




Proposed Regulatory Framework Credit Union Sector

At the beginning of 1971 there existed three separate pieces of legislation for Co-operatives:

1. The Agricultural Credit Societies Ordinance No.6 of 1954
2. The Credit Union Societies Ordinance No. 48 of 1945
3. The Co-operative Societies Ordinance Ch. 23, No. 3 and 4 of 1952

Background of Co-operative Law in T&T

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- The development of three sets of legislation had the effect of dividing the movement into three distinct compartments
 - Each group operated in isolation
 - This went against the very essence of the Co-operative principles

Effect of Separation

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- Mr. B. J. Young-Johns
 - Mr. Surridge
 - Co-operative Department

Draft circulated for public comment
December 1970

Comments were received from 10
organisations and four individuals

Co-operative Societies Bill 1970



The new Act anticipated;

- The consolidated law would help remove the barriers that kept apart the three sections of the movement and
- It would foster the development of a sound integrated Co-operative movement

Co-operative Societies Act 1971



Proposed New Regulatory Framework

Central Bank (CUA)

- Authorization – Operating Certificate
- Prudential Criteria
- Prudential Regulations and Guidelines
- Compliance (CUA)
- Winding up

Commissioner (CSA)

- Registration
- De-registration
- Membership (all matters)
- Meetings (AGM, Special & Elections)
- Disputes
- Approval of By-laws
- Compliance (CSA)

Immediate Amendments CSA

Section 4 – Voluntary Liquidation

Section 9 –

would allow a minimum of six credit unions to come together to apply for the registration of a co-operative, to provide non-financial services to its members.

Section 41

five thousand dollar restriction will be removed and all funds in the deceased member's account be payable to the nominated beneficiary of the deceased member and be transferred by the credit union within the period of one year.

Section 50

dissapplied and a mandatory statutory requirement be established, each credit union to reserve 1% of their annual net surplus, which will be devoted to an object of public utility, co-operative development or charity.

Section 67 – Disputes Tribunal

Section 74

Operating Certificate

No society that holds the distinguishing characteristics of a credit union shall carry on any of the classes of business specified in the First Schedule unless it is granted an Operating Certificate by the Central Bank

Operating Certificate

- Immediately upon passage of the CUA each existing active credit union is permitted to continue to conduct its existing classes of business and will be issued an **Operating Certificate**
- Operating Certificates will not be issued to those credit unions that are in the process of being de-registered by the Commissioner

The Central Bank will:

- Outline the business of a credit union;
- Issue Operating Certificates to existing credit unions and process applications and issue Operating Certificates to new credit unions.
- Restrict or revoke Operating Certificates;
- Issue regulations and guidelines;
- Set the prudential criteria that credit unions are required to meet

Non financial activities – Model A

- Two legally distinct cooperatives, one of which is the credit union and the other a separate cooperative which may be established to provide non-financial services.
- The nonfinancial cooperative would be funded with limits through the following methods:
 - (a) Over a number of years, funds from net surplus may be allocated to a special fund for start-up purposes for both the funding and disposition, provided all conditions for the distribution of surplus and all prudential requirements are met.

Model - A


- (b) On an ongoing basis and with the members' agreement, transfer of all or a portion of surplus to the non-financial cooperative provided all conditions for the distribution of surplus and all prudential requirements are met. Therefore operating expenses for non-financial services should not be reflected as an expense in the books of the credit union.
- (c) After start-up, a loan from the credit union to the non-financial cooperative in accordance with the credit union's established lending policies and procedures and within established prudential limits


Model - B

- Credit unions acquiring ownership interest in an entity, with each credit union maintaining an equity shareholding of less than 20% in the entity but not greater than 20% of each credit union's institutional capital.
- The minimum number of credit unions that could have ownership interest in the entity would be subject to legislative amendments to be determined

Requirements for election

- be no less than eighteen (18) years old;
- be of sound mind;
- be a member of the credit union of which he is seeking election as a director;
- have sufficient experience and knowledge of the business to direct effectively the business of the credit union;
- meet the fit and proper criteria stipulated.

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- A person nominated for directorship of a credit union must declare his directorship in any other credit union to the nomination committee where applicable and to the Annual General Meeting of the credit union.

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- Individual board members will be allowed to serve a maximum of two consecutive terms, with each term being no longer than three (3) years, and with the possibility of re-election after a one-year waiting period.

Barred Persons

- a director or officer of a company or society in the ten years immediately preceding a winding-up order being made by a court or the date that the company has been placed in receivership;
- adjudged bankrupt under the Bankruptcy Act;

Barred Persons

- a director or officer of a former credit union , the Operating Certificate of which has been revoked, unless such revocation was due to-
 - (i) its amalgamation with another credit union; or
 - (ii) its voluntary winding-up,
- shall not, without the express approval of the Central Bank, act or continue to act as a director or officer or, be concerned in any way in the management of a credit union



The Business of a credit union




- **Share Issuance**

- Issuing shares to members, on such terms and conditions as are prescribed in the regulations and standards approved by the board of directors of the credit union.

- **Deposit Taking**

- Accepting deposits from members, on such terms and conditions as are prescribed in the regulations and standards approved by the board of directors of the credit union.

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- **Loans**
 - Granting of loans and other credit to members on such terms and conditions as are prescribed in the regulations and standards/approved by the board of directors of the credit union.

 - **Investment**
 - Credit union commits its collectively owned resources and the investment gains or losses accrue to its own account.

- **Mortgage Business** - Mortgage lending
- **Confirming and Acceptance** - Confirming, accepting import and export bills for financing
- **Trust Business** - Management of trust funds, acting as trustee or contractual trust, executor or administrator, administration of pension funds and retirement plans.

- **Transaction services** - Ability to directly or indirectly offer credit cards, and debit cards.
- **Brokerage** - Acting as a broker or as a commissioned agent for any other financial institution, except within the securities industry.
- **Other Financing Services**
 - Loan syndication, acceptance credit, project financing, foreign exchange financing and inter-credit union financing