

CREDIT UNION
PRUDENTIAL STANDARDS 2019

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**CREDIT UNION
PRUDENTIAL STANDARDS 2019**

ISSUED by the Financial Service Commission under section 205 of the Credit Union Ordinance.

PART I
PRELIMINARY

Citation and commencement

1. These Standards may be cited as the Credit Union Prudential Standards 2019 and shall come into operation on theday of2019..

Interpretation

2. In these Standards—

“bank” means a company licensed under the Banking Ordinance;

“honorarium” means a discretionary payment made by a credit union to a member of a board of a credit union and to a member of a committee;

“Ordinance” means the Credit Union Ordinance 2016;

“outsourcing” means an arrangement between a licensed credit union and a service provider whereby the service provider, or another person acting for the service provider, undertakes an activity on a continuing basis that would be normally be undertaken by the licensee;

“Regulations” mean the Regulations made under section 203 of the Ordinance;

“service provider” in relation to an outsourcing arrangement, means any person other than—

(a) a member of a board of a credit union of the licensee acting in his capacity as a member of a board of a credit union;

(b) an employee of the licensee acting in his capacity as an employee;

“secured loan” means a loan that is secured by a readily realisable asset whose market value is ascertainable and verifiable.

Application of the standards

3. These Standards applies, to the extent specified, to—
- (a) a credit union licensed under the Ordinance;
 - (b) a member of a board of a credit union and committees of a credit union licensed under the Ordinance; and
 - (c) any other person that the Standards, in respect to a particular provision, expressly specifies.

Completion of document

4. (1) Where an item to be disclosed in a document does not apply, the person preparing the document shall indicate that fact by placing the phrase “not applicable” or the abbreviation “N/A” in the space provided in the document.

(2) Where—

- (a) any provision required to be set out in a document is too long to be set out in the space provided in the document; or
- (b) an agreement, or other document is to be incorporated by reference and to be a part of the document; the person preparing the document may incorporate the provision, agreement or other document.

(3) A provision, agreement or other document referred to in subparagraph (2) may be determined by the credit union.

(4) A separate annex is required with respect to each item that is incorporated by reference in a document pursuant to subparagraphs (2) and (3).

PART II**MEMBERSHIP AND MEETINGS****Register of members**

5. (1) Pursuant to section 94 of the Ordinance, additional information to be recorded in the register of members shall include—

- (a) the member's date of birth and occupation;
- (b) the member's social security or National Insurance Board number;

- (c) the number and value of qualifying shares held;
- (d) the form of picture identification presented;
- (e) for a corporate entity, its certificate of incorporation and register of its shareholders.

Appeal against suspension of membership

6. (1) Subject to the by-laws, where a person appeals against the suspension of membership, within fourteen days of the receipt of the written notice from the board of a credit union, he shall submit to the Commission a written statement specifying the grounds of appeal along with a copy of the notice from the board of a credit union.

(2) The Commission shall consider the appeal within fourteen days of the receipt and shall inform the appellant in writing within seven days of the outcome.

Expulsion of members

7 (1) Subject to the by-laws, the board of a credit union may by a vote of at least two-thirds present at a meeting called for the purpose, order the expulsion of a member of a credit union.

(2) Where the board of a credit union terminates the membership of a member under this paragraph—

(a) the board of a credit union shall—

- (i) within a period of one year, purchase from the member at par value all shares in the credit union held by the member; and
- (ii) pay to the member all amounts to the member's credit, together with any interest accrued on those amounts; and

(b) the secretary of the credit union shall, within ten days from the date on which the order is made, notify the member in writing.

(3) Where a credit union has demonstrably exhausted all reasonable options of contacting a member for the purpose of making payments to him of all amounts held to his credit pursuant to paragraph (2) above, the credit union shall debit those amounts to the statutory reserves.

(4) Where any amounts are transferred under paragraph (3), the credit union shall pay those amounts to the person entitled to them on proof of the person's claim that is satisfactory to the credit union.

(5) Where a credit union transfers amounts held to the credit of a member under paragraph (4), the credit union shall immediately submit to the Commission a return showing—

- (a) the members name;
- (b) the member's last known address; and
- (c) the amounts transferred.

Appeal against expulsion

8. (1) A member may appeal the order at the next general meeting of the credit union by giving written notice of his intention to appeal to the secretary within thirty days from the date the member received the notice of the order under paragraph 7.

(2) Where a member appeals under subparagraph (1), a majority of the members or any percentage as specified in the by-laws, of the members present at the general meeting shall confirm or rescind the order.

(3) Where a person wishes to appeal an expulsion of membership as recommended by the board of a credit union to the membership in accordance with section 96 of the Ordinance, he may notify the Commission by the way of a written statement specifying the grounds of the appeal along with a copy of the order from the board of a credit union and the members resolution.

Suspension of membership

9. Subject to the by-laws, the board of a credit union may by notice suspend a member for a period not exceeding three months if they are satisfied that the member is guilty of misconduct as provided for in the by-laws.

Re-admittance

10. A person whose membership was terminated under section 96 of the Ordinance may be re-admitted to membership only by a two-thirds majority vote of the members present and voting at a general meeting.

Accountability and participation at general meeting

11. (1) Pursuant to sections 128,133,135 and 140 of the Ordinance, the member of a board of a credit union, the compliance officer, the credit committee and the supervisory committee shall be accountable to the general meeting of the members.

(2) At every general meeting, each member has a right to attend and to vote on all questions, but he shall have one vote only which shall be exercised in person.

First meeting of members

12. Pursuant to paragraph 11, the first meeting of members of a credit union shall have the same powers as are accorded to the annual general meeting.

Functions of annual general meeting

13. Functions of the annual general meeting shall be to—

- (a) confirm the minutes of the previous annual general meeting and any intervening special meeting;
- (b) consider the reports from the board of a credit union, the credit committee and the supervisory committee and any other committee as specified in their by-laws;
- (c) consider and approve the audited financial statements;
- (d) elect members to the board of a credit union, the credit committee and the supervisory committee and any other committee as specified in the by-laws;
- (e) set the maximum liability which the credit union may incur through borrowing from external sources;
- (f) appoint auditors for the ensuing financial year;
- (g) hear and decide on any complaint brought by a member or members aggrieved by a decision of the board of a credit union ; and
- (h) conduct any other general business of the credit union.

Procedures at general meetings

14. (1) Subject to these regulations and the by-laws of a credit union—

- (a) the chairman or in his absence the vice-chairman shall chair the proceedings of all regular, annual or special general meetings of members convened by the board of a credit union;
- (b) in the absence or indisposition of the chairman and vice-chairman the remaining members of the

board of a credit union shall select any other member of a board of a credit union to chair the proceedings of a meeting;

(c) the secretary or in his absence or indisposition any person nominated by the chairman, shall act as secretary at the meeting and if necessary, the chairman may nominate other officers to assist at the meeting.

(2) Where a resolution is put to the vote—

(a) the chairman shall, after the conclusion of voting declare—

(i) whether the resolution was passed or not; and

(ii) whether the decision was unanimous or passed by a majority.

(b) a record of the decision indicated by the chairman shall be made in the minute book and shall be conclusive evidence of the decision.

Withdrawal of membership

15. Pursuant to section 95 of the Ordinance and subject to the provisions of the by-laws, a member may withdraw from membership of a credit union by giving one month written notice to the board of a credit union and shall state the reason for his withdrawal.

PART III

GOVERNANCE, MANAGEMENT AND CONTROLS

Nominations committee

16. (1) For the purposes of nominating individuals under this part and in furtherance of the fit and proper test, the board of a credit union shall establish a nominations committee.

(2) The by-laws of the credit union shall provide for the appointment, election and retirement of the members of the nominations committee.

(3) The by-laws of a credit union shall provide for the procedures to be used by the nominations committee.

Fit and proper officials

17. (1) A person who is likely to form a part of the management of a credit union shall be a fit and proper person to hold the particular position which he holds or is likely to hold in accordance with Schedule 2 of the Ordinance.

(2) Information with the names, positions, terms of office and addresses of persons nominated by the nominations committee shall be submitted to the Commission by the Secretary of the board of a credit union at least thirty days before the general meeting scheduled for elections, so that the nominees are approved by the Commission within six weeks prior to the election.

(3) Information with the names, positions, terms of office and addresses of persons nominated and elected from the floor shall be submitted to the Commission by the secretary of the board of a credit union, so that the nominees are approved by the Commission within six weeks after the election.

(4) Where an elected member is declared unfit by the Commission, the credit union shall resubmit an alternative as shall be stipulated in their by-laws.

Election of member of a board of a credit union

17. (1) These Standards apply for the purpose of section 124 of the Ordinance.

(2) Before accepting the nomination of a person, the chairman of the meeting called to elect a member of a board of a credit union shall satisfy himself that the person to be nominated—

(a) is qualified pursuant to the Ordinance and the by-laws of the credit union to be a member of a board of a credit union; and

(b) has consented to the nomination.

(3) Where the number of candidates nominated does not exceed the number of members of a board of a credit union to be elected the chairman of the meeting called to elect the members of a board of a credit union shall declare all of the candidates elected.

(4) Subject to subparagraph (1) and (2), only one ballot is to be taken and the number of candidates equal to the number of members of a board of a credit union to be elected and receiving the highest number of votes are to be declared elected.

(5) Where candidates are to be elected for varying terms, the candidates receiving the highest number of votes are to be

declared elected for the longest or the longer terms, as the case may be.

(6) For the purposes of these Standards, a term shall not exceed three years as stipulated in section 124 of the Ordinance.

(7) Where two or more candidates receive an equal number of votes, the members present at the meeting may by resolution provide that a second ballot be cast to break the tie.

(8) Where the meeting does not decide to hold a second ballot pursuant to subparagraph (7), the chairman of the meeting called to elect members of a board of a credit union shall draw lots and the candidates whose lots are drawn are to be declared elected.

(9) Where a member votes for more than the number of member of a board of a credit union to be elected on his ballot, his ballot is not to be counted.

(10) Where a credit union submits a by-law to the Commission that provides for a method of electing a member of a board of a credit union other than at a general meeting of members and the Commission is satisfied that the by-law does not contravene subparagraphs (3), (4), (5), (6), (7), (8) and (9), the Commission may approve the by-law and on and after the date of that approval, the member of a board of a credit union shall be elected in the manner provided for in the by-law.

(11) A credit union shall not include in any by-laws governing the election of a board of a credit union, any provision that prohibits its members from nominating as a candidate for election as a member of a board of a credit union any member who—

(a) is qualified to be a member of a board of a credit union; and

(b) consents to the nomination.

(12) Pursuant to Schedule 2 of the Ordinance, the Commission shall be satisfied that every individual who is or is likely to be a member of a board is a fit and proper person to hold the position which he holds or is likely to hold.

Duties of member of a board of a credit union

19. (1) Pursuant to section 128 of the Ordinance, the board of a credit union shall ensure that every directive and guideline issued by the Commission is followed.

(2) The board of a credit union shall hold a meeting of the board of a credit union as stipulated in the by-laws.

Appointment of secretary and treasurer

20. The board of a credit union shall appoint a secretary and a treasurer and no secretary or treasurer shall hold office for more than two consecutive terms.

Duties of secretary and treasurer

21. (1) The secretary of a credit union shall—

- (a) keep the minutes of any meeting of a credit union or the board of a credit union;
- (b) ensure that all records, books, papers and other documents of the credit union are kept in a safe place in the office of the credit union;
- (c) attend all meetings of the credit union and the board of a credit union and have with him the necessary minutes, record books and correspondence relative to the business of the credit union;
- (d) arrange for the preparation of any correspondence on behalf of a credit union;
- (e) issue notices for all meetings of the board of a credit union and general membership of the credit union in accordance with the by-laws;
- (f) sign and execute jointly with the chairman, all deeds and conveyances for personal property, all fixed deposits or share certificates, and such other documents as the board of a credit union may specify;
- (g) review the minutes of all committees of the credit union; and
- (h) perform such other duties as are specified by the by-laws or by the board of a credit union.

(2) The Treasurer of a credit union shall—

- (a) receive all monies due and payable to the credit union and issue receipts for same;
- (b) deposit all monies received in the name of the credit union, in the name of the credit union or in a depository as specified by the board of a credit union;
- (c) sign all cheques, notes, bills of exchange and other documents necessary to effect the business of the credit union;

- (d) keep a just and true record of all financial transactions effected by the credit union in the books provided for the purpose;
- (e) keep charge and control of all cash, securities, books and other documents and vouchers for all payments made and receipts issued on behalf of the credit union;
- (f) reconcile or caused to be reconciled at least once per month the members' ledgers or accounts with the relative general ledger control accounts;
- (g) reconcile or cause to be reconciled at least monthly, all passbooks or statements received from depositors with the relative control accounts in the general ledger;
- (h) reconcile members, ledgers and passbooks at least once per year;
- (i) keep separate all monies belonging to the credit union and produce a current statement of its monies on demand;
- (j) prepare the annual statement of account; the statement of financial position, the monthly financial statements and any other statements as the board of a credit union may request;
- (k) make payments as authorised by the board of a credit union and obtain receipts for the same; and
- (l) perform any other duties as the board of a credit union may determine.

(3) The duties of the secretary and treasurer may be modified or altered in keeping with the allotment of duties assigned by the board of a credit union to the manager and other employees of the credit union.

Board to set terms and conditions of employment

22. (1) The board of a credit union shall—

- (a) establish the management, technical, administrative and other employee positions considered necessary;
- (b) fix the remuneration and determine the terms of employment and responsibilities for all employee positions;
- (c) appoint other senior executive officers it considers necessary to assist the manager;

- (d) delegate any part of the functions of the secretary or treasurer to a suitable employee;
- (e) assign suitable employees to support the work of the credit committee and the supervisory committee.

(2) An employee appointed in accordance with this standard shall not receive any remuneration unless it has been approved by the board of a credit union in writing.

(3) Every employee appointed under these Standards, shall hold office at the pleasure of the board of a credit union, subject to the labour laws of the Islands.

Duties of the credit committee

23. (1) Pursuant to section 141 of the Ordinance and subject to the by-laws, the credit committee of a credit union shall—

- (a) recommend to the board of a credit union policies and procedures to be followed by the credit union for approving and granting loans made by the credit union;
- (b) monitor, through reports from the credit union's auditor, other officers of the credit union and from examinations conducted by the Commission the loan procedures used by the credit union;
- (c) review reports of officers of the credit union that are submitted to it.

(2) The credit committee shall keep a record, with respect to each application for a loan or a renewal or extension of a loan considered by it, which states—

- (a) the name of the applicant;
- (b) the amount of the loan applied for or the change in the terms and conditions applied for;
- (c) whether the application was approved, declined or deferred.

(3) The approval process for a loan to a committee member shall be stipulated in the by-laws.

(3) A person authorised by the credit committee to approve loans to members shall be an ex-officio member of the committee but shall not have the right to vote on any matter.

Duties of the supervisory committee

24. (1) Pursuant to section 134 and subject to the by-laws, the supervisory committee shall—

- (a) meet within fourteen days after the first annual general meeting and after each annual general meeting to organise for the current year;
- (b) appraise the policies and operating procedures of the credit union and make recommendations to the board of a credit union and to the credit committee;
- (c) attest to the monthly, quarterly and annual returns submitted to the Commission in accordance with Part IV of the Ordinance;
- (d) determine periodically and not less than once per quarter whether the provisions of the Ordinance, Regulations, by-laws and the relevant policies have been complied with—
 - (i) in making loans, including loans to all officials, business loans and loans to corporate entities;
 - (ii) in respect of any overdrawing from deposit accounts;
 - (iii) in the administration of members' accounts; and
 - (iv) in the maintenance of the minutes of meetings of the board of a credit union and credit committee.
- (e) meet no less frequently as stipulated in the by-laws;
- (f) monitor the management of the credit union;
- (g) ensure that the credit union complies with the provisions of the Ordinance, Regulations, Prudential Standards and by-laws;
- (h) verify the assets of the credit union and monitor whether the assets are properly protected; and
- (i) receive and investigate any complaints made by members of the credit union about the management of the credit union.

(2) An employee assigned by the board of a credit union to support the work of the supervisory committee shall be an ex-officio member but shall not have the right to vote on any matter.

Board and committee expenses and honorarium

25. (1) With prior approval a committee member shall be reimbursed for expenses incurred in the course of performing any service on behalf of, or for the benefit of the credit union which are approved by a majority of the members of a board of a credit union voting at a meeting of the board of a credit union.

(2) An honorarium shall be payable only from the surplus of the previous financial year after statutory and applicable prudential capital requirements have been met.

PART IV
COMPLIANCE

Policies systems and controls

26. (1) A credit union shall establish, maintain and implement a compliance policy and compliance systems and controls.

(2) The compliance policy shall be appropriate for the nature, complexity and diversity of the business carried out by a credit union.

(3) The compliance policy shall specify that the senior management shall have the responsibility for the effective management of the credit union's compliance risk and in particular, for—

- (a) establishing and communicating the compliance policy approved by the board of a credit union;
- (b) ensuring that the compliance policy is implemented; and
- (c) reporting to the board of a credit union on the management of the credit union's compliance risk.

(4) The compliance systems and controls shall be—

- (a) sufficient to ensure compliance—
 - (i) by the credit union with its compliance policies and its regulatory obligations;
 - (ii) by the board of a credit union, senior management and employees its compliance policies and any obligations that may be imposed by these Standards and any other statutory requirements; and
 - (iii) with the credit union internal controls;
- (b) adequate to identify compliance breaches; and

(c) be effectively implemented by the credit union.

(5) The compliance policy, systems and controls shall require that the board of a credit union —

(a) approves the credit union compliance policy; and

(b) on at least an annual basis—

(i) review the compliance policy; and

(ii) assess the effectiveness of the compliance policy, systems and controls in managing the credit union compliance risk.

(6) Such policy, systems and controls shall be—

(a) documented in a compliance manual that the credit union is required to maintain under the applicable anti-money laundering and countering the financing of terrorism legislation;

(b) communicated, and readily available, to the member of a board of a credit union and to senior officers and staff who have responsibility for implementing them.

Appointment of compliance officer , anti-money laundering and countering financing of terrorism

27. (1) For the purposes of section 135 of the Ordinance, each credit union shall have in place written policies and procedures to allow employees to adequately determine the true identity of each member, his economic activities, the origin and destination of his transactions, whether his transaction activity is appropriate and whether his account activity is normal based on his economic activities and past account history.

(2) The compliance officer shall have the responsibility to monitor and promote compliance with the applicable anti-money laundering and countering the financing of terrorism legislation.

Qualification and authority of a compliance officer

28. (1) In accordance with paragraph 41 (1) and (2), the person appointed as the compliance officer of a credit union shall be an individual who has the appropriate skills and experience and is a fit and proper person to act as the credit union's compliance officer.

(2) The compliance officer shall—

(a) possess sufficient independence to perform his role objectively;

- (b) have sufficient seniority within the organizational structure of the credit union;
- (c) have sufficient resources to perform the compliance function effectively;
- (d) have unrestricted access to—
 - (i) the members of a board of a credit union, senior management and auditors of the credit union;
 - (ii) the staff of the credit union, in order to seek information and explanations concerning compliance matters; and
 - (iii) documents and information relating to the business of the credit union and its members.

PART V

OUTSOURCING

Prohibition on outsourcing certain functions

29. A credit union shall not outsource an activity that would—

- (a) impair the Commission's ability to supervise the credit union; or
- (b) affect the rights of a member against the credit union to obtain legal redress.

Responsibility for outsourced activities

30. (1) Where a credit union outsources certain activities, the credit union—

- (a) shall oversee the performance activity of the service provider;
- (b) remain responsible for the performance of the service provider; and
- (c) shall be responsible for any failure by the service provider in relation to the performance of the activity.

Outsourcing policy

31. A credit union shall establish a comprehensive outsourcing policy with respect to the activities to be outsourced and shall—

- (a) consider the potential effects of outsourcing on the compliance function of the credit union;
- (b) include an evaluation of whether , and the extent to which, the relevant activities are appropriate for outsourcing;
- (c) specify the criteria for making outsourcing decisions, including:
 - (i) the manner of outsourcing;
 - (ii) the persons to whom the relevant activities could be outsourced;
- (d) on a risk-based basis, take into account the extent to which the activity shall be outsourced is material to the credit union.

Outsourcing risk management

32. A credit union that outsources any activities shall establish and maintain appropriate and adequate systems and controls to manage its outsourcing risk.

Outsourcing arrangements

33. The board of a credit union—

- (a) shall approve the outsourcing policy and keep it under review; and
- (b) is responsible for ensuring that any outsourcing by the credit union is operated in accordance with the credit union outsourcing policy.

PART VI

AMALGAMATION

Procedure for amalgamation

34. Pursuant to section 190 of the Ordinance—

- (a) where a credit union has agreed to amalgamate with one or more credit unions, the amalgamating credit unions shall be responsible for preparing and submitting to the Commission all the documentation necessary for the amalgamation;
- (b) all the costs related to an amalgamation shall be paid by the credit unions that amalgamate;

- (c) a credit union participating in the amalgamation shall have an amalgamation agreement that provides the following—
- (i) the reasons for the amalgamation;
 - (ii) the location of the principal office of the credit union and any branch office location after the amalgamation;
 - (iii) the agreements that have been reached for notifying and paying creditors of the amalgamating credit union;
 - (iv) assignment or transfer to the continuing credit union of all of the amalgamated credit union's assets, rights, property, liabilities and equity along with any additional agreements, documents and other instruments of conveyance which may be necessary;
 - (v) the continuing credit union's assumptions and agreement to pay all the liabilities of each amalgamating credit union and agreement that the continuing credit union will issue the same monetary amounts in shares and deposits to the members of the credit union as was invested or deposited in the amalgamating credit union as of the effective date of the amalgamation, notwithstanding any adjustments made to the value of the equity shares for losses of the amalgamated credit union;
 - (vi) the information on any organizational changes, such as change in number of officials, new management positions, or employees;
 - (vii) the procedures for the conversion of qualifying and equity shares if the par values are different for each credit union;
 - (viii) the procedures for the transfer of savings and loans to the continuing credit union if the products offered by each amalgamating credit union are different;
 - (ix) procedures for merging the management information systems of the credit unions should there be different systems; and
 - (x) any other important procedures or terms of the amalgamation.

- (d) the following documents shall be attached to the amalgamation agreement for prior approval by the Commission—
- (i) minutes of the general or special meeting of the credit unions approving the amalgamation, including the results of the vote;
 - (ii) pre-amalgamation financial statements for the credit union proposing to amalgamate;
 - (iii) a consolidated statement of financial position, statement of comprehensive income and delinquency list for the credit unions as of the amalgamation;
 - (iv) documentation of the assignment of the merging credit union's assets, liabilities and equity of the continuing credit union;
 - (v) proposed changes to the continuing credit union's by-laws; and
 - (vi) a combined list of the members of the affiliating and continuing credit unions.
- (e) upon the Commission's approval, the credit union shall, not later than thirty calendar days, notify all the creditors of the forthcoming changes in writing, post the information in all credit union's offices and place the relevant information in the *Gazette* and in at least one newspaper in national circulation;
- (f) the amalgamation shall be completed within three months from the date of the Commission's approval;
- (g) on the date specified on the certificate of registration, all the property, rights and liabilities of each of the amalgamating credit unions shall be deemed to have been transferred to and vested in the amalgamated credit union.

PART VII

MISCELLANEOUS

Bank account

35. (1) The member of a board of a credit union may, for the purposes of the business of the credit union, open and maintain

such accounts at any bank that the member of a board of a credit union considers to be necessary.

(2) Any cheques drawn on an account mentioned in subparagraph (1) shall be signed by any two of the following persons—

- (a) a member of a board of a credit union;
- (b) the treasurer;
- (c) the chief executive officer, by whatever name called;
- (d) the chief finance officer, by whatever name called.

(3) Notwithstanding subparagraph (2), the board of a credit union may authorise a senior employee to sign cheques.

(4) Where a senior employee is authorised to sign cheques under subparagraph (3), the cheques shall also be signed by one of the persons mentioned in subparagraph (2).

(5) Where a senior employee is authorised by the board of a credit union to sign cheques under subparagraph (3), the board of a credit union shall notify the Commission within two weeks of the grant of the authorisation.

(6) The matters to be specified in the statement referred to in subparagraph (1) are—

- (a) the financial position of each credit union concerned as appearing from the most recent unaudited monthly statements;
- (b) details of any payments proposed to be made to members of each credit union concerned in consideration of the proposed amalgamation or transfer;
- (c) any changes to be made, in connection with the transfer, the terms governing outstanding loans;
- (d) the details of the arrangements proposed in relation to the employees of each credit union; and
- (e) any other matter which the Commission may require in the case of a particular amalgamation or transfer.

Reserves

36. Subject to the Ordinance, Regulations and by-laws, a newly registered credit union shall establish a minimum reserve that—

- (a) is sufficient to meet the credit union anticipated growth over three years;
- (b) takes into account the operating losses that can be expected to occur until the credit union reaches an operational viable performance level;
- (c) is at least equal or greater to the amount as specified in the by-laws.

Maximum liability for borrowing

37. (1) Subject to section 121 of the Ordinance, the board of a credit union may borrow from any source on such security and such terms of repayment as they think fit.

(2) The total amount borrowed under paragraph (1) shall not exceed 50% of the credit union's capital and statutory reserve fund.

(3) The members of a credit union shall by resolution at an annual general meeting fix the maximum liability for loans that the board of a credit union may borrow.

(4) A temporary loan obtained by a credit union from an authorised source shall be disregarded for the purposes of the limit on borrowing imposed by subparagraph (2) if the credit union has obtained the consent in writing of the Commission.

(5) Where money borrowed by a credit union is not repaid on written demand on the date on which repayment is due, the credit union shall not make any loans or permit the withdrawals of shares until the repayment is made.

Restriction on investments in an affiliate

38. The equity investment of a credit union in any affiliate shall be limited to 20% of the equity in that affiliate.

DATED thisday of 2019.

FINANCIAL SERVICES COMMISSION

EXPLANATORY NOTE

(This note is not part of the Standard)

This Prudential Standard is to provide for the better administration of credit unions under the Credit Union Ordinance.

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