loan officer or credit committee and such other information as the bylaws prescribe. Special general meetings may be called. Any member may submit a proposal for consideration by the annual meeting. [Act 212, 214, 215, 217, Reg. 23.9, 24]

Each member has only one vote at the general meeting or with respect to election of directors or officers. Limited proxy voting is allowed for entities only. Mail balloting is allowed. [Act 24, 35, 36, 94(3), 127(3)]

A credit union may establish branches subject to the conditions in its bylaws. The bylaws may also provide for holding meetings for the branch members. Where the bylaws so provide, the members shall elect delegates to represent them at general meetings of the credit union. Only those delegates have voting rights at the general meeting. [Act 224]

The members elect the credit committee, if one exists, and appoint the auditor. The auditor must be a resident of Canada, licensed and independent of the credit union. [Act 112, 159, 160, Reg. 23.11-13]

The audit committee may be composed of directors appointed by the board or of members who are not directors elected by the members. [Act 125, 127]

Board of Directors and Committees: Only natural persons, at least 18 years old, who are citizens or lawfully admitted permanent residents of Canada may be directors. The

board of directors, made up of at least five members, manages or supervises the business and affairs of the credit union. It establishes investment and lending policies and standard procedures to resolve conflicts of interest and a committee to monitor these conflicts. It establishes bylaws to govern the affairs of the credit union, subject to confirmation by the credit union's members. [Act 91, 104, 105]

The board may delegate its powers to an executive committee or other committee, with certain exceptions. The executive committee must consist of at least three members appointed from among the directors. [Act 109]

A credit committee has at least three members whose qualifications are the same as those for directors. It considers all applications for loans to members and may approve loans. The credit union may establish the position of loan officer to perform the duties of the credit committee. Employees may be appointed as loan officers.

Bylaws may provide that it is not necessary to elect a credit committee or that it is advisory only when a credit union has loan officer(s). Directors, officers or members of the audit committee may not be on the credit committee, but the chair of the credit union may be a member if bylaws permit it. [Act 110, 111, 121-123]

The credit union must establish an audit committee of at least three members. The audit committee shall notify the board, the auditor, the Corporation, the credit union's stabilization authority and the superintendent if it finds that a person has misappropriated or misdirected funds that securities or property of the credit union or that any credit union official, committee member or employee has contravened or failed to comply with the Act, the Regulations or the bylaws.

The audit committee may retain an auditor, or ask for assistance from the credit union's stabilization authority, the credit union's league or the Corporation in its investigations. It may call a general meeting of members. Qualifications for audit committee members are the same as for directors. Officers, employees and members of the credit committee may not be on the audit committee. [125-126, 137-139, Reg. 26]

Other disqualifying conditions are specified in the Act, such as criminal conviction, bankruptcy, mental incapacity and certain conflicts of interest. [Act 91-92]

Bylaws govern remuneration of directors and members of committees. The superintendent may restrict such remuneration. The board must report its total expenses and remuneration in the annual report to the members. [Act 106-108, Reg. 23.13]

Management and Employees: Bylaws govern the appointment and removal of officers and employees of a credit union, any security they are required to give and procedures for establishing their remuneration. [Reg. 23.13]

Audits: The auditor shall make such examinations as are necessary and shall report to the members on the financial statements placed before them at the annual meeting. [Act 169]

If an auditor finds transactions or conditions that are not satisfactory and that require rectification, he/she shall report it to the credit union and to the superintendent, the Corporation and the stabilization authority for the credit union. [Act 172]

Liability of Officials: Directors, officers, members of committees and employees must comply with the Act, the regulations, the articles of incorporation, the bylaws of the credit union and with orders of the Superintendent; no provision in a contract, resolution or the bylaws relieves him/her from liability for breach of a duty. [Act 145, Reg. 23.13]

Directors of a credit union who vote for or consent to any measure contrary to the Act are jointly and severally liable to make good any losses suffered by the credit union. A loan officer or the credit committee members who authorize a loan contrary to the Act are liable to make good any losses on the loan. [Act 153, 237(3), 238(3)]

A credit union may purchase insurance for officials against any liability they incur in their various capacities as officials of the credit union or of an entity in which the credit union is a member, shareholder or creditor. However, such protection does not apply if the liability arises from failure to act honestly, in good faith and in the best interest of the credit union. [Act 156]

Conflicts of Interest: Directors, officers, members of committees or employees may not enter into transactions where they use confidential credit union information to obtain a benefit or advantage for any person other than the credit union or its affiliate. [Act 142]

Directors, officers, members of committees or employees must disclose if they have an interest in a material contract with the credit union, or if their family members or close associates have such an interest. A director with a private interest in a contract with the credit union or its subsidiary may not be present at the contract's consideration or vote on it and may not participate in discussions or attempt to influence the voting. [Act 146-147]

A credit union or its subsidiary shall not enter into a transaction with, or pledge any of its assets to, a restricted party of the credit union, except as permitted

under the Act. Restricted parties include: members of the committees; officers, their spouses or dependent relatives living at home; the auditor; any corporations that the officers or the auditor control, or of which an officer owns more than 10 percent; and any affiliate of the credit union other than a subsidiary. [Act 185(3), 207-210; Reg. 82-87]

A director of a credit union who violates conflict-of-interest rules ceases to hold office as a director and is ineligible for election or appointment as a director of any financial institution in Ontario for five years. [Act 147(4)]

If a director, officer or committee member fails to disclose a material interest in a contract, in accordance with the Act, the credit union or any member may set aside the contract or impose such conditions as it thinks fit. [Act 148(2)]

Surety Bond: Every officer or employee who receives or has charge of credit union funds must furnish a bond for the accounting of any funds he/she receives in the amount prescribed. The minimum bond amount is the lesser of CD\$1 million or the amount of the credit union's total assets. [Act 151, Reg. 23.13, 27]

Shares and Deposits

Shares: Membership shares are required and other classes of shares in a credit union are permitted. Membership shares are considered personal property and confer equal rights on their holders. Shares are without nominal or par value and are not insurable by the Deposit Insurance Corporation of Ontario. A member may not transfer an interest in a membership share to any person other than the credit union. Membership shares may be held by a member in trust for another person and are non-assessable. [Act 42, 51, 52, 58]

The creation and issuance of other classes of shares requires amendment of the articles of incorporation and approval of the superintendent. Rights and other conditions of shareholding are governed by the credit union's articles of incorporation. These shares are non-assessable. Membership shares may be held by a member in trust for another person. [Act 39, 53-60, Reg. 3.3(1) 5-7]

A credit union may sell non-membership shares to a member, subject to receiving a receipt from the superintendent for an offering statement. Transfer of securities may be made only to another member or prescribed person under prescribed conditions. The offering statement for securities must contain information prescribed by the regulations. [74-83, Reg. 6-11, Reg. 77/95: 2]

Deposits: The credit union may accept deposits only from: its members; the Corporation; Her Majesty or her agency in right of Canada or of a province; the government of a

foreign country or a political subdivision of it; municipalities; crown agencies; entities funded by the federal government, a provincial government or a municipality; a stabilization authority for the credit union; or other persons approved by the superintendent. [Act 180]

Credit unions must insure their deposits with the Deposit Insurance Corporation of Ontario. [Act 273] See "Share and Deposit Protection" below.

Dividends and Interest: A credit union shall disclose to a prospective depositor the applicable rate of interest on that person's account and the manner of calculating it. [Reg. 98-100]

The credit union board may declare and pay a dividend, in money or in property, subject to its bylaws, including fully paid shares or options or rights to acquire shares except membership shares. The board may declare and pay a patronage return to its members in proportion to the business done by each member with or through the credit union. Any dividend or patronage return may not harm the adequate capital or liquidity of the credit union, according to the Act. [Act 65-67, 84, Reg. 23.4]

Lien on Holdings: A credit union has a lien on the deposits and membership shares of a member for any liability to it and may set off any sum outstanding to his/her credit toward payment of the liability. [Act 44]

Loans

Purpose and Conditions: A credit union may make loans only to its members. Bylaws govern the types of loans the credit union is authorized to make. [Act 194, Reg. 23.8]

A credit union must have a lending license and may only make loans in accordance with this license, the Act and regulations. The superintendent may make such conditions on the license as he/she thinks fit and may amend or revoke the license. Classes of loan licenses include: agricultural, bridge, commercial, institutional, personal residential mortgage, syndicated and loans to unincorporated associations. [Act 193, 196, Reg. 57-60]

Approval Procedure: In making lending decisions, a credit union shall follow policies and procedures a reasonable and prudent person would apply, according to requirements set out in the Guideline for Prudent Investment and Lending Policies and Procedures for Ontario's Credit Unions and Caisses Populaires. [Act 190-191, Reg. 50.]

A credit union shall not lend money to an unincorporated association unless the loan is approved by the credit committee or loan officer, as applicable, and the board. [Act 194]

Limits, Terms and Security: Lending limits are prescribed in the credit union's lending license. The superintendent may vary or lower lending limits if he/she believes current limits affect adversely the interests of members, depositors or shareholders. Limits relate to the size of the credit union. [Act 195, 196, Reg. 61, 62, 63]

In case of default on a loan by a corporation or unincorporated entity, the credit union may acquire the borrower's shares or ownership interests, subject to the loan agreement. [Act 197]

A credit union may require a member to furnish insurance as security. It may require that such insurance meet with its approval, but may not pressure the member to place insurance with a particular company. [Act 176(2)(a), 176(4-6), Reg. 34]

Interest Rates and Charges: A credit union shall establish policies and procedures to manage its interest rate risk. A credit union must disclose in writing the interest rate applicable to a loan and any amount charged to the borrower related to the loan (whether payable to the credit union or to a third party). [Reg. 77, 78]

Loans to Officials: A credit union may make loans to its officers and employees. It may lend to an officer, member of a committee or director an amount greater than that person's deposits only if the credit committee or loan officer, whichever is applicable, and the board approve the loan. [Act 173.1, 208]

Investment of Funds

Deposit of Funds: Investment limits do not apply to deposits in or loans to a financial institution, the deposit insurer, the stabilization authority for the credit union or any other prescribed person. [Act 199(2)]

Authorized Investments: A credit union may invest only in such types of securities or property and on such conditions as are prescribed or as the superintendent may impose. A credit union shall adhere to investment policies and procedures that a reasonable and prudent person would apply to a portfolio of investments and loans to avoid undue risk of loss and to obtain a reasonable return. Limits apply to the size of an investment purchase from or a loan to a single person or group of connected persons. Size restrictions do not apply to investments in securities issued or guaranteed by the government of Canada or to mortgages insured under the National Housing Act. A credit union shall not invest in another credit union without approval of the superintendent.

A credit union may establish or acquire prescribed subsidiaries with approval of the superintendent, such as

financial institution, factoring corporation, financial leasing corporation, information services corporation, investment counseling and portfolio management corporation, mutual fund corporation, mutual fund distribution corporation, real property brokerage corporation, service corporation, securities dealer, registered mortgage broker or combination corporations. [Act 190, 198-201, Reg. 66-75, Reg. 77/95: 10]

Capital Adequacy-Reserves

Initial Organization: The articles of incorporation must provide for membership shares, which are defined as an equal interest in the equity of the credit union. Otherwise the Law and Regulations are silent. [Act 1, 51(1)]

Permanent Capital: A credit union shall maintain adequate and appropriate forms of capital and liquidity in relation to its operations, and shall comply with regulations governing them. The superintendent may order an increase in capital and impose other requirements. Detailed regulations govern capital reserves, including computation of regulatory capital, risk-weighting of assets, the structure of liquid assets, membership in a liquidity pool and other matters. [Act 84-88, Reg. 12-21]

A credit union shall maintain a separate stated capital account for each class and series of shares it issues. Accounting procedures for such stated capital accounts are detailed. The stated capital of a credit union may be reduced by special resolution if approved by the superintendent. [Act 68-73]

Regular Reserve: See "Permanent Capital" above.

Loan Loss Allowance: A credit union shall make monthly provision for doubtful loans and establish reserves as prescribed by the Corporation in its bylaws. [Act 90, Reg. 22]

Special Reserves: A credit union shall maintain adequate liquidity in relation to its deposits and borrowings in various classes of assets, as governed by detailed regulations. The superintendent may order an increase in liquidity and impose other requirements. See "Permanent Capital" above. [Act 84(1), Reg. 16-18]

Powers of the Credit Union

General Powers: A credit union has the capacity of a natural person, and, subject to the Act, the rights, powers and privileges of a natural person. It may extend its powers outside Ontario subject to the laws of the applicable jurisdiction and may accept extra-provincial powers and rights. [Act 25]

ONTARIO

A credit union may hold and deal with real property; act as custodian of property on behalf of its members, depositors, subsidiaries and affiliates; provide administrative, educational, promotional, technical, research and consultative services; act as agent for its subsidiaries or affiliates in provision of services; promote merchandise and services; and engage in the sale of certain lottery tickets and urban transit tickets. Other businesses may be permitted by the superintendent. [Act 173, 174, Reg. 32, 33]

A credit union shall not be a general partner in a limited partnership or a partner in any other partnership, except as permitted by the superintendent. [Act 175]

A credit union may undertake the business of insurance or act as agent for insurance. It may purchase group insurance for its members or employees or for those of its affiliates or subsidiaries. Regulations forbid a credit union from underwriting insurance, placing insurance, acting as agent in placing insurance or maintaining close relations with an insurance company, agent or broker. [Act 176, Reg. 34-42]

A credit union may undertake fiduciary duties as permitted by regulations. It may guarantee payments on behalf of another person under certain conditions. [Act 177-178, Reg. 43-46]

A credit union may establish branches, subject to its by-laws. A credit union may operate a post office; operate a motor vehicle license bureau; act as agent to receive payments for utility bills, taxes and similar transactions; and provide fax transmission facilities. [Act 224, Reg. 29]

A credit union may establish or acquire prescribed subsidiaries. It may not directly provide services such as those provided by a factoring corporation, investment counseling and portfolio management, mutual fund, mutual fund distribution corporation or securities dealer. Regulations govern certain lease arrangements. [Act 200, Reg. 30, 31]

Borrowing: A credit union may borrow if authorized by bylaws under conditions permitted in the Act and Regulations. The authorizing bylaws must be approved by the superintendent and may allow the board to determine the rates and conditions of borrowing. The Superintendent may later limit such borrowings.

A credit union may not borrow an aggregate amount exceeding 25 percent of its capital and deposits or, if a bylaw permits it, 50 percent of its capital and deposits. It may pledge its assets as security for borrowing only if bylaws permit it and with approval of the superintendent. [Act 183-185, 187c, Reg. 49]

Subordinated indebtedness may be issued by a credit union under certain conditions. [Act 186]

A credit union shall not borrow from another credit union without approval from the superintendent. [Act 188]

Merger: Two or more credit unions may amalgamate and continue as one credit union on approval of an amalgamation agreement by the superintendent, confirmation of the agreement by the credit union's members and shareholders and issuance of an amalgamation certificate by the minister of finance. The minister may order an amalgamation when requested by the Deposit Insurance Corporation of Ontario if one of the credit unions is under administration. [Act 309-310]

A transfer of all or a substantial portion of the assets of a credit union requires approval by the members and the superintendent. When a credit union is under the supervision of its stabilization authority, the superintendent may order a transfer of assets. Conditions for transfer of assets are detailed. [Act 203-206]

Liquidation: A credit union may be closed voluntarily by special resolution of the members or by order of the Superintendent. A liquidator is appointed by the members. Winding up may also be ordered on various grounds by a court, by the superintendent or by the Deposit Insurance Corporation of Ontario. Procedures and duties of the liquidator are detailed. [Act 295(1)6.iii, 296-308]

A credit union may not appoint a receiver or manager of its property or affairs, except in a voluntary dissolution, or in the case of a league, under special conditions. [Act 179]

A person who is auditor of a credit union, or has been the auditor within two years, his/her partner, employer, spouse, child or parent may not be receiver, manager or liquidator of a credit union. [Act 161]

Federation or Association

Purposes: The objects of a league are to provide services primarily to members, to provide and manage a liquidity system for credit unions and to manage those investments held by the league for its members. Services include: accepting deposits and making loans; guaranteeing loans; providing educational, technical, promotional, management, administrative and advisory services; and providing other services when necessary. [Act 241, Reg. 77/95: 4-7]

A league may carry on business through prescribed subsidiaries, including a corporation formed to act as a stabilization authority; to administer development funds to form new credit unions; to administer development of investments in and loans to small businesses; and to issue payment cards, credit or charge cards and payment plans. [Reg. 77/95: 11]

A league may accept deposits and make loans. [Act 241(3)(a)]
A league has adequate capital if its regulatory capital equals at least 5 percent of its total assets. [Reg. 77/95: 3]

Regulations provide investment rules for leagues different from those of credit unions. [Reg. 77/95: 8-9]
Reference is made to a league which may sell securities to its members. [Act 75, 76(b)]

Membership: Ten or more credit unions may be incorporated as a league. Other prescribed entities may also be members. [Act 241(1), 245]

Dissolution: Law and Regulations are silent. The provisions pertaining to credit unions are therefore applied with such changes as may be necessary under the circumstances. [Act 243(1)]

Central Finance Facility

Purposes: See “Federation or Association.”

Membership: See “Federation or Association.”

Funds: See “Federation or Association.”

Share and Deposit Protection

Purposes: The Deposit Insurance Corporation of Ontario has as its object to provide deposit insurance for the benefit of persons having deposits with credit unions in Ontario. It acts as a stabilization authority and monitors and may designate any other stabilization authorities.

It further promotes sound business and financial practices, acts as administrator of distressed credit unions and may provide assistance to credit unions under administration. It also collects statistics related to credit unions. It adopts measures designed to minimize the risk and size of deposit insurance claims. It performs all duties delegated to it by the Minister by Finance. [261, 270]

Additional powers of the Deposit Insurance Corporation of Ontario include: continuance or liquidation of any credit union in financial difficulty and making inspections and examinations of credit unions. The Deposit Insurance Corporation of Ontario has broad powers to deal with the assets and affairs of credit unions. [Act 262-265, 272]

Coverage: Deposits but not shares in credit unions are insurable by the Deposit Insurance Corporation of Ontario. It insures each deposit with a credit union for not more than CD\$100,000, payable in Canadian currency. The procedures for payment of claims are detailed. Special

regulations cover payments of deposits via stabilization funds under predecessor legislation.

If deposit insurance is canceled, coverage of deposits continues for two years or to the end of the term of term deposits. [Act 51(12), 270, 271, 274(2), Reg. 78/95: 4-7, Reg. 79/95 1-6]

Membership: All credit unions are members of the Deposit Insurance Corporation of Ontario, which is supervised by the superintendent. [Act 249-260]

Funds: The Corporation establishes and maintains the Deposit Insurance Reserve Fund, which may assess and collect annual premiums according to regulations. The Corporation may also require the payment of levies by credit unions for the purpose of maintaining its assets. The Corporation may borrow money. [Act 262(1)(a, i,1), 276, Reg. 78/95: 9-10]

A league or association of credit unions may apply to the Deposit Insurance Corporation of Ontario to be designated as a stabilization authority for its members. If so designated, it may establish and maintain a stabilization fund for the benefit of its members. The stabilization authority may assess member credit unions the amount provided in its bylaws. [Act 275, 282(2)]

The Deposit Insurance Corporation of Ontario may invest its funds in the classes of securities in which a credit union may invest. Regulations govern the structure of the corporation’s portfolio. [Reg. 78/95: 2-3]

PRINCE EDWARD ISLAND, CANADA

<i>Region</i>	North America
<i>Federation</i>	Credit Union Central of Prince Edward Island
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	14 (2001)
<i>Number of Members</i>	56,898 (2001)
<i>Total Assets (US\$)</i>	\$296,855,340 (2001)

Rev.4-00:rd

Legal Authority

Law: Credit Unions Act, 1992, (amended 1997). [cited as "Act"]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: "Credit union" means a credit union incorporated, continued or registered pursuant to this Act. [Act 1(1)d.1]

Every credit union shall operate on a cooperative basis such that (a) no member has more than one vote; (b) there is no proxy voting; (c) its business is carried on primarily for the benefit of its members; (d) membership in the credit union is voluntary and open, except to the extent that it is restricted by the bond of association; and (e) any net income is allocated to reserves, distributed as patronage refunds to members, used to develop the credit union's business and used to provide common services for members in a manner determined by the board. [Act 3]

Supervision and Regulation

Government Agency: The Credit Union Central of Prince Edward Island (Central) is charged with principal responsibility for the administration of the Act, including the approval of applications to form credit unions, standard bylaws and amendments to the memorandum of association and bylaws, the receiving of reports and conducting inspections. [Act 6, 8, 16]

The lieutenant governor shall appoint a registrar to register all credit unions and the Central; perform other record keeping related to corporate activities of credit unions; and do other things authorized by the Act or directed by the Lieutenant Governor. [Act 111, 112]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: Credit unions are the only members of the Central.

Reports: Every credit union shall submit to the Central: (a) its annual and quarterly reports; (b) a copy of the financial statements placed before its members at its last annual meeting, within 20 days after such meeting; (c) notice of any change in its directors, officers or committees within 20 days of such change; and (d) any other information that is required by the bylaws or by the Central to be submitted. [Act 119]

Inspections: The Central or its deputy shall examine and inspect each credit union at least annually and shall have access to all books and records even to the point of compelling the giving of testimony and submission of documents. It must present a report of the examination and inspection to each credit union examined within 60 days after completion with comments about the management and general financial condition of the credit union. If the inspector believes that a credit union has failed to comply with the provisions of the Act, the regulations or the bylaws he/she may visit any office of the credit union to examine into its affairs. [Act 104, 105, 106]

The deposit guarantee corporation may make or cause to be made such inspections or examinations of credit unions as authorized by the Act. [Act 164(i)]

Regulations: The lieutenant governor in council may make regulations for the purpose of carrying out the Act according to its intent. [Act 157]

Enforcement: The inspector may suspend any officer for actions which may be deemed fraudulent and have exposed the credit union to material risk. The Central may suspend any director, officer or employee for actions which contravene the Act or the approved policies of the credit union and have exposed the credit union to material risk. The board may approve the suspension or reinstate the person suspended. [Act 109]

The registrar may strike the name of a credit union off the register if he does not receive any return, notice or other document or fee required by this Act or the bylaws to be sent to him. [Act 153(1)(a)]

Where it has received a report of the inspector or an auditor that the affairs of a credit union are not in satisfactory financial condition and it has given the credit union an opportunity to be heard, the deposit guarantee corporation by order shall forthwith seize the property of such credit union and conduct its business. It may also remove the credit union's board, officers, servants and agents. [Act 171]

The deposit guarantee corporation may cancel the deposit insurance of a credit union when the credit union breaches any of the conditions of a policy of deposit insurance issued to it or it goes out of business. [Act 174]

Membership of Credit Unions

Common Bonds of Association: Membership in a credit union is voluntary and open except to the extent it is restricted by the bond of association. [Act 3(d)]

“Member” means a person who has been admitted to membership in a credit union and whose name is entered on its register of members and who has subscribed for the minimum number of membership shares as determined by resolution of the board. [Act 1(i.l.)]

Non-Natural Persons Eligible: “Person” includes an individual, partnership, unincorporated association or organization, trust, body corporate and public body. [Act 1(p)] A member who is not an individual may vote through a representative. [Act 64(2)]

Liability of Member: Members of a credit union shall not be personally or individually liable for the payment of the debts of a credit union in excess of their shareholdings, deposit and surplus accounts in the credit union. [Act 89]

Direction and Administration

Annual Meeting of Members: A credit union shall hold an annual general meeting not later than two months after the end of its fiscal year. The bylaws may provide for holding semi-annual or other periodic meetings. The directors shall provide the members at every annual meeting a financial statement prepared in accordance with generally accepted accounting principles. [Act 59(1)(5), 90(3)] The board may call a special meeting of members at any time. [Act 60(1)]

The registrar may call a meeting of the credit union to report to the members the results of any audit, examination or other investigation of the credit union’s affairs ordered by him or where the credit union fails to hold an annual meeting in the period set out in the Act. [Act 60(6)]

No member may vote by proxy, but a member who is not an individual may vote through a representative. [Act 64(2)] Each member who is present at an annual or special meeting is entitled to one vote. [Act 64(5)]

Board of Directors and Committees: The board must formulate and approve operational general and financial policies. [Act 48]

The board, which shall have at least seven directors, shall exercise the powers of the credit union directly or indi-

rectly through the employees and agents of the credit union and direct the management of the business and affairs of the credit union. It may appoint any committee that it considers necessary and appoint any member to such committee. [Act 24, 25, 26(1)]

A credit union is required to have a president, vice president and corporate secretary and may have any officers in addition to them. [Act 45(1)]

The members shall at each annual meeting appoint an auditor to hold office until the next annual meeting or for more than one year. [Act 94(1), 95] The remuneration of an auditor may be as approved by the board. [Act 94(3)]

Management and Employees: The directors shall approve the number and type of salaried positions within the credit union and shall approve the ranges of remuneration for each of them. [Act 39]

Audits: The directors of a credit union shall place before the members at every annual meeting the report of the auditor or the inspector. [Act 91(1)(b)]

On the demand of an auditor of a credit union, the present or former directors, officers, employees or agents of the credit union shall furnish any information and provide access to records and documents that are in the opinion of the auditor necessary to enable him to make the examination and report required, and the directors shall furnish them. [Act 100]

The Credit Union Insurance Corporation may also for certain causes appoint an auditor to examine the financial affairs of the credit union. [Act 170(2)]

Liability of Officials: Where the directors of a credit union vote for, consent to a resolution authorizing or approve by any other means the purchase of shares, payment of a dividend or interest on shares or payment of a patronage allocation that is contrary to the Act or payment of an indemnity to a director or a former director without the approval of the court or perform an act not consistent with the purpose of the credit union and with respect to which the credit union has paid compensation to a person, they are jointly and severally liable to make good any loss or damage suffered by the credit union. [Act 41(1)]

Any person who knowingly approves or grants a loan in contravention of this Act, the bylaws or the loan policies may be held liable for any losses resulting to the credit union in connection with that loan. [Act 83(3)]

Conflicts of Interest: Directors and officers of a credit union in exercising their powers and discharging their duties shall avoid conflict of interest. [Act 40(c)]

Where a director or officer of a credit union or an associate of that director or officer (a) is a party to a

material contract or proposed material contract with the credit union or (b) is a director or an officer of, or has a material interest in, a person who is party to a material contract or proposed material contract with the credit union, the director or officer shall disclose in writing to the credit union or request to have entered in the minutes of meetings of directors, the nature and extent of that interest. [Act 44(2)]

Surety Bond: Every director and employee of a credit union or of the Central shall be bonded through an approved bonding contract as prescribed in the bylaws. [Act 46, 213]

Shares and Deposits

Shares: Every credit union shall have one class of shares designated as membership shares. The bylaws of a credit union may provide for one or more classes of shares other than membership shares. Shares are non-assessable and their holders are not liable to the credit union or its creditors in respect to them. [Act 71(1)(2)]

Deposits: A credit union may receive deposits from any person, whatever that person's age, status or condition in life, and whether that person is qualified by law to enter into ordinary contracts. Deposits may be accepted in the manner and form and on any conditions that may be prescribed in the bylaws. [Act 88(1)(2)]

Dividends and Interest: "Net income" means income less expenses prior to provisions for share dividends, patronage allocations, reserves and income taxes. [Act 1(k)]

Except where it has an accumulated deficit or is insolvent, a credit union may allocate its net income and retained earnings in any manner that may be determined in its bylaws. [Act 75(1)(2)(3)]

Lien on Holdings: A credit union has a lien on all shares or any amount standing to the credit of a member or shareholder or their legal representative for a debt due by that member or shareholder as maker, co-maker or guarantor, to the credit union, which may apply any moneys to the credit of the member or shareholder toward payment of any debt due by the member to the credit union. [Act 77(1)(2)(b)]

Loans

Purpose and Conditions: Loans may be made only to members. [Act 84(1)] The board shall adopt a policy that stipulates the lending policies of the credit union and defines the categories of loans that may be made. [Act 87(1)]

Approval Procedure: Lending policy shall also define the lending authority of the officers, employees and directors in respect to each category of loan. [Act 87(1)]

Limits, Terms and Security: The loan policies of a credit union may limit the aggregate amount of loans outstanding to one member or group of members and may limit the aggregate amount outstanding to members generally in respect to any specified type of loan. [Act 84(2)]

A credit union shall not, without the prior approval of the Central, make a business loan to any member if the aggregate amount of his indebtedness will thereby exceed the aggregate amount of that member's shareholdings and available deposits. [Act 86]

Interest Rates and Charges: Law is silent.

Loans to Officials: A loan to a director, a committee member or an employee of a credit union or any person connected with one of them in the manner prescribed in the bylaws is required to be approved in the manner in the loan policy. [Act 83(2)]

Investment of Funds

Deposit of Funds: Every credit union shall maintain liquid assets in the amount and form prescribed in the bylaws. [Act 78(2)]

The Central may receive deposits from, operate checking services for and manage investments on behalf of credit unions. [Act 190(1)(a)(f)(g)]

Authorized Investments: A credit union may invest any of its moneys that are not required for current purposes in any investment that is approved in the bylaws. [Act 80] A credit union may invest in real property and equipment as permitted in the bylaws. [Act 81]

Capital Adequacy-Reserves

Initial Organization: Law is silent.

Permanent Capital: See "Regular Reserves" below.

Regular Reserves: A credit union shall maintain a separate stated capital account for each class and series of shares it issues. [Act 73(1)]

The board of a credit union shall establish and maintain any reserves that it considers necessary or that are required by the bylaws. [Act 79(2)]

Loan Loss Allowance: Every credit union shall make an allowance for doubtful loans in accordance with the requirements set out in the bylaws. [Act 79(1)]

Special Reserves: Every credit union shall maintain liquid assets in an amount and form as prescribed in the bylaws to ensure it can meet its commitments on loans and withdrawals of deposits. [Act 78]

Where it appears to the inspector from an examination of a credit union that the assets shown are at an amount greater than the true value and the credit union does not have sufficient reserves to offset this difference, the inspector may require the credit union to set aside out of earnings such additional reserves as the Central considers necessary. [Act 107]

Powers of the Credit Union

General Powers: A credit union has the capacity and, subject to the Act and its memorandum of association and bylaws, the rights, powers and privileges of a natural person and may engage in and carry on any business that pertains to the business of credit unions and (a) may receive deposits from and operate checking services for public bodies, members and the Central and (b) may make loans to its members. [Act 11(1)(3)]

A credit union may provide: (a) financial leasing of personal property; (b) processing of financial data; (c) investment counseling and financial advisory services; (d) portfolio management; (e) securities brokerage services; (f) mutual fund distribution; (g) real property brokerage; and (h) insurance services. [Act 11(4)]

Borrowing: A credit union may not borrow or provide loan guarantees in excess of the amounts provided in the bylaws. [Act 82]

Merger: Two or more credit unions may amalgamate and continue as one credit union. Each credit union must enter into an agreement setting out the terms and means of effecting the amalgamation. The agreement must be submitted by each credit union's directors to general meetings of their members for approval. The guarantee corporation may also require a credit union subject to administration or supervision to amalgamate with another credit union instead of dissolving. [Act 124-127]

Liquidation: Subject to approval of the guarantee corporation, the members of a credit union by a three-fourths vote may authorize the dissolution of the credit union. The guarantee corporation appoints an administrator to liquidate the assets and pay claimants.

The guarantee corporation may also apply to the registrar to dissolve a credit union for various causes such as failure to carry on business, to account for business transacted or to submit required returns. [Act 134, 135]

Federation or Association

Purposes: The Prince Edward Island Credit Union League Limited is hereby continued as a body corporate subject to this Act under the name "Credit Union Central of Prince Edward Island." [Act 179] It is charged with the administration of this Act and has all the rights, powers and responsibilities conferred upon it in this Act. [Act 189] Its purposes are to provide a variety of services such as financial leasing of personal property, processing financial data, investment counseling and financial advisory services, portfolio management, securities brokerage services, mutual fund distribution, real property brokerage and insurance services. [Act 190(2)]

Membership: "Member" means a credit union incorporated under the Act who has been admitted into membership of the Central and whose name is entered in its register of members and who has subscribed for the minimum number of shares as prescribed in the bylaws. [Act 178(e)] A credit union may not carry on business unless it is a member of the Central. [Act 2]

Dissolution: Law is silent.

Central Finance Facility

Purposes: The Central may engage in and carry on any business that appertains to the business of credit unions and other financial institutions. It performs services as a central finance facility including receiving deposits from and operating checking services for credit unions; making loans to credit unions; providing guarantee for credit unions; operating trust accounts; providing and managing financial instrument and securities clearing facilities for credit unions; managing provincial liquidity investments for credit unions; managing investments on behalf of credit unions; and providing education, marketing, technical and advisory services to its members and shareholders. [Act 190]

Membership: Membership in the Central is restricted to credit unions in Prince Edward Island incorporated under the Act. [Act 220]

Funds: The Central may charge membership dues to members. It may assess or levy an assessment on members and charge fees for services, borrow money from any source, invest any of its money that is not required for current purposes in any investment that is prescribed by the board and invest in real property and equipment. [Act 190(m)(n)(o)(p)(q)]

Share and Deposit Protection

Purposes: The former credit union stabilization fund continues under the name of the Credit Union Deposit Insurance Corporation (CUDIC), the members of whose board are its directors and manage its affairs. [Act 161(1)(2)]

Objects of the Corporation are to (a) guarantee the repayment of deposits held with credit unions; (b) adopt measures designed to minimize the risk and size of claims against a credit union; and (c) stabilize credit unions in financial difficulties and provide assistance from the CUDIC to such credit unions for the purpose of continuing operations or the orderly liquidation of operations. [Act 163]

Coverage: The CUDIC guarantees the repayment of all deposits made with credit unions up to a maximum of CD\$60,000 per deposit of any member (or such other amount specified by order of the lieutenant governor in council).

The CUDIC may insure the total value of special deposits designated by the board and approved by the lieutenant governor in council and certain registered retirement savings plans. The government shall ensure that the obligations of the CUDIC are carried out. [Act 173]

Membership: The objects of the CUDIC relate only to credit unions. [Act 163]

Funds: The CUDIC may (a) acquire assets from credit unions, make loans or advances to credit unions and take security therefore and guarantee loans to or deposits with credit unions; (b) require the payment of levies by credit unions for the purpose of establishing and maintaining the assets of the CUDIC; and (c) borrow money on the credit of the CUDIC. [Act 164]

The Corporation may make bylaws respecting assessments and the bylaws may provide for the levy of interest on unpaid assessments and include in the annual assessment a premium to meet the administrative costs of the Corporation and insurance funding. [Act 168(3)(b)(c)]

The minister of finance may, with the prior approval of the lieutenant governor in council, make loans to the Corporation and guarantee any loans made to the Corporation by any person. [Act 166]

QUÉBEC, CANADA

<i>Region</i>	North America
<i>Federation</i>	Desjardins
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Financial Services Cooperatives
<i>Number of Financial Cooperatives</i>	901 (2001)
<i>Number of Members</i>	5,560,443 (2001)
<i>Total Assets (US\$)</i>	\$45,964,328,330 (2001)

Rev. 01-02:wj

Legal Authority

Law: An Act respecting financial services cooperatives, Bill 126 (2000, Chapter 29) Québec National Assembly. [cited as "Act"]

Regulations: Regulation respecting the acquisition of shares by certain financial services cooperatives. O.C. 691-2001, 6 June 2001. [cited as "Reg. 1"]

Regulation respecting investments of a security fund. O.C. 692-2001, 6 June 2001. [cited as "Reg. 2"]

Definition or Purposes of Credit Union

Definition: Credit unions and federations of credit unions are financial services cooperatives. A financial services cooperative is a legal person in which persons having economic and social needs in common unite to form a deposit and financial services institution, operating on cooperative principles. [Act 1]

A credit union operates according to the rules of cooperative action: i.e., unlimited membership, one vote per member, no proxy voting, establishment of a general reserve; allocation of surplus according to the Act. [Act 4, 210, 215]

The mission of a financial services cooperative is: to receive deposits from its members and invest them for profit; to extend credit and supply other financial products and services to its members; to promote cooperation between members and between cooperative bodies; and to promote education in the economic, social and cooperative sectors. The mission of a credit union is also to support community development. [Act 5]

Extending credit to the government of Québec, the government of Canada, a municipality or school board in Québec or their mandataries may constitute one of the main activities of a financial services cooperative. [Act 78]

A financial services cooperative's activities shall be for the benefit of its members. [Act 64]

Supervision and Regulation

Government Agency: The Inspector General is referred to throughout the Act as the government official charged with supervision of financial services cooperatives. This position is under the Minister of Finance. [Act 13, 14, 15] Every credit union must be a member of a federation, unless exempted by the Minister. A federation sets standards for various credit union activities, conducts periodic inspections of internal affairs, and exercises certain enforcement powers. [Act 186-193]

Officers of a credit union must comply with bylaws of the federation, in addition to the Act, regulations and its own bylaws. [Act 101]

The government may establish various groups and categories of cooperatives. [Act 67]

Other Licenses Needed: Other laws and agencies related to banking activities, trust companies, securities, consumer protection, winding up of business, and other matters govern activities of financial services cooperatives. Amendments to many Acts relating to these activities and specific companies are listed in the Act. [Act 68, 81, 168, 614-683]

Other Institutions Regulated: Law and regulations are silent.

Reports: An annual report which includes financial and operating statements, the auditor's report, other specified data and any information required by the Inspector General, must be prepared and submitted to the Inspector General. A credit union that is a member of a federation must also submit the report to the federation. [Act 158, 162-167, 595]

Every credit union that is not a member of a federation, shall transmit to the Inspector General every three months, a report on the adequacy of its capital base, a report on the adequacy of its liquid assets and any other report required by the Inspector General. [Act 426]

The federation must submit quarterly reports to the Inspector General, including reports on the adequacy of the capital base and liquidity of its network, and any other report the Inspector General requires. It must also submit financial statements annually for itself and each holding company it controls. [Act 426, 427]

Any change in the articles of a financial services cooperative must be reported to the Inspector General. Names and addresses of all officers must be reported to the Inspector General. [Act 39, 100]

A report of the results of an inspection by the federation must be made to the boards of the credit union, and the Inspector General. [Act 399]

Inspections: The Inspector General shall ensure that the internal affairs of a credit union are inspected, and shall inspect the internal affairs of a federation. He/she shall inspect at least annually the affairs of a credit union that is not a member of a federation. The inspection evaluates the financial policies and practices and the internal control systems of the cooperative, verifies the accuracy of financial statements, and ensures that it is complying with the Act, regulations, bylaws, standards and instructions. [Act 553-555]

The federation shall periodically inspect the internal affairs and activities of a credit union, at least once every 18 months, and upon request of the credit union's board of audit and ethics. The federation may examine the books and accounts of any credit union. The powers of the inspector and scope of inspections are detailed in the Act. [Act 364.1, 391-398]

The Inspector General may on his/her own initiative, or at the request of 100 credit union members, or of a board of directors or a board of audit and ethics, or of a federation, conduct or commission any examination he/she considers expedient, of a cooperative, or any entity or holding company related to it. He/she may order an inquiry into any matter within his/her jurisdiction, where he/she considers the public interest requires it. [Act 556-557, 564]

Regulations: The government may by regulation prescribe various matters referred to in the Act, including the subjects that must be examined by the audit commission, standards relating to capital base and liquid assets, limits on investments, limits on shares which auxiliary members may hold, and other matters. The government may establish various classes of persons, partnerships activities or operations, and prescribe appropriate rules for each class.

The federation may make standards for credit unions on various matters, including permitted business activities, credit, and investments. It may also establish standards of membership, and various classes of activities and operations, and prescribe conditions, restrictions and terms that apply to each class. [Act 369-374, 375, 599-601]

Enforcement: The board of directors of a federation may suspend any employee or officer of a credit union, or intervene to resolve a conflict of interest, or apply a rule of ethics, at the request of the credit union's board of audit and ethics, and if the suspended officer is the director general, designate a replacement. [Act 335, 336]

A federation may, with the authorization of the Inspector General, suspend the powers of the board of directors or board of audit and ethics of a credit union, for a maximum period of 30 days, and appoint a provisional

administrator, as soon as the federation has reason to believe: that there has been misappropriation or embezzlement; that there has been grievous offense or serious lapse in an officer's performance or on the part of its board of directors; that control over property of the credit union is insufficient to protect the rights of its members. The Inspector General may appoint the administrator, and may extend the period of suspension. [Act 403-407]

The federation's board of ethics may make observations and recommendations respecting the application of rules of ethics to the federation and credit unions. [Act 354]

Where the federation considers that a credit union does not practice sound and prudent management, that it has contravened the Act or a normative instrument adopted under the Act, that it has failed to resolve a conflict of interest, that its financial position is unsatisfactory, or that its assets are insufficient to meet its obligations, it may order corrective measures, or take over management of the credit union for a specified period. Where the federation is itself under a supervised compliance program, the Inspector General may take over the administration. [Act 377, 448]

If the Inspector General considers that a federation has failed to give necessary instruction to a credit union, the Inspector General may give whatever instructions to the credit union he/she deems expedient. [Act 381]

Where the Inspector General considers that the capital base of a network is inadequate, he/she may order the federation to take corrective measures for the federation and the credit unions. If the federation neglects to implement a compliance program, the Inspector General may implement it. He/she may issue guidelines concerning capital base and liquid assets, and any other practice of sound and prudent management. [Act 443-449, 565]

The Inspector General may order a cooperative to cease a course of action if he/she considers it necessary, or apply to a court for an injunction on any matter relating to the Act or government regulations. [Act 567-573]

The Minister may suspend the powers of a board of directors of a financial services cooperative and appoint a provisional administrator, where he/she has grounds to believe: that the cooperative has failed to maintain required capital base; or its assets are inadequate to protect depositors, creditors and members; it has failed to comply with instructions; that there has been misappropriation of property; or that other serious fault has been committed, such as embezzlement or breach of trust. Upon considering the administrator's report, the Minister may lift sanctions, remove board members, or

order the cooperative to be wound up. [Act 574-583]

In the case of a credit union that is not a member of a federation, where the Inspector General considers that its capital base is inadequate, he/she may order a compliance program, and if it fails to implement such a program, the Inspector General may implement the program. The credit union shall cease to receive deposits until it complies with the program. [Act 450-460]

Persons and legal entities are liable to fines if found guilty of offenses detailed in the Act. [Act 602-613]

Membership of Credit Unions

Common Bonds of Association: A minimum of 12 founders may establish a financial services cooperative. Any natural person may be a founder of a credit union, except minors, persons under protective supervision or who have been convicted of fraud or dishonesty, and persons who do not meet common bond characteristics. [Act 7-8]

Common characteristics of members of a financial services cooperative may be determined on the basis of one or more criteria applicable to its members, and in particular on the basis of territory, employment status or occupation. [Act 10]

The federation may adopt standards that apply to credit unions with respect to the persons it may recruit as members, other than auxiliary members. [Act 370.1]

To be a member of a credit union a person or partnership must apply, subscribe for the prescribed number of qualifying shares, undertake to comply with the bylaws and be admitted by the Board or its agent. A credit union or a federation may not be a member of a credit union belonging to the same network. Procedures for suspension or withdrawal of members are detailed in the Act. [Act 195-196, 203-208]

Auxiliary members may be admitted to a credit union, under conditions established in bylaws. Auxiliary members may not vote or hold office, but subject to restrictions in the bylaws, have the same rights and obligations as members. Minors, persons without the legal capacity to contract, persons or partnerships who do not meet common bond characteristics, members who cease to share the common bond, and groups of persons may be admitted as auxiliary members. [Act 197-202, 370.2]

Non-Natural Persons Eligible: Partnerships may be members of credit unions. [Act 195]

Liability of Member: A financial services cooperative is a legal person. [Act 1]

Direction and Administration

Annual Meeting of Members: The members of a credit union, except auxiliary members, constitute the general meeting of the credit union. A natural person member may not be represented. A legal person, partnership or group member may be represented only by a natural person. No representative may act for more than one member. Sectional meetings and electronically assisted meetings are allowed. Each member has only one vote in the meeting. If a credit union divides itself into groups, it may grant each group the right to elect a specified number of directors. [Act 209-211, 215, 245]

The annual meeting of members must be held within four months of the end of the fiscal year. The members examine the annual report and reports of the board of audit and ethics, decide on allocation of surplus earnings, decide on paying interest on capital shares, elect members of the board of directors and the board of audit and ethics, appoint the auditor, and have other functions under the act. [Act 84, 141, 221]

The board of directors, the board of audit and ethics, the auditor, the president or vice-president of the credit union or the board of the federation may call special general meetings. A special meeting must be held if requested by 100 members of the credit union, or one-third of a quorum. [Act 222, 223]

Board of Directors and Committees: The organs of the credit union are the general meeting, the board of directors and the board of audit and ethics. [Act 226]

The affairs of the credit union are managed by the board of directors, of at least five members. It is responsible for sound and prudent practices, and makes staffing, investment and other decisions detailed in the Act. It may form an executive committee and other special committees and delegate powers to them. [Act 243, 244, 250-256]

A board of audit and ethics, of three or five members, supervises the operations of the credit union. It ensures that the credit union complies with the Act, regulations, standards and orders that apply to it; ensures that it adheres to sound and prudent management principles; ensures proper inspections; oversees conflicts of interest; receives complaints from members; and carries out other oversight functions. It may make rules of ethics, demand information or inspections, make recommendations, and suspend any employee or officer of a credit union. It must report its observations on various matters to the federation or the Inspector General, and submit an annual report to the board of directors and the annual meeting of members. [Act 257-270, 346-347]

Natural person members may be members of the board of directors or the board of audit and ethics, except: an

auxiliary member; an employee of the credit union, the federation, or another legal entity or partnership belonging to the group, save that the director general may be a director; members of the board, or other officers or employees of another credit union; persons under protective supervision or deprived of civil rights or convicted of an offense of fraud or dishonesty; a person dismissed as an officer of a credit union; an undischarged bankrupt. [Act 227]

Members of the board are not remunerated, but may be reimbursed for expenses, or paid by the federation or other entity belonging to the group for other functions within the group. [Act 236]

Management and Employees: The board of directors appoints the director general of the cooperative, and determines remuneration. [Act 95, 97]

Audits: A financial services cooperative shall cause its books to be audited every year by a qualified auditor. Required contents of the audit, powers and duties of the auditor, protections for the completeness and integrity of the audit, and required reporting, are detailed in the Act. A credit union must be audited by the federation's audit service. The auditor of a federation or of a credit union that is not a member of a federation, is appointed at the annual meeting of members. Officers and their associates, employees and members of a cooperative may not be its auditor. [Act 139-160]

The federation shall adopt standards relating to accounting operations and to the books, registers and other records which credit unions are required to keep. [Act 369.1-4, 369.10]

The Inspector General shall ensure that activities and operations of a financial services cooperative are audited according to the Act, and may order that the annual audit be made if the cooperative fails to do so in a timely manner, or that the audit be repeated or extended, or that a special audit be made; and appoint the auditor. [Act 142, 160, 552]

Liability of Officials: Officers must act with prudence and diligence, and with honesty and fairness in the best interest of the financial services cooperative. The cooperative will assume the defense of an officer prosecuted for acts arising out of his/her duties, unless the officer committed a gross negligence or personal fault separable from his/her duties. In criminal proceedings, the cooperative shall pay expenses of an accused officer if he/she had reasonable grounds to believe his/her actions were legal, or if he/she is acquitted of the charges. If a cooperative prosecutes one of its officers and loses the case in court, it must pay his/her expenses, or such portion as the court directs.

Cooperatives assume liability obligations for persons who act at their requests as directors or officers of entities of which they are shareholders or creditors. [Act 102, 107, 108, 109]

Officers who authorize the repurchase or redemption of shares, or investments or an extension of credit, in contravention of the Act, are liable to the financial services cooperative for repayment of any sum disbursed by it, or losses to it. Rights of action and procedures against persons who commit illegal acts are detailed. [Act 110-113]

Conflicts of Interest: Officers must act in the interest of the members, and avoid placing themselves in situations where their personal interest, or that of their associates, is in conflict with their obligations. Every officer in a situation of conflict of interest must disclose the conflict, on pain of dismissal, and refrain from any decisions on transactions relating to it. [Act 116-118]

The board of ethics of a federation shall adopt rules relating to the protection of the interests of the federation, the credit unions and their members, including rules relating to conflicts of interest, contracts with restricted parties, and rules of ethics for officers. [Act 346-347]

Transactions between a financial services cooperative and restricted parties, i.e. its officers or their associates, must be made in the same manner as when dealing at arm's length. Accepting deposits from, or extending credit to restricted parties or employees must be done on the same terms as in the ordinary course of business. Service contracts between a cooperative and a restricted party must be made on favorable terms to the credit union, or at least on competitive terms; such contracts must be approved by the board of directors of the cooperative, after it has received the advice of the board of audit and ethics or board of ethics, unless it involves only minimal amounts. The Inspector General or an interested party may apply to the court to cancel a transaction with a restricted party, that was made in contravention of the Act or which might prejudice the interests of the cooperative. [Act 119-131]

The director general of a financial services cooperative must resign that position upon becoming president or vice-president of the cooperative or of its board of directors. [Act 96]

Surety Bond: The board of directors shall insure the credit union against the risks of fire, theft and embezzlement by its officers or employees, and provide the credit union with civil liability insurance and directors' and officers' liability insurance. [Act 243.8]

A financial services cooperative must purchase liability insurance for the benefit of its officers, or persons acting at the request of the cooperative as director or officer of a legal entity of which it is a shareholder or creditor, to cover any liability incurred, except liability resulting from a failure to act with honesty and fairness. [Act 105]

Shares and Deposits

Shares: A financial services cooperative may issue qualifying shares, which bear no interest; and interest-bearing capital and investment shares, if the bylaws so provide.

Qualifying shares may be issued to members only. Other classes of shares may also be offered to certain holding funds. Shares may be paid for in full or by installments. They must be paid for in cash except where they are issued as a dividend, or on redemption or conversion of other shares, or in accordance with an amalgamation agreement.

The price of a qualifying share is determined by bylaw of the cooperative, or if it is a credit union that is a member of a federation, by a bylaw of the federation. [Act 45-53, 371.3, 480]

The value and number of capital and investment shares issued to auxiliary members is regulated by the government. Conditions for issuing and repurchasing or redeeming, and paying interest on capital and investment shares by a credit union must be approved by the federation, or if it is not a member of the federation, by the Inspector General. [Act 54-63]

Capital and investment shares may be transferred between members of a financial services cooperative. In the case of a credit union, the shares may also be transferred between the members of the credit union and the federation. Capital or investment shares may also be transferred to third persons, if the shares have been given as security by a member. Shares transferred to the federation or to third persons, may be re-transferred only to members of the financial services cooperative, or to a special holding fund. Shares may be purchased, repurchased, or redeemed according to federation standards. [Act 46, 59, 369.8, 371.4]

Deposits: The mission of a financial services cooperative is to receive deposits from its members, and invest them for profit. [Act 5.1]

A financial services cooperative may accept deposits from minors; from a federation or La Caisse Centrale Desjardins du Québec; from another credit union belonging to its network; from the government of Québec,

the government of Canada, a municipality or a school board in Québec, and their agents. [Act 74-75]

Dividends and Interest: The board of directors of a credit union determines the rate of interest on investment shares and capital shares, and on savings deposits. [Act 243.6]

A financial services cooperative may pay interest on capital shares and allot dividends to its members out of annual surplus earnings. Interest on capital shares may be paid out of allocations to the stabilization fund. [Act 62, 84.3, 84.5, 90]

Dividends may be paid in any form provided for in the bylaws, and may vary according to the nature of transactions with the cooperative, the nature of the products or services provided to the members, or the amount of fees paid. Bylaws must comply with standards of the federation. The federation may adopt standards for credit unions with respect to the allocation of surplus earnings. [Act 91, 372.1, 371.2]

Lien on Holdings: A financial services cooperative may withhold any sum of money it owes to a member or depositor to satisfy its claims, except in the case of qualifying shares issued by it. [Act 69]

Loans

Purposes and Conditions: A mission of a financial services cooperative is to extend credit to its members. Credit includes all forms of financing or suretyship, which is a pledge, guarantee or bond usually to back the performance of an individual or company. [Act 5.2, 77]

A credit union may extend credit to another credit union belonging to its network, only with approval of the federation. [Act 79]

The federation may make standards for credit unions in matters of credit. [Act 373.1]

Approval Procedure: Law and regulations are silent.

Limits, Terms and Security: No financial services cooperative may extend credit on the security of shares issued by it or by another cooperative belonging to its network. [Act 80]

Interest Rates and Charges: The Board of Directors shall set a policy for determining interest rates and charges for the products and services provided by the credit union. The Federation may adopt standards applicable to credit unions in connection with the provision of financial products and services, including various forms of credit. [Act 243, 373]

Loans to Officials: No financial services cooperative may extend credit to its own employees on more favorable terms than those which apply in the ordinary course of business. Extending credit to the officers and their associates, of a financial services cooperative or any legal person in its group, is determined by rules of ethics, and in accord with credit standards of the cooperative. [Act 129-130]

Investment of Funds

Deposit of Funds: A mission of a financial services cooperative is to receive deposits from its members and to invest them for profit. [Act 5.1]

The federation shall administer the liquid assets of a credit union and may pay them into any fund established by the federation. [Act 462, 463]

See also “Authorized Investments” and “Special Reserves” regarding liquid assets below.

Authorized Investments: Every financial services cooperative shall exercise its investment powers with prudence and care in accordance with any government regulations. The Inspector General may give instructions concerning permitted investments. [Act 468, 470, 471]

The federation may adopt standards and give instructions regarding the investments a credit union may make. [Act 374.3, 469, 479]

A financial services cooperative may not acquire more than 30 percent of the assets or the voting rights attached to a legal entity carrying out a joint venture. The voting rights may not enable the cooperative to elect more than one-third of the directors of the legal entity. However it may acquire all or part of a legal person in cases determined by regulation of the government. A regulation specifies the conditions under which a financial services cooperative may acquire 30 to 50 percent of such voting rights. [Act 473, Reg. 1]

A financial services cooperative may acquire all or part of the shares of a legal person carrying on activities similar to that of the cooperative. It may also do so through a holding company formed for the purpose. Restrictions on such acquisitions are detailed in the Act, and the regulation permits certain exceptions to the statutory restrictions. [Act 474-478, Reg. 1]

A credit union may allocate surplus earnings to special investment reserve funds established by the federation. [Act 414]

See also “Special Reserves” below.

Capital Adequacy-Reserves

Initial Organization: The founders of a financial services cooperative must subscribe to at least one qualifying share, or more if prescribed by bylaws. The share capital consists of qualifying shares, and may include other classes of shares. [Act 36.2, 44]

Permanent Capital: The federation shall adopt standards for member credit unions respecting the adequacy of their capital base, the elements which compose it and the proportion represented by each element. The standards must be consistent with government regulations. [Act 441]

Every credit union must maintain for its operations an adequate capital base, consistent with sound and prudent management. The credit union is bound to comply with government regulations in this regard. [Act 451]

Bylaws or standards of the federation determine the amount allocated to the general reserve of a financial services cooperative out of annual surplus earnings. The general reserve may not be used for payment of dividends or shared between the members. [Act 84.2, 85, 86, 372.2]

A credit union must pay into its general reserve from its stabilization reserve, such sums as are necessary to meet capital base standards of the federation, or to ensure prudent management. [Act 88]

Regular Reserve: See “Permanent Capital” above.

Loan Loss Allowance: Surplus earnings of a cooperative may be used to establish and maintain a stabilization reserve. The board of a credit union must pay into the general reserve from the stabilization reserve such sums as are necessary to meet capital base standards of the federation, or sufficient to ensure prudent management. The board of a credit union must pay into the stabilization reserve, from the community development fund, such sums as are necessary to meet capital base standards. [Act 84.4, 88, 89]

The federation shall adopt standards which apply to credit unions with respect to reserves to be maintained for doubtful debts and contingent losses. The federation may adopt risk management standards. [Act 371.1, 372.3-4]

Special Reserves: Every credit union must at all times maintain liquid assets adequate to ensure sound and prudent management. Members of a federation must meet federation standards and the federation administers the liquid assets. The Inspector General may give credit unions that are not members of a federation instructions regarding liquid assets. [Act 461-465]

The portion of earnings representing the increase in value of deposits of a credit union in special investment funds referred to in the Act, of capital shares in relation to

investment funds, or of any security determined by bylaw of the federation, shall be allocated to a reserve established for that purpose. This reserve may be drawn upon to increase surplus earnings. [Act 84.1, 87, 369.9, 414]

A credit union may establish a community development fund, and allocate money to it out of annual surplus earnings. Management of this fund shall be according to federation standards. [Act 84.6, 369.5-6]

Powers of the Credit Union

General Powers: As a financial services cooperative, a credit union is a legal person. [Act 1]

A credit union may carry on the activities of a trust company, under the Act respecting trust companies and savings companies, that are authorized by government regulation. [Act 68]

The government may permit legal activity outside its mission if the government considers it in the interest of the public and the members. The government may prohibit an activity related to its mission, but not expressly authorized by law. [Act 67]

The board of directors of a credit union determines the tariff for products and services provided. [Act 243.6]

The federation may adopt standards that apply to credit unions regarding provision of financial products and services, including issue, endorsement and discounting of promissory notes, bills of exchange, drafts and other negotiable instruments; cash management, electronic cash command and factoring services; travellers’ checks; debit and credit cards and other business activities. [Act 373]

Borrowing: A credit union may extend credit to another credit union belonging to its network, only with approval of the federation. [Act 79]

A credit union must have permission to pledge or otherwise give property as security, and may do so only: to secure a loan to meet short term requirements for liquid funds; to acquire or improve an immovable for its own use; to obtain an advance of money under the Deposit Insurance Act; to subscribe for savings bonds in favor of the government of Québec or of Canada; to become a member of a securities clearing house; to act for La Caisse centrale Desjardins du Québec or any other person in clearing or settlement activities; or for any other purpose authorized by the Inspector General, or in the case of a credit union, by the federation and the Inspector General. [Act 81, 82]

A federation may hypothecate or otherwise give property as security to guarantee the obligations of a credit union. [Act 83]

Merger: Two or more credit unions may amalgamate, by each adopting the amalgamation agreement as bylaws. A large credit union may absorb a smaller credit union, by resolution of the board of directors of the absorbing entity. Procedures for amalgamation are detailed in the Act. [Act 271-284]

Liquidation: The winding up of a credit union may be decided by a resolution adopted by the vote of three-fourths of the members present at a special meeting. The meeting appoints the liquidator, who takes possession of the cooperative. The liquidator shall first pay the debts of the cooperative, the costs of winding up, and the qualifying shares. After that other shares shall be redeemed according to their rank. Any remaining assets of a credit union devolve upon the federation, or if it is not a member of a federation, on the entity designated by the government. Procedures for liquidation and the role of the Inspector General are detailed. [Act 169-179]

The government may order the dissolution of a credit union: if the number of members falls below 12; if it fails to hold an organizational meeting after establishment; if it fails to hold an annual meeting for three years, or furnish its annual report to the Inspector General; or if a liquidator fails to report required information. A credit union may be dissolved by the government if it fails to comply with federation membership rules. The Public Curator shall be liquidator of a cooperative dissolved by government order. [Act 180-185]

The federation may act as liquidator of a credit union being wound up. [Act 364.6]

Any deposits by a credit union in a federation's funds are payable upon winding-up of the credit union. [Act 411]

Federation or Association

Purposes: The mission of a federation is: to protect the interests of credit unions, foster the fulfillment of their mission and promote their development; to act as a control and supervisory body over credit unions and legal persons controlled by credit unions; to provide services to credit unions, their members and groups, and to other persons or partnerships; to see to the orderly development of the network; and to define the common objectives for the group and to coordinate its activities. [Act 6]

A federation and its member credit unions form a network. Such a network, together with the security fund established at the request of the federation, and any other legal person or partnership controlled by one of the credit unions or by the federation, form a group. [Act 2-3]

A federation must ensure that its network maintains an adequate capital base consistent with sound and prudent management. It shall adopt standards for credit unions respecting their capital base. [Act 441]

In addition to other powers, the federation may become administrator of a credit union; develop and provide any service for the benefit of members of a credit union; participate with the credit union in such services; and make gifts in its own name and in that of the credit unions. [Act 364]

The federation may enter into contracts with a third party that binds the credit unions, where the credit unions avail themselves of the benefit stipulated in the contract. [Act 367]

The board of directors of a federation must maintain a service to audit the financial statements of credit unions and an inspection service for credit unions. [Act 386]

Two or more federations may amalgamate, under conditions and procedures detailed in the Act. [Act 428-440]

Certain individual Fédérations des caisses populaires Desjardins are amalgamated into the Fédération des caisses Desjardins du Québec, as part of the Act. Provisions to facilitate the amalgamation are detailed. [Act 689-708]

Membership: Every credit union must be a member of a federation, unless exempted by the Minister. The exemption may be made if the Minister approves guarantees by the credit union sufficient to fulfill its obligations. [Act 186-193]

Only credit unions and auxiliary members may belong to a federation. Auxiliary members may include financial services cooperatives established outside Québec, and other legal entities, groups or persons recommended by a credit union. Auxiliary members may not vote in the federation's meetings, and their representatives may not hold office. Rights and obligations of auxiliary members are otherwise the same as for credit union members. [Act 285-288]

At least 12 persons may found a financial services cooperative. A credit union may be a founder of a federation, on resolution ratified by two-thirds of the members at a general meeting. [Act 7, 9]

Dissolution: Procedures for liquidation or government-ordered dissolution of a federation are similar to those for a credit union - (See "Powers of a Credit Union: Liquidation" above). Remaining assets after prescribed payments by a liquidator of a federation shall be distributed to its member credit unions. [Act 174]

Any deposit made to a federation fund becomes payable upon winding-up of the federation. [Act 411]

Central Finance Facility

Purposes: The federation may make bylaws to establish funds and administer them. [Act 408-413]

The federation may establish an investment fund to be used and managed in accordance with the federation's powers and structured according to the Act. The net revenue of the fund shall be shared among shareholders and depositors. [Act 414-419]

The federation may establish a fund to purchase the capital shares and investment shares issued by credit unions. The Act and bylaws establish the conditions of the fund. Its assets shall be separate from the assets of the federation. [Act 420-423]

The federation has all the powers necessary to make up any operating deficit of a credit union in case of a deficiency in the general reserve of the credit union, where the security fund does not do so. [Act 382]

Membership: See "Federation - Membership" above.

Funds: A federation may issue qualifying shares, which bear no interest, and interest-bearing capital or investment shares. Conditions on share issues and interest payments are detailed in the law and bylaws, and must be approved by the Inspector General. Certain special funds may be created by a financial services cooperative for holding issued shares. [Act 44-63]

The federation may fix assessments, and a credit union is bound to pay the assessments. [Act 383, 384]

Coverage: See "Purposes" above.

Membership: Every credit union that is a member of the founding federation is a member of the security fund. [Act 488]

Funds: The security fund may fix assessments payable by the credit unions that are members, and require payment. Special assessments may be levied where the fund finds or is informed by the federation that the credit union is not practicing sound and prudent management. [Act 512-515]

The fund may only make investments authorized by government regulation, and may acquire and hold certain securities. A regulation specifies the types, conditions and restrictions applicable to the permissible investments of a security fund. [Act 517-518, Reg. 2]

Share and Deposit Protection

Purposes: The government may on application of a federation, constitute a security fund, the mission of the fund being: to assist in payment of losses sustained by members of a credit union that is a member of the fund, in the event of winding up; to establish and administer a security fund, liquid assets fund or assistance fund for credit unions; to take part in funding operations of the network. [Act 487]

The fund may make loans and grants to its member credit unions; guarantee the commitments of a credit union; guarantee repayment of an advance or of a loan made to a member; arrange to manage a credit union's affairs for a fixed period; acquire some or all of the assets of a member credit union; act as liquidator or sequestrator of a member; act as provisional administrator of a member; furnish guarantees to protect the interests of members of a credit union; sell to its member credit unions certain securities. [Act 510]

SASKATCHEWAN, CANADA

<i>Region</i>	North America
<i>Federation</i>	Credit Union Central of Saskatchewan
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	335 (2001)
<i>Number of Members</i>	597,158 (2001)
<i>Total Assets (US\$)</i>	\$4,898,742,100 (2001)

Rev: 4-00:wj

Legal Authority

Law: Credit Union Act 1998. [cited as "Act"]

Credit Union Central of Saskatchewan Act, 1999. [cited as "CUC Act"]

Regulations: Credit Union Regulations, 1999. [cited as "Reg."]

Credit Union Insurance Business Regulations. [cited as "CUIB Reg."]

Definition or Purposes of Credit Union

Definition: A credit union must be organized on a cooperative basis, in which membership is voluntary and open, except that it is restricted by a bond of association. Any income is distributed as patronage returns, dividends or payments to members; or used to develop the business or provide services or other purposes; or kept as retained earnings. [Act 8, 14(4b)]

Supervision and Regulation

Government Agency: The minister may appoint a registrar of credit unions and deputies to carry out the duties set forth in the Act. [Act 408]

The Credit Union Deposit Guarantee Corporation (CUDGC) has supervisory functions over credit union capitalization requirements. It monitors credit unions and establishes and enforces standards for them. [Act 121-133, 444-445]

The registrar may make agreements with CUDGC and with any government, agency, regulatory authority or person inside or outside Canada for the purpose of administering or enforcing the Act or other similar acts or any other purpose the registrar believes is in the public interest. [Act 436]

Other Licenses Needed: A credit union must obtain approval of the Cooperative Securities Board before trading certain of its securities to its members.

Regulations may require that membership shares, patronage rebate shares, deposits and other securities must also gain Cooperative Securities Board approval. Where the Cooperative Securities Board considers it to be in the public interest, it may direct that the proposed trade of securities by a credit union to its members be subject to the Securities Act, 1988. [Act 360-361, 363]

Other Institutions Regulated: The CUDGC is created and regulated under the Act. [Act Part XXIV]

Reports: A credit union must file with the registrar an annual return and other returns and reports as required, containing any information the registrar may determine or as prescribed in regulations. [Act 40 6-7; Reg. 19]

A credit union must report its annual comparative financial statements and auditor's report and other matters to the CUDGC. The auditor must also report to CUDGC. [Act 259(2), 281(4), 282(2b), 283(5), 285(10b)]

Inspections: The CUDGC may appraise the assets of a credit union or its subsidiaries, and report its findings to the credit union, the auditors and the audit committee. [Act 264]

The registrar or the CUDGC may appoint an auditor and make examinations of the business and affairs of any credit union, including inquiries relating to compliance with the Act and Regulations. A member may apply to the court for an order to investigate a credit union. [Act 347-350]

Regulations: The Lieutenant Governor in Council may make regulations concerning credit unions, including: supervision, records and filings, permitted business, the extent of permitted insurance business, market practices, bonding of officials, capital and liquid assets, securities and other matters. [Act 372, 440]

Enforcement: The CUDGC may order a credit union to comply with the Act, or with standards of sound business practice; to cease doing prohibited actions, or failing to do required actions; or to do or refrain from doing any other thing it considers necessary. CUDGC may apply to the court for an order to direct compliance. [Act 464-465]

Where CUDGC is of the opinion that a credit union has not followed sound practices or has failed to comply with an order, including investment or lending orders or there is risk to the fund, it may place the credit union under supervision or administration. Duties and powers of an administrator or supervisor are detailed. CUDGC may require a credit union to amalgamate with another credit union, for various reasons. [Act 49(5), 466-472]

Failure to comply with the Act, the regulations, an order of the registrar or other conditions, are offenses and persons on conviction are liable to fines or imprisonment. Entities on conviction are subject to a fine not exceeding US\$1,000,000. [Act 401]

The registrar may order compliance with the Act and regulations or may apply to the court for orders of compliance. [Act 404-405]

A complainant may apply to the court for remedy against oppressive actions by a credit union. The court may make any orders it considers appropriate, including: restraining conduct complained of; with the consent of the CUDGC, appointing a receiver or receiver-manager; directing a change in business arrangements; compensating an aggrieved person; and other remedies. Court orders may not conflict with the law or with CUDGC oversight systems. [Act 321, 324]

Membership of Credit Unions

Common Bonds of Association: Articles of incorporation prescribe the bond of association, if any. [Act 12(1d)]

A credit union may be incorporated by any 25 or more individuals. They must be at least 18 years old, unless bylaws admit younger persons, of sound mind and not bankrupt or criminals. Bylaws provide for qualifications of members. [Act 11, 13(1a), 64, 67]

Non-Natural Persons Eligible: Members who are not individuals are referred to and may vote at meetings by a representative. [Act 86(2)]

Liability of Member: Members and shareholders of a credit union are not liable for any liability, act or default of the credit union except as provided in the Act. [Act 17]

Shares of a credit union are non-assessable, and the members and shareholders are not liable to the credit union or its creditors with respect to them. [Act 151]

Direction and Administration

Annual Meeting of Members: A credit union shall hold an annual meeting of members within four months after the end of its fiscal year. Directors are elected at the annual meeting and the auditor appointed by the members. Other general meetings may be held. The members, the audit committee, the CUDGC, the registrar or a court may call special meetings of members or shareholders. [Act 77, 78, 84, 270]

A credit union operates on a cooperative basis where no member has more than one vote by reasons of membership or of owning membership shares; no member or delegate is entitled to vote by proxy. Members who are present at a general meeting are entitled to vote. [Act 8, 66, 86(3)]

Investment shares may be issued to non-members. Investment shareholders may appoint proxies to vote

their shares at meetings. Proxy procedures are detailed. Members or directors may submit proposals to the general meeting and discuss them. [Act 85, 131(2a), 180-187; Reg. 34-53]

Members must be 16 years old to vote. Members who are not individuals may vote by a representative. Bylaws may provide that directors be elected by districts, any delegate structure and other voting matters. [Act 13(1e-f) - (2), 83, 86, 94(2-3); Reg. 15]

Directors must be elected, in accordance with the Act, regulations and bylaws. At least 80 percent of the directors must be members. Up to 20 percent of the directors may be elected by investment share holders. A one-year term limit and certain other requirements in the Act apply only to shareholder-elected directors. [94, 95, 96(2), 131; Reg. 17]

The board shall present to the annual meeting the comparative financial statements of the credit union, the auditor's report and any other information relating to the credit union's financial position and transactions or that of its subsidiaries. The agenda of the annual meeting must include reports by all committees appointed by the members. [Act 259-260; Reg. 12]

Board of Directors and Committees: The board of directors exercises powers of the credit union and directs its management and business and affairs. Qualifications for director are detailed.

Articles of incorporation prescribe the number of directors, which must be at least five. Bylaws prescribe the selection, qualifications, terms of office and removal of directors and members of committees. [Act 12(1c), 13(1c), 108] A credit union is required to have a president and vice president of the board and a secretary. [Act 119]

The board may appoint committees and delegate powers to them. It must appoint an audit committee of at least three directors. The audit committee reviews financial statements and the audit, reviews any returns the registrar may direct, reviews investment and transactions that could affect the well-being of the credit union and ensures that recommendations of the auditor receive the attention of the managers of the credit union. [Act 97, 98, 285]

The board appoints a conduct review committee of at least three directors, which establishes and reviews procedures and practices for the credit union and reviews proposed transactions with related parties to the credit union. [Act 99]

The board may determine to pay directors and members of committees of the board remuneration and reimbursement for expenses and must report the total amount to members and shareholders. [Act 111]

Management and Employees: A credit union is required to have a chief executive officer or general manager and other officers prescribed in the bylaws or by the board. [Act 119]

Audits: An auditor shall make any examination that is necessary to report on required financial statements. The registrar or the CUDGC may require special examinations and reports of the auditor. The auditor must report to the members on his or her examinations within 21 days before the annual meeting and furnish a copy of the report to the CUDGC. [Act 278-281]

Liability of Officials: Directors are jointly and severally liable to make good any loss or damage suffered by the credit union, where they approve financial decisions contrary to the Act or the purposes of the credit union. [Act 115]

A director or officer who uses confidential information for advantage in a transaction between the credit union himself/herself or his/her associates is liable to compensate for any losses sustained by other persons. [Act 114]

Conflicts of Interest: A director or officer must disclose any interest he/she or his/her associates have in any material contract with the credit union and may not participate in decisions concerning that contract. Transactions between a credit union and related parties to it are restricted. [Act 113, 164-173]

The auditor of a credit union must be independent of it and of its directors, but may be a member. Employees and officers are barred from being the auditor. [Act 98(2), 267]

An employee of the credit union or of the CUDGC or an advisor to a credit union may not be a director. [Act 102(1e,h)]

Surety Bond: Every director and every employee of a credit union shall furnish the credit union with a security or a fidelity bond in the amount not less than that prescribed by the CUDGC. [Act 120]

A credit union may purchase and maintain insurance for the benefit of a director, member of a committee, officer or employee against liability or loss. [Act 117]

Shares and Deposits

Shares: A credit union must have one class of membership shares. Articles of incorporation prescribe the share capital structure, including the par value of membership shares and the conditions regarding investment shares. [Act 7, 12, 126-127, 129, 131]

Shares must be fully paid; they may be issued at any time to any person. Special accounts for classes of shares are detailed. Fractional investment shares are allowed. [Act 146-150, 197]

A credit union with authorization of its members may

issue any class of investment shares, which are without par value. No single person or person with an associate may own more than 10 percent of any single class of investment shares. But the CUDGC, or their affiliates or other prescribed entities, may own more than 10 percent. Other restrictions apply to investment shares. [Act 132-134, 139-143]

A credit union may issue certificates, warrants or other evidence of conversion privileges, options or rights to acquire shares or securities of the credit union. It may not hold its own shares, except under certain circumstances. Procedures for securities certificates, registers and transfers are detailed. [Act 148-155, 157, 188-258]

Bylaws provide whether an interest of a member may be assigned or transferred. [Act 13(1b)]

Deposits: A credit union may accept deposits from any person, whether or not that person is qualified to enter into contracts and repay the deposit with interest. [Act 34(3a), 53]

Dividends and Interest: A credit union may pay dividends in money or property or by issuing fully paid shares. Permission of the Credit Union Deposit Guarantee Corporation is required. Dividends on investment shares may be paid, subject to statutory restrictions. [Act 140, 158-159]

Patronage returns may be paid from operations surplus to members and non-members. Bylaws may provide that patronage returns be paid in shares or be lent by the beneficiary to the credit union. [Act 160-163]

Lien on Holdings: A credit union has a charge on deposits for a debt of the depositor and may apply any moneys towards payment of a debt due to it. Articles of a credit union may provide that it has a charge on the investment share of a shareholder for the shareholder's debt to the credit union. [Act 54, 137]

Loans

Purpose and Conditions: A credit union may provide financing arrangements. [Act 34(3b)]

The board of a credit union shall adopt reasonable and prudent lending standards. Lending policies and practices are subject to the authority of the Credit Union Deposit Guarantee Corporation. Regulations may restrict any loans. [Act 49]

Approval Procedure: Laws and Regulations are silent.

Limits, Terms and Security: A credit union may hold shares in itself, by way of security for a loan. [Act 155(2)]

A credit union may require insurance for the security of a loan. [Act 37(2-5)]

Interest Rates and Charges: Laws and regulations are silent.

Loans to Officials: Transactions to a related party of the credit union must be made on terms and conditions that are at least as favorable to the credit union as market terms and conditions. However, special favorable terms may be granted to senior officials and their associates if approved by the conduct review committee. Other conditions also apply to related party transactions. [Act 173-178]

Investment of Funds

Deposit of Funds: A credit union must have a credit with the Credit Union Central sufficient for its business or some other acceptable deposit. [Act 18]

Authorized Investments: The board shall adopt reasonable and prudent investment policies and procedures to avoid undue risk and obtain a reasonable return. The Credit Union Deposit Guarantee Corporation has authority to order changes in investment policies and practices and may order a credit union to dispose of certain investments. Regulations may restrict loans or investments. A credit union may invest in real and personal property for its own use. [Act 49-52]

A credit union may invest in a financial institution, factoring corporation, financial leasing corporation, information services corporation, an investment counseling and portfolio management corporation, mutual fund corporation, mutual fund distribution corporation, real property corporation, service corporation, specialized financing corporation, financial holding corporation under special conditions, body corporate whose activities are ancillary to the credit union, real property holding vehicle, community services corporation, entity that is not a body corporate and is similar to the above. [Reg. 23]

A credit union may only acquire or increase a substantial investment with prior approval of the Credit Union Deposit Guarantee Corporation. A credit union may apply to invest in entities other than those prescribed. CUDGC may approve any investments or attach conditions to them. [Reg. 24-25]

Capital Adequacy-Reserves

Initial Organization: The articles of incorporation are required to set out the share capital structure. [Act 12]

Permanent Capital: Every credit union shall maintain capital that is adequate for its operations. The CUDGC may prescribe capitalization levels. [Act 121]

The capital of a credit union may consist of membership shares, investment shares, subordinated indebtedness,

retained earnings a capital element specified by the regulations, and other capital elements approved by CUDGC. [Act 123]

A credit union may reduce its stated capital by resolution of the members and, in the case of investment shares, by resolution of the investment shareholders. [Act 155]

Regular Reserve: See "Permanent Capital" above and "Special Reserves" below.

Loan Loss Allowance: See "Permanent Capital" above and "Special Reserves" below.

Special Reserves: Every credit union must maintain liquid assets that are adequate and appropriate for its operations. The CUDGC may specify liquid asset requirements. A credit union must have to its credit with Credit Union Central an amount sufficient for its business, as determined by Credit Union Central and, in addition, liquid assets that may be required by sound business practice. Credit Union Central has access to the deposits and securities of a credit union to manage the liquidity sources available to credit unions and other purposes. [Act 121; Reg. 18]

Powers of the Credit Union

General Powers: A credit union has the capacity and the rights, powers and privileges of a natural person. It may carry on business, conduct its affairs and exercise its powers outside Saskatchewan to the extent the laws of the other jurisdiction permit. Articles of incorporation prescribe any restrictions on the business of the credit union or powers that it may exercise and any other provisions permitted by the Act.

It may take deposits, provide financing arrangements; act as financial agent; provide investment counseling services and portfolio management; and issue payment, credit or charge cards. A credit union may also promote merchandise and services to the holders of its card plans; act as custodian of real and personal property; act as receiver, liquidator or sequestrator; hold, manage and otherwise deal with real and personal property; provide information processing services, advice and systems; provide services to its affiliates, Credit Union Central, other financial institutions and their affiliates; and provide various other services. A credit union may act as agent for another credit union or person to provide financial services and may refer persons to others. [Act 12(1e), 12(3), 34-36]

A credit union provides services primarily for its own members, but may serve non-members if authorized by its articles. [Act 42]

A credit union may not engage in or carry on business other than providing financial services. It shall not underwrite insurance or undertake the business of insurance or the issue of securities by another person or deal in securities, except as provided in the Act or Regulations. [Act 34(3), 37]

Certain insurance business activities are permitted under the regulations, such as administering a group insurance policy for its members or offering general insurance advice to its members, but not referring them to a specific insurance company. [CUIB Reg. 3-4]

A credit union may not be a general partner in a limited partnership or a partner in a general partnership, unless authorized by the Credit Union Deposit Guarantee Corporation. Other restrictions on credit union activity are detailed. [Act 43-45]

Regulations permit a credit union to provide additional services, including postal or information services, depository accounts to receive payments of tax accounts and public utility accounts, sale or distribution of tickets and passes for lotteries, games of chance, public services and entertainment and community service activities. [Reg. 8]

Borrowing: A credit union shall issue subordinated indebtedness only with the approval of the Credit Union Deposit Guarantee Corporation. Trust indentures may be issued by a credit union as a form of subordinated indebtedness. [Act 138, 287-296]

Merger: Two or more credit unions may amalgamate and continue as one credit union with the approval of the members and of the shareholders of each class or series of investment shares and the Credit Union Deposit Guarantee Corporation. Procedures for amalgamation are detailed. [Act 303-308]

CUDGC may require a credit union to amalgamate with another if CUDGC has made a payment out of the fund to or on behalf of the credit union, if CUDGC considers it desirable to protect the fund and/or if the directors fail to comply with CUDGC orders. [Act 472]

Sale lease or exchange of all or substantially all of the property of a credit union requires the approval of the CUDGC and the members and shareholders. [Act 313]

Liquidation: Subject to the approval of the registrar, the members and shareholders of a credit union may authorize by special resolutions of members and shareholders, dissolution of the credit union. Each investment carries the right to vote on dissolution, whether or not it otherwise carries the right to vote. The members may appoint a liquidator. [Act 327]

The registrar may order a credit union dissolved if it fails to carry on business for two consecutive years or if it fails

to comply with provisions of the Act. The registrar, the Credit Union Deposit Guarantee Corporation or an interested party may apply to the court to dissolve a credit union. The court or the CUDGC may appoint the liquidator if the members do not. CUDGC may be appointed liquidator. Liquidation procedures are detailed. [Act 329-346]

A credit union shall not grant to a person the right to appoint a receiver or receiver-manager of its business. [Act 41]

Federation or Association

Purposes: The Credit Union Central of Saskatchewan has the powers of a central cooperative society under the Cooperative Associations Act. See "Central Finance Facility" below. [CUC Act 4-6]

Membership: See "Central Finance Facility" below.

Dissolution: See "Central Finance Facility" below.

Central Finance Facility

Purposes: The Saskatchewan Cooperative Credit Society Limited and the Saskatchewan Cooperative Financial Services Limited, organized under a former Act, Chapter 89, Statutes 1979 have combined under this Act to form the Credit Union Central of Saskatchewan (Central). [CUC Act 2]

The Central has the powers, capacities and structure of a credit union under the Credit Union Act of Saskatchewan and those of a central cooperative society under the Cooperative Credit Associations Act of Canada. It may act as a trustee. It may assist any credit union in the provision of any permitted insurance service. It may become a member institution of Canada Deposit Insurance Corp. [CUC Act 4-6]

Credit Union Services Corporation of Saskatchewan is organized and may be given business functions by the directors of the Central. [CUC Act 27-28]

Membership: Incorporated credit unions or cooperatives, any entity that operates according to credit union or cooperative principles, non-profit corporations, community and associations and any entity in which the Central is a shareholder may be members of the Central. [CUC Act 8]

Members of the Central are members of the Services Corporation. [CUC Act 27(5a)]

Funds: The Central may make loans, acquire investments, securities and evidences of indebtedness. [CUC Act 6]

The Central may issue an unlimited number of investment shares, which have special conditions attached to them. [CUC Act 13-15, 18]

Share and Deposit Protection

Purposes: The CUDGC guarantees the repayment of deposits with credit unions; manages the fund; promotes sound risk policies and practices; establishes and enforces standards of sound business and financial practice; monitors credit unions; provides financial assistance to credit unions; provides insurance services; and supervises, administers and acts as liquidator for credit unions and other functions. [Act 444-445, 452]

Coverage: CUDGC shall guarantee the repayment to a depositor of the full amount of each deposit, other than a deposit excluded by regulations. [Act 446]

Membership: The business and affairs of the CUDGC are to be managed by a board of directors consisting of two individuals appointed by the Central, at least one of whom is not a member of the board of directors or an employee of the Central and the chief executive of the Central, the deputy minister of the department having responsibility for the Act and the deputy minister of finance or their nominees. [Act 453]

Funds: CUDGC establishes and maintains a credit union deposit guarantee fund and may assess credit unions for the fund. [Act 447-448]

CUDGC may enter into agreements with the government of Saskatchewan, any other government or regulatory authority, including the Canadian Deposit Insurance Corporation, for the guarantee or insurance of deposits in credit unions or the assumption in whole or in part of any liability of CUDGC. [Act 445(h)]

UNITED STATES - FEDERAL

<i>Region</i>	North America
<i>Federation</i>	Credit Union National Association
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	10,284 (2001)
<i>Number of Members</i>	81,434,793 (2001)
<i>Total Assets (US\$)</i>	\$513,544,260,599 (2001)

Rev. 2-00:rd

Legal Authority

EXPLANATORY NOTE: Although section six indicates that credit unions cannot accept deposits, credit unions can and do accept shares. Shares are treated and contain the characteristics of deposits.

Law: The Federal Credit Union Act, revised 1998. Chapter 14 of Title 12 of the United States Code. [cited as "Act"]

Regulations: Code of Federal Regulations, Title 12, Chapter VII. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: A federal credit union is a cooperative association, organized in accordance with the Act, for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes. [Act 1752(1)] [Reg. 700.1(d)]

Supervision and Regulation

Government Agency: The National Credit Union Administration (NCUA) is an independent agency, under the management of the three-person National Credit Union Administration board appointed by the president of the United States. [Act 1752a] [Reg. 700.1(b, c)]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Law and Regulations are silent.

Reports: Federal credit unions shall be under the supervision of the NCUA board and shall make financial reports to it as and when it may require, but at least annually. Each insured credit union shall make reports of condition to the NCUA board upon dates selected by the board. Reports of condition shall include the total amount of the member accounts. The board may call for such other reports as it may from time to time require. [Act 1756, 1782 (a)(1, 2)]

Inspections: Each federal credit union shall be subject to examination by, and make its books and records accessible to, any person designated by the NCUA board. The board shall appoint examiners who have power to examine any insured credit union making application for insurance of its member accounts. Each examiner shall make a full and detailed report to the board. The board in like manner shall appoint claim agents who shall have power to investigate and examine all claims for insured member accounts. [Act 1756, 1784(a)]

Regulations: The NCUA board may prescribe such rules and regulations for the administration of the Act as it deems appropriate. [Act 1766(a)]

Enforcement: Any insured credit union which fails to make any report or file any certified statement required of it in connection with determining the amount of its deposit or premium charge may be compelled to do so by mandatory injunction in a suit by the NCUA board. Such failure to report or file, as well as failure to pay premium charges for any insurance required by the Act, incur penalties of not more than US\$100 for each day that such violation continues. Should any federal credit union fail to correct such failure within 30 days after written notice has been given, all the rights, privileges and franchises granted under the Act shall be thereby forfeited. [Act 1782(d)(1, 2), (f)]

Whenever, in the opinion of the NCUA board, any insured credit union is engaging in unsafe or unsound business practices or is violating an applicable law, rule, regulation, order or any condition set by the board, the board shall serve upon it a statement of such practices to secure the correction thereof. Unless such correction is made within an appropriate period, the board shall give the credit union 30 days notice of its intention to terminate the insured status of the credit union. The board may set hearings to determine whether an order to cease and desist shall be issued and may issue a temporary order requiring the credit union to cease and desist from violations or unsound practices.

Where personal dishonesty is involved or unfitness to serve is demonstrated by any officer or director, the board may give written notice of its intention to remove such party from office or prohibit any further participation in the affairs of the credit union by him/her and may do so. No person who has been convicted of any criminal offense involving dishonesty or breach of trust may participate in the affairs of an insured credit union, nor may an insured credit union permit such participation; fines of not more than US\$1 million per day of violation are set as well as imprisonment for not more than five years of such prohibited persons. [Act 1785(d)(1, 2), 1786(b), (1), e(1), g(1, 3)]

The board may, without notice, appoint itself as conservator and immediately take possession and control of the business and assets of any insured credit union in various cases, including the necessity of such action to conserve its assets or the interest of its members. [Act 1786(h)(1)]

Three tiers of civil money penalties are set by the Act. Insured credit unions which violate any law, regulation, order or condition set by the board shall forfeit and pay not more than US\$5,000 for each day of violation. Violations as described above, unsafe and unsound business practices and breaches of fiduciary duty, which are part of a pattern of misconduct, risk substantial loss to the credit union or result in profit to a party associated with the credit union are punishable by fines of not more than US\$25,000 per day. A credit union which knowingly commits such violations, practices or breaches shall forfeit and pay up to the lesser of US\$1 million or 1 percent of its assets. [Act 1786(k)(2)]

Upon its finding that a federal credit union is bankrupt, insolvent or in danger of insolvency, the board shall close such credit union and appoint itself liquidating agent. [Act 1787(a)(1)(A)]

Membership of Credit Unions

Common Bonds of Association: Federal credit union membership shall consist of the incorporators and such other persons and incorporated and unincorporated organizations to the extent permitted by rules and regulations prescribed by the NCUA board, as may be elected to membership. The membership fields of federal credit unions are limited to three categories:

- 1) A single group that has a common bond of occupation or association;
- 2) More than one group each of which (within the group) has a common bond of occupation or association and the number of members of which is less than 3,000 at the time of inclusion within the field of membership. Exceptions to this limit can be allowed by the NCUA board if specific criteria in the Act and regulations are met; and
- 3) Persons or organizations within a well defined local community, neighborhood or rural district. A further exception to the category is that two multiple common bonds may be allowed by the board for persons or organizations within a local community, neighborhood, or rural district who are deemed underserved as defined in the Community Development Banking and Financial Institutions Act. [Act 1759(a), (b), (c), (d)]

To become a credit union member on the basis of relationship a person must be a member of the immediate family or household of an eligible member. Once a person or organization has qualified as a member according to the law, they may remain a member until choosing to withdraw. [Act 1759(e)]

While directing the board to encourage the formation of separate credit unions, the Act sets forth a number of specific criteria permitting approval of expansions of multiple common bond credit unions. [Act 1759(f)]

Non-Natural Persons Eligible: See "Common Bonds of Association" above.

Liability of Member: Liability of any member of a federal credit union shall be limited to the extent of any loan made to him and any dues or charges payable by him. [Act 1757(11)]

Direction and Administration

Annual Meeting of Members: The fiscal year of all federal credit unions shall end December 31. The annual meeting of each credit union shall be held at such place as its bylaws prescribe. Special meetings may be held as indicated in the bylaws. No member may vote by proxy but a non-natural person may vote through a designated agent. No member shall have more than one vote. [Act 1760]

Board of Directors and Committees: The management of a federal credit union shall be by a board of directors, a supervisory committee and, where the bylaws so provide, a credit committee. The board shall consist of an odd number of directors not less than five, to be elected by and from the members as the bylaws provide. [Act 1761(a)]

The board of directors shall meet at least once a month and shall, among other things, act upon applications for membership, provide fidelity coverage for officers and employees handling cash, fill vacancies on the board until the next annual election and do all other things that are necessary and proper to carry out all the purposes and powers of the credit union, subject to the Act and regulations of the NCUA board. [Act 176 b(1, 2, 3, 21)]

If the bylaws provide for a credit committee, it shall consist of an odd number of credit union members but not more than one loan officer. The credit committee shall meet at least once a month to consider applications for loans or lines of credit. [Act 1761c(a)]

The supervisory committee shall make or cause to be made an annual audit and shall submit a report of that audit to the board of directors and a summary of that report to the members at the next annual meeting; shall

make supplementary audits as it deems necessary; may by a unanimous vote suspend any director or officer of the credit union or member of the credit committee until the next members' meeting; and may call by a majority vote a special meeting of the members to consider any violation, breach or unsound practice of the credit union. [Act 1761d]

Management and Employees: A federal credit union and its board of directors are empowered and permitted to do all things necessary to carry out the business and purposes of the credit union. [Act 1757(17), 1761b(21)]

Audits: The supervisory committee shall determine that the credit union's records and reports are prepared promptly and accurately, that internal controls are established and maintained to safeguard the assets of the credit union and that the policies of the board of directors are being properly administered. The supervisory committee shall carry out the audit and verification of member accounts as well as such other tests and reviews as may be necessary.

An audit shall occur at least once every calendar year and shall cover the period elapsed since the last audit. The audit shall be made using generally accepted auditing procedures and standards. Each federal credit union's annual audit shall, as a minimum, test its assets, liabilities, equity, income and expenses for existence, proper cut off, valuations, ownership, disclosures and classification and internal controls. Upon completion, a report of the audit shall be made promptly to the board of directors and, upon request, to the NCUA's regional director. [Reg. 715]

A federal credit union shall obtain an outside independent audit by a certified public accountant for any fiscal year in which the supervisory committee has not conducted an audit or their audit did not meet the requirements of regulations or the credit union has experienced serious and persistent recordkeeping deficiencies. [Act 1782a(a)(6)]

Liability of Officials: A director or officer of an insured credit union may be held personally liable for monetary damages in any civil action by the NCUA board, which action is prosecuted for the benefit of the board acting as conservator or liquidating agent of such credit union, for gross negligence or conduct that demonstrates greater disregard of a duty or care than gross negligence. [Act 1787(h)]

Any committee member, director, officer or employee of an insured credit union who knowingly or recklessly causes a substantial loss to such credit union or a substantial profit to himself by violation of law, unsound practices or breach of duty shall forfeit and pay a civil penalty. [Act 1786]

Conflicts of Interest: Directors, officials, committee members, management officials, certain employees and their immediate family may not receive pecuniary consideration in connection with the making of an investment or deposit by a federal credit union. All transactions with business associates or family members not specifically prohibited by the proceeding must be conducted at arm's length and in the interest of the credit union. [Reg. 703.120]

The same officials, certain employees and their immediate families are prohibited from receiving any compensation or benefit, directly or indirectly, in conjunction with a federal credit union making insurance and group purchase plans through outside vendors available to members. Similarly, all such transactions with business accounts and family members not specifically prohibited must be conducted at arm's length and in the interest of the credit union. [Reg. 721.2(c, d, e)]

Surety Bond: The board of directors of a federal credit union shall elect from their number a financial officer who shall give adequate fidelity coverage for officers and employees having custody of or handling funds according to regulations of the NCUA board. [Act 1761a, 1761b(2)]

Fidelity bonds must provide coverage for the fraud or dishonesty of all employees, directors, officers and committee members. The minimum amount of bond coverage required will be computed based on the credit union's total assets. It is the duty of the board of directors to obtain, when necessary, bond and insurance coverage in excess of the minimums tabulated in the regulations. [Reg. 713]

Shares and Deposits

Shares: A federal credit union shall have power to receive payments, representing equity, on shares and share certificates which may be issued at varying dividend rates, subject to such terms, rates and conditions set by the board of directors. [Act 1757(6)]

Every insured credit union is authorized to maintain share draft accounts in accordance with the rules and regulations prescribed by the NCUA board, and with certain exceptions, may pay dividends on accounts and may permit the owners of such accounts to make withdrawals. [Act 1785(f)(1)]

Deposits: Law and Regulations are silent; therefore, deposits are not authorized.

Dividends and Interest: The board of directors of a federal credit union shall declare the dividend rate to be paid on shares, share certificates and share draft accounts.

At such intervals as the board may authorize and after provision for required reserves, the board may declare a dividend to be paid at different rates on different types of shares, share certificates and share draft accounts. If the par value of a share exceeds US\$5.00, dividends shall be paid on all funds in the regular share account once a full share has been purchased. [Act 1761b(18), 1763]

Lien on Holdings: A federal credit union shall have power to impress and enforce a lien upon the shares and dividends of any member, to the extent of any loan made to him and any dues or charges payable by him. Withdrawal or expulsion of a member does not operate to relieve him from liability to the credit union. [Act 1757(11), 1764(c), Reg. 701.39]

Loans

Purpose and Conditions: A federal credit union shall have power to make loans and extend lines of credit to its members, to other credit unions, and to credit union organizations, and to participate with other institutions in making loans in accordance with the conditions set by the Act. [Act 1757(5)(A)]

Approval Procedure: The board of directors shall establish lending policies and, pursuant to the provisions of the bylaws, may appoint, or the members may elect, a credit committee. If there is a credit committee, it shall meet at least once a month to consider applications for loans or lines of credit. Except for loans required by the Act to be approved by the board of directors, approval shall be by majority vote of the committee.

The credit committee may delegate to loan officers the authority to approve applications. All applications not approved by a loan officer shall be reviewed by the credit committee. A member shall have the right to a review by the board of directors if there is no credit committee. [Act 1757(5), 1761 b(20), 1761c(a, b)]

Limits, Terms and Security: The board of directors shall determine the interest rates on loans, the security and the maximum amount which may be loaned and provided in lines of credit. No loan or line of credit advance may be made to any member if such loan or line of credit advance would cause that member to be indebted in an amount exceeding 10 percent of the credit union's total unimpaired shares and surplus. [Act 1757(5)]

Interest Rates and Charges: Except when a higher maximum rate is provided for in the regulations, a credit union may extend credit to its members at rates not to exceed 15 percent per year. [Act 1757(5)(I)]

Loans to Officials: A loan or aggregate of loans to a director or committee member which exceeds US\$20,000 plus pledged shares must be approved by the board of directors. Loans to other members for which directors or committee members act as guarantors or endorsers must be approved by the board when such loans by themselves or when added to outstanding loans to the guarantors or endorsers exceed US\$10,000. [Act 1757(5)A(iv, v)]

Investment of Funds

Deposit of Funds: A federal credit union shall have power to make deposits in national banks and in state banks, trust companies and mutual savings banks operating in accordance with the laws of the state in which the credit union does business or in banks or institutions whose accounts are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. [Act 1757(8)]

Authorized Investments: A federal credit union shall have power to invest its funds:

- a. in loans exclusively to members;
- b. in obligations of the United States, or securities fully guaranteed thereby;
- c. in accordance with the rules and regulations of the NCUA board, in loans to other credit unions in the total amount not exceeding 25 percent of its paid-in and unimpaired capital and surplus;
- d. in shares or accounts of savings and loan associations or mutual savings banks, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation or the Federal Deposit Insurance Corporation;
- e. in obligations issued by banks for cooperatives, various land, credit and home loan banks or in obligations fully guaranteed by the Federal National Mortgage Association or the Government National Mortgage Association;
- f. in participation certificates in obligations which one or more government agencies have subjected to a trust;
- g. in shares or deposits of any central credit union;
- h. in shares, share certificates or share deposits of federally insured credit unions;
- i. in the shares, stocks or obligations of any other organizations providing services which are associated with the routine operations of credit unions, up to 1 percent of the total unimpaired capital and surplus, with the approval of the NCUA board;
- j. in the capital stock of the National Credit Union Central Liquidity Facility; and
- k. investments in obligations of, or issued by, any state or political subdivision thereof, up to 10 percent of unimpaired capital and surplus. [Act 1757(7)] [Reg. 703]

Capital Adequacy-Reserves

Initial Organization: The Board is directed to prescribe by regulations a system of prompt corrective action to resolve capitalization problems of federally insured credit unions. They are to take into account that credit unions, as not-for-profit cooperatives, do not issue capital stock and must rely on retained earnings to build net worth. An alternative system for new credit unions is authorized, recognizing that initially, since they do not issue capital stock, they have no net worth. This system is to create incentives for new credit unions to become adequately capitalized by the time they are in operation more than 10 years or have more than US\$10 million in total assets. Restrictions can be imposed on new credit unions that fail to make sufficient progress in becoming adequately capitalized. [Act 1790(a)(b)]

Permanent Capital: The Act defines the various levels of capitalization of insured credit unions for purposes of determining when certain board corrective actions or restrictions are required. A well capitalized insured credit union has a net worth ratio of not less than 7 percent; an adequately capitalized one has a net worth ratio of not less than 6 percent.

An under capitalized insured credit union has a net worth of less than 6 percent and a significantly undercapitalized one has a net worth ratio of less than 4 percent (or less than 5 percent if it fails to submit and implement an acceptable net worth restoration plan). A critically undercapitalized insured credit union has a net worth ratio of less than 2 percent (or higher up to 3 percent, as the Board may specify). The Board may increase or decrease the net worth ratios provided certain determinations are made and the federal banking agencies are consulted.

Furthermore, insured credit unions that are defined as "complex" because of the nature of their portfolios of assets and liabilities must meet additional net worth requirements. These must take into account any material risks against which their net worth required to be adequately capitalized may not provide sufficient protection. [Act 1790d(c)(d)]

Regular Reserve: At the end of each accounting period the gross income shall be determined. From this amount, there shall be set aside, as a regular reserve against losses on loans and against such other losses as may be specified

in regulations, sums in accordance with a schedule specified by the Act based on the number of years the credit union has been in operation and the amount of its assets. [Act 1762(a)]

Loan Loss Allowance: Charges to the regular reserve for loan losses shall be made in accordance with full and fair disclosure and in accordance with generally accepted accounting principles (GAAP). [Reg. 702.302]

Special Reserves: Each federal credit union shall establish and maintain such reserves as required by the Act or in special cases by the NCUA board. [Reg. 702.301]

Powers of the Credit Union

General Powers: A federal credit union shall have succession in its corporate name during its existence and shall have power to make contracts to sue or be sued, to buy, hold and sell property, to make loans, receive deposits and to exercise such incidental powers as shall be necessary for it to carry on its business. [Act 1757(1, 2, 4, 5, 6, 17)]

Borrowing: A federal credit union shall have power to borrow, in accordance with the regulations of the NCUA board, from any source, in an aggregate not exceeding 50 percent of its paid-in and unimpaired capital and surplus. [Act 1757(9)]

Merger: The NCUA board may authorize a merger of an insolvent credit union with any other insured credit union if the board is satisfied that an emergency requiring action exists, other alternatives are not available and the public interest would best be served by such an emergency merger. [Act 1785(h)]

Voluntary mergers generally involve a continuing credit union and one or more merging credit unions; the continuing credit union will continue to operate after the merger and the merging credit union will cease to exist. [Reg. 708b]

No federally insured credit union shall merge with any other without the prior written approval of the NCUA board. [Reg. 708b.101(b)]

Regulations prescribe procedures for mergers involving federally insured continuing credit unions and for nonfederally insured continuing credit unions which desire to be federally insured. [Reg. 708b.102] Voluntary termination of federal insurance or conversion to nonfederal insurance is also provided for. [Reg. 708.201, 708b.203]

Liquidation: The NCUA board may prescribe regulations governing the voluntary dissolution of a federal credit union. [Act 1766(a)(1)]

The regulations prescribe detailed requirements for accomplishing such a liquidation of a solvent federal credit union. The board of directors must first vote to present the question of liquidation to the members and also give written notice to the NCUA regional director. A written plan must be developed for the liquidation of the assets and the payment of creditors and the shareholders within one year. The liquidation is to be carried out under the direction of the board or an appointed liquidating agent.

A meeting of the members must be called, according to the bylaws, with members having the right to vote on the proposal in person or by written ballot. Approval must be by an affirmative vote of a majority of those voting on the proposal. The regulations restrict the transaction of business by the credit union upon the board's decision to propose liquidation and further upon approval by the members. Other matters covered in the regulations include giving notice to creditors, the method of pro rata distribution of assets, records retention and certifying dissolution. [Reg. 710]

The NCUA board, through such persons as it shall designate, may examine any federal credit union in voluntary liquidation and, upon a finding that such voluntary liquidation is not being conducted in an orderly or efficient manner or in the best interest of its members, may terminate such voluntary liquidation and place such organization in involuntary liquidation and appoint a liquidating agent thereof.

The NCUA board may suspend or revoke the charter of any federal credit union or place the same in involuntary liquidation and appoint a liquidating agent therefor, upon its finding that the organization is bankrupt or insolvent or has violated any of the provisions of its charter, its bylaws, this Act or any regulations issued thereunder. [Act 1766(b)(1)(2)]

The regulations set forth detailed rules and procedures applying to charter revocations of federal credit unions and their involuntary liquidation. Among the matters covered: the NCUA Board as liquidating agent, court appeals of the revocation of charter, powers and duties of liquidating agent and adjudication of creditor claims involving federally insured credit unions. [Reg. 709]

Federation or Association

Purposes: Law and Regulations are silent on "Federation." However, a federal credit union is authorized to invest in and make loans to credit union service organizations (CUSO) The Regulation addresses

UNITED STATES

various aspects of CUSOs, including monetary limits on loans and investments, structure of the service organizations, their customer base and their range of services and activities. [Act 1757(7)(I), (5)(D)] [Reg. 712]

Membership: Law and Regulations are silent.

Dissolution: Law and Regulations are silent.

Funds: All deposits and premium charges for insurance paid pursuant to the Act and all fees for examination and all penalties collected by the board shall be deposited in the National Credit Union Share Insurance Fund. [Act 1783(b)]

Central Finance Facility

Purposes: The establishment of a National Credit Union Central Liquidity Facility is authorized to improve general financial stability by meeting the liquidity needs of credit unions and thereby encouraging savings, supporting consumer and mortgage lending and providing basic financial resources to all segments of the economy. [Act 1795]

Membership: Credit unions primarily serving natural persons may be a regular member of the facility by subscribing to the capital stock of the facility in an amount not less than 0.5 percent of the credit union's unimpaired capital and surplus. A credit union or group of credit unions primarily serving other credit unions may be an agent member of the facility by obtaining the approval of the NCUA Board and subscribing to the capital stock of the facility in an amount not less than 0.5 percent of the unimpaired capital of such credit unions serving natural persons which are members of it. [Act 1795c(a, b)]

Funds: See "Membership" above.

Share and Deposit Protection

Purposes: The National Credit Union Share Insurance Fund, created in the United States Treasury by the Act, shall be used by the NCUA board as a revolving fund for carrying out the purposes of the Act. Money in the fund shall be available upon requisition by the Board for making insurance payments, providing assistance and making expenditures connected with the liquidation of insured credit unions, as well as other expenses incurred in carrying out the purposes of the Act. [Act 1783(a)]

Coverage: Member accounts are insured in an amount not to exceed US\$100,000 per account. [Act 1787(1k)] [Reg. 741, 745]

Membership: The NCUA board shall insure the member accounts of all federal credit unions and it may insure the member accounts of credit unions organized under state, territorial and Commonwealth of Puerto Rico laws. [Act 1781(a)]

SOUTH PACIFIC

Region Includes:

Australia
Fiji
New Zealand
Papua New Guinea
Solomon Islands
Tonga

AUSTRALIA	
<i>Region</i>	South Pacific Credit Union Services Corporation (Australia) Limited (CUSCAL)
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Financial Institutions and Corporations
<i>Number of Credit Unions</i>	181 (2001)
<i>Number of Members</i>	3,082,504 (2001)
<i>Total Assets (US\$)</i>	\$10,420,802,035 (2001)

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Legal Authority

EXPLANATORY NOTE: Australian Credit Unions on July 1, 1999 began the transition from a financial institution regulatory system based in each of the country's six states and two territories to a functionally based national system. This came about as a result of a federal government inquiry (1996-97) into factors likely to drive change in the country's financial system and that was charged with making recommendations for further improvements in the nation's regulatory arrangements.

Among the recommendations of this Financial Sectors Inquiry was that credit unions should hold equal status with banks by bringing them under a single national regulatory structure. The transitional aspects of this new system are governed by the Financial Sector Reform (Amendments and Transitional Provisions) Act of 1999. Four other major financial and corporate laws of the national government are also involved, as indicated below.

Law: Banking Act, 1959 (for Prudential Regulatory Matters). [cited as "BA"]

Corporations Law, Acts 109, 1989, and 110, 1999. [cited as "CL"]

Australian Prudential Regulation Authority Act, 1998. [cited as "APRA Act"]

Australian Securities and Investments Commission Act, 1989. [cited as "ASIC Act"]

Financial Sector Reform, Amendments and Transitional Provisions Act, 1999. [cited as "FSR"]

Regulations: New Regulations and Prudential Standards are in the process of being developed.

Definition or Purposes of Credit Union

Definition: Credit unions remain mutual organizations, even though they are now regulated by a generic body of law. Principles of Mutuality were adopted by the credit

union movement as part of the preparation for the transfer to the new national regulatory environment. Credit unions have agreed that these principles should be adhered to: members are sovereign; members control eligibility for membership; membership is acquired by subscribing to a primary member share; one member/one vote; only members can acquire ownership rights in a credit union; only members can be borrowers or depositors of a credit union; and only members can be directors.

The Australian Prudential Regulation Authority is expected to issue a revised policy statement on the use of the term "credit union" and it is anticipated that it will broadly reflect the credit union movement's Principles of Mutuality. Both APRA and the Australian Securities and Investments Commission (ASIC) have agreed on an interim statement. [Based on CUSCAL Advisory discussions (CUSCAL Advisory)]

Supervision and Regulation

Government Agency: APRA is responsible for the prudential regulation of all Authorized Deposit-Taking Institutions (ADI's), including credit unions as well as insurers and superannuation or pension funds. Its primary focus is on Prudential Supervision issues including liquidity, capital adequacy and risk exposure. [BA 11AF] [APRA Act 9]

APRA has been established for the purpose of regulating bodies in the financial sector. In providing this regulation and developing this policy, APRA is to balance the objectives of financial safety and efficiency, competition, contestability and competitive neutrality. [APRA Act 8]

In order to carry out banking business, a credit union must be given an authority to act as an ADI. [BA 9]

Other Licenses Needed: The Australian Securities and Investments Commission is the national regulator of market conduct and disclosure for all Australian companies and all financial markets, including credit unions. ASIC administers the Corporations Law which sets out corporate governance and market conduct requirements. It is also responsible for consumer protection for all financial services. Under the Corporations Law, credit unions are required to register as a company limited by shares. [CUSCAL Advisory]

Other Institutions Regulated: APRA regulates banks and building societies, insurance and superannuation or pension funds as well as credit unions. ASIC regulates all Australian companies and financial markets. [APRA Act 3(2)]

Reports: The APRA uses a mix of monthly and quarterly reporting combined with on-site inspections to supervise credit unions and other ADI's. [CUSCAL Advisory]

Inspections: APRA has the power to conduct investigations and report on prudential matters. [BA 61]

Regulations: Regulations will be determined by the Parliament prescribing matters required or permitted under the APRA Act, or on matters that are prescribed for carrying out or giving effect to the Act. [APRA Act 60] APRA is empowered to make standards governing ADIs. [BA 11AF]

Credit unions are governed by the Corporations Law and prudential standards carried over from the previous regulatory system applied under the Banking Act of 1959 during the transitional period. Harmonized prudential standards are being developed by APRA that will bring all ADIs under one set of standards. This process is expected to be finalized by July 1, 2000. [CUSCAL Advisory]

As a consequence of the new regulatory environment, there has been a move away from a two-tiered system where APRA was responsible for regulating banks and the Australian Financial Institutions Commission (AFIC) and state-based regulators had responsibility for prudential regulation of credit unions. This two-tiered system has now been collapsed into a single tier. This system change creates many challenges for APRA as it attempts to achieve the flexibility to differentiate between the bigger ADI's such as banks and the smaller credit unions. [CUSCAL Advisory]

Enforcement: APRA may appoint a person to investigate the affairs of an ADI if it fails to comply with a requirement to provide information under the Banking Act. [BA 13(4)]

APRA may also appoint a person to investigate the affairs of an ADI, take control of its business or appoint an administrator to take control of its business if:

- 1) the institution informs APRA that it considers it likely to become unable to meet its obligations or that it is about to suspend payment;
- 2) APRA considers the institution likely to become unable to meet its obligations or is about to suspend payment; or
- 3) the institution becomes unable to meet its obligation or suspends payment. [BA 13A(1)]

APRA supervises through a combination of prudential standards and supervision to provide regulatory assurance. The main regulatory mechanisms used by ASIC are requirements relating to product disclosure, market licensing and scrutiny and complaint investigation and resolution. [CUSCAL Advisory]

Membership of Credit Unions

Common Bonds of Association: Common bonds are no longer required by law, but may be part of a credit

union's constitution. [CUSCAL Advisory] See also "Definition or Purposes of Credit Union" above.

Non-Natural Persons Eligible: A body corporate may be a member. [CUSCAL Advisory]

Liability of Member: The liability of a shareholder in a corporation is limited to the amount of any shares owned. [CL]

Direction and Administration

Annual Meeting of Members: A company must hold an annual general meeting of the members, with timely notice given to each member setting out the date, time and place of meeting and any special resolutions that may be proposed. The business of a meeting may include the consideration of the annual financial report, the director's report and auditor's report, the election of directors, the appointment of the auditor and the fixing of the auditor's remuneration. Members have the right to appoint a proxy to attend and vote for the member at an annual general meeting. [CL 249 H, J, X, 250 N, R]

Board of Directors and Committees: A company must have at least three directors. The business of a company is to be managed by or under the direction of the directors, who may exercise all of the powers of the company (except any powers that the Corporations Law or the company's constitution requires to be exercised at the general meeting). Directors may delegate any of their powers to a committee of directors. [CL 224, 225, 226, 229]

Management and Employees: The business of a company is to be managed by or under the direction of the directors. [CL 226, A(1)]

Audits: Note: All references to prudential standards apply to banks. During the transition period, former Financial Institution (FI) Scheme standards have been continued and still apply to credit unions. But CUSCAL expects the bank standard to be modified and expanded following harmonization when they will apply to all ADIs including credit unions.

APRA requires auditors to provide independent confirmation of selected information that APRA receives from ADIs supervisees. It also requires assurance that the institutions are complying with prudential requirements and an assessment of nominated aspects of the institution's risk management systems. The auditor is also asked to bring to the attention of APRA any matters which in the auditor's opinion may have the potential to prejudice materially the interest of the bank's depositors. [Prudential Standards H1-4]

At the end of each bank's financial year a meeting between the bank, its external auditor and APRA will be

held to, discuss among other things, the report of the targeted review submitted by the external auditor to APRA and any matters which arise from the auditor's review of the information which the bank supplies to APRA; the bank's compliance with Prudential policies, or the risk management system descriptions; and the attestation supplied by the bank to APRA. The meeting is also to provide the auditors with an up-to-date view of any impending changes to Prudential Policies. Internal auditors of the ADI may be represented at these meetings. [CUSCAL Advisory]

Under the Corporations Law, ASIC requires that a company must have the financial report for a financial year audited and it obtain an auditor's report. [CL 301(1)] An auditor must form an opinion about whether the report is in accordance with the law and this opinion must be reported to the members. [CL 307, 308(1)]

Liability of Officials: ASIC requires that an officer must at all times act honestly in the exercise of his/her powers and duties. An officer must exercise the degree of care and diligence that a reasonable person would exercise in the circumstances. An officer must not make improper use of information to gain an advantage for himself/herself or for any other person to cause detriment to the corporation. [CL 232(2), (4), (5)]

Conflicts of Interest: Directors should avoid situations that could give rise to a conflict of interest or to perceptions of a conflict of interest. If conflicts nevertheless do arise, directors should take appropriate action, such as not participating in board discussions of matters on which they face a conflict. [Prudential Standard B1-6]

Surety Bond: APRA's Prudential Standards require boards of directors of ADIs to establish systems to manage key risks confronting them. These may include surety bonds covering actions of officers and employees. There is no requirement in law for insurance; however, in practice all ADI's do so. [CUSCAL Advisory]

Note: At present the Government is undertaking sweeping reforms of the Corporations Law. The Government has released a draft Financial Services Bill that is intended to implement a new uniform licensing regime for providers of financial services. The draft proposes to include a new s883B into the Corporations Law. This will impose an additional requirement on financial services licensees to have adequate compensation arrangements in place. [draft Financial Services Reform Bill s883(1)]

Shares and Deposits

Shares: Membership in a credit union is obtained by purchasing a member share. This share represents the

member's interest in the credit union, including the right to vote in a general meeting and the right to participate in the distribution of surplus assets on wind-up. Credit unions may issue other types of shares, but these must be non-voting shares and must not otherwise interfere with mutuality principles. [CUSCAL Advisory]

Deposits: A credit union as an ADI under the Banking Act may accept deposits from members. Depositors are accorded special protection giving them preference over other creditors in the return of their deposit. APRA has a primary objective of protecting the interests of the depositors. [BA 12]

Dividends and Interest: Like members of other mutual and non-mutual companies under Corporations Law, credit union members have a right to receive a dividend on share holdings. As depositors, they may be paid interest on their deposits in the credit union. [CUSCAL Advisory]

Lien on Holdings: Credit unions and banks have a common law right of set-off, where an ADI is able to set off the debt owed by a customer on one account against another account in credit. [CUSCAL Advisory]

Loans

Purpose and Conditions: While credit unions have been traditionally limited to personal loans and home loans, following the transfer to the new regulatory regime there is no legal restriction. [CUSCAL Advisory]

Approval Procedure: The approval procedure varies from credit union to credit union. APRA requires appropriate credit risk management. Credit committees are no longer involved in loan approval procedures in Australian credit unions. [CUSCAL Advisory]

Limits, Terms and Security: Act and Regulations are silent. [CUSCAL Advisory]

Interest Rates and Charges: Interest rates and charges are not regulated in Australia. [CUSCAL Advisory]

Loans to Officials: The Corporations Law regulates directors and officers emoluments. [236A (1) 243(k)]

Investment of Funds

Deposit of Funds: See "Authorized Investments" below.

Authorized Investments: APRA's draft liquidity standard proposes that credit unions hold 9 percent of their liabilities as High Quality Liquidity Assets. These include but are not limited to: cash, securities eligible for repurchase transactions within the Reserve Bank, bank bills, and at call deposits. [CUSCAL Advisory]

Capital Adequacy-Reserves

Initial Organization: There is no formal recognition of lower capital requirements for start-up of a credit union. However, depending on the circumstances, APRA might permit a lower capital during the start-up phase if it were convinced of the prudential merit of doing so. [CUSCAL Advisory]

Permanent Capital: Based on Basle Accord (applied since 1992 to credit unions), each credit union and consolidated credit union group is required to maintain at all times a level above the regulatory minimum ratio of capital to risk-weighted assets of 8 percent, appropriate to the risk profile of the institution. Capital is considered in two tiers: tier one or core capital including paid-up permanent share capital, non-repayable share premium account, general reserves, retained earnings and non-cumulative irredeemable preference shares; tier two or supplementary capital including general provisions for doubtful debts, asset revaluation reserves, cumulative irredeemable preference shares, mandatory convertible notes and similar capital instruments and perpetual subordinated debt; tier three capital is not recognized in Australia.

At least 50 percent of a credit union's required capital must be core capital or tier one, the remainder may consist of supplementary elements of tier two capital. [CUSCAL Advisory]

Credit unions may issue shares with the characteristics of permanent, or tier one capital, however, none have done so yet. In practice credit unions in Australia are capitalized almost entirely from returned earnings, although a few credit unions have issued a small amount of hybrid debt equity that qualified as tier two capital. [CUSCAL Advisory]

Regular Reserve: See "Loan Loss Allowance" below.

Loan Loss Allowance: Currently credit unions are required to provide specific reserves for bad and doubtful debts according to regulatory minima. These range from a provision of 0-20 percent for non-accrual loans where the outstanding balance is worth 80-100 percent of the first mortgage security, to 40-100 percent for unsecured and commercial loans, or mortgage loans where the ratio of outstanding loans to security is greater than 100 percent. In addition, APRA is proposing that all ADIs hold a general provision for bad and doubtful debts. This general provision would count as tier two capital. [CUSCAL Advisory]

Special Reserves: Law and Regulations are silent [CUSCAL Advisory]

Powers of the Credit Union

General Powers: A credit union is a body corporate under the Corporations Law and thus enjoys the rights and privileges and responsibilities of corporations generally. However, prudential standards which have carried over from the previous regulatory system impose certain limitations on ADI's, while some controls have ceased: e.g., interstate trading, small business lending and commercial lending. New prudential standards are being developed by APRA. [CUSCAL Advisory]

Borrowing: A corporation may borrow from any source. [CL 124] However, in practice APRA would need to be satisfied that any innovative source of funds for a credit union did not impose undue or unmanageable risk on an institution. [CUSCAL Advisory]

Merger: Special harmonized transfers of business allows transfer of business (assets, liabilities and members) from one ADI to another with legal succession by approval of APRA and ASIC. [CUSCAL Advisory]

See "Liquidation" below.

Liquidation: APRA must meet its objective of depositor protection by moving promptly to liquidate or merge any troubled institution as it does not have a balance sheet. The imposition of statutory depositor priority at liquidation gives APRA an incentive to intervene decisively and promptly. [BA 12, 13]

Federation or Association

Purposes: Credit Unions Services Corporation (Australia) Limited (CUSCAL) is the apex industry body for Australia's credit unions and is an ADI regulated by APRA. CUSCAL provides a wide range of services to credit unions. The CUSCAL Group comprises a number of service companies with CUSCAL as the parent entity. [CUSCAL Advisory]

The Credit Union Financial Support System (CUFSS) is a related industry body whose purposes are: to administer the industry support system; to monitor credit unions' liquidity; to investigate credit unions and assess whether they require financial support where CUSCAL is unable to meet their liquidity requirements through its credit union banking services; to decide whether or not to offer credit unions financial support and, if so, on what terms; to assist the orderly exit of a credit union by way of merger with, or transfer of engagements to, another ADI; and to advise credit unions about liquidity and risk management. [CUSCAL Advisory]

Membership: Membership of CUSCAL is open to all credit unions that choose to become affiliated members of CUSCAL through the purchase of shares and the use of the services provided by the Corporation. [CUSCAL Advisory]

Only CUSCAL and credit unions that are also member of CUSCAL are eligible for membership of CUFSS. [CUSCAL Advisory]

Dissolution: Banking Law and Corporations Law govern dissolution of an ADI such as CUSCAL. [CUSCAL Advisory]

Central Finance Facility

Purposes: CUSCAL's treasury provides a full range of liquidity, banking, treasury and risk management services. [CUSCAL Advisory]

The Credit Union Financial Support System (CUFSS) provides emergency financial support from credit unions' balance sheets and other assistance in the case of instability that cannot be met by CUSCAL itself. CUFSS has been established to ensure a high level of stability and safety in the credit union movement. APRA has the power to enforce compliance by all participants to the contract made between credit unions, CUFSS and CUSCAL. [CUSCAL Advisory]

Membership: For membership of CUSCAL, see "Federation or Association" above.

Credit unions participating in CUFS are required to enter into an industry support contract which sets out their obligations and their rights and responsibilities.

Funds: CUSCAL raises funds from its members through deposits of high quality liquid assets from credit unions and on commercial markets by issuing MTNs. CUSCAL's revenues arise from services provided to credit unions, including loans to credit unions and through core services dues. In 1999, CUSCAL's total assets exceeded AU\$3 billion. [CUSCAL Advisory]

Share and Deposit Protection

Purposes: There is no formal system of share or deposit protection in Australia for banks or credit unions, although APRA is required to protect the interests of depositors, and in a liquidation, the assets of an ADI must be available to meet first deposit liabilities of an ADI. [CUSCAL Advisory]

Under the new regulatory environment, particular features of APRA's objectives and functions have significant implications for small deposit-takers. Deprived of

its own balance sheet, and without access to statutory solvency or liquidity stabilization funds, APRA must meet its objective of depositor protection by moving swiftly to liquidate or merge any troubled institution [s12 Banking Act 1959]. The imposition of statutory depositor priority at liquidation [13 Banking Act 1959] gives APRA a further incentive to intervene quickly and decisively. [CUSCAL Advisory]

In response, the Credit Union Movement has established CUFSS which seeks to intervene and stabilize or manage the exit of a troubled credit union before APRA intervention is required. However, CUFSS provides assistance to credit unions and not depositors who have no recourse to it. [CUSCAL Advisory]

Coverage: See "Purposes" above.

Membership: Membership is open to all credit unions. Some 221 credit unions were members of CUSCAL in 1999.

Funds: CUFSS has no balance sheet. CUFSS has the capacity to order loans to be made from particular credit unions' balance sheets up to 3 percent of assets at any time, and permanent loans of up to 0.2 percent of assets in any one year. [CUSCAL Advisory]

FIJI

<i>Region</i>	South Pacific
<i>Federation</i>	Fiji Credit Union League (FCUL)
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	38 (2000)
<i>Number of Members</i>	15,000 (2000)
<i>Total Assets (US\$)</i>	\$7,724,990 (2000)

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Legal Authority

Law: Credit Unions Act, 1954, Ed. 1978, CAP 251. [cited as "Act"]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: The objects of a credit union are to promote thrift among its members, to receive the savings of its members either as payment on shares or as deposits and to make loans to members exclusively for provident or productive purposes. [Act 16]

Supervision and Regulation

Government Agency: The minister shall appoint the registrar of credit unions to administer the Act. [Act 3] The administrator general was appointed registrar by Official Notice, 1955.

Other Licenses Needed: Law is silent.

Other Institutions Regulated: Law is silent.

Reports: Every credit union shall furnish the registrar with such information as he/she may from time to time require. [Act 54]

Inspections: The affairs of any credit union may be examined by or under the direction of the registrar at any time or when he/she suspects fraud or other irregularity. The credit union shall produce all books, documents and other papers required. [Act 56]

Regulations: Law is silent.

Enforcement: Various offenses against the Act are specified such as failure to give notice, send any return or do any act required by the Act or to refuse to do any act or furnish any information required by the registrar. Any person guilty of an offense against this Act for which no specified penalty is provided shall be liable on conviction to a specified monetary fine.

Registrar may cancel the registration of a credit union, subject to approval of minister, if it has, after notice by registrar, violated any provisions of the Act. [Act 60, 67]

Membership of Credit Unions

Common Bonds of Association: Membership shall be limited to groups of persons having a common bond of occupation or association or to groups of persons residing within a well defined neighborhood, community, rural or urban district.

A minor may be a member, provided that a minor shall not vote until he has reached the age of 18 years, nor shall be elected as a director or as a member of the credit committee or supervisory committee until he has attained the age of 21 years. [Act 39, 40]

Non-Natural Persons Eligible: Law is silent.

Liability of Member: A credit union is a body corporate with limited liability. [Act 8]

Direction and Administration

Annual Meeting of Members: There shall be an annual general meeting at such time as bylaws provide. At the first annual general meeting the credit union shall elect a board of directors of not less than five members, a credit committee of not less than three members and a supervisory committee of three members. No director or member of the credit committee shall be a member of the supervisory committee. [Act 22]

No member shall have more than one vote at any meeting and no member may vote by proxy.

Board of Directors and Committees: The directors shall have the general management of the affairs of a credit union. The credit committee shall have the general supervision of all loans and set interest rates. It may delegate its functions to a loan officer.

The supervisory committee shall conduct audits and report at annual meeting, fill vacancies in its own membership until successors are chosen, suspend officers and call special general meetings to consider matters at hand. At their first meeting the directors shall appoint from their own number a president, a vice-president, a secretary and a treasurer or a secretary-treasurer. [Act 23, 26, 27, 34]

Management and Employees: The secretary or secretary-treasurer are appointed by the board and may be paid salaries as determined at the annual meeting. [Act 23, 24]

Audits: The supervisory committee shall make or provide for an annual audit and submit a report on it to the annual meeting. [Act 34(6)]

Liability of Officials: Every offense by a credit union shall be deemed to have been also committed by every officer, director and member unless each is proved to have been ignorant of or to have attempted to prevent the commission of such offense. [Act 58]

No member entrusted with or participating in the direct management of the affairs of the credit union shall withdraw or transfer or otherwise dispose of his/her shares during the exercise of his/her functions. In case of insolvency of the credit union any such withdrawal or transfer made by him/her within four months preceding such insolvency shall be null and void. Such member shall remain liable to creditors of the credit union to the extent of such shares so disposed of or transferred. [Act 46]

Conflicts of Interest: Law is silent.

Surety Bond: Every person appointed to handle money shall, before entering upon the duties of his/her office, give security as is deemed sufficient by the directors, which may be varied in amount or renewed from time to time. [Act 50]

Shares and Deposits

Shares: The capital of every credit union shall be unlimited in amount and shall be divided into shares of a par value of not less than FJ\$2 each. The shares may be purchased outright or by installments in such manner as may be determined by bylaws. [Act 12, 13]

Shares may be assigned, transferred or withdrawn by the holder. Shares may only be assigned or transferred to a member of the credit union. [Act 39]

Deposits: An object of a credit union is to receive the savings of its members either as payment on shares or as deposits. [Act 16(b)]

Dividends and Interest: After making provision for the reserve fund the board of directors may declare a dividend from the remainder of the net earnings and in such case shall present its resolution to the annual meeting of the credit union for confirmation. Any dividend authorized at that meeting shall be paid on all shares fully paid-up and in the possession of the same member throughout the previous fiscal year, except that shares which become fully paid-up during the previous fiscal year shall be entitled to a proportionate part of such dividend from the first day of the month following such payment in full. In no case shall the dividend declared by the credit union exceed 6 percent per annum. [Act 38]

Lien on Holdings: All moneys payable to a credit union by a member shall be a debt due from him/her to the credit union and shall be recoverable as such in any court of competent jurisdiction. The credit union shall have a

lien on the shares and deposits of a member, past member or deceased member from any sum due from him/her to the credit union and for any loan endorsed by him/her. [Act 52]

Loans

Purpose and Conditions: Every loan shall be for a provident or productive purpose. [Act 28]

Approval Procedure: The credit committee shall not consider any loan unless a majority of the committee is present and no loan shall be approved except by the unanimous decision of the members present and may delegate its functions to a loan officer. Such an officer may grant loans up to a specified amount upon the security of the unencumbered shares of any member of the credit union. [Act 27]

Limits, Terms and Security: The credit committee shall require security to be given on all loans in excess of an amount to be fixed by the registrar, and shall determine the security and guarantors which shall be required for each loan and the conditions of repayment. [Act 29]

Interest Rates and Charges: The interest rate on any loan shall not exceed 1 percent per month on the unpaid balance of such loan, provided that the minimum amount of interest charged shall be 10 cents per month. [Act 32]

Loans to Officials: No director, officer or member of the credit or supervisory committee shall be allowed to borrow in excess of the value of his/her shares and deposits except upon the unanimous vote of a majority of the other members of the board of directors, a majority of the credit committee and a majority of the supervisory committee, sitting together, the said director, officer or member not being present when the vote is taken. [Act 30]

Investment of Funds

Deposit of Funds: A credit union may deposit money in any bank in Fiji or in the National Bank of Fiji. [Act 17(a)]

Authorized Investments: A credit union may invest in any stock, debenture stock, funds or securities in which trustees may invest funds by virtue of the provisions of any Act for the time being in force relating to the investment of trust moneys or in any security or local loan of the government. [Act 17(b)]

Capital Adequacy-Reserves

Initial Organization: Law is silent.

Permanent Capital: See "Regular Reserve" below.

Regular Reserve: Every credit union shall have a reserve fund into which shall be paid all entrance fees and fines. The directors shall at the end of each financial year, before declaring any dividend, set aside for payment into the reserve fund not less than 20 percent of the net earnings for that year.

Provided that the directors shall not be required to set aside for or to pay into the reserve fund any sum which would make the amount of the reserve fund exceed 10 percent of the sum of the deposits and the issued capital of the credit union for the time being. [Act 37]

Loan Loss Allowance: The reserve fund shall be held as a reserve against bad loans or losses other than operating deficits and shall not be used for any other purpose except on liquidation. [Act 37]

Special Reserves: Law is silent.

Powers of the Credit Union

General Powers: The registration of a credit union shall render it a body corporate by the name under which it is registered, by which it may sue and be sued, with perpetual succession and a common seal and with limited liability, and shall vest in the credit union all property for the time being vested in any person in trust for the credit union, and all legal proceeding pending by or against the trustees of any such credit union may be prosecuted by or against the credit union in its registered name without abatement. [Act 8]

Borrowing: A credit union may borrow moneys for the carrying out of its objects and functions, but its total indebtedness from borrowings may not exceed 50 percent of the sum of the deposits and the paid up value of the issued capital.

Where any borrowing would make the total indebtedness of the credit union in respect of borrowings exceed 25 percent of the sum of the deposits and the paid up value of the issued capital, the resolution of the directors to borrow such money shall require confirmation either by a vote of not less than three-quarters of the members present at a general meeting duly called for considering such resolution or by the unanimous sanction in writing of the members of the credit union.

A credit union may charge, hypothecate, mortgage or pledge its real or personal property to secure any liability for the repayment of moneys borrowed. [Act 35, 36]

Merger: No credit union shall amalgamate with another credit union without the consent of the registrar. [Act 61]

Where two or more credit unions desire to amalgamate as one, the proposal must be passed by two-thirds of all

members of such credit union, and an application shall be made to the registrar for his consent. [Act 62, 63]

Liquidation: The registrar may cancel the registration of a credit union if satisfied that: the credit union exists for an illegal purpose, or its registration was obtained by fraud or mistake; if it fails to carry on business; if it violates provisions of the act; if its numbers fall below 15 members. Dissolution may also be made on order under the Companies Act, or with the consent of three-fourths of the members. Procedures for dissolution are detailed. [Act 67-70]

Federation or Association

Purposes: Credit unions incorporated or registered under the provisions of this Act may associate as a federation for the furtherance of their common interests and the benefit of their members. Memorandum of association must have approval of the registrar. [Act 49]

Membership: See "Purposes" above.

Dissolution: Federations may be registered. Dissolution is according to liquidation rules for credit unions. See "Liquidation" above. [Act 49, 67-70]

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: A credit union may insure its loans, funds and property against loss. [Act 17(d)]

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

NEW ZEALAND	
<i>Region</i>	South Pacific
<i>Federation</i>	New Zealand
<i>Legal System</i>	Association of Credit
<i>Type of Law</i>	Unions (NZACU)
<i>Number of Credit Unions</i>	Common Law
<i>Number of Members</i>	Cooperative Societies
<i>Total Assets (US\$)</i>	and Credit Union
	57 (2001)
	180,495 (2001)
	\$194,505,813 (2001)

Rev. 10-92:dh

Legal Authority

Law: Friendly Societies and Credit Unions Act, 1982. [cited as "Act"]

Regulations: Friendly Societies and Credit Unions (Fees) Regulations, 1992. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: The objects of a credit union shall be the promotion of thrift among its members by the accumulation of their savings, the use and control of the members' savings for their mutual benefit and the training and education of the members in the wise use of money and in the management of their financial affairs. [Act 101(1)]

Supervision and Regulation

Government Agency: There shall from time to time be appointed a registrar of friendly societies and credit unions. [Act 3]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Friendly societies, benevolent societies, working men's clubs and specially authorized societies may be registered under Act. [Act 11]

Reports: Every credit union shall once in every year send to the registrar an annual return.

The registrar is empowered to request and be supplied with information and reports from credit unions. [Act 7(3)(a), 127(1)]

Inspections: The registrar, or any person authorized by him/her, may require a registered society, branch or credit union, or any officer or trustee, to produce for inspection any accounting records or documents that are kept. [Act 8]

Upon application of a specified number of members, or

of his/her own volition, the registrar may appoint one or more inspectors to investigate the affairs of the society, branch or credit union. [Act 89, 137]

Regulations: The governor-general may, from time to time by Order in Council, make regulations for all or any of the following purposes:

- a. prescribing fees payable in relation to any matter under this Act;
- b. prescribing the proper allowances to be made by a credit union for contingent liability for loss in respect of any loan made by that credit union;
- c. prescribing the amount or proportion of any insurance fund to be invested in New Zealand government securities or local authority securities; or
- d. providing for such matters as are contemplated by or necessary for giving full effect to the provisions of this Act and for its due administration. [Act 152]

Enforcement: Various offenses against the Act are specified such as failure to give notice, send any return or do any act required by the Act or to refuse to do any act or furnish any information required by the registrar.

Every person who commits an offense against this Act for which no specified penalty is provided shall be liable on conviction to a specified monetary fine. [Act 153(1)(2)(40)]

The registrar may prohibit a credit union from carrying on all or any of the following activities: borrowing money, accepting payment on shares, lending money, repaying share capital or accepting new members. The registrar may apply for winding up of credit union if it appears there has been a failure to comply with any provision of the Act. [Act 138(b), 139]

Membership of Credit Unions

Common Bonds of Association: A society may apply for registration as a credit union if the society has a membership of not less than 21 adults and the registrar determines that a common bond exists between members. [Act 100]

The qualifications for admission to membership which are appropriate to a credit union are: following a particular occupation; residing in a particular locality; being employed in a particular locality; being employed by a particular employer; being a member, or associated with, a bona fide organization; or any qualification approved by the registrar. [Act 102]

A person 16 years of age or younger may be a member of a registered society or branch if the rules so provide. [Act 39(1)]

Non-Natural Persons Eligible: Only individuals shall be members of a credit union, and the provisions of section

39 of the Act (which relates to the membership of minors) shall apply in respect of any credit union as if it were a society registered under Part II of this Act. [Act 106(1)]

Liability of Member: Upon winding up of a credit union, no past member shall be liable after he/she ceased to be a member, unless it appears to the court that the contributions of the existing members are insufficient to satisfy the demands on the credit union. No contribution by a past or present member shall exceed the amount unpaid on his/her shares, together with any fees, charges, levies or money owed to the credit union. [Act 141]

Direction and Administration

Annual Meeting of Members: The rules of credit unions shall provide for the manner of holding meetings, provision for the calling of an annual general meeting and the manner of making, altering or rescinding rules. [Fourth Schedule (5)]

The rules of a credit union shall be amended only by special resolution, except where there is a change in the situation of the registered office of a credit union or a change of name. [Act 82(1), 104(3)]

Every member of a credit union shall be entitled to vote and shall have one vote only. [Act 106(8)]

Board of Directors and Committees: "Committee" and "committee of management" mean the directing body of a society or branch, by whatever name that body is known. [Act 2]

The rules of the credit union shall provide for the appointment and removal of a committee of management, or a treasurer and other officers and of trustees. [Fourth Schedule (6)]

All property belonging to a credit union shall vest in the trustees for the time being of a credit union for the use and benefit of its members and of all persons claiming through the members according to the rules of the credit union. [Act 112]

Management and Employees: Every person elected or appointed to be an officer or employee of a registered society or branch or credit union, or acting or employed as such officer or employee, shall be deemed to be a servant of the trustees of the society or branch or credit union. [Act 155]

Audits: Every credit union shall, in each financial year, appoint one or more qualified auditors to audit its accounts and balance sheet for that year. [Act 122(1)]

The auditor has right of access to the relevant records and must report the finding to the credit union. [Act 68, 125]

Liability of Officials: A trustee of a registered society or

branch shall remain answerable for all acts and omissions of his delegate within the scope of the delegation as if they were the acts or omissions of the trustee, and the delegate shall be subject to the provisions of the Act so far as it relates to the performance of the duties delegated in the same manner as if he/she were the trustee. [Act 31(6)]

Where a registered society or branch or credit union is guilty of an offense against this Act, every officer shall be liable to the same penalty as if he/she had committed the offense. [Act 156]

Conflicts of Interest: Law and Regulations are silent.

Surety Bond: Before taking office every officer of a registered society or branch having the receipt or charge of money shall give security in accordance with this Act, which may be in the form of a bond or the security of a guarantee society. [Act 34, 114]

A policy of insurance shall ensure the credit union against loss suffered or liability incurred by reason of fraud or other dishonesty of any of its officers or employees. [Act 133(1)(2)]

Shares and Deposits

Shares: Every credit union shall have shares, which shall all rank equally and be of a fixed amount of NZ\$1 and may be subscribed for either in full or by periodical or other subscription, but no share shall be allotted to a member until it has been fully paid in cash. Shares shall not be transferable. A share may be held by two or more members jointly. Shares shall be withdrawable, but a credit union shall not issue shares except on terms enabling it to require not less than 60 days notice of withdrawal. [Act 107(1)(2)(3)(4)(5a), Act 142(1)]

A person shall not be a member of a credit union unless holds at least one fully paid-up share in that credit union. A member of a credit union shall not have or claim any interest in the shares of the credit union exceeding a specified amount set by the governor-general. A non-qualifying member may purchase shares and receive loans. [Act 106(2)(3)(7)]

Deposits: A credit union shall not accept a deposit from any person except by way of subscription for its shares. "Deposit" means a sum of money paid on terms under which it will be repaid, with or without interest or at a premium, and either on demand or at a time or in circumstances agreed by or on behalf of the person making the payment and the credit union, and which are not referable to the provision of property or services or the giving of security. [Act 108]

Dividends and Interest: Law and Regulations are silent.

Lien on Holdings: If a withdrawal of shares would reduce

a member's paid-up shareholding in the credit union to less than his total liability (including any contingent liability) to the credit union whether as borrower, guarantor or otherwise, then in case of a non-qualifying member, the withdrawal shall not be permitted, and in any other case, the withdrawal shall be permitted only at the discretion of the committee of management of the credit union. [Act 107(5)]

Loans

Purpose and Conditions: A credit union may make loans to members for such purposes and conditions as the rules may provide. [Act 110(1)]

Approval Procedure: Law and Regulations are silent.

Limits, Terms and Security: The rules of a credit union may contain provisions fixing the maximum amount, with or without security, by which the indebtedness of a member may exceed the total amount of the member's paid-up share capital in the credit union. The maximum indebtedness of a member shall not exceed 5 percent of the amount shown as the value of the assets of the credit union in respect of an unsecured loan and 10 percent of a secured loan. The maximum period within which a loan by a credit union must be repaid shall be 10 years in the case of a secured loan and five years in the case of an unsecured loan, or such other periods as approved by the registrar upon application in respect of any particular credit union. [Act 110(2)(3)(4)(7)]

The minister may fix the maximum amount of any loan. [Act 111(1)]

Interest Rates and Charges: Law and Regulations are silent.

Loans to Officials: Law and Regulations are silent.

Investment of Funds

Deposit of Funds: Any funds not invested as provided (below) or kept in cash, shall be kept on current account with any bank doing business in New Zealand. [Act 117(4)]

Authorized Investments: A credit union may invest its surplus funds in any of the following securities which mature in five years or less: any New Zealand government securities or securities guaranteed by the Crown, the common fund of the Public Trust Office, any security approved by the minister, with any association of credit unions of which it is a component member or on loan to any bank carrying on business in New Zealand. [Act 117(2)(3)(4)]

Capital Adequacy-Reserves

Initial Organization: Law and Regulations are silent.

Permanent Capital: The credit union's reserve fund, set aside through annual contributions from earnings, must be maintained at an amount equivalent to 10 percent of the credit union's total assets. Where the credit union has been operating for at least four years and its total assets exceed NZ\$500,000, then the minimum reserve amount is 5 percent of the total assets. See "Regular Reserve" below. [Act 119]

Regular Reserve: Every credit union shall out of its profits establish and maintain from year-to-year a general reserve, which shall be used in the winding up of the credit union, or to offset loan losses, or as the registrar may approve. See "Permanent Capital" above. [Act 119]

Loan Loss Allowance: See "Regular Reserve" above.

Special Reserves: A registered society or branch may (if its rules so provide) out of any surplus which has arisen in its management fund, and within the limits prescribed by the rules, make donations for charitable, benevolent, philanthropic or cultural purposes. [Act 101(1)(d)]

Powers of the Credit Union

General Powers: Law and Regulations are silent.

Borrowing: No credit union shall be entitled to borrow money nor shall any person lend money to any credit union. Any bank carrying on business in New Zealand may grant, accommodation by way of overdraft in aid of any account established with that bank by that credit union, and that account may be overdrawn accordingly for a term not exceeding six months at any one time unless a longer term or an extension of an existing term is authorized in writing by the registrar. A credit union may also borrow money from another credit union or credit unions or an association of credit unions or, where the common bond for membership of the credit union is membership of a registered friendly society, that friendly society if its rules so provide, for any continuous period not exceeding one year at any one time unless a longer term or an extension of an existing term is authorized in writing by the registrar. [Act 109(1)(2)(3)]

Merger: Any two or more registered societies or credit unions may become amalgamated together as one society or credit union as provided by the Act. An association of credit unions may amalgamate with another association. [Act 83, Act 135(1)(2b)]

Liquidation: The registrar may cancel the registration of a credit union for various reasons, including: voluntary dissolution, which must be consented to by 75 percent of the members and by the society's central body; if its registration was obtained by fraud or mistake; if it exists for an illegal purpose or contravenes the Act or orders of the registrar; if it fails to carry on business; or if it no longer has a common bond of association. Dissolution procedures are detailed. [Act 92-97, 140-141]

Federation or Association

Purposes: The objects of an association shall be to promote the interests of and strengthen cooperation among credit unions; to render services to its component members in such ways as may be specified in or authorized by the rules of the association; to encourage the formulation, adoption and observance by credit unions of standards and conditions governing the carrying on of their business; to supervise and examine the affairs of its component members; to provide services the Minister may authorize. A list of services is defined by the Act. [Act 143(3)]

Membership: An association of credit unions may be formed by seven or more credit unions. [Act 143(2)]

Dissolution: Associations may be registered. Dissolution is according to winding up procedures for credit unions. See "Liquidation" above. [Act 92-97, 140-141, 143, 146(2)]

Central Finance Facility

Purposes: An Association of credit unions, with the approval of the minister, may be authorized to receive deposits or subscriptions from the component members of the association for such purposes as may be specified in the notice, to make loans to its component members, and to establish and maintain a central funding scheme for the benefit of the component members of the association. [Act 143(4 a, b, c)]

Membership: See "Purposes" above.

Funds: See "Purposes" above.

Share and Deposit Protection

Purposes: A credit union, or any two or more credit unions, or any association of credit unions on behalf of its constituent members, may enter into arrangements with a person carrying on the business of insurance, for the purpose

of making funds available to assist any credit union that is a party to the arrangements and which, in the opinion of the registrar, is in financial difficulties, or to meet losses incurred by members of a credit union. A credit union or association shall have power to make contributions, whether by installments or not, subject to the approval of the registrar. [Act 134(1)(3)]

Coverage: Law and Regulations are silent.

Membership: See "Purposes" above.

Funds: See "Purposes" above.

PAPUA NEW GUINEA

<i>Region</i>	South Pacific
<i>Federation</i>	Federation of Savings and Loan Societies, Ltd.
<i>Legal System</i>	Civil Code
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	7 (1996)
<i>Number of Members</i>	26,264 (1996)
<i>Total Assets (US\$)</i>	\$94,359,712 (1996)

Rev. 5-92: wj

Legal Authority

Law: Savings and Loan Societies Act, 1961, Chapter 141, as amended to 1977. [cited as; "Act"]

Regulation: Savings and Loan Societies Regulations, 1962, as amended to 1978. [cited as "Reg."]

Definition or Purposes of Credit Union

Definition: A group of persons the objects of which are:

- to promote thrift among its members;
- to educate its members in financial responsibility;
- to receive the savings of its members as contributions for shares or on deposit; and
- to make loans to its members for any of the purposes specified in the act, may be registered as a savings and loan society. [Act 9]

Supervision and Regulation

Government Agency: The minister for finance may appoint a registrar of savings and loan societies and deputies and assistants to him/her. [Act 2]

Other Licenses Needed: Law and Regulations are silent.

Other Institutions Regulated: Law and Regulations are silent.

Reports: Not later than two months after the end of each financial year, each society shall send the registrar an audited statement of the receipts and expenditures, assets and liabilities of the society and such other information as required.

The registrar shall require societies and associations to submit a list of members elected to hold office and may require returns of membership. [Act 50; Reg. 20, 28]

Inspections: The registrar or his/her appointee shall inspect and audit the accounts and records of a society. He/She is

entitled to full and free access to all accounts and information relating to the affairs of a society and may require anyone to furnish him with information. [Act 4]

Regulations: The head of state may make regulations to carry out the act.

The registrar may prepare standard rules (bylaws) for constitution and management societies. [Act 16, 68]

Enforcement: The registrar may direct that a society remove from office an officer or member, or employee of a society whom he/she thinks fit.

The registrar may order a society wound up and appoint a liquidator.

Disputes touching the business of a society shall be referred to the registrar for decision.

Various violations of the Act and Regulations are punishable by fine. [Act 4(4, 6, 7), 51, 52, 60, 63, 64, 65, 66, 67; Reg. 1(a), 29]

Membership of Credit Union

Common Bonds of Association: A society must have at least 20 members. The membership of a society shall be limited to a group of persons having a common bond of occupation, association or interest or to groups of persons residing within a well defined community or area.

A person may only be a member of one society, except with permission of the registrar. [Act 10, 19]

Non-Natural Persons Eligible: A body of persons may become a member of a society if all the members of the body are eligible to be members of the society, with the approval of the registrar. [Act 20, 35]

Liability of Member: The liability of a member of a society is limited to the amount unpaid on any shares held by him.

The liability of members of an association is limited to the amount due to the association. [Act 14, 39]

Direction and Administration

Annual Meeting of Members: The annual general meeting of the society shall be held within three months after the close of the financial year.

The board of directors and the supervisory committee shall be elected at the annual meeting. The supervisory committee members may not be members of the board.

Members have one vote only in the affairs of the society, or of the boards or committees of which they are members, and may not vote by proxy. [Act 24, 25, 31]

Board of Directors and Committees: The board of directors shall manage and control the business and operations of the society.

The supervisory committee shall supervise the operations of a society with a view to protecting the interests of its members. The supervisory committee may call special general meetings and may suspend officers, directors or members of the loan committee. It may inspect all books and records and question any member about the society's affairs.

The rules may provide for establishment of a loan committee of not less than three members. Supervisory committee members are not eligible to be members of the loans committee. [Act 26, 28, 30(1, 2)]

Management and Employees: A member of a society performing the duties of a secretary, treasurer or secretary/treasurer may be paid an amount determined by a general meeting, subject to the direction of the registrar. [Act 27]

Audits: The registrar shall inspect and audit the accounts and records of financial transactions of a society, and records relating to its assets or assets in its custody, and promptly draw the attention of the board to any irregularities. The registrar may give directions to correct irregularities. He/she shall report the results of the audit at least once a year to the board.

The supervisory committee shall audit the society's books quarterly and annually and report to the general meeting annually. [Act 4, 30(1) (a,b); Reg. 2]

Liability of Officials: Except with the approval of the registrar, an officer of a society shall not withdraw, transfer or otherwise dispose of any of his shares so long as he remains an officer.

Where a society contravenes or fails to comply with the Act, each of the directors and officers of the society shall be deemed to have contravened or failed to comply with the provision. [Act 21(5), 67]

Conflicts of Interest: A member of a society shall not receive any remuneration for serving as a member of the board, the loans committee or the supervisory committee. [Act 27]

Surety Bond: Law and Regulations are silent.

Shares and Deposits

Shares: The capital of a society shall be unlimited in amount and be divided into shares of a par value of not less than 1.00 Kina each. Shares may be purchased outright or by installments.

The board of directors shall determine the maximum number of shares that may be held by any member.

A member shall not hold more than one-fifth of the fully paid-up shares issued by the society or such lesser proportion as is prescribed by the rules. [Act 21(1, 2, 4), 28(a)]

Deposits: A society may accept money on deposit from its members, under conditions subject to the approval of the registrar. [Act 46]

Dividends and Interest: A society may declare a dividend on issued shares. Except with the approval of the registrar, a dividend in excess of 7 percent per annum shall not be paid.

A member shall receive dividends only on his fully paid-up shares. The board shall recommend the dividend rate on shares to the annual general meeting.

The board of directors shall fix interest rates on deposits, subject to the approval of the registrar. [Act 21(3), 28(d, f), 46(2), 48]

Lien on Holdings: In respect of any debt due from, or guarantee by, a member, past member or deceased member, a society has a lien on his/her shares and deposits and any dividend or accumulated funds payable to him/her by the society, and may set off any sum credited or payable to him/her in or towards payment of the debt or satisfaction of the guarantee. [Act 22]

Loans

Purpose and Conditions: Loans may be made to members only, for the purpose of: purchase of furniture; removal of household effects; acquisition of tools of employment, machinery and material or stock-in-trade for any business, trade or industry; commencing or carrying on a business, trade or industry; paying a deposit in respect of the purchase or lease of a home or place of business, trade or industry; defraying cost of painting or adding to a home; paying off a mortgage on a home; formal education of a member or any of his /her dependents; with the approval of the registrar, discharging financial liability; assisting members to defray expenses incurred in connection with any accident, sickness or death to a member or his/her dependents; subject to directions of the minister, any other purpose approved by the registrar. [41(1)]

Approval Procedure: The board of directors shall deal with applications for loans. A majority of the members of the board must be present to decide and must approve unanimously to grant a loan.

The board may delegate its loan approval functions to the loan committee. [Act 29(1, 2, 4)]

Limits, Terms and Security: The board of directors shall determine the maximum loan that may be made to any member, and general policy on and security requirements for loans.

The board shall require security for a loan and determine conditions of repayment.

The registrar may limit by written notice to a society (other than an association) the total amount that may be outstanding at any time by way of loan to a member of a society. [Act 28(a, e), 29(3), 44]

Interest Rates and Charges: The interest rate on a loan made by a society shall not exceed 1 percent per month on the unpaid balance of the loan, or where interest is calculated at a flat rate on the whole of the principal amount of the loan over the full period during which any portion of the loan remains unpaid, 6 percent per annum on that principal amount. A society may charge a minimum 0.10 Kina interest per month.

The board of directors shall fix interest rates on loans. [Act 28(d), 29(1)(b)(ii), 42(4, 5)]

Loans to Officials: A member of the board of directors, the loans committee or the supervisory committee shall not receive loans exceeding in aggregate the amount of his shares and deposits, except by separate resolutions of all three committees made at meetings at which the member is not present. [Act 42(3)]

Investment of Funds

Deposit of Funds: A society may deposit money with an association of which it is a member, or of which its association is a member, and in a bank. [Act 15(a, b)]

Authorized Investments: A society may invest its funds in securities of or guaranteed by the State, or in other prescribed securities.

Reserve fund money may be invested in any manner in which a trustee may by law invest trust money, on deposit with a bank or in other prescribed manner. Any income earned by the investment of reserve fund money shall be paid into the general revenue of the society. [Act 15(d), 47(4, 5)] [Reg. 17a, 18]

Capital Adequacy-Reserves

Initial Organization: The registrar must be satisfied that a proposed savings and loan society is viable in order to register it. [Act 11(1a)]

Permanent Capital: See "Regular Reserve" below.

Regular Reserve: A society other than an association shall

maintain a general reserve fund. At the end of each financial year, before declaring a dividend, a society shall set aside 20 percent of its net earnings for the reserve fund. This requirement shall cease when the amount standing to the credit of the reserve exceeds 10 percent of the total liabilities of the society. Except for use against loan losses, the reserve shall not be used for any other purpose than the winding-up of the society. [Act 47]

Loan Loss Allowance: The general reserve fund of a society shall be held in reserve against bad loans or losses other than operating deficits and shall not be used for any other purpose except the winding up of the society.

A society may insure its loans, funds or property against loss. [Act 15(e), 47(6)]

Special Reserves: The registrar may direct that a society maintain such special reserve funds and apply the money to those funds in such manner as he/she thinks proper. [Reg. 1(b)]

Powers of Credit Union

General Powers: A society is a corporation with perpetual succession, a seal and the power to hold property; to enter into contracts; to institute and defend actions, suits and legal proceedings; and to do all things necessary or convenient for the purposes of its constitution. [Act 13, 15(f, g)]

Borrowing: A society may raise money on loan for the objects of the society and mortgage or pledge its property as security for the loan. An association may raise money on loan only with the approval of the registrar.

A society other than an association may raise money by way of mortgage of its assets or otherwise up to an amount not exceeding in aggregate 25 percent of the sum, at the time of borrowing, of money deposited with it and the paid-up value of its issued shares; or with the approval of the registrar and of a special general meeting of the society called for the purposes at which not less than 75 percent of its members are present, up to 50 percent of the deposits plus paid up value of issued shares. [Act 15(c), 45]

Merger: Law and Regulations are silent.

Liquidation: The registrar may order the winding-up of a society for specified reasons: at least two-thirds of the members request it; its membership falls below 20 persons, (except in the case of an association); it fails to carry on business; its fixed duration expires; its registration was obtained by fraud or mistake; it exists for an illegal purpose; it contravenes the Act or the Rules; it is unable to pay its debts; or if in the opinion of the registrar it is in the best interests of the members to be wound up; or other reasons. The registrar appoints

the liquidator, who must carry out the dissolution, and report to the registrar. [Act 51-58]

Federation or Association

Purposes: Any two or more societies desiring to federate with the object of assisting development of societies generally or in a particular area; conducting activities on behalf of members or furthering their common interests; promoting cooperation among societies and other similar organizations, whether inside or outside the country, may register as an association of societies.

The registrar may authorize one association to take the title of the Federation of Savings and Loan Societies. An association other than the Federation shall, unless the registrar otherwise approves, be known as a League of Savings and Loan Societies. [Act 35, 37]

Membership: Two or more societies may form an association of societies. [Act 35]

Dissolution: Dissolution of an association is made for the same reasons as for a primary society, with the addition that an association may be dissolved if the registrar is of the opinion that it is unable to operate efficiently. Procedures to appoint a liquidator are the same. See "Liquidation" above. [Act 51-58]

Central Finance Facility

Purposes: See "Federation or Association" above.

A loan may be made by an association in the case of a League, to a member of the League; or in the case of the Federation to an association or a member of an association or to a society that is a member of the Federation. [Act 43]

Membership: Two or more societies may form an association of societies. [Act 35]

Funds: An association may raise money on loan and mortgage or pledge its property as security for the loan, with the approval of the registrar. [Act 15(c), 45]

Share and Deposit Protection

Purposes: See "Federation or Association".

The Federation has the power to conduct a scheme for the protection of the funds of its constituent societies. [Act 40]

Coverage: Law and Regulations are silent.

Membership: Two or more societies may form an association. [Act 35]

Funds: Law and Regulations are silent.

SOLOMON ISLANDS

<i>Region</i>	South Pacific
<i>Federation</i>	Free Standing League
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	N/A
<i>Number of Members</i>	N/A
<i>Total Assets (US\$)</i>	N/A

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Legal Authority

Law: Credit Unions Act, 1986. [cited as "Act"]

Regulations: No regulations available.

Definition or Purposes of Credit Union

Definition: A registered cooperative non-profit organization having as its objectives certain principles, including to promote thrift among its members; to create a source of credit at reasonable interest rates; to receive the savings of its members; and to provide an opportunity for its members to use their own money to improve their well-being. [Act 2, 8 15]

Supervision and Regulation

Government Agency: Registrar of credit unions, who shall be appointed by the Minister, unless a public officer, in which case Constitutional processes control his selection. [Act 3(1a, 2)]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: Law is silent.

Reports: A record of the names and addresses of the directors, members of committees and of officers shall be filed with the registrar within 30 days after election or appointment. [Act 56]

Inspections: The accounts of every credit union shall be audited annually by an auditor authorized by the registrar and approved by the supervisory committee. The registrar or any person authorized by him/her may inspect all documents, cash, etc., of a credit union, and every officer thereof shall cooperate fully with the auditor. Additional investigations may be made by the registrar on the application of a majority of the board of directors or not less than one-quarter of the members of the credit union or a petition from the league of credit unions. [Act 48(1), 51, 70(e)]

Regulations: The minister may make such regulations regarding anything that the Act authorizes or requires him to do to carry out the provisions of the Act. The registrar may prescribe the books and records to be kept by credit unions. [Act 84, 49]

Enforcement: Subject to the approval of the minister, the registrar may order dissolution of a credit union as a result of investigation or cancel registration due to membership decline. Registrar may appoint a liquidator. Fraud and misappropriation of credit union property are established as offenses, with restitution and prison terms set. Officers or persons refusing to do any act required by registrar or obstructing any investigation are liable to fine or imprisonment or both. [Act 51(8), 73(1), 75(1), 82]

Membership of Credit Unions

Common Bonds of Association: Any 15 or more persons resident in Solomon Islands who desire to associate together as a credit union may file with the Office of the Registrar a memorandum of association stating, among other things, the group of persons to whom membership is limited by virtue of occupation or place of residence. Members must be 16 years of age. No person shall without permission of the registrar be a member of more than one credit union. [Act 5, 6(b), 25, 30]

Non-Natural Persons Eligible: A credit union may with the approval of the registrar be a member of another credit union. [Act 17(2)]

Liability of Member: The registration of a credit union shall render it a body corporate with limited liability.

The liability of members for debts of the credit union shall be limited to the amount unpaid on the number of shares agreed to be taken up. Past members are liable for debts of a credit union incurred before their expulsion or death, and their liability continues for one year after their withdrawal, expulsion or death. [Act 9, 29(1, 2)]

Direction and Administration

Annual Meeting of Members: There shall be an annual general meeting of the credit union at such time as the bylaws may provide. At the first meeting the credit union shall elect a board of directors, a credit committee and a supervisory committee. Voting rights of members shall be prescribed in the bylaws. [Act 33, 52(1), 53(1)]

Board of Directors and Committees: The directors shall have the general management of the affairs of the credit union. The credit committee shall supervise all loans to members and fix the amount of, and rate of interest on, each loan. The supervisory committee shall examine the affairs of the credit union at least quarterly, provide for

annual audits and call special meetings as needed. [Act 57, 58(1), 63(a, b, c, e)]

Management and Employees: The board of directors may appoint a manager and other employees on such remuneration as it thinks fit. [Act 65]

Audits: The supervisory committee shall make or provide for an annual audit and submit a report to the annual general meeting. The board of directors of the league of credit unions can petition the registrar for an investigation of a credit union. See also "Inspections above". [Act 63(c), 70]

Liability of Officials: Fraud and misappropriation by any person are offenses with restitution and imprisonment set. Loan officer who exceeds his/her authority in approving a loan is personally liable for the amount of the loan. [Act 58, 82]

Conflicts of Interest: Law is silent.

Surety Bond: The directors shall fix the form and amount of the security required from officers and employees handling money. [Act 57(e)]

Shares and Deposits

Shares: Share capital of a credit union shall consist of a number of shares not less than SB\$2 in value. The manner of acquiring and the number of shares held by members shall be as stated in the bylaws. [Act 38(1, 2)]

Deposits: A credit union may accept deposits from members either as savings or as contributions toward shares. No credit union shall lend money to or accept deposits from any person who is not a member of the credit union. [Act 42, 61]

Dividends and Interest: The net surplus from the annual gross income remaining after the mandatory transfer to the reserve fund (see "Capital Adequacy-Reserves") and meeting annual operational expenditure, may be paid as dividend on shares but shall not exceed the rate prescribed by regulations. Dividend paid on shares may be by transfer to member's share capital. [Act 47(1, 2)]

Lien on Holdings: The credit union shall have a lien on the shares and deposits of a member, past member or deceased member for any sum due from him/her to the credit union and for any loan endorsed by him/her. [Act 22(2)]

Loans

Purpose and Conditions: A credit union may grant loans to members for productive and provident purposes. [Act 44]

Approval Procedure: The credit committee shall have the

general supervision of all loans to members, fixing the amount and interest rate of each loan. The credit committee shall not consider any loan unless a majority of the committee is present, and no loan shall be approved except by the unanimous decision of the members present. A credit committee may delegate its functions to a loan officer, who may grant loans as limited by regulations and written direction of the credit committee. Where a loan officer has made a loan exceeding such regulation or written direction, he/she shall be personally liable for its repayment. [Act 58]

Limits, Terms and Security: The credit committee shall require security to be given on all loans in excess of an amount to be fixed by the registrar; the credit union shall determine the security and guarantors for each loan and the conditions of repayment. [Act 59(1, 2), 62]

Interest Rates and Charges: Interest rates shall be in accordance with the regulations. [Act 62]

Loans to Officials: No director, officer or member of the credit or supervisory committees shall borrow in excess of the value of his/her shares and deposits except upon the vote of the supervisory committee, the said officer not being present during the voting. [Act 60]

Investment of Funds

Deposit of Funds: See "Authorized Investments" below.

Authorized Investments: A credit union may invest or deposit its funds:

- with any licensed bank in Solomon Islands;
- with any other credit union; or
- in any other way approved by the registrar. [Act 40]

Capital Adequacy-Reserves

Initial Organization: Law is silent.

Permanent Capital: See "Regular Reserve" below.

Regular Reserve: A minimum of 10 percent of the gross annual income, as stated in the audited annual report, shall be transferred to the reserve fund of the credit union, which sum may:

- be invested as under "Authorized Investments"; or
- be used to meet bad loans or other losses.

Transfer to the reserve fund may cease when the reserve fund is equal to 55 percent of the sum of the share capital and members deposits for the time being. [Act 45(1, 2)]

Loan Loss Allowance: See "Regular Reserve."

Special Reserves: Law is silent.

Powers of the Credit Union

General Powers: The registration of a credit union shall render it a body corporate by the name under which it is registered and with limited liability. Otherwise, Law is silent. [Act 9]

Borrowing: A credit union may borrow moneys from persons or institutions, subject to the limit, set at the annual general meeting of the credit union, of its maximum liability incurred in loans. [Act 41, 43]

Total indebtedness may not exceed 50 percent of sum of deposits and paid-up capital. [Act 64]

Merger: Two or more credit unions may be amalgamated as one credit union, with the consent of the registrar. [Act 26]

Liquidation: The registrar, subject to the approval of the minister, may cancel the registration of a credit union after an inspection; if the number of members falls below 15; if satisfied that the registration was obtained by fraud or mistake; for violating the Act, regulations or bylaws. The registrar controls the liquidation and appoints the liquidator, whose powers are detailed. [Act 73-80]

Federation or Association

Purposes: The league of credit unions shall provide guidance, promote and protect the common interest of credit unions. Duties of the league include:

- organizing new credit unions and protecting their interest for further growth;
- supervising and assisting credit unions in the conduct of their business;
- providing leadership training for credit unions; and
- operating as a supply depot for business forms and other material for credit unions. [Act 67, 68]

Membership: Every credit union registered under the Act shall be a member of the credit union league and subject to its supervision. [Act 17(1)]

Dissolution: The league is registered, and dissolution is according to the same liquidation rules as for a registered credit union. See "Liquidation" above. [Act 66, 73-80]

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes: Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

TONGA

<i>Region</i>	South Pacific
<i>Federation</i>	N/A
<i>Legal System</i>	Common Law
<i>Type of Law</i>	Credit Union
<i>Number of Credit Unions</i>	N/A
<i>Number of Members</i>	N/A
<i>Total Assets (US\$)</i>	N/A

Rev. 6-92: wj

Legal Authority

Law: Credit Union Act, 1977 and the Credit Union (Amendment) Act, 1983. [cited as "Act" and "Amt."]

Regulation: No regulation available.

Definition or Purposes of Credit Union

Definition: The objects of a credit union shall be:

- a. to promote thrift among its members;
- b. to receive the savings of its members as payment on shares; and
- c. to make loans to members exclusively for provident or productive purposes. [Act 16]

Supervision and Regulation

Government Agency: The minister of labor, commerce and industries shall appoint the registrar of credit unions and may appoint other persons to assist him/her. [Act 3; Amt. 2]

Other Licenses Needed: Law is silent.

Other Institutions Regulated: Law is silent.

Reports: Every credit union shall furnish the registrar with such information as he/she may from time to time require. [Act 54]

Inspections: The affairs of any credit union may be examined at any time by the registrar or his/her appointee, and shall be examined whenever he/she suspects fraud or other irregularity. The credit union shall produce all books and other information required by the examiner.

The registrar may require any bank to disclose information relating to the affairs of a credit union. [Act. 56; Amt. 5]

Regulations: Law is silent.

Enforcement: Subject to the approval of the minister, the registrar may cancel the registration of a credit union if

satisfied that the incorporation of the credit union was obtained by fraud or mistake; it exists for an illegal purpose; its membership has been reduced to less than 15; it is not in business; or it has wilfully, after notice by the registrar, violated any of the provisions of the Act. [Act 61]

Various failures to comply with the law or requirements of the registrar are deemed offenses and subject a credit union to fines. [Act 57, 58, 59, 60]

Membership of Credit Union

Common Bonds of Association: Membership of a credit union shall be limited to groups of persons having a common bond of occupation or association, or to groups of persons residing within a well defined neighborhood, community, rural or urban district.

A credit union must have at least 15 members. Members of a credit union must have reasonable personal contact with each other. Minors may be members. [Act 5, 7, 40]

Non-Natural Persons Eligible: Law is silent.

Liability of Member: Credit unions are registered with limited liability. [Act 8]

Direction and Administration

Annual Meeting of Members: There shall be an annual general meeting at such time as the bylaws provide. The board of directors, the credit committee and a supervisory committee are elected at the annual meeting. Special meetings may be called.

Members shall have one vote only at any meeting of the credit union and may not vote by proxy. [Act 21, 22, 47]

Board of Directors and Committees: The board of directors shall consist of not less than five members; the credit committee of not less than three members; and the supervisory committee of three members. No director or member of the credit committee shall be member of the supervisory committee.

The board of directors shall appoint from their own number a president and vice-president. The board shall have general management of the affairs of a credit union. No member of the board or the credit or supervisory committees may receive remuneration. [Act 22, 23, 26]

The credit committee shall have general supervision of all loans to members. [Act 27]

The supervisory committee shall examine the affairs of the credit union at least quarterly, audit its books and report to the annual meeting its findings. It may suspend officers and call special meetings of the credit union. [Act 34]

Management and Employees: The board of directors shall appoint a secretary and a treasurer, or a secretary/treasurer, who may not be a director. Officers and employees are referred to. [Act 23, 26(e)]

Audits: The supervisory committee shall audit the books of a credit union at least quarterly and shall make or provide for an annual audit and submit a report thereon to the annual meeting. [Act 34]

Liability of Officials: Where a loan officer has made a loan not in accordance with the Act or written directions of the credit committee he/she shall be personally liable to refund to the credit union the amount of such loan.

No member entrusted with or participating in the direct management of the affairs of the credit union shall withdraw or transfer or otherwise dispose of his/her shares during the exercise of his/her functions.

Every offence by a credit union shall be deemed to have been also committed by every responsible officer, or if there is no such officer, by each of the directors and members of the credit and supervisory committees, unless they were ignorant of or tried to prevent the commission of such offence. [Act 27(4), 46, 58]

Conflicts of Interest: Law is silent.

Surety Bond: The board of directors shall fix the form and the amount of security which shall be required from officers and employees handling money. [Act 26(e), 50]

Shares and Deposits

Shares: The capital of every credit union shall be unlimited and be divided into shares of par value of not less than two pa'anga each. The shares may be purchased outright or by installments, in such manner as determined by bylaws. [Act 12, 13]

The board of directors shall determine the maximum individual share holdings. [Act 26(b)]

A person shall not exercise the rights of membership until he/she has subscribed to one share and has paid an amount thereon not less than the initial installment provided by the bylaws. [Act 39(2)]

Deposits: No credit union shall accept deposits from anyone who is not a member. [Act 31]

Dividends and Interest: The board of directors shall declare dividends. A shareholder shall receive dividends only on fully paid-up shares. The dividend of a credit union may not exceed 6 percent per annum of the net earnings for any fiscal year. [Act 14, 26(d), 38]

Lien on Holdings: The credit union shall have a lien on the shares of a member, past member or deceased member for any sum due from him/her to the credit union and for any loan endorsed by him/her. [Act 52]

Loans

Purpose and Conditions: Every loan shall be for a provident or productive purpose. Loans may be made to members only. [Act 28, 31]

Approval Procedure: A majority of the credit committee must approve all loans, but the committee may delegate its functions to a loan officer, who has limited authority. [Act 27]

Limits, Terms and Security: The board of directors shall determine the maximum individual loan which may be made with or without security. Subject to any general direction of the board and to the Act, the credit committee shall fix the amount of each loan.

The credit committee shall require security to be given on all loans in excess of an amount to be fixed by the registrar, and determine the security, guarantors and the conditions of repayment. [Act 26(b), 27(1), 29]

Interest Rates and Charges: The board of directors shall determine interest rates on loans. Subject to the direction of the board and to the Act, the credit committee shall fix the interest rate on each loan. [Act 26(c), 27(1)]

The interest rate on any loan made by a credit union shall not exceed 1 percent per month on the unpaid balance, provided that the minimum amount of interest charged shall be 10 senti per month. [Act 32]

Loans to Officials: No director, officer or member of the credit or supervisory committee may borrow in excess of the value of his/her shares except upon approval of the majority of all the members of the board of directors, a majority of the credit committee and supervisory committee, sitting together. The said borrower may not be present when the vote is taken. [Act 30]

Investment of Funds

Deposit of Funds: A credit union may deposit money in any bank in the Kingdom. [Act 17(1)(a)]

Authorized Investments: A credit union may invest in any security or local loan of the government of the Kingdom of Tonga. [Act 17(1)(b), 37(3)]

Capital Adequacy—Reserves

Initial Organization: The application for registration must show the par value of shares, the names and addresses of the subscribers and the number of shares subscribed by each member. [Act 6]

Permanent Capital: See “Regular Reserve” below.

Regular Reserve: Every credit union shall have a reserve fund into which shall be paid all entrance fees and fines. The directors shall set aside every year 20 percent of the net earnings for the reserve fund before declaring any dividend: provided that the set-aside shall not be required if the amount of the reserve exceeds 10 percent of the sum of the deposits and the issued capital of the credit union for the time being.

The reserve fund shall be held as a reserve against bad loans or losses other than operating deficits and shall not be used for any other purpose except on liquidation. [Act 37]

Loan Loss Allowance: A credit union may insure its loans, funds and property against loss.

See also “Equity Reserves.” The reserve fund shall be held as a reserve against bad loans. [Act 17(1)(d), 37]

Special Reserves: Law is silent.

Powers of the Credit Union

General Powers: Registration renders a credit union a body corporate, with the power to sue and be sued, with perpetual succession and a common seal and with limited liability. A credit union may deal in financial instruments, and do all such other acts and things as are incidental or conducive to or consequential upon the attainment of its objects. It may not pay any money outside the Kingdom without the approval of Cabinet.

A credit union may hold or take on lease any land, and may exchange, mortgage or lease the same. [Act 8, 17(1)(e, f), 17(2), 18]

Borrowing: A credit union may borrow money, upon resolution of the board of directors. Where any borrowing would make the total indebtedness of the credit union greater than 25 percent of the paid-up value of issued capital, the borrowing resolution of the directors must be confirmed by a vote of not less than three-fourths of the members present at a general meeting.

Total indebtedness may not exceed 50 percent of paid up value of issued capital.

A credit union may charge, hypothecate, mortgage or pledge its real or personal property to secure any liability for the repayment of borrowed money. [Act 17(1)(c, e), 35, 36]

Merger: Two or more credit unions may amalgamate as one credit union with the consent of the registrar. [Act 60A, B]

Liquidation: Subject to the approval of the minister, the registrar may cancel the registration of a credit union if satisfied that: the incorporation was obtained by fraud or mistake; it exists for an illegal purpose; the number of members falls below 15; or it has violated provisions of the Act. A credit union may be dissolved by order of the court; or with the consent of three-fourths of the members. [Act 61-62]

Federation or Association

Purposes: Credit unions may form a federation for the furtherance of their common interests and the benefit of their members. [Act 49]

Membership: Credit unions may be members of the federation. [Act 49]

Dissolution: A federation may be incorporated under the Credit Union Act. Provisions of the Act apply to the Federation. See "Liquidation" above. [Act 49(5), 61-62]

Central Finance Facility

Purposes: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

Share and Deposit Protection

Purposes Law is silent.

Coverage: Law is silent.

Membership: Law is silent.

Funds: Law is silent.

World Council of Credit Unions, Inc.
Summary of International Credit Union Legislation

Country	Type of Legislation (ex. Credit union law, Cooperative societies law)	Date of Most Recent Legislation	Name of Law/Regulation (ex. Credit Union Act, Law on Cooperative Societies)	Licensed Supervisory Body (ex. Registrar of Cooperatives, National Bank, Ministry of Cooperatives, Financial Sector Regulator, League/Federation)	Share & Deposit Protection
	Ex. Credit union law, Cooperative societies law		Ex. Credit Union Act, Law on Cooperative Societies	Ex. Registrar of Cooperatives, National Bank, Ministry of Cooperatives, Financial Sector Regulator, League/Federation	
AFRICA					
Benin	Cooperative societies law	1966	Ordinance on General Cooperative Statutes	Ministry of Cooperatives	N
Botswana	Cooperative societies law	1964	Cooperative Societies Act; Cooperative Societies Regulations	Registrar of Cooperatives	N
Burkina Faso	Cooperative societies law	5/13/83	Ordinance on Statutes for Cooperative & Pre-Cooperative Organizations	National Service of Cooperative Action, under Ministry with oversight	N
Cameroon	Cooperative societies law	9/9/98	Law relating to Cooperative Societies and Common Initiative Groups; Decrees to implement law	Ministry of Agriculture	N
Central African Republic	Cooperative societies law	12/30/61	General Bylaws for Cooperatives and Mutual Agricultural Institutions	Ministry of Cooperatives and Mutual Agricultural Institutions	N
Ethiopia	Cooperative societies law	1978	Cooperative Societies Proclamation	National Bank of Ethiopia, Cooperative board	N
Gambia	Cooperative societies law	1966	Cooperative Societies Act; Cooperative Societies Rules	Registrar of Cooperatives	N
Ghana	Cooperative societies law	1968	Cooperative Societies Decree; Cooperative Societies Regulation	Registrar of Cooperatives	N
Ivory Coast	Cooperative societies law	12/23/97	Act containing Regulations of Savings and Credit Mutuals and Cooperatives; Act related to Cooperatives; Decree Regulating Savings and Credit Mutuals and Cooperatives	Ministry of Finance, West African States Central Bank and Banking Commission	N
Kenya	Cooperative societies law	1998	Cooperative Societies Act; Cooperative Societies Rules	Commissioner of Cooperative Development, Registrar of Cooperatives Societies	N
Lesotho	Cooperative societies law	1964	Cooperative Societies Proclamation; Cooperative Societies Rules	Registrar of Cooperatives	N
Liberia	Cooperative societies law	1936	Cooperatives Societies Act	Registrar of Cooperatives	N
Malawi	Cooperative societies law	1946	Cooperative Societies Act; Cooperative Societies Rules	Registrar of Cooperatives	N
Mauritius	Cooperative societies law	1976	Cooperative Societies Act	Registrar of Cooperatives	Y
Nigeria	Cooperative societies law	1973	Cooperative Societies Law; Cooperative Societies Regulation	Registrar of Cooperatives	N
Rwanda	Cooperative societies law, bank law	1999	Law on Organization of Cooperative Societies; Law containing Regulations for Banks and Other Financial Institutions	Central Bank	Y
Senegal	Credit union law	1/5/95	Regulations of Mutualistic or Cooperative Savings and Credit Institutions (Credit Unions)	Ministry of Finance, West African States Central Bank and Banking Commission	N
Seychelles	Cooperative societies law	7/18/88	Cooperatives Act; Cooperative Establishment Order	Minister	N
Sierra Leone	Cooperative societies law	1978	Cooperative Societies Act; Cooperative Societies Rules	Registrar of Cooperatives	Y
South Africa	Ministerial Designation under Banks Act	10/98	South African Reserve Bank, "Designation of an Activity Not Falling within the Meaning of 'The Business of A Bank'", Bylaw to Savings and Credit Cooperative League Statutes	Savings and Credit Cooperative League of South Africa	N

World Council of Credit Unions, Inc.
Summary of International Credit Union Legislation

Country	Type of Legislation (ex. Credit union law, Cooperative societies law)	Date of Most Recent Legislation	Name of Law/Regulation (ex. Credit Union Act, Law on Cooperative Societies)	Licensed Supervisory Body (ex. Registrar of Cooperatives, National Bank, Ministry of Cooperatives, Financial Sector Regulator, League/Federation)	Share & Deposit Protection
Swaziland	Cooperative societies law	1964	Cooperative Societies Proclamation; Cooperative Societies Regulations	Registrar of Cooperatives	Y
Tanzania	Cooperative societies law	1991	Tanzania Cooperative Societies Act	Minister responsible for matters relating to cooperative societies, Registrar of Cooperatives	N
Togo	Cooperative societies law	4/14/96	Savings and Credit Mutuals Act; Ancillary Regulations to the Savings and Credit Mutuals and Cooperatives Act; Cooperative Ordinance	Ministry of Finance, West African States Central Bank and Banking Commission	N
Uganda	Cooperative societies law	1971	The Cooperative Societies Act; The Cooperative Societies Regulations	Registrar of Cooperatives, Minister of Agriculture, Forestry and Cooperatives	Y
Zambia	Cooperative societies law	1972	Cooperative Societies Act; Cooperative Societies Rules	Director of Cooperative Societies, Registrar of Cooperative Societies	N
Zimbabwe	Cooperative societies law	1990	The Cooperative Societies Act	Minister of Community and Cooperative Development and Women's Affairs, Registrar of Cooperative Societies	N
Africa Totals					
Credit union law	1		Registrar of Cooperatives	15	Yes:
%	3.8%		%	57.7%	5
Cooperative societies law	24		Central Bank	5	No:
%	92.3%		%	19.2%	21
Financial institution law	2		Ministry of Finance	3	
%	7.7%		%	11.5%	
# of Countries	26		Ministry of Cooperatives	3	
			%	11.5%	
			Ministry of Agriculture	2	
			%	7.7%	
			League/Federation	1	
			%	3.8%	
			Financial Sector Regulator	0	
			%	0.00%	
			National Credit Union/Cooperative Administration	0	
			%	0.00%	

World Council of Credit Unions, Inc.
Summary of International Credit Union Legislation

Country	Type of Legislation (ex. Credit union law, Cooperative societies law)	Date of Most Recent Legislation	Name of Law/Regulation (ex. Credit Union Act, Law on Cooperative Societies)	Licensed Supervisory Body (ex. Registrar of Cooperatives, National Bank, Ministry of Cooperatives, Financial Sector Regulator, League/Federation)	Share & Deposit Protection
ASIA					
Bangladesh	Cooperative societies law	1987	Cooperative Societies Ordinance; Cooperative Societies Rules	Registrar of Cooperative Societies	N
Hong Kong	Credit union law	6/1/95	Credit Unions Ordinance; Credit Unions (Forms) Regulations	Registrar of Credit Unions	Y
India	Cooperative societies law	1985	Multi-State Cooperative Societies Act; Multi-State Cooperative Societies Rules	Registrar of Cooperative Societies	Y
Indonesia	Cooperative societies law	9/1995	Law Concerning Cooperatives; Government Ordinance on the Implementation Procedure of Savings and Loan Business Activities by Cooperatives; Executory Regulations for Cooperatives	Department of Cooperatives	N
Japan	Money Lending Business law	1983	Money Lending Business Control Act	Minister of Finance	N
Korea	Credit union law	5/24/99	Credit Union Act, with Amendments	Financial Supervisory Service/Credit Union League	Y
Malaysia	Cooperative societies law	9/1999	Cooperative Societies Act; Cooperative Societies Regulations	Registrar-General of Cooperative Societies	N
Nepal	Cooperative societies law	1992	Cooperative Act	Registrar of Cooperatives	N
Philippines	Cooperative societies law	1990	Cooperative Code of the Philippines	Cooperative Development Authority	N
Singapore	Cooperative societies law	1980	Cooperative Societies Act	Registrar of Cooperatives	N
Sri Lanka	Cooperative societies law	1992	Cooperative Societies Law; Cooperative Societies Rules	Registrar and Commissioner of Cooperative Development	Y
Taiwan	Credit union law	1/13/2000	Credit Union Act, with Amendments	Ministry of Interior, Credit Union League of the Republic of China	Y
Thailand	Cooperative societies law	1978	Cooperative Societies Act; Regulation on the Establishment of Savings and Credit Cooperatives in Communities	Ministry of National Development (aka Ministry of Agriculture and Cooperatives), Registrar of Cooperative Societies	N
Asia Totals					
Credit union law	3		Registrar of Cooperatives	8	Yes:
%	23.1%		%	61.5%	5
Cooperative societies law	9		Financial Sector Regulator	0	No:
%	69.2%		%	0.0%	8
Financial institution law	1		Ministry of Finance	1	
%	7.7%		%	7.7%	
			Ministry of Cooperatives	1	
			%	7.7%	
			Ministry of Agriculture	1	
			%	7.7%	
			National Credit Union/Cooperative Administration	1	
			%	7.7%	
			League/Federation	2	
			%	15.4%	
# of Countries	13		National Bank	0	
			%	0.00%	

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Summary of International Credit Union Legislation

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CARIBBEAN					
Antigua & Barbuda	Cooperative societies law	1999	The Cooperative Societies Act; The Cooperative Societies Regulations	Minister whom responsibility of cooperative societies has been assigned, Registrar of Cooperative Societies	Y
Bahamas	Cooperative societies law	1974	Cooperative Societies Act; Cooperative Societies Regulation	Director of Cooperative Development, under Minister of Agriculture and Fisheries and Local Government	N
Barbados	Cooperative societies law	1993	Cooperative Societies Act; The Cooperative Societies Regulations	Registrar of Cooperative Societies	N
Belize	Credit union law	1980	Credit Union Societies Ordinance	Registrar of Credit Unions	N
Bermuda	Credit union law	1982	The Credit Unions Act	Minister of Finance	N
Cayman Islands	Cooperative societies law	1/15/62	The Cooperative Societies Law; The Cooperative Society Regulations	Registrar of Cooperative Societies	N
Dominica	Cooperative societies law	1996	Cooperative Societies Act	Commissioner of Cooperatives	N
Grenada	Cooperative societies law	1997	Cooperative Societies Act; Cooperative Societies (No. 2) Regulations	Registrar of Cooperative Societies	N
Guyana	Cooperative societies law	1972	Cooperative Societies Act; Cooperative Societies Regulations	Chief Cooperative Development Officer	N
Jamaica	Cooperative societies law	1975	Cooperative Societies Act; Cooperative Societies Regulations	Minister of Finance	Y
Netherlands Antilles	Cooperative societies law, banking and credit institutions	1972	Ordinance for Regulating Cooperative Societies; National Ordinance for the Supervision of Banking and Credit Institutions	Bank of Netherlands Antilles	N
St. Christopher & Nevis	Cooperative societies law	1997	Cooperative Societies Act; The Cooperative Societies Regulations	Registrar of Cooperative Societies	N
St. Lucia	Cooperative societies law	1999	Cooperative Societies Act; Cooperative Societies Regulations	Registrar of Cooperative Societies	N
St. Vincent & the Grenadines	Cooperative societies law	1963	Cooperative Societies Act	Commissioner for Cooperative Development	N
Suriname	Cooperative societies law	1983	Cooperative Societies Act; Ordinance Providing General Rules Governing Supervision of the Banking and Credit System	Bank of Suriname	N
Tortola	Cooperative societies law	1982	Statute Cooperative Societies Ordinance; Cooperative Societies Regulations	Registrar of Cooperative Societies	N
Trinidad & Tobago	Cooperative societies law	1997	Cooperative Societies Act; Cooperative Societies Regulation	Commissioner for Cooperative Development, under Minister of Labour and Cooperatives	N

World Council of Credit Unions, Inc.
Summary of International Credit Union Legislation

Country	Type of Legislation (ex. Credit union law, Cooperative societies law)	Date of Most Recent Legislation	Name of Law/Regulation (ex. Credit Union Act, Law on Cooperative Societies)	Legislated Supervisory Body (ex. Registrar of Cooperatives, National Bank, Ministry of Cooperatives, Financial Sector Regulator, League/Federation)	Share & Deposit Protection
Caribbean Totals					
Credit union law	2		Registrar of Cooperatives	12	Yes:
%	11.8%		%	70.6%	2
Cooperative societies law	15		Central Bank	2	No:
%	88.2%		%	11.8%	15
Financial institution law	1		Ministry of Finance	2	
%	5.9%		%	11.8%	
# of Countries	17		Ministry of Agriculture	1	
			%	5.9%	
			Ministry of Cooperatives	0	
			%	0.00%	
			Financial Sector Regulator	0	
			%	0.00%	
			National Credit Union/Cooperative Administration	0	
			%	0.00%	
			League/Federation	0	
			%	0.00%	

World Council of Credit Unions, Inc.
Summary of International Credit Union Legislation

Country	Type of Legislation (ex. Credit union law, Cooperative societies law)	Date of Most Recent Legislation	Name of Law/Regulation (ex. Credit Union Act, Law on Cooperative Societies)	Licensed Supervisory Body (ex. Registrar of Cooperatives, National Bank, Ministry of Cooperatives, Financial Sector Regulator, League/Federation)	Share & Deposit Protection
EUROPE					
Bulgaria	Cooperative societies law	1999	Cooperatives Act	District court	N
Czech Republic	Credit union law, cooperative societies law	11/8/01	Act Relating to Savings & Credit Cooperatives; Cooperative Societies Act	Credit Union Supervisory Office	Y
France	Cooperative societies law, banking, finance and company law	7/12/99	Special provisions for companies with open-ended capital; General provisions on companies; Rural code; Rectifying finance laws; Cooperative bylaws; Banking company bylaws	National Confederation of Credit Mutual, Banking Commission	N
Germany	Cooperative societies law	1992	Cooperative Societies Act; Commercial Code; Insolvency Act; German Banking Code	Federal Bank Regulatory Board; cooperative audit federations	Y
Great Britain	Credit union law, cooperative societies law	6/14/00	Financial Services and Markets Act; Credit Unions Act; Industrial and Provident Societies Act; Friendly and Industrial and Provident Societies Act; Deregulation (Credit Unions) Order	Financial Services Authority	Y
Hungary	Cooperative societies law, financial institutions law	1996	Act on Cooperatives; Act on Credit institutions and Financial Enterprises	Court of Registration, State Supervisory Committee for Money & Capital Market	Y
Ireland	Credit union law	1997	Credit Union Act	Irish Financial Regulatory Authority	Y
Latvia	Credit institutions law	4/2001	Law on Savings & Credit Unions; Law on Credit Institutions; Law on Cooperative (Joint Activity) Companies	Bank of Latvia	N
Lithuania	Credit union law	5/1/00	Law on Credit Unions; Central Credit Union Law	Bank of Lithuania; Supervisory Institution; Central Credit Union	Y
The Netherlands	Credit union law, cooperative societies law, association law	9/28/98	Dutch Civil Code: Part 2, "Associations," and Part 3, "Cooperatives and Mutual Insurance Societies"; Act on Supervision of the Credit System; Decrees pursuant to Credit Institutions	Nederlandse Bank N.V., Minister of Finance, Rabobank Nederland	Y
Northern Ireland	Credit union law, cooperative societies law	1985	The Credit Unions (Northern Ireland) Order	Department of Economic Development, Registrar of Credit Unions	Y
Poland	Credit union law, cooperative societies law	11/19/99	Cooperative Savings and Credit Union Act; Cooperative Act and Law on Economic Activity; Prudential Standards issued by National Association of Cooperative Savings and Credit Unions	National Association of Cooperative Savings and Credit Unions	Y
Romania	Mutual benefit societies law	1996	Mutual Benefit Societies of Employees Law	Local courts (serve as registrars)	N
Russia	Credit union law	8/2001	Federal Law on Consumer Credit Cooperatives of Citizens	Authorized Federal Body of Executive Power	-
Ukraine	Credit union law	6/22/99	Bylaw on Credit Unions	Body of executive power authorized by Cabinet Ministers of Ukraine	Y

World Council of Credit Unions, Inc.
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Europe Totals					
Credit union law	11		League/Federation	5	Yes:
%	73.3%		%	33.3%	10
Cooperative societies law	9		Registrar of Cooperatives	3	No:
%	60.0%		%	20.0%	4
Financial institution law	2		Financial Sector Regulator	5	
%	13.3%		%	33.3%	
			Central Bank	3	
			%	20.0%	
			Ministry of Finance	1	
			%	6.7%	
# of Countries	15		National Credit Union/Cooperative Administration	1	
			%	6.7%	
			Ministry of Cooperatives	0	
			%	0.00%	
			Ministry of Agriculture	0	
			%	0.00%	

World Council of Credit Unions, Inc.
Summary of International Credit Union Legislation

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LATIN AMERICA					
Argentina	Cooperative societies law, financial institution law	1977	Law on Cooperatives, Law on Financial Institutions	National Institute of Cooperative Action (agency of the Ministry of Social Welfare), Central Bank	N
Bolivia	Credit union law, cooperative societies law	4/14/97	General Cooperative Society Law; Regulations of Financial Activities for Credit Unions; Regulations for the Operation of Open Credit Unions	Superintendency of Banks and Financial Institutions, National Cooperative Institute	N
Brazil	Cooperative societies law; monetary, banking and lending institution and policy law	5/27/99	Cooperative Law; Resolution of Central Bank of Brazil; Resolution of the National Agrarian Reform Institute in cooperative matters	Central Bank of the Republic of Brazil	N
Colombia	Cooperative societies law	7/8/99	Law on Cooperative Societies, Credit Unions and the Creation of the Central Financial Facility; Law on Updating Legislation on Cooperatives; Decree on the Structure and Functions of the Superintendence of Mutualistic and Cooperative Societies	Superintendency of Mutualistic and Cooperative Societies (attached to Ministry of Treasury and Public Credit)	Y
Costa Rica	Cooperative societies law, financial institution law	4/14/94	The Regulatory Law of the Financial Intermediation Activity of Cooperative Organizations; Cooperative Association Law	General Accounting Office of Financial Institutions	N
Dominican Republic	Cooperative societies law	1/27/64	Law on Cooperative Associations; Law Creating the Dominican Republic Cooperative Development and Credit Institution; Regulations on Law on Cooperative Associations	Cooperative Development and Credit Institute	Y
Ecuador	Credit union law, cooperative societies law, financial institution law	5/5/99	Executive Decree on Chartering, Organization, Operation and Liquidation of Credit Unions Engaged in Financial Intermediation with the Public; Cooperative Law of Ecuador; General Law on Institutions of the Financial System; General Regulations of the General Law on Financial System Institutions, Amending Law to the General Law on Financial System Institutions	National Cooperative Administration, National Cooperative Directorate, Superintendency of Banks	N
El Salvador	Cooperative societies law	9/2/99	General Cooperative Association Law; General Bank Law; Regulations of the General Cooperative Associations Law	Salvadoran Cooperative Development Institute, Superintendency of the Financial System	N
Guatemala	Cooperative societies law	1979	General Cooperative Law of Guatemala; Regulations of the General Cooperative Law of Guatemala	National Cooperative Institute, Inspectorate General of Cooperatives	N
Honduras	Cooperative societies law	10/24/95	Cooperative Law; Law of the National Commission of Banks and Insurance; Regulations of the Cooperative Law of Honduras	National Commission of Banks and Insurance	N
Mexico	Credit union law, cooperative societies law, financial institution law	6/4/01	Popular Savings and Credit Act; Organic Law of the National Savings and Financial Services Bank; General Law of Cooperative Societies; Decree by the Secretary of the Treasury and Public Credit; General Rules for the Organization and Operation of Savings and Credit Societies; Banking Rules of Mexico for Savings and Credit Societies	Federations, National Banking Commission, Office of the Secretary of the Treasury	N
Nicaragua	Cooperative societies law	3/24/90	General Cooperative Law; Agricultural and Agroindustrial Cooperative Law; Regulations of the General Cooperative Law	General Directorate of Cooperatives	N
Panama	Cooperative societies law	5/1/97	Executive Decree; Regulation of the Law	Autonomous Panama Institute of Cooperatives	N
Paraguay	Cooperative societies law	7/3/96	Cooperatives Law; Cooperatives Decree	National Institute of Cooperatives	N
Peru	Cooperative societies law, financial institution law	6/15/99	General Cooperative Law of Peru; Resolution of the Superintendency of Banks and Insurance	National Credit Union Federation	N
Uruguay	Credit union law, cooperative societies law, financial institution law	9/14/82	Law on Cooperative Societies; Law on Credit Unions; Law on the Financial Intermediation System	Central Bank of Uruguay	Y

World Council of Credit Unions, Inc.
Summary of International Credit Union Legislation

Country	Type of Legislation (ex. Credit union law, Cooperative societies law)	Date of Most Recent Legislation	Name of Law/Regulation (ex. Credit Union Act, Law on Cooperative Societies)	Licensed Supervisory Body (ex. Registrar of Cooperatives, National Bank, Ministry of Cooperatives, Financial Sector Regulator, League/Federation)	Share & Deposit Protection
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Latin America Totals

Credit union law	4	National Credit Union/Cooperative Administration	9	Yes:
%	25.0%	%	56.3%	3
Cooperative societies law	16	Financial Sector Regulator	7	No:
%	100.0%	%	43.8%	13
Financial institution law	7	Central Bank	3	
%	43.8%	%	18.8%	
# of Countries	16	League/Federation	2	
		%	12.5%	
		Registrar of Cooperatives	0	
		%	0.00%	
		Ministry of Finance	0	
		%	0.00%	
		Ministry of Cooperatives	0	
		%	0.00%	
		Ministry of Agriculture	0	
		%	0.00%	

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Country	Type of Legislation (ex. Credit union law, Cooperative societies law)	Date of Most Recent Legislation	Name of Law/Regulation (ex. Credit Union Act, Law on Cooperative Societies)	Licensed Supervisory Body (ex. Registrar of Cooperatives, National Bank, Ministry of Cooperatives, Financial Sector Regulator, League/Federation)	Share & Deposit Protection
NORTH AMERICA					
Canada					
	Alberta Credit union law	1998	Credit Union Act, Statutes of Alberta; Principal Credit Union Regulation; Credit Union Ministerial Regulation; Credit Union Stabilization Preferred Shares Regulation	Minister (member of Executive Council), Credit Union Deposit Guarantee Corporation	Y
	British Columbia Credit union law, financial institution law, company law	1998	Financial Institutions Act; Company Act RSBC; Credit Union Incorporation Act; Various audit, capital requirements, financial institution regulations	Financial Institutions Commission	Y
	Manitoba Credit union law	1997	Credit Unions and Caisses Populaires Act; Credit Unions and Caisses Populaires Regulation	Registrar of Cooperatives	Y
	New Brunswick Credit union law	1994	Credit Unions Act; General Regulation - Credit Unions Act	Superintendent of Credit Unions, under Minister of Justice	Y
	Newfoundland Credit union law	6/11/99	Credit Union Act; Credit Union Regulations	Superintendent of Credit Unions	Y
	Nova Scotia Credit union law	1999	Credit Union Act; Credit Union Regulations	Financial Institution Division of Department of Business and Consumer Services, Superintendent	Y
	Ontario Credit union law	1995	The Credit Unions and Caisses Populaires Act; Credit Unions of Ontario Leagues Regulations; Deposit Insurance Corporation of Ontario Regulation	Minister of Finance, Superintendent	Y
	Prince Edward Island Credit union law	1997	Credit Unions Act	Credit Union Central of Prince Edward Island; Registrar of Cooperatives	Y
	Quebec Credit union law	7/1999	Quebec Savings and Credit Unions Act; Act respecting the Confederation des Caisses Populaires et d' economie Desjardins du Quebec; Regulation respecting the Capital Base of Savings and Credit Union Federation	Inspector General of Financial Institutions; Minister of Finance	Y
	Saskatchewan Credit union law	1999	Credit Union Act; Credit Union Central of Saskatchewan Act; Credit Union Regulations; Credit Union Insurance Business Regulations	Registrar of Credit Unions, Credit Union Deposit Guarantee Corporation	Y
United States	Credit union law	7/11/00	The Federal Credit Union Act; Code of Federal Regulations	National Credit Union Administration	Y
North America Totals					
	Credit union law	11	Financial Sector Regulator	3	Yes:
	%	100.0%	%	27.3%	11
	Cooperative societies law	-	Ministry of Cooperatives	3	No:
	%	0.0%	%	27.3%	0
	Financial institution law	1	Registrar of Cooperatives	3	
	%	9.1%	%	27.3%	
			Ministry of Finance	2	
			%	18.2%	
			National Credit Union/Cooperative Administration	1	
			%	9.1%	
	# of Countries	11	League/Federation	1	
			%	9.1%	
			National Bank	0	
			%	0.00%	
			Ministry of Agriculture	0	
			%	0.00%	

World Council of Credit Unions, Inc.
Summary of International Credit Union Legislation

Country	Type of Legislation (ex. Credit union law, Cooperative societies law)	Date of Most Recent Legislation	Name of Law/Regulation (ex. Credit Union Act, Law on Cooperative Societies)	Licensed Supervisory Body (ex. Registrar of Cooperatives, National Bank, Ministry of Cooperatives, Financial Sector Regulator, League/Federation)	Share & Deposit Protection
SOUTH PACIFIC					
Australia	Financial institution law, corporation law	1999	Banking Act; Corporations Law; Australian Prudential Regulation Authority Act; Australian Securities and Investments Commission Act; Financial Sector Reform, Amendments and Transitional Provisions Act	Australian Prudential Regulation Authority, Australian Securities and Investments Commission	N
Fiji	Credit union law	1978	Credit Unions Act	Registrar of Credit Unions	N
New Zealand	Credit union law, cooperative societies law	1992	Friendly Societies and Credit Unions Act; Friendly Societies and Credit Unions Regulations	Registrar of Friendly Societies and Credit Unions	N
Papua New Guinea	Credit union law	1978	Savings and Loan Societies Act; Savings and Loan Societies Regulations	Registrar of Savings and Loan Societies	N
Solomon Islands	Credit union law	1986	Credit Unions Act	Registrar of Credit Unions	N
Tonga	Credit union law	1983	Credit Union Act	Registrar of Credit Unions	N
South Pacific Total					
Credit union law	5		Registrar of Cooperatives	4	Yes:
%	83.3%		%	66.7%	0
Cooperative societies law	1		Financial Sector Regulator	2	No:
%	16.7%		%	33.3%	6
Financial institution law	1		Ministry of Finance	0	
%	16.7%		%	0.0%	
# of Countries	6		National Credit Union/Cooperative Administration	0	
			%	0.0%	
			National Bank	0	
			%	0.00%	
			Ministry of Cooperatives	0	
			%	0.00%	
			League/Federation	0	
			%	0.00%	
			Ministry of Agriculture	0	
			%	0.00%	

World Council of Credit Unions, Inc.
Summary of International Credit Union Legislation

Country	Type of Legislation (ex. Credit union law, Cooperative societies law)	Date of Most Recent Legislation	Name of Law/Regulation (ex. Credit Union Act, Law on Cooperative Societies)	Legislated Supervisory Body (ex. Registrar of Cooperatives, National Bank, Ministry of Cooperatives, Financial Sector Regulator, League/Federation)	Share & Deposit Protection
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WORLD TOTAL (categories are not mutually exclusive)						
Type of Legislation	Count	Date of Legislation	Authority Body	Count	Share & Deposit Protection	
Credit union law	37	Before 1970:	Registrar of Cooperatives	45	Yes:	
%	35.6%	12	%	43.3%	36	
Cooperative societies law	74	Between '70-'90:	Financial Sector Regulator	17	No:	
%	71.2%	32	%	16.3%	67	
Financial institution law	15	After 1990:	Central Bank	13		
%	14.4%	60	%	12.5%		
			National Credit Union/Cooperative Administration	12		
			%	11.5%		
			League/Federation	11		
			%	10.6%		
			Ministry of Finance	9		
			%	8.7%		
			Ministry of Cooperatives	7		
			%	6.7%		
			Ministry of Agriculture	4		
			%	3.8%		
# of Countries	104					



Executive Summary of International Credit Union/Cooperative Legislation

The following documents summarize international credit union and financial cooperative legislation and analyze potential relationships between legislation and credit union movements.

Data

* Only 36% of 104 countries have credit union specific legislation.

Analysis Findings

* From the legislative data, WOCCU estimates that over half (54%) of the countries in the summary have insufficient credit union legislation, with only cooperative societies legislation. A high proportion of countries also lack sufficient credit union supervision; 41% of countries in the summary had only registrars of cooperatives as the legislated supervisory body. Registrars described in these situations typically performed the fewest and most basic supervisory activities. The two main regions with predominantly cooperative societies law and registrars of cooperatives was Africa and the Caribbean. There is also a link between cooperative societies law and registrars of cooperatives; of the countries with only cooperative societies law, 59% of these countries had only registrars of cooperatives as the legislated supervisory body.

* 17 countries, or 16% of total countries in the summary, have a seemingly strong financial sector regulator as the legislated supervisory body, primarily in Latin America, North America, and Europe. Out of these 17 countries, 9 countries (53%) have some type of credit union legislation, compared to 36% for the world total.

* While the majority of countries have credit union and cooperative legislation dated after 1990 (58%), 12 countries still have legislation from before 1970. 9 out of 12 of these countries are in Africa, suggesting that several African countries require updated or new legislation regarding credit unions and financial cooperatives. Countries with more dated legislation tended to have cooperative societies laws that provided for limited, if any, financial supervision.

* Only 34% of countries in the summary have some type of share and deposit protection for credit unions or financial cooperatives.

Description/ Notes on * Data compiled primarily from WOCCU Legislative Guide and 2000-03 surveys to members.

Data: * "Type of Legislation" describes the type of credit union or cooperative related law. "Date of Most Recent Legislation" denotes latest date of any law, regulation, or decree affecting credit unions or financial cooperatives. "Name of Law/Regulation" provides the descriptive title of any legislation where available; it is not a comprehensive list of all legislation. "Legislative Supervisory Body" represents main authority bodies set by legislation to supervise, enforce, and/or regulate credit union and cooperative activity. These bodies may be similar in name yet vary substantially in the actual practice of authority and activity. This summary attempts to categorize supervisory bodies by both name and description of responsibilities in order to allow for more effective summation. In some cases, legislation makes provision for a supervisory body but it is unclear whether the body presently exists.

* Legislation and supervisory body categories are respectively not mutually exclusive due to the fact that many countries have multiple pieces of legislation and multiple supervisory bodies that are relevant to credit unions and cooperatives. A clear distinction between the activities of and interaction between these supervisory bodies is often lacking in the legislation.

Relationship Analysis Overview * The relationship analysis attempts to relate the summarized legislation data with broader national financial and credit union movement indicators, in accordance with WOCCU's safe and sound message. These charts represent preliminary analyses that were limited by the availability of quality data.

* Relationship analysis indicates that credit union-specific legislation may enable higher member penetration rates and more targeted reserves/assets ratios.

* Data correlations also suggest that financial sector regulators are more beneficial in providing productive and healthy environments for credit union industries to operate in, evidenced by closer to target reserves/assets ratios and higher member penetration rates in countries with financial service regulators.

WOCCU Summary of International Credit Union/Cooperative Legislation

	Type of Legislation ¹			Legislated Supervisory Body ²						
	Credit Union Law	Cooperative Societies Law	Financial Institutions Law	Financial Sector Regulator	Central Bank	Registrar of Cooperatives/Credit Unions	League/Federation	Ministry of Finance	National Credit Union/Cooperative Administration	
Africa	# of countries	1	24	2	0	5	15	1	3	0
	% of countries	4%	92%	8%	0%	19%	58%	4%	12%	0%
Asia	# of countries	3	9	1	0	0	8	2	1	1
	% of countries	23%	69%	8%	0%	0%	62%	15%	8%	8%
Caribbean	# of countries	2	15	1	0	2	12	0	2	0
	% of countries	12%	88%	6%	0%	12%	71%	0%	12%	0%
Europe	# of countries	11	9	2	5	3	3	5	1	1
	% of countries	73%	60%	13%	33%	20%	20%	33%	7%	7%
Latin America	# of countries	4	16	7	7	3	0	2	0	9
	% of countries	25%	100%	44%	44%	19%	0%	13%	0%	56%
North America (by province in Canada)	# of countries	11	0	1	3	0	3	1	2	1
	% of countries	100%	0%	9%	27%	0%	27%	9%	18%	9%
South Pacific	# of countries	5	1	1	2	0	4	0	0	0
	% of countries	83%	17%	17%	33%	0%	67%	0%	0%	0%

World Total (n = 104)	# of countries	% of World Total	# of countries	% of World Total
# of countries	37	74	15	17
% of countries	36%	71%	14%	16%

	# of countries	% of World Total		# of countries	% of World Total
Latest legislation before 1970:	12	12%	Have share & deposit protection	36	35%
Latest legislation between 1970-1990:	32	31%	No share & deposit protection	67	64%
Latest legislation after 1990:	60	58%			

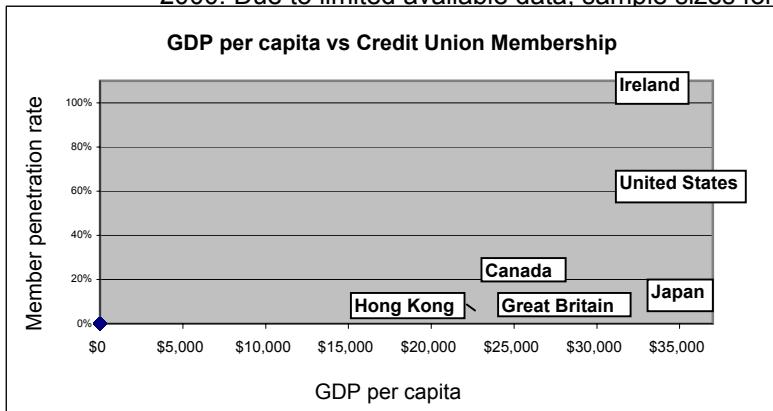
¹ Categories not mutually exclusive.

² Categories not mutually exclusive; top 6 out of 8 categories shown.

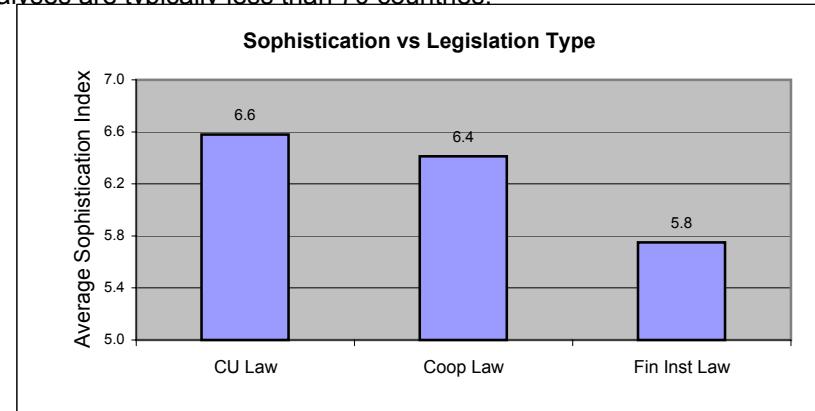
WOCCU Summary of International Credit Union/Cooperative Legislation

Relationship Analysis Explanation

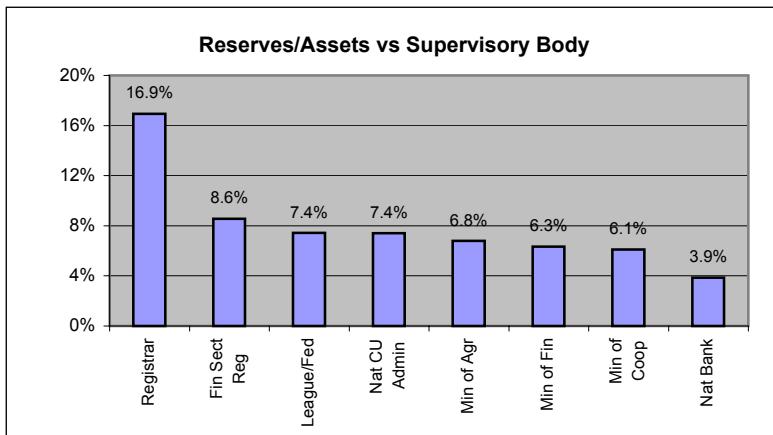
"Sophistication Index" is meant to serve as a proxy for credit union movement sophistication; it is calculated by equally weighting grades for credit union penetration rates and reserves/assets ratios. These two metrics were chosen due to availability, quality, and meaningfulness of data; other metrics not available at the time of this analysis would also be of use in calculating an accurate sophistication level. Data sources include WOCCU Statistical Database, IMF, World Bank, and CIA World Factbook, from 1999 & 2000. Due to limited available data, sample sizes for these analyses are typically less than 70 countries.



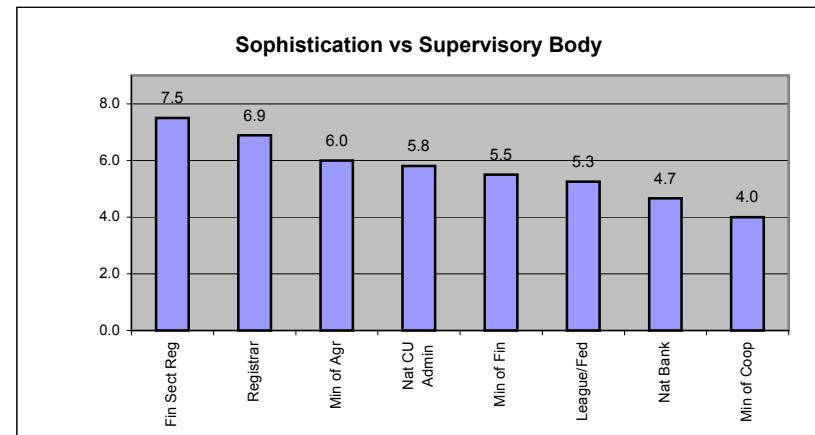
There is a rough positive relationship between GDP per capita and credit union membership penetration rates.



Countries with credit union specific legislation or a combination of credit union and other types of legislation had a higher average sophistication index when compared to countries with cooperative societies or financial institutions legislation.



Countries with financial sector regulators as the one of the supervisory bodies had the closest reserves/assets ratios to the WOCCU target of 10%. Countries with registrars as supervisory bodies typically had much higher (36% for countries above 10% target) or lower (6% for countries below 10% target) reserves/assets ratio than recommended. This could be explained by what is considered reserves by registrars.



Countries with financial sector regulators had the highest average sophistication index, followed by countries with registrars and national credit union administrations as regulators.