



**THE NEWFOUNDLAND
AND LABRADOR GAZETTE**
EXTRAORDINARY

Part II

PUBLISHED BY AUTHORITY

ST. JOHN'S, THURSDAY, JULY 2, 2009

**NEWFOUNDLAND AND LABRADOR
REGULATION**

56/09



**NEWFOUNDLAND AND LABRADOR
REGULATION 56/09**

Credit Union Regulations, 2009
under the
Credit Union Act, 2009

(Filed July 2, 2009)

Under the authority of section 193 of the *Credit Union Act, 2009*,
I make the following regulations.

Dated at St. John's, July 2, 2009

David Norman
Deputy Minister of Government Services

REGULATIONS

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Short title **1.** These regulations may be cited as the *Credit Union Regulations, 2009*.

Definitions **2.** In these regulations

(a) "Act" means the *Credit Union Act, 2009*;

(b) "commercial loan" means a loan by a credit union to a business whether it be to an individual, a partnership, cooperative, or corporation or another organized body that is engaged in the development or production for sale of goods and services where

(i) the loan is secured by the assets of the business and assigned to the benefit of the credit union, or

(ii) the repayment of the loan is primarily dependent on the business;

(c) "document" means a document required to be filed with the superintendent or guarantee corporation under the Act;

(d) "family member" means a parent, child, grandchild, spouse, brother or sister or in-law not necessarily living in the same residence;

(e) "financial central" means 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;

- (f) "officer" in respect of a credit union means
 - (i) the president, vice-president, secretary or treasurer,
 - (ii) a person who performs functions for the credit union normally performed by a person mentioned in subparagraph (i), or
 - (iii) another person designated as an officer by the by-laws or by a resolution of the directors; and
- (g) "residential property" means real property, condominiums, and mobile homes, the primary use of which is residential, consisting of a building that is used, or is to be used, as no more than 4 private dwellings.

Business commencement requirements

3. For the purpose of subsection 10(2) of the Act the guarantee corporation shall not approve the commencement of business of a credit union unless that credit union provides

- (a) a business case that indicates that regulatory requirements with respect to liquidity and capital will be met and includes information on
 - (i) membership base,
 - (ii) economic environment,
 - (iii) 5 year financial plan, and
 - (iv) marketing plan;
- (b) paid up membership of 500 members;
- (c) minimum initial deposit of \$1 million;
- (d) board and staff training as required by the guarantee corporation;
- (e) operating policies and procedures;
- (f) premises satisfactory to the guarantee corporation;

(g) security equipment as required by the CUMIS Group Limited; and

(h) a computer system.

Arrangement for services

4. For the purpose of subsection 16(3) of the Act an arrangement entered into by a credit union with a financial institution or other corporation for the provision of a service offered by the financial institution or other corporation, other than an arrangement in the normal course of business, shall be approved in writing by the guarantee corporation prior to the credit union entering into the arrangement.

Restriction re adjacent premises

5. A credit union shall not carry on business in the province adjacent to an insurance company or a property and casualty insurance broker or agent that is a subsidiary of the credit union unless the credit union clearly indicates to its members that the credit union and its premises are separate and distinct from the office of the insurance company or a property and casualty insurance broker or agent that is a subsidiary of the credit union and there is a separate entrance and separate signage for the insurance company or a property and casualty insurance broker or agent that is a subsidiary of the credit union.

Authorized insurance plans

6. A credit union may enter into the following group plans of insurance for the security of the credit union or the benefit of members:

(a) credit or charge related insurance;

(b) creditors' disability insurance;

(c) creditors' life insurance;

(d) creditors' loss of employment insurance;

(e) creditors' vehicle inventory insurance;

(f) export credit insurance;

(g) group accident and sickness insurance;

(h) group life insurance;

(i) personal accident insurance;

- (j) travel insurance; or
- (k) other group insurance plans which may be authorized by the guarantee corporation.

Subsidiaries and
associate companies

7. (1) In this section

- (a) "associate company" means a corporation where more than 10% and less than 51% of the voting shares are owned by a credit union; and
- (b) "subsidiary" means a corporation where 51% or more of the voting shares are owned by a credit union.

(2) A credit union may, subject to any legislation or regulation relating to such services, establish or acquire as a subsidiary or associate company a corporation that is

- (a) a data processing or information management company;
- (b) a factoring company;
- (c) a financial leasing company;
- (d) a foreign financial institution;
- (e) an investment counselling company;
- (f) a mutual fund distribution company;
- (g) a portfolio management company;
- (h) a real estate or real estate brokerage company;
- (i) a management service company;
- (j) an insurance company or insurance broker or agent;
- (k) a securities dealer company;
- (l) a trust company;
- (m) a loan company; or

(n) another enterprise that the guarantee corporation may approve.

(3) A credit union shall not make an investment in or guarantee an obligation of a subsidiary of the credit union if, after making the investment or the giving of a guarantee, the total book value of all investments and guarantees will exceed 5% of the total assets of the credit union.

(4) Subsection (3) does not apply where the subsidiary is a trust company or a loan company.

Branch offices

8. A credit union may establish or relocate a branch office of the credit union if it has obtained, prior to establishing or relocating the branch

(a) the approval of the directors; and

(b) in the case of a credit union which has not achieved the equity requirements set out in section 22, the approval of the guarantee corporation.

Share capital

9. (1) A member of a credit union shall hold not less than 20 member equity shares purchased at par.

(2) With the approval of the directors of the credit union member equity shares may be redeemable at par.

(3) Where in the opinion of the guarantee corporation a credit union is in financial difficulty, the guarantee corporation may prevent the withdrawal of share capital.

Change of name

10. (1) Every application by a credit union for approval of a change of name shall be in the form required by the superintendent and shall be sent to the superintendent for approval.

(2) Where a change in name of a credit union is approved or where the name of the credit union has been changed by the superintendent, the substituted name shall be entered in the register in place of the name which was changed and an altered certificate of registration shall be issued to conform with the change in name.

Change of address

11. (1) Every application by a credit union for approval of a change of address shall be in the form required by the superintendent and shall be sent to the superintendent.

(2) Where a change in address of a credit union is approved, the substituted address shall be entered in the register in place of the address that was changed.

Unclaimed balances

12. (1) Where a member has a balance in deposits with a credit union and has not transacted any business with the credit union for a period of 2 years or more, the directors, after giving notice to the member by mail sent to the last known address of the member, may, if the notice is not acknowledged, transfer the balance to a special trust fund established for the purpose of retaining unclaimed money in the records of the credit union.

(2) Interest on the special trust fund may be paid at rates and for periods that the directors may determine.

(3) Unclaimed balances may be subject to the fees for administration, notification and maintenance as set out in the policies of the credit union.

(4) All money held to the credit of a member, less an applicable fee under subsection (3), shall upon application, be paid to that member.

(5) The directors of the credit union shall establish a written policy respecting the management and monitoring of transactions in the special trust fund referred to in subsection (1).

(6) Where no claims are made on an account within 10 years of the date the balance is transferred to the trust account established under subsection (1), the credit union may transfer the balance into revenue.

(7) Where, subsequently, a claim is made on an account taken into revenue by the credit union under subsection (6), the credit union shall, if the claim is legitimate, pay to the person out of general revenue the balance in the account less an administrative fee that may be provided for in the policies of the credit union.

(8) In the event that a credit union makes an extraordinary sale, lease, or exchange under section 120 of the Act or is liquidated or dis-

solved, the special trust fund and all records pertaining to it shall be transferred to the guarantee corporation.

Payment of pre-scribed amount on death of a member

13. For the purpose of section 37 of the Act, the maximum amount that may be paid on the death of a member is \$10,000.

Loan policies

14. (1) The loan policies established by a credit union under section 38 of the Act shall provide for

- (a) the maximum amount of the loans that may be made to a member of the credit union and that may be outstanding;
- (b) the manner in which loans to directors, officers and employees of the credit union and their family members are to be administered;
- (c) the manner in which loans made by the credit union are to be considered and approved;
- (d) the extent to which, and the manner in which, loans made by the credit union are to be secured;
- (e) the circumstances in which unsecured loans may be made to a member of the credit union and the maximum amount of the unsecured loans that may be made to a member and that may be outstanding;
- (f) participating in a loan to a member of another credit union incorporated in the province, a financial central, a subsidiary of a financial central or such other credit union or organization outside of the province where it has entered into a written agreement for the purpose of participating in a loan;
- (g) the acquisition from another credit union incorporated in the province, a financial central, a subsidiary of a financial central or such other credit union or organization outside of the province its interest in a loan made to a member of another credit union; and
- (h) the terms, conditions, restrictions or limitations established by the guarantee corporation in relation to the lending activities of the credit union and other matters that may be required by the guarantee corporation.

(2) The loan policies established by a credit union under subsection (1) may provide for matters in addition to those required under subsection (1) in relation to the loans that may be made by, and the lending activities of, the credit union, if the loan policies so established are not inconsistent with the Act, these regulations, generally accepted lending practices and terms, conditions, restrictions or limitations established by the guarantee corporation.

(3) The loan policies established by a credit union shall, subject to the terms, conditions, restrictions or limitations established by the guarantee corporation, be in accordance with prudent lending policies, standards and procedures that a reasonable and prudent person would apply in respect to making loans to avoid undue risk of loss and to obtain a reasonable rate of return.

(4) The loan policies established by a credit union shall be reviewed annually by a committee of the board or, if there is no committee, the board of the credit union.

Loan requirements
and restrictions

15. (1) Loans made by a credit union to its members shall be classified and shown in the records of the credit union as:

- (a) personal loans, including personal line of credit loans;
- (b) loans secured by mortgages on residential and commercial property that are insured under the *National Housing Act* (Canada) or that are insured by an insurer that is licensed to carry on business in the province under the *Insurance Companies Act* ;
- (c) loans secured by mortgages on residential property that do not exceed 80% of the fair market value of the property mortgaged;
- (d) loans secured by mortgages on residential property that are not included in paragraphs (b) and (c);
- (e) loans to the government of the province or a Crown corporation or agency of the province, or to a municipality, school board, hospital corporation or a university in the province, and loans the repayment of which are insured by CMHC or another financially approved institution or are guaranteed by

the government of Canada or a province or territory of Canada;

- (f) commercial loans in accordance with section 16;
- (g) loans secured by mortgages on property other than residential property; and
- (h) loans to non-profit organizations including charitable, religious, fraternal and labour organizations provided these are not engaged in any commercial enterprise wherein income would accrue to any partner, proprietor, member or shareholder.

Commercial lending

16. (1) A credit union shall require the prior approval of the guarantee corporation to commence making commercial loans in excess of \$25,000 in aggregate to a member unless the loan is fully secured by cash and assigned to the benefit of the credit union.

(2) The guarantee corporation's approval to a credit union to commence commercial lending referred to in subsection (1) shall be granted subject to the following criteria being met:

- (a) the liquidity requirements referred to in section 19 are met;
- (b) the allowance for doubtful loans is calculated as required under section 21;
- (c) the equity requirements referred to in section 22 are met;
- (d) expertise in commercial lending has been identified to the satisfaction of the guarantee corporation;
- (e) a comprehensive commercial lending policy has been established and the policy has met with the approval of the guarantee corporation;
- (f) competence has been demonstrated with respect to sound consumer lending practices; and
- (g) other criteria the guarantee corporation may establish.

(3) The superintendent shall establish a limit on the amount of commercial loans that a credit union, approved under subsection (2), may grant to its members and have outstanding but the value of commercial loans granted and outstanding shall not exceed 25% of the total of the credit union loans portfolio.

Mortgage loans

17. (1) A credit union shall not make a real estate mortgage loan on the security of property referred to in paragraphs 15(1)(b), (c) and (d) for the purpose of purchasing, renovating or improving the property or to refinance a real estate mortgage loan on the property unless,

(a) the amount of the indebtedness, together with the amount of the indebtedness under other mortgage loans on the security of the property mortgaged that rank equally with or in priority to the real estate mortgage loan

(i) in the case of the purchase of the property, does not exceed 80% of the purchase price or the fair market value of the property, whichever is less, at the time the real estate mortgage loan is granted,

(ii) in the case of the renovation or the improvement of the property or the refinancing of a real estate mortgage loan, does not exceed 80% of the fair market value of the property after the renovations or improvements have been made, or

(iii) exceeds 80% of the amount determined under subparagraph (i) or (ii) and the excess is secured by an assignment of money on deposit with a financial institution or is guaranteed or insured by the government of Canada or of a province or territory of Canada, or agency of either, or is otherwise guaranteed or insured in a manner and to an extent approved by the guarantee corporation; and

(b) the income from all sources that is available to the borrower is sufficient to repay the principal and interest of the real estate mortgage loan and fees and taxes related to it.

(2) Despite subparagraph (1)(a)(iii) a credit union may take a collateral lien on property on an amount greater than 80%

- (a) against unsecured personal loans or lines of credit however no value for risk assessment purposes will be assigned to the amount in excess of 80%; or
- (b) where a loan is impaired and the nature of the impairment is documented.

(3) Shares and deposits of a member pledged as security for a loan shall not be withdrawn to an amount which would reduce the security below the outstanding balance remaining on the loan.

Loan approvals

18. (1) The directors of a credit union may, in accordance with its by-laws and lending policies, establish a committee of not less than 3 persons to approve all loans to a director, committee member, management or staff and other loans as specified in the credit unions loans policies and the approval of a loan by the committee shall be unanimous.

(2) The directors of a credit union shall be responsible for loan approval where a committee has not been established under subsection (1).

(3) Where a member of the committee or a family member of a committee member or where a director or a family member of a director has applied for a loan, the committee member or director must excuse himself or herself from the portion of the meeting where that loan is being considered.

Liquidity

19. (1) For the purpose of section 40 of the Act, a credit union shall maintain statutory liquidity of not less than 6% of the total amount of deposits in, and borrowings of, the credit union.

- (2) Qualifying investments for the purpose of this section are
 - (a) demand or unencumbered deposits with a financial central, or its subsidiary, that are redeemable without penalty as to the amount of principal invested; and
 - (b) deposits in a financial central or its subsidiary with a maturity date of 5 years or less which are redeemable on demand and pose no risk to the original principal.

(3) A credit union shall not borrow for the purpose of establishing and maintaining statutory liquidity other than from its members.

(4) A credit union shall report at the end of each month to the guarantee corporation the position of its liquidity.

(5) For the purpose of this section, every credit union shall be a member or an affiliate of a financial central.

(6) A credit union shall participate in the National Liquidity Pool established by the Credit Union Central of Canada and a credit union shall do those things required by the Credit Union Central of Canada to assure its participation.

(7) A credit union shall not be permitted to draw on deposits maintained for the purpose of this section without the approval of the guarantee corporation of its intent to draw on these deposits.

Other investments

20. (1) For the purpose of section 41 of the Act, a credit union shall establish a policy for investments which will permit investments in accordance with prudent investment standards and may only make investments in accordance with this policy.

(2) For the purpose of subsection (1), prudent investment standards are those that a reasonable and prudent person would apply in respect of a portfolio of investments so as to avoid undue risk of loss and to obtain a reasonable return on investments made.

Allowance for doubtful loans

21. (1) For the purpose of section 42 of the Act, the allowance for doubtful loans shall be an amount equal to the total balance owing less the net realizable value of security on each doubtful loan held by the credit union, of

- (a) a loan to a member who has filed for bankruptcy and who has not been discharged;
- (b) a loan that has been rewritten due to the borrower's inability to make regular payments until the member has demonstrated an ability to meet the payments, outlined in the rewritten payment schedule, for a period of 6 months;
- (c) a loan overdue for 90 days or more;

- (d) a loan to a commercial enterprise that has ceased operations or has gone into receivership or liquidation;
- (e) an amount which in the opinion of the guarantee corporation requires an allowance; or
- (f) an amount which in the opinion of the external auditor of the credit union would be necessary to comply with Canadian generally accepted accounting principles.

(2) Within 30 days after the end of each quarter, every credit union shall prepare and submit to the guarantee corporation a copy of a schedule for doubtful loans for the quarter, in the form set out by the guarantee corporation.

Equity

22. (1) For the purpose of section 43 of the Act, a credit union shall maintain a level of equity that is not less than 5% of its assets with not less than 3% of its assets in the form of retained earnings or another risk weighted calculation as approved by the guarantee corporation.

(2) A credit union that does not meet capital adequacy in a particular year shall file for that year an updated equity plan with the guarantee corporation, not later than 60 days after the end of the credit union's fiscal year, in the form set out by the guarantee corporation.

(3) Despite the requirements under subsection (1), the superintendent may, under those terms and conditions that the superintendent may require, permit a credit union to include in its calculation of equity, shares issued in accordance with section 28 of the Act.

Borrowing

23. The amount that may be borrowed by a credit union under section 44 of the Act shall not exceed 20% of the total amount of deposits of its members unless authorized by the guarantee corporation to borrow a greater amount.

Matching

24. (1) The directors of a credit union shall in accordance with guidelines established by the guarantee corporation,

- (a) establish policies and procedures for matching the terms and return of investments and loans made by the credit union and the terms and return of deposits in, and other interest sensitive liabilities of, the credit union; and

- (b) file a report with the guarantee corporation
 - (i) quarterly if the credit union assets are greater than \$10,000,000,
 - (ii) semi annually if the credit union assets are less than \$10,000,000, or
 - (iii) more frequently if required by the guarantee corporation.

Insurance

25. (1) For the purpose of section 46 of the Act, the guarantee corporation may establish and set guidelines for insurance programs for credit unions that provide indemnification for liability under law and for loss or destruction of property including, but not limited to

- (a) property and casualty;
- (b) bonding;
- (c) director's liability;
- (d) corporate errors and omissions;
- (e) privacy;
- (f) employment practice liability; and
- (d) deposit insurance.

(2) Participation by all credit unions in an insurance program established under subsection (1) is compulsory.

(3) All directors and employees of a credit union shall be bonded in the form required by the guarantee corporation.

(4) The bond required under subsection (3) shall, in the case of employees, be a condition of employment and in the case of directors, a condition of holding office.

(5) The guarantee corporation may assess premiums to cover the cost of insurance programs including the cost of administering the program.

- Training **26.** The guarantee corporation may set out the minimum level of training that a director of a credit union must acquire in order to hold office.
- Associate members **27.** (1) A credit union may not make a loan to an associate member.
- (2) An associate member of a credit union may be subject to those other restrictions that the superintendent may direct.
- Audit committee **28.** (1) An audit committee established under section 103 of the Act shall be composed of not less than 3 members of the credit union who are not employees or officers of the credit union and who may be either elected by the members or appointed by the board as provided for in the by-laws of the credit union, for a term not to exceed 3 years.
- (2) The duties of the audit committee are to
- (a) review the reasonableness and significance of the financial position and reported results in the audited financial statements of the credit union for the purpose of recommending to the directors that the audited financial statements be approved under section 92 of the Act;
- (b) review the accounting principles and practices followed by the credit union during the fiscal year of the financial statements reviewed under paragraph (a), and all significant changes from the principles and practices followed during the preceding fiscal year;
- (c) review the audited financial statements of the credit union's subsidiaries, if there are subsidiaries;
- (d) discuss with the auditor the audit findings, restrictions on the scope of the auditor's work and problems that the auditor may have experienced in performing the audit;
- (e) review the nature and extent of the auditor's evaluation of the internal control systems of the credit union;
- (f) review the recommendations made by the auditor to the management of the credit union and the response made by management to the recommendations;

- (g) review the organization and independence of the internal auditors of the credit union, including the internal auditors' goals and work plans and problems that they may have experienced in performing the internal audit;
- (h) review recommendations made by the internal auditors respecting the improvement of accounting and internal control practices and the response made by management to the recommendations;
- (i) inquire into a change in circumstance of the credit union that might reasonably be expected to materially and adversely affect the financial position of the credit union;
- (j) report and make recommendations to the directors of the credit union arising from its duties under paragraphs (b) to (i) that the committee considers appropriate in the circumstances;
- (k) report in writing to the members at the annual general meeting of the credit union on activities of the committee during the year;
- (l) report to the directors of the credit union a conflict between the auditor and the management of the credit union that the committee has been unable to resolve within a reasonable period of time; and
- (m) review recommendations that are made to the directors of a credit union by the guarantee corporation and review the responses made by the directors to those recommendations to ensure the necessary changes are implemented.

(3) The audit committee shall ensure that a full and correct record of all proceedings of the audit committee is made and kept available for examination by the guarantee corporation or a person authorized under the Act to examine the records of a credit union.

Financial reporting

29. (1) Each credit union shall provide to the guarantee corporation a copy of its financial statements together with the report of the auditor, and a copy of the auditor's management letter, if there is one.

(2) Each credit union shall provide to the guarantee corporation periodic reports, that the guarantee corporation may require, within the time frames established by the guarantee corporation.

Audits, examinations, etc.

30. (1) For the purpose of ensuring that a credit union is complying with the Act or following sound business and financial practices, the superintendent or person that the superintendent may authorize, may do the following:

- (a) enter and inspect commercial premises used by the credit union;
- (b) enter premises containing records or property required to be kept under the Act or related to the affairs of the credit union and inspect those records or property and make those copies he or she considers necessary;
- (c) require the credit union, including a representative, agent, director, officer or employee of the credit union to provide the superintendent, or person authorized by the superintendent, with all reasonable assistance;
- (d) make inquiries of the credit union mentioned in paragraph (c);
- (e) require the representatives of the credit union to attend a meeting at a place and time set by the superintendent;
- (f) after giving receipt, remove records or property and retain the records or property for the period the superintendent, or person authorized by the superintendent considers appropriate; and
- (g) access credit union records electronically for the purposes of examination and monitoring of credit unions to ensure compliance with the Act, the regulations, and sound business and financial practices.

(2) The superintendent may serve a written demand on a person, including a trustee, or a director, officer or employee of a credit union, requiring that person to produce records or property required to be kept under the Act or these regulations or related to the affairs of the credit union.

Records removed

31. (1) Where records are removed under section 30, the superintendent, or person authorized by the superintendent, may make copies of those records.

(2) The superintendent, or a person authorized by the superintendent, shall

(a) make those copies within a reasonable period of time; and

(b) promptly return originals of the records to

(i) the place from which they were removed, or

(ii) another place that may be agreed to by the superintendent, or the person authorized by the superintendent, and the person who furnished them or from whom they were seized.

(3) A record certified by the superintendent to be a copy made under this section

(a) is admissible in evidence without proof of the office or the signature of the person making the certificate; and

(b) has the same probative force as the original record.

No inspection

32. (1) The records and information submitted or provided to the superintendent or obtained under section 30 are not open to inspection except by

(a) those members of the public service whose responsibilities require them to inspect the records and information; or

(b) those persons who are authorized in writing by the superintendent to inspect the records and information.

(2) Unless authorized by the Act or another law or with the consent of the person to whom a record or piece of information relates, no person employed by the guarantee corporation and no person engaged, appointed or retained by the superintendent shall

- (a) communicate or allow to be communicated a record or information obtained under the Act to a person who is not legally entitled to the record or information; or
- (b) allow a person who is not legally entitled to the record or information obtained under the Act to inspect or have access to it.

(3) Despite subsections (1) and (2), the superintendent may authorize the release of, or allow the inspection of or access to, records or information mentioned in those subsections to or by a person employed by the government or regulatory authority of a jurisdiction inside or outside Canada where,

- (a) the record or information will be used solely for the purpose of administering or enforcing a law of that jurisdiction that is similar to the Act; and
- (b) the superintendent believes that it is in the public interest to allow the release, inspection or access.

(4) Despite subsections (1) and (2), the superintendent may authorize the release of, inspection of or access to, records or information mentioned in those subsections to or by a law enforcement agency or jurisdiction inside or outside Canada.

By-laws

33. (1) The by-laws of a credit union shall provide for a matter required by the Act and these regulations to be included in those by-laws and shall provide for

- (a) the qualifications for, conditions of and method of applying for, refusing and terminating membership in a credit union;
- (b) the location of meetings, the procedure and quorum at those meetings, the rights in relation to voting and the making, repealing or amending of by-laws, the right of members to vote by ballot, mail or other means that may be set out in the by-laws and the manner, form and effect of voting;
- (c) the election, term of office, removal of and filling of vacancies among directors, committee members and officers, their powers, duties and remuneration, and the procedure and quorum at meetings of the directors;

- (d) the number of shares a member shall hold if greater than the number of shares prescribed by these regulations;
- (e) associate membership in the credit union;
- (f) retention of membership in the credit union and all the rights and privileges of a member if the member of the credit union leaves the area in which the bond of the credit union authorizes the credit union to operate;
- (g) joint memberships in a credit union that allows 2 or more persons to jointly hold a membership in a credit union but only entitles the joint membership to one vote; and
- (h) other matters which by this Act are required to be dealt with in the by-laws.

Deposit insurance

34. (1) The maximum amount that may be paid by the guarantee corporation in respect of deposits of a member or associate member shall be \$250,000 for each insured deposit of that member.

(2) For the purpose of this section, an insured deposit is a deposit covered under the insurance protection provided by the Canada Deposit Insurance Corporation (CDIC).

Investments by
guarantee corpora-
tion

35. (1) The guarantee corporation may make investments only in accordance with the investment policy established by its directors.

(2) The guarantee corporation may not make an investment in a credit union incorporated under the Act except for the purpose of providing assistance for stabilization of credit unions in financial difficulty.

Borrowing by
guarantee corpora-
tion

36. The guarantee corporation may

- (a) borrow sums of money for its purposes that it considers necessary and may pledge security for the sums borrowed; and
- (b) draw, make, accept, endorse, execute, and issue promissory notes, bills of exchange, warrants, and other negotiable or transferable instruments.

Payments by guarantee corporation

37. The guarantee corporation may pay or direct the payment from the fund of all expenses necessarily incurred in performing its functions.

Loans by guarantee corporation

38. The guarantee corporation may

- (a) make loans, advances, grants and guarantees it considers necessary in performing its functions; and
- (b) charge interest on loans and advances.

Levies by guarantee corporation

39. (1) The guarantee corporation shall annually assess and levy upon every credit union an amount not less than

- (a) 1/6 of 1% of total insured deposits if the credit union has met the equity requirements under subsection 22(1); and
- (b) 1/5 of 1% of total insured deposits where the credit union has not met the equity requirements under subsection 22(1).

(2) The amount assessed upon each credit union shall be determined on the basis of the financial statements prepared under section 91 of the Act.

(3) Each credit union shall pay to the guarantee corporation the full amount of the assessment within 30 days from the date of the invoice or within an extended time that may be permitted and the guarantee corporation may levy interest on an overdue assessment at rates that may be determined by the board of the guarantee corporation.

(4) An assessment required to be paid by a credit union under this section shall be charged and reported as an expense of the credit union.

Board of guarantee corporation

40. (1) For the purpose of section 137 of the Act, the board of directors of the guarantee corporation appointed by the minister shall consist of the following:

- (a) the assistant deputy minister;
- (b) the superintendent;
- (c) one other member appointed by the minister;

- (d) 3 members appointed by the minister from a list of nominees of the credit union system, to serve for a term of 3 years, unless removed by the minister; and
- (e) one other member, at the minister's discretion, where the minister believes the appointment would be in the public interest.

(2) The assistant deputy minister shall serve as chairperson of the board and in the case of an equality of votes has a deciding vote.

(3) The vice-chairperson shall be appointed by the board from the members who were nominated by the credit union system.

(4) The superintendent shall serve as secretary treasurer to the board and shall be the Chief Executive Officer for the guarantee corporation, as set out in subsection (6).

(5) The deputy superintendent shall be the Manager of Operations of the guarantee corporation.

(6) There shall be established an office of Chief Executive Officer for the guarantee corporation who shall direct the affairs of the guarantee corporation on behalf of the board.

(7) The board shall

- (a) appoint committees it considers necessary for the purpose of the board;
- (b) do all things necessary for the attainment of the purpose of the board;
- (c) pay to members of the board remuneration that may be approved by the minister; and
- (d) pay to members of the board all reasonable travelling, living and out of pocket expenses, including salary and obligatory loss of annual leave incurred in the course of their duties as members.

(8) Employees required for the exercise of the powers and the performance of the duties of the guarantee corporation shall be appointed by the board and the board may determine their duties.

(9) Every person, who was an employee of the guarantee corporation immediately before April 1, 1994, retains his or her salary and benefits unless otherwise directed by the minister and is considered to have been employed in the manner provided by law.

NLR 55/99 Rep.

41. The *Credit Union Regulations, Newfoundland and Labrador Regulation 55/99*, are repealed.

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