

*'X' ALL PREVIOUS RULES ARE RESCINDED*

**Rules**

**of**

**Moneywise Credit Union Ltd**

**A Model Rulebook for use by ACE Credit Union Services member Credit Unions in  
England, Scotland and Wales 2020**

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## **REGISTERED OFFICE, OBJECTS AND POWERS**

### **Rule 1 Credit Union Name**

The name of this credit union shall be Moneywise Credit Union Limited herein referred to as 'the credit union'.

### **Rule 2 Credit Union Registered Office**

The registered office of the credit union shall be at 187 - 189 Shields Road, Byker, Newcastle upon Tyne NE6 1DP

or, at such other place as may be determined from time to time by the Board of Directors.

Notice of any change in the situation of the registered office shall be sent to the Authority and affiliated national body.

### **Rule 3 Credit Union Objects**

The objects of the credit union shall be:

- a. The promotion of thrift among its members by the accumulation of their savings;
- b. The creation of sources of credit for the benefit of its members at a fair and reasonable rate of interest;
- c. The use and control of members' savings for their mutual benefit; and
- d. The training and education of members in the wise use of money and in the management of financial affairs.

### **Rule 4 Permissions, Power to accomplish objectives and Social Goals**

4.1 The Board of Directors shall be responsible for ensuring that the credit union obtains and maintains all necessary permissions to operate legally as a credit union.

4.2 The credit union shall have full power, subject to law, to do all things necessary for the accomplishment of its objectives, including the establishment of an Educational Fund to finance activities needed to accomplish Rule 3 (d).

4.3 The credit union, may, by resolution of its Board of Directors, adopt one or both of the following additional social goals within its policies:

- a. To contribute towards the alleviation of poverty within the community;
- b. To contribute towards the economic regeneration of the community;

provided that these are only pursued within the objects of the credit union in accordance with Rule 3.

## **MEMBERSHIP**

### **Rule 5 Membership**

The qualification for membership of this credit union is set out in annex A and B.

### **Rule 6 Application for Membership**

An applicant, i.e. individual, corporate body, partnership or unincorporated organisation may be admitted to membership of this credit union, provided that it has been determined

that the applicant fulfils the membership qualifications for entry to membership as set out in Rule 5 and Rule 16.1 and in respect of:

- 6.1 **Individuals:** complete and submit a membership application form, providing their date of birth and sufficient evidence to prove their identity and address as required, complying with Money Laundering Regulations 2007 and guidance on money laundering prevention issued by the Joint Money Laundering Steering Group.
- 6.2 **Corporates:** complete and submit a membership application form providing sufficient evidence to prove the company, partnership, or group / organisation's identity and address, as required to comply with Money Laundering Regulations 2007 and guidance on money laundering prevention issued by the Joint Money Laundering Steering Group.
- a. where corporate membership is permitted, partnerships will nominate a partner to represent the partnership as a member of the credit union and unincorporated groups / associations will nominate an officer or member of its governing body to represent it as a member of the credit union;
  - b. the number of corporate members shall not at any time exceed 10% of the total number of members of the credit union, or such percentage as may be specified by order made by HM Treasury.
- 6.3 **Juvenile Depositors:**
- The minimum age for membership of this credit union is [Insert Age Here], unless the individual has a deposit in a Child Trust Fund or successor account prohibiting withdrawal until the individual reaches a specific age, in which case the individual shall not be eligible for membership until reaching that age.
- 6.4 Young persons under the designated age specified in Rule 6.3 but who would otherwise qualify for membership under Rule 5 may become a depositor but will not enjoy the rights and privileges of membership of the credit union.
- 6.5 The rights of such a young person in Rule 6.4 shall be exercised by that person's parent or guardian until that person reaches the designated age specified in Rule 6.3

## **Rule 7 Membership / Annual Administration Fee**

In addition to the requirements of Rule 16 and Rule 20, and with the approval of a general meeting of members, the Board of Directors shall have discretion to;

- a. establish a membership fee levied on all adult members, corporate bodies, partnerships and unincorporated groups.
- b. the entrance fee shall not exceed £5 or such other reasonable amount sufficient to cover the joining costs of membership as may be specified by the Board of Directors from time to time and agreed by the Members at a members' meeting.
- c. establish an annual administration fee levied on all adult members, corporate bodies, partnerships, and unincorporated groups.
- d. the annual administration fee shall not exceed £5 per annum or such other reasonable amount sufficient to cover the administration costs of membership as may be specified by the Board of Directors from time to time and agreed by the Members at a members' meeting.

## **Rule 8 Members and Joint Accounts**

Subject to the regulations and approval by the Board of Directors in principle, two members who qualify for, obtain and continue to hold individual membership, under the common bond qualification may choose to operate a joint account: -

- a. the credit union shall determine terms of operating a joint account which will include the requirement that the account is operated on the basis of each member holding an equal share
- b. all members of a joint account shall be held jointly and severally liable for repayment of a loan;

subject to any contrary written agreement, in the event of the death of one of the holders of a joint account, the joint account shall become the property of the survivor.

**Rule 9 Non-Qualifying Members**

A non-qualifying member is defined as a person who was eligible for membership when s/he became a member of the credit union, but subsequently ceased to qualify.

The total number of non-qualifying members in this credit union may not exceed 10% of the total membership.

**CESSATION OF MEMBERSHIP**

**Rule 10 Cessation of Membership**

10.1 An individual person shall cease to be a member of the credit union:

- a. on death;
- b. on withdrawal of their shares from the credit union and terminating their account;
- c. if their shareholding is not above the minimum shareholding of £5 within 3 months of admission to membership, or is reduced below £5, and they fail to take action as described in Rule 20;
- d. on expulsion from the credit union in accordance with Rules 11-13.

10.2 In addition to Rule 10.1(a-d), a person shall cease to be a corporate member of the credit union:

- a. on the winding up and closure of the corporate body, partnership or unincorporated association;
- b. on the withdrawal of all its shares from the credit union and terminating its account;
- c. if its shareholding is not above the minimum shareholding of £5 within 3 months of admission to membership, or is reduced below £5, and they fail to take action as described in Rule 20;
- d. on expulsion from the credit union in accordance with Rules 10.3, 11-13 and 22;

10.3. Where the number of corporate members of a credit union is found to exceed 10% of the total numbers of members, or such higher percentage as may be specified by order made by the Treasury, the credit union shall bring the percentage to the required level by expelling a sufficient number of corporate members who were the latest to join and only hold non-deferred shares.

**Rule 11 Expulsions from Membership**

Subject to Rule 13, a member may be expelled from membership of the credit union by resolution of the majority present at a meeting of the Board of Directors, augmented by the Supervisor / Supervisory Committee, for a grave and sufficient reason including, but not limited to, the following:

- a. wilful and persistent breach of, or refusal to comply with, any of these rules;
- b. divulging confidential information obtained by reason of being an officer of the credit union;
- c. deceiving the credit union with regard to the purpose of money borrowed therefrom and its subsequent use;

- d. default and continual refusal to honour a debt; the loan repayment terms of which had been agreed in a signed loan agreement;
- e. maliciously and knowingly spreading false reports about the management of the finances of the credit union;
- f. wilfully making any entry, or erasure in, or omission from any passbook, record or return of the credit union with intent to falsify it;
- g. using the credit union as a vehicle for committing an offence constituting money laundering as defined in the Money Laundering Regulations 2007, (or such successor legislation);
- h. allowing their membership to become dormant and failing to rectify the situation in accordance with Rule 14;
- i. abusive behaviour towards credit union staff or volunteers;
- j. becoming a non-qualifying member contrary to, or in excess of any limit in, these rules;
- k. committing an offence of dishonesty against the credit union, wilfully destroying or damaging records or other property of the credit union, or passing forged notes or other instruments through the credit union; or
- l. if, after admission, any declaration in their application for membership including one made on behalf of a corporate body, partnership or unincorporated association is found to be wilfully false or misleading or any defect is discovered in respect of their qualifications for membership at the time of their admission which, in the opinion of the Board of Directors, of such consequence as to justify expulsion.

11.2 Prior to expulsion, the member must have been given at least 14 days notice in writing before the meeting. S/he must be given opportunity to be heard and /or represented at the meeting.

11.3 The decision to expel shall not relieve such member from any liability thereto existing at the time of their withdrawal or expulsion.

11.4 The repayment of any shares to the member will be withheld until all liabilities have been repaid to the credit union.

**Rule 12 Notice of Expulsion**

Any subsequent notice of expulsion shall not become effective until 30 days after the date of service of such notice of expulsion or until the determination of his or her appeal, if any, under Rule 13, whichever is the later.

**Rule 13 Appeals against Expulsion**

The Board of Directors shall, upon written request of the member on whom the notice of expulsion has been served in accordance with Rule 12, received not later than 30 days after the date on which such notice has been served to the member, convene a special general meeting of the members to consider the matter of their expulsion. Such a member shall have the right to be represented and heard at such a meeting. The special general meeting shall have the power, by a majority decision, to confirm the member's expulsion or to direct that the member shall remain a member of the credit union.

**Rule 14 Dormant Membership**

14.1 If during a period of 12 months no transactions have taken place on the account (or accounts) of a member, the Board of Directors shall have discretion to declare that the account has become dormant. The Board may take account of any extenuating circumstances in making this determination.

14.2 Subject to Rule 7, the Board of Directors shall have the discretion to levy an annual administration fee on each dormant account.



- 14.3 In relation to a member whose account complies with or is higher than the minimum shareholding level in Rule 20, the credit union shall alert the member to the dormancy by following this procedure.
- 14.4 The credit union shall contact in writing at the last known address and inform the member that their account (or accounts) has had no transactions for the previous 12 months and inform them that they must contact the credit union within three months to determine the future of their account:
- a. the letter shall contain information on reactivating or closing the account and withdrawing from membership;
  - b. the letter shall refer to Rule 14.5 which enables the credit union to remove dormant accounts into a suspense account and subsequently expel the member from membership.
- 14.5 If after a period of three months the member does not respond and/or reactivate their account (or accounts) from receipt of the letter (as per Rule 14.5) from the credit union, the Board of Directors has the discretion to:
- a. hold any monies within the account or accounts of such a member in a suspense account pending the member's subsequent withdrawal of their money, or activity on the account;
  - b. expel the member from membership in accordance with Rule 11(h).

**Rule 15 Withdrawal from membership**

A member may voluntarily withdraw from membership of the credit union at any time by applying for and receiving his or her shareholding in the credit union, subject to any notification period currently in force.

**SHARES**

**Rule 16 Non-deferred Shares**

- 16.1 Non-deferred shares of the credit union shall be of the value of £1 and the first share needs to be fully paid-up prior to any other transactions taking place in the member's account. Payment may be made by instalments.
- 16.2 Non-deferred shares shall be withdrawable, subject to the provisions of Rule 21.
- 16.3 The number of shares, other than deferred shares, allotted to corporate members of the credit union, shall not at any time exceed 25% of the total shares, other than deferred shares allotted to all members of the credit union or such higher percentage as may be specified by order of HM Treasury. The balance sheet submitted to the Authority each year by the credit union will set the number of total non-deferred shares for the coming year. Where the number of non-deferred shares exceeds the prescribed amount, the excess number of non-deferred shares must be repaid to members.

**Rule 17 Deferred Shares**

- 17.1 A credit union may only issue deferred shares to individuals or corporates that are eligible for membership under the credit union's membership qualification in Rule 5.
- 17.2 If a member subscribes for deferred shares in full, the credit union must transfer an equivalent amount to its reserves.
- 17.3 The credit union shall set out the rights and obligations of the credit union and the member in respect of deferred shares in a single document, or in a series of issue documents which will be provided to every applicant for the shares.

These will include:

1. A prominent statement in one of the issue documents that the shares are deferred for the purposes of the CUA 1979;
2. A prominent statement in each of the issue documents that the shares are not covered by the Financial Services Compensation Scheme;
3. A term in one of the issue documents which prohibits the repayment of any principal to the shareholder except in Case A or Case B;
  - a. Case A – is the winding up or dissolution of the credit union in circumstances where all sums due from the credit union to creditors claiming in the winding up or dissolution are paid in full.
  - b. Case B – is where:
    - i. the credit union applies to the Authority for consent to repay principal to the shareholder;
    - ii. the credit union so applies otherwise than in consequence of a provision in any of the issue documents which requires it to apply; grants it any benefit for applying or imposes a sanction against failure to apply; and
    - iii. the Authority grants consent.
  - c. creditors in subsection (3a) above include members holding shares, other than deferred shares, in the credit union, as regards the principal of those shares and any interest or dividend due to them.

17.4 Deferred shares carry the right to vote, but even if a member holds other types of shares they still only have one vote.

17.5 A member may not use the value of the deferred shares they hold to apply for a loan or provide a guarantee for another member's loan.

17.6 Deferred shares will not be withdrawable, but may be transferable to another person, providing that the person is eligible for membership of the credit union and is accepted as a member.

#### **Rule 18 Attachment of Non-deferred Shares**

18.1 Subject to the provisions set out in Rule 25, the credit union may make to a member a loan, upon such security (or without security) and terms and rules established by the credit union.

18.2 When the credit union makes a loan to a member which is treated by virtue of as a secured loan, the member shall not be permitted to withdraw shares where his or her paid-up non-deferred shareholding, excluding any deferred shares, in the credit union is, or following the withdrawal would be, less than their total liability (including contingent liability) to the credit union whether as a borrower, guarantor or otherwise.

18.3 When a credit union makes a loan to a member and it is not a secured loan within the meaning set out in Rule 18.2 above, the terms of the loan must include provision as to whether, for the duration of the loan, the borrower is permitted to withdraw shares where his or her paid-up shareholding (excluding any deferred shares) in the credit union is, or following the withdrawal would be, less than their total liability (including contingent liability) to the credit union whether as a borrower, guarantor or otherwise.

- a. The loan agreement must state which of those non-deferred shares must not be withdrawn for the duration of the loan (but that term in the loan agreement may be varied by mutual agreement in accordance with contract law)

#### **Rule 19 Maximum Non-deferred Shareholding**

19.1 No member shall have, or claim an interest in, shares of the credit union exceeding the greater of £15,000 or 1.5% of the total shareholdings of the credit union (or such other limit as may be determined by the Authority).

- 19.2 The maximum non-deferred shareholding limit in a joint account shall be double the limit in Rule 19.1;
- a. 50% of the non-deferred shareholding held in a joint account shall contribute towards the maximum non-deferred shareholding of an individual member in Rule 19.1;
  - b. for the purposes of calculating a member's total non-deferred shareholding the amount held in the member's account and the amount held in a joint account (as per Rule 19.2(a) shall be amalgamated;
  - c. where the maximum non-deferred shareholding is achieved by inclusion of dividend or interest the member must immediately seek to withdraw sufficient non-deferred shares to reduce the shareholding to the authorised levels.

**Rule 20 Minimum Non-deferred shareholding**

The minimum shareholding required to maintain membership of the credit union is £5. The Board of Directors shall have absolute discretion to withdraw membership from any member whose account has not been brought up to the minimum shareholding requirement within 3 months of admission to membership, or any member whose account is reduced below the minimum shareholding, through utilising the following procedure:

**Rule 21 Withdrawals of Non-deferred shares**

Subject to Rule 20, money paid in on non-deferred shares or instalment for the acquisition of non-deferred shares, may be withdrawn on any day when payment for shares may be made, but notwithstanding anything in these rules or any contract, the credit union may request up to sixty days' notice from a member to withdraw a non-deferred share or shares.

**Rule 22 Liability after Withdrawal or Expulsion**

The amount deposited by a member who withdraws or is expelled shall be paid to him or her as funds become available, but only after all monies owed by him or her to the credit union have been deducted. Any amount due to a withdrawn or expelled member will be repaid within a period of less than 60 days, beginning on the day following the expulsion or notice of intention of withdrawal. No payment of any description shall be paid to such a member, unless all his or her liabilities to the credit union have been fully discharged or provision made therefor.

**Rule 23 Insurance on Non-deferred shares**

The Board of Directors of the credit union may enter into arrangements with a person carrying on the business of insurance for the purposes of providing insurance cover or discretionary benefit on the life of the members of the credit union in relation to their non-deferred shareholding therein and any monies paid to the credit union by virtue of the said insurance or discretionary benefit arrangements shall be credited to the non-deferred share account of the insured member subject to the provisions of Rule 19.

**Rule 24 Interest-Bearing Shares**

- 24.1 The credit union will issue interest-bearing shares providing it can satisfy the requirements of section 7A, Credit Unions Act 1979 and any conditions specified by the Authority for this purpose.
- 24.2 A credit union which provides interest-bearing shares must establish policies and procedures to deal with the orderly conversion to non-interest bearing shares if the requirements of the legislation are no longer met.

- 24.3 A credit union which issues interest-bearing shares, must submit to the Authority an annual report by auditors appointed to audit its accounts and balance sheet, that confirms at a date specified by the Authority that it continues to satisfy the conditions.
- 24.4 A credit union shall convert any interest-bearing shares in issue into dividend bearing non-deferred shares if;
- a. its rules no longer provide for the issue of interest-bearing shares; or
  - b. it fails to hold the required reserves or
  - c. for two consecutive years it has not complied with the requirements of Rule 24.3.
- 24.5 A credit union which issues interest-bearing shares, must submit to the Regulators an annual report by auditors appointed to audit its accounts and balance sheet, that confirms at a date specified by the Regulators, that it continues to satisfy the conditions.
- 24.6 A credit union shall convert any interest-bearing shares in issue, into dividend bearing shares if;
- a. its rules no longer provide for the issue of interest-bearing shares; or
  - b. it fails to hold the required reserves or
  - c. for two consecutive years it has not complied with the requirements of Rule 24.5.

## **LOANS TO MEMBERS**

### **Rule 25 Loan Policy**

The Board of Directors shall determine a loan policy which shall apply equally to all members. This shall include but not be limited to the following:

- a. subject to the provisions of Rule 18, the Board shall establish a criterion to determine if and what sum of a member's shares may be attached by the terms of the loan agreement, for the duration of the repayment of a loan;
- b. the maximum amounts available for individual loans;
- c. any limits or requirement relating to secured and unsecured loans;
- d. the rate (or rates) of interest charged on loans (not to exceed a rate of three per cent per month on the reducing balance of the loan [42.68% APR], or such other rate as may be prescribed by law), which shall include all administrative charges and other expenses incurred in making and managing the loan;
- e. the application procedure for loans;
- f. members under 18 years may not receive a loan or act as a guarantor for a loan, except where the credit union, in exceptional circumstances, may offer a loan that is guaranteed for a young person over 16 years and under 18 years;
- g. in accordance with legislation a credit union may not make a loan to a member holding only deferred shares.

### **Rule 26 Maximum Loan**

In accordance with legislation, the credit union shall not at any time make a loan to a member, if the making of such a loan would bring the total amount outstanding on loan to members above such limit as may be prescribed by law or rules established by the Authority.

### **Rule 27 Loans to Corporate Bodies / partnerships / unincorporated groups**

- 27.1 In accordance with legislation, the credit union, subject to Rule 27.2, may not make a loan to corporate bodies / partnerships or unincorporated groups if that would cause the aggregate outstanding balances on such loans to exceed 10% of the aggregate of the

outstanding balances on all loans to members or such higher percentage as may be specified by order made by the Treasury.

- 27.2 Subject to the provisions of Rule 27.1, the credit union will make a loan to any member corporate body providing it can satisfy the Credit Union's policies and procedures.

**Rule 28 Loans to Joint Accounts**

In accordance with Rule 8(b), two members agreeing to take out a loan on a joint account shall be held jointly and severally liable for repayment of the loan.

**Rule 29 Guarantors**

- 29.1 A credit union member may use his or her shares to guarantee another member's loan.

- 29.2 A credit union member may use a non-member to guarantee their loan.

**Rule 30 Loans to Directors, officers and employees of the credit union**

A director, Committee member or other officer or employee, may if a member of the credit union, be granted a loan. Such a member may not be involved in the decision, and such a loan must not be approved solely by a loan officer. The Supervisor / Supervisory Committee shall be informed of the details of every such application within 14 days of its approval.

**Rule 31 Insurance on Loans**

The Board of Directors of the credit union may enter into arrangements with person(s) carrying on the business of insurance for the purposes of providing insurance cover or discretionary benefit on the liability of any member to the credit union.

**Rule 32 Recovery of Debt**

- 32.1 In compliance with the requirements and guidance set out in legislation the credit union must make adequate provision for bad and doubtful debt.

- 32.2 The Board of Directors shall establish and maintain a credit control policy which shall include but not be limited to the following:

- a. trigger points for commencement of credit control procedures;
- b. reference to credit control letters;
- c. mediation procedures for delinquent members;
- d. reference to enforcement procedures for collection of debt subject to the maximum power of the law.

- 32.3 All sums and applicable debt recovery costs due from any member shall be recoverable from him or her, his or her executors or administrator, as a debt due to the credit union.

- 32.4 The credit union shall have a lien on any shares of a member for any debt due to it by the member or for any debt which the member has guaranteed, and may set off any sum standing to the member's credit, including any non-deferred shares, interest rebate and dividends, in or towards, payment of such debt.

- 32.5 Any person knowingly responsible for the issue of a loan to a person other than a member of the credit union shall be jointly and severally liable with the borrower to the credit union in the amount of the loan and accrued interest.

## **CAPITAL AND LIQUIDITY REQUIREMENTS**

### **Rule 33 Building Capital and Liquidity Requirements**

33.1 The requirement for a credit union to establish and maintain adequate financial resources in relation to its regulated activities is set out in the Rules established by the Authority.

33.2 The initial capital that a credit union should have is set out in the Rules established by the Authority.

A credit union must at all times hold liquid assets of a value set out in the Rules established by the Authority.

## **APPLICATION OF PROFITS**

### **Rule 34 Calculation of Surplus**

In ascertaining the profit or loss resulting from the operations of the 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 depreciation of assets, for tax liabilities and for bad and doubtful debts.

### **Rule 35 Building Institutional Capital**

The credit union shall out of its surplus each year establish and maintain reserves in accordance with the prudential rules on capital adequacy established by the Authority.

### **Rule 36 Distribution of Surplus**

Following compliance with the capital adequacy requirements established by the Authority, the credit union may allocate any remaining surplus in the following manner:

- a. a voluntary transfer to further develop the institutional capital of the credit union;
- b. a voluntary transfer to an educational reserve as per Rule 4;
- c. subject to Rule 37.1, in the payment to members of dividends on the amount of their paid up shares;
- d. subject to Rule 38, as a rebate of interest paid by or due from members who have received loans from the credit union, such rebate being proportional to the interest paid by or due from members during that year of account; and
- e. after a dividend and / or rebate of loan interest has been paid – for social, cultural or charitable purposes.
- f. a voluntary transfer to a development reserve account for such purposes as may be agreed by the Board of Directors

### **Rule 37 Dividend on shares**

37.1 Subject to the provisions in Rule 37.6 below and provided that a surplus has been achieved, a dividend on members' shares may be recommended by the Board of Directors for declaration at the Annual General Meeting.

37.2 At each AGM members may be formally asked to delegate to the Board such powers as may be necessary to declare interim dividends and establish differential dividend rates on different term savings accounts. This delegation can only take place subject to regulatory restrictions placed on the operation of the credit union.

37.3 No dividend declared and authorised for payment by the members in general meeting shall exceed the rate recommended by the Board of Directors.

37.4 A dividend shall be declared on all fully paid shares (excluding any interest-bearing shares) held during the preceding financial year or interim period. Shares held for less than the full year shall be entitled to a proportional part of the dividend.

- 37.5 Dividends will only be paid to those in membership of the credit union on the date that the dividend is declared.
- 37.6 When a credit union is in the process of winding up, or seeking permission of the Authority to be dissolved, it may not pay a dividend on shares in excess of more than 8%. Any remaining surplus must be transferred to another credit union or used for charitable purposes.

**Rule 38** Rebate of interest on loans

Provided that a dividend on shares has been recommended by the Board of Directors in accordance with Rule 37.1, a rebate on interest may be recommended by the Board of Directors for declaration by the members at the Annual General Meeting. No rebate of interest declared and authorised for payment by the members in general meeting shall exceed the rate recommended by the Board of Directors. Entitlement to rebate of interest is as per Rule 38.

**Rule 39** **Payment of dividends and interest rebates**

Dividends and interest rebates due to any member may be placed to the credit of his or her share balance, and shall so be placed in any case where there is any money due by him or her to the credit union whether as borrower, guarantor or otherwise in excess of his or her shareholding in the credit union, unless the application of such dividend or interest rebate would increase his or her non-deferred shareholding in the credit union to an amount exceeding the maximum non-deferred shareholding permitted by the legislation.

**MEMBERS MEETINGS**

**Rule 40** **Members' Meetings**

- 40.1 Meetings of the credit union shall be either annual general meetings or special general meetings. Every member holding at least one share shall be entitled to attend such meetings on production of such evidence as the Board of Directors may from time to time determine.
- 40.2 At least 21 days before the date of the meeting of members, the secretary shall cause written notice of the date, time and place of the meeting to be given to each member; except where the Board of Directors so determines, notice of any meeting may be given by posting a notice of the meeting in every office or place of business that is readily accessible to members of the credit union where it may be read by the members, including any internet site operated by the credit union, at least 21 days prior to such a meeting.
- 40.3 When notice is received generally by the members of the credit union, the accidental omission to give notice to any member thereof or the non-receipt of the notice by any member thereof shall not invalidate any resolution passed or any proceedings taken at the meeting.
- 40.4 Written notice shall also be sent to the auditor at his or her address recorded in the books of the credit union.

**Rule 41** **Attendance and speaking at general meetings**

- 41.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 41.2 A person is able to exercise the right to vote at a general meeting when—
- (a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and
  - (b) that person's vote can be taken into account in determining whether or not such

resolutions are passed at the same time as the votes of all the other persons attending the meeting.

41.3 The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.

41.4 In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.

41.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

**Rule 42 Annual General Meeting**

42.1 The Annual General Meeting shall be held no later than five months following on from the end of the previous financial year. The date, time and place of such Annual General Meeting to be determined by the Board of Directors in compliance with this rule.

42.2 Should the Board of Directors fail to hold the Annual General Meeting as required under paragraph 1 of this rule, then the Supervisor / Supervisory Committee shall notify the members and call the meeting independently.

42.3 At least 35 days before the date of the meeting the secretary shall cause a written preliminary notice of the date of the meeting to be sent to each member with a requirement to submit nominations of Directors, Supervisors and resolutions to the registered office at least 27 days before the meeting.

42.4 At least 21 days before the annual general meeting, the secretary shall cause a written notice of the date, time and place of the meeting to be sent to each member, together with a voting paper listing nominations for Directors, Supervisors and resolutions to be discussed at the meeting.

42.5 The preliminary notice referenced in 42.3 shall include notice that members may vote by proxy together with instructions on obtaining and delivering the form

**Rule 43 Business of the Annual General Meeting**

The business at the Annual General Meeting of the members shall comprise of:

- a. the receipt of the Annual Report of the Directors;
- b. the receipt of the Annual Financial Statements together with the reports thereon of the Board of Directors and auditor;
- c. the appointment of the auditor;
- d. the election of the Board of Directors or the results of the election if held previously by ballot;
- e. Motions
- f. the application of the surplus
- g. the transacting of any other business included in the Notice of the Meeting;
- h. subject to the credit union's Part IV permission, delegation of power to the Board of Directors to grant interim dividends, differential dividends as per Rule 37.4, and set interest rates

**Rule 44 Special General Meeting called by the Credit Union**

44.1 Any general meeting of the credit union, other than an annual general meeting, shall be a special general meeting.

44.2 The Board of Directors or the Supervisor/ Supervisory Committee may, for good and sufficient reason, convene a Special General Meeting for any purpose not provided for elsewhere in these Rules.



**Rule 45 Special General Meeting called by the members**

- 45.1 Upon application signed by one tenth of the whole membership, or 100 members, whichever is the lesser number, delivered to the credit union at its registered address, the Board of Directors shall convene a special general meeting of members, provided such an application states the business to be conducted.
- 45.2 If, within one month from the date of receipt of such application the Board of Directors have not convened a special general meeting to be held within six weeks of the said date, any three members acting on behalf of the signatories to the application may convene a special general meeting and shall have a claim on the credit union for all costs properly incurred in convening such a meeting.

**Rule 46 Business at a Special General Meeting**

- 46.1 A special general meeting shall not conduct any business not specified in the notice convening it.
- 46.2 An annual general meeting may be made a special general meeting for any purpose for which due notice has been given, provided that such business is not brought on until the business of the annual general meeting is concluded.

**Rule 47 Quorum**

- 47.1 10% of the membership or 15 members, whichever is the lesser number, shall constitute a quorum. A meeting may proceed to business if a quorum is present within half an hour after the time fixed for commencement of the meeting. If after this time a quorum is not established the meeting shall be adjourned to a later date within 28 days when the meeting so adjourned may proceed to business whatever the number of members present.
- 47.2 A special general meeting convened by the Board of Directors or the Supervisor(s), where a quorum cannot be established within the required time, shall be adjourned to a later date within 28 days when the meeting may proceed to business whatever the number of members present.
- 47.3 A special general meeting, convened on the requisition of the members where a quorum cannot be established within the required time, shall be dissolved.
- 47.4 No meeting shall become incompetent to transact business from the want of a quorum arising after the chair has been taken.

**Rule 48 Voting Rights**

- 48.1 Each member shall have only one vote on each question at a meeting of the members of the credit union, irrespective of the size of his or her shareholding in the credit union. The Board of Directors may authorise proxy voting except for amendments of rules.
- 48.2 Votes at a general meeting shall be by show of hands, unless a secret ballot is demanded by the Board of Directors or by 10 members present at the meeting. Subject to any provision of law or these rules, resolutions shall be carried by a simple majority of votes cast unless they are Special Resolutions when they shall be carried by a 75% majority of votes cast. Subject to the provisions of the provisions of the Cooperative and Community Benefit Societies Act 2014.
- 48.3 The person chairing any meeting of the Board or meeting of members shall not have a second and casting vote.

**Rule 49 Contents of Proxy Notices**

- 49.1 The Board may authorise proxy voting for the annual general meeting, but this cannot extend to rule amendments.
- 49.2 Proxies may only validly be appointed by a notice in writing (a "proxy notice")

which—

- (a) states the name and address of the member appointing the proxy;
- (b) identifies the person appointed to be that member's proxy and the general meeting in relation to which that person is appointed;
- (c) is signed by or on behalf of the member appointing the proxy, or is authenticated in such manner as the directors may determine; and
- (d) is delivered to the company in accordance with the Rules and any instructions contained in the notice of the general meeting to which they relate.

49.3 The company may require proxy notices to be delivered in a particular form and may specify different forms for different purposes.

49.4 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.

49.5 Unless a proxy notice indicates otherwise, it must be treated as—

- (a) allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting, and
- (b) appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

**Rule 50. Delivery of proxy notices**

- 50.1 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the company by or on behalf of that person.
- 50.2 An appointment under a proxy notice may be revoked by delivering to the company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.
- 50.3 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.
- 50.4 If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.
- 50.5 Those voting by proxy must ensure that completed proxy notices are received in the registered office, at least three days prior to the meeting.

**Rule 51 Chairing the Meeting**

Every meeting of members shall have a chairperson. If the chairperson or vice chairperson is not present, the Board of Directors shall elect one of their number to chair the meeting.

**Rule 52 Adjournment of Meeting**

- 52.1 Any meeting of the members may for good and sufficient reason be adjourned at the discretion of the chairperson.
- 52.2 The provisions concerning notice, voting and quorum shall apply to an adjourned meeting and no business other than that appearing on the original agenda and left unfinished shall be transacted.

**NOMINATING AND ELECTING OFFICERS**

**Rule 53 Nomination for election**

- 53.1 Nominations for Directors shall be in writing signed by a proposer and seconder, who shall be members of the credit union and also by the nominee to indicate consent, and shall be sent by hand or by post so as to reach the registered office of the credit union not less than 18 days before the date of the annual general meeting.

- 53.3 Unless the procedure set out in Rule 78.2 for the appointment of a Supervisor(s) is adopted, nominations for a Supervisor or Supervisory Committee will follow the same procedure as set out in Rule 53.1 above.

#### **Rule 54 Nominations Committee**

The Board of Directors may appoint a nomination Committee of not less than 3 members of the credit union. The nominations Committee shall ascertain the number of vacant posts requiring elected candidates and ensure that there is at least one suitable candidate to recommend to the AGM for each vacancy for which an election is to be held. In making their recommendation, the nomination Committee shall ascertain that the nominee is “fit and proper” to become an approved person and is a member of the credit union. The nominations Committee shall adhere to any policy established by the Board in relation to the election of representatives. The nominations Committee will also be responsible for identifying and recommending potential co-options on to the Board of Directors to fill any vacancies.

#### **Rule 55 Election Procedures**

- 55.1 The election of Directors, and where appropriate a Supervisor or Supervisory team shall take place at the annual general meeting.
- 55.2 When for any election the number of nominees is equal to the number of vacancies to be filled the chairperson of the meeting shall ask the meeting to declare all nominees elected. Such a motion shall be carried by a show of hands.
- 55.3 Where for any election there is more than one vacancy to be filled and more nominees than there are vacancies, the voting will be conducted in accordance with Rule 48.2. Where a secret ballot is agreed each member shall write on the ballot paper the names of the nominees of his or her choice, but only such numbers of nominees as there are vacancies to be filled. Tellers appointed by the Chairperson shall count the ballot papers and those nominees receiving the highest number of votes shall be declared elected so that all vacancies are filled.

#### **Rule 56 Prohibition of certain persons as Officers**

- 56.1 A member under the age of 16 years cannot be elected as a manager, treasurer, director, officer, Committee member, or trustee;
- 56.2 A person who knows of any substantive reason why he or she may not be regarded as “fit and proper” to be authorised by the Authority, or who is an un-discharged bankrupt, shall not;
- a. act as an officer of the credit union; or
  - b. directly or indirectly take part in or be concerned with the management of the credit union; or
  - c. permit his or her name to be put forward for election or appointment to any office in the credit union.
- 56.3 When a person holding any office in the credit union becomes ineligible by virtue of this Rule to hold that office, he or she shall immediately cease to hold that office.

### **DIRECTORS**

#### **Rule 57 Number of Directors**

- 57.1 The number of Directors of the credit union shall not be less than 5 or more than 15 as may be determined annually by members at an annual general meeting.
- 57.2 Directors, other than those appointed under Rule 62, shall be elected in accordance with Rule 48.2.

- 57.3 Subject to the provisions in Rules 56.2, 58 and 69(j), members at an annual meeting, may determine that a number not exceeding one-third of the body of Directors identified in Rule 57.1. may be elected from amongst members who are employed by the credit union. Members so elected will remain subject to their individual terms and conditions of employment.
- 57.4 The Board of Directors has the power to divide itself into a number of constituencies to ensure that the Board consists of representatives of all areas, employer groups, sections and other diverse groups covered by the credit union.

**Rule 58 Terms of Office**

At the first annual general meeting following the authorisation of the credit union the Directors then in office shall retire. The Directors then elected shall be divided by lot, or such other manner as the Board of Directors may determine, into three equal groups or as near as circumstances permit.

- a. the first group shall retire at the second annual general meeting following the registration of these rules;
- b. the second group shall retire at the third annual general meeting following the registration of these rules;
- c. the third group shall retire at the fourth annual general meeting following the registration of these rules;
- d. all Directors shall be eligible for re-nomination and re-election;
- e. regular terms of office for Directors shall thereafter be three years.

**Rule 59 Regular Meetings**

- 59.1 Meetings of the Board of Directors shall be held not less than once a month, the date, time and place to be decided by the Directors.
- 59.2 All meetings shall be notified in such manner as the Board may, from time to time, determine.

**Rule 60 Requesting a Special Meeting**

The president / chairperson, or in his or her absence the vice-president / vice-chairperson, may call a special meeting of the Board of Directors at any time, and shall do so on receipt of a request in writing signed by at least 3 Directors. The president / chairperson, or in his or her absence the vice-president / vice-chairperson, shall fix the date, time and place of such a meeting, unless the Board of Directors by resolution prescribes otherwise.

**Rule 61 Board Quorum**

- 61.1 A majority of the Directors shall constitute a quorum for the transaction of business at any meeting of the Board.
- 61.2 The quorum for any adjourned meeting of the Directors shall be three or such greater number as the Board of Directors shall decide by resolution. Notice of an adjourned meeting shall be given as provided for in Rule 57.

**Rule 62 Voting at Board Meetings**

- 62.1 Questions arising at any meeting of Directors shall be decided by a majority of votes.
- 62.2 Each director shall have one vote on any matter under consideration. In the event of an equality of votes on any issue debated the status quo will stand.
- 62.3 A director may not vote by proxy at a meeting of the Directors or any sub-committee of same.

**Rule 63 Failure to attend Meetings**

Any director who without due reason accepted by the Board fails to attend three consecutive Board meetings shall, if the Directors so resolve, be deemed to have vacated his or her office.

**Rule 64 Casual Vacancy**

A casual vacancy on the Board of Directors shall, as soon as practicable, be filled by a vote of the majority of Directors then holding office. A co-opted director so appointed shall, subject to ratification at the next annual general meeting, hold office for the remainder of the unexpired term of office.

**Rule 65 Vacation of Office**

Elected individuals serving the credit union shall immediately cease to hold office or Committee position if they:

- a. cease to be a member of the credit union;
- b. are expected to perform a controlled function and fail to achieve authorisation as an approved person;
- c. are performing a controlled function and their approved person status is withdrawn by the Authority;
- d. are adjudged bankrupt or make an arrangement or composition with their own creditors;
- e. are in contravention of Rule 54;
- f. they become a patient within the meaning of the Mental Health Act 2007 or, in Scotland, the Mental Health (Scotland) Act 2003 (or such subsequent legislation);
- g. resign their office by notice in writing to the secretary;
- h. are deemed to have vacated their office in accordance with Rule 61;
- i. are removed by a resolution, approved by a majority of three quarters of the members present at a special general meeting called for that purpose by the Board of Directors or by the Supervisory Committee or under the provisions of Rule 45 provided that such a director shall be given at least 14 days notice of the meeting and of the intention to remove him or her from office;
- j. become an employee of the credit union and the number of employees on the Board of Directors would exceed one-third of the number of Directors (subject to Rule 55). This does not apply to the Treasurer designated as the General Manager.

**Rule 66 Delegation of Powers**

The Authority of the Board resides with a properly constituted meeting of the Board of Directors. Outside of a Board meeting an individual director or Directors have only the specific Authority to act in a specified area as may from time to time be delegated within Rule 67; the Board of Directors may delegate any of their powers to Committees. Committees will consist of such of their own number together with such individuals as the Board think appropriate who shall have clear terms of reference and conform in all respects to the instructions, including any requirements regarding reporting, given to them by the Board of Directors.

**Rule 67 Validity of Actions**

All acts authorised by any meeting of the Board of Directors or of a Committee or by any Directors acting in pursuance of Authority duly given shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment or qualification of any director, be as valid as if such director had been duly appointed or qualified.

**Rule 68 Payment of Expenses and Honoraria**

- 68.1 Any member of the Board of Directors, Supervisory Committee or officer may receive reasonable out of pocket expenses. Such expenses shall be approved by a majority vote of the Board of Directors.
- 68.2 Any member of the Board of Directors (*excluding the Treasurer designated as General Manager*), any Committee member or officer may, by resolution of the members at the annual general meeting, receive such honoraria as may from time to time be approved.

**Rule 69 Responsibilities of Directors**

Subject to law, regulations and these rules, the Board of Directors shall have the general direction, development and control of the affairs of the credit union and shall be responsible for performing all the duties customarily performed by the Board of Directors. This shall include but not be limited to the following:

- a. ensure that the credit union complies with all statutory and regulatory requirements attached to all regulatory permissions held by the credit union;
- b. as set out in these rules, establish appropriate policies and procedures and systems of control to enable the safe and efficient operation of the credit union;
- c. maintain a working business plan so as to enable the development of the credit union;
- d. maintain and develop provisioning and liquidity management policies that conform to the regulatory requirements set by the Authority;
- e. maintain in force insurance against fraud and other dishonesty as required by the Authority, and make any other insurance arrangements necessary or desirable for the protection of the credit union and its members;
- f. employ and determine the terms of employment, remuneration and pension arrangements of such persons as the Board of Directors considers necessary for the purposes of the credit union;
- g. delegate to employees the authority to establish and perform the operational functions of the credit union;
- h. determine the range of financial products that may be offered by the credit union;
- i. make decisions in respect of the investment of surplus funds of the credit union in accordance with the rules of the Authority;
- j. recommend any honoraria which any member of the Board of Directors (*excluding the Treasurer designated as General Manager*), Committee member or officer may receive for his or her services on behalf of the credit union, subject to the approval of the annual general meeting provided that the meeting may not increase the amount recommended by the Board of Directors;
- k. pay any expenses necessarily incurred by any officer, delegate or representative of the credit union in carrying out the business of the credit union;
- l. borrow money for the credit union subject to regulatory limits;
- m. determine the authorised bank or banks for the deposit of funds of the credit union and the signatories to cheques or other written instruments on behalf of the credit union;
- n. establish and terminate such Committees as it deems necessary or desirable from time to time to facilitate the operations of the credit union; and appoint and remove members of such Committees;
- o. cause to be kept proper books of account with respect to the transactions of the credit union, its assets and liabilities;
- p. submit the accounts of the credit union for audit at least once a year;
- q. make arrangements for annual general meetings, Board meetings and other meetings deemed necessary from time to time;

- r. take all such actions as may be required to ensure that the credit union complies with Money Laundering Regulations 2007 or other legislation currently in force concerning systems and training to prevent money laundering;
- s. take appropriate steps to ensure the security and integrity of any information technology systems used by the credit union, including that the credit union complies with legislation concerning data protection.

**Rule 70 Executive Officers**

- 70.1 Within seven days following the Annual General Meeting, the Board of Directors shall elect from amongst its number a president / chairperson, a vice-president / vice-chairperson, a treasurer, and a secretary of the credit union.
- 70.2 Within seven days following the Annual General Meeting, the Board of Directors shall appoint one or more Senior Manager(s) who will perform the roles specified by the Authority.
- 70.3 The board of Directors shall set the delegation of authority of the Senior Manager

**Rule 71 Term of Office of Executive Officers**

A person elected as an Executive Officer in accordance with Rule 68 shall hold office until the election of his or her successor.

**Rule 72 President / Chairperson**

- 72.1 Subject to any specific provision contained in these rules, the president /chairperson, or in his or her absence the vice-president /vice chairperson, shall preside at meetings of members and at meetings of the Board of Directors. He or she shall perform such other duties as he or she may be directed to perform by the Board of Directors not inconsistent with the provisions of the law or these Rules.
- 72.2 If neither the president / chairperson, or in his or her absence the vice-president / vice chairperson, is present within 15 minutes after the appointed time for the beginning of a meeting, the other Directors present shall elect one of their number to be the chairperson of the meeting.

**Rule 73 Secretary**

The secretary shall give, or cause to be given, notice of all meeting of the members and of the Board and shall prepare and maintain minutes of all meetings and shall perform such other duties as the Board may from time to time determine. The Senior Manager may be the Secretary

**Rule 74 Treasurer**

- 74.1 The Treasurer shall perform all necessary duties related to the finance function of the credit union.
- 74.2 The Board of Directors may resolve that the Senior Manager be the Treasurer of the credit union and receive remuneration for such post.
- 74.3 If it is so resolved under Rule 74.2 by a majority of the Board then the Senior Manager
  - a. shall retain all rights and duties as a director and shall not be subject to re-election;
  - b. shall not receive any honorarium directly or indirectly under Rule 69(j);
  - c. shall perform the Chief Executive Officer function of the credit union.

## **CREDIT COMMITTEE**

### **Rule 75 Establishment of Credit Committee**

- 75.1 The credit union may have a credit committee. If the Board of Directors resolves that a Credit Committee be established then, subject to Rule 67 it shall be a Committee of between 3 and 5 persons, at least one of whom shall be chosen from among the Directors then in office
- 75.2 If a credit committee is not established, the Board of Directors must resolve to manage the credit granting / control itself or delegate the role to the Senior Manager or more loans officer(s).

### **Rule 76 Responsibility of Credit Committee**

A credit committee duly constituted under Rule 75.1 shall monitor the credit union's loan business, consider and decide on loan applications. The committee shall have charge in recommending changes of loan policy to meetings of the Directors.

### **Rule 77 Loan Officers**

The Senior Manager may delegate the operational aspects of the credit Committee to loan officer(s). Any delegation will clearly outline the specific limits within which the loan officer(s) can operate.

## **INTERNAL AUDIT / SUPERVISION**

### **Rule 78 Role and Responsibilities**

- 78.1 The Board of Directors shall establish a system for monitoring the activities of the credit union to ensure that it is fully compliant with legislation and regulations; is being managed effectively and efficiently; that financial records are accurate and timely; and that the possibilities for fraud and theft are reduced. Those elected as)/internal audit should be independent of the day-to-day operation of the credit union. In compliance with Rule 53.3 the Board will establish one of the following arrangements:
- a. election of a Supervisor/internal audit elected by the membership at an annual general meeting; or
  - b. election of a Supervisory/internal audit Committee consisting of between 2 – 5 members elected by the membership at an annual general meeting. The nominees must not be Directors, Committee members, paid staff; or
  - c. in connection with (a) above, outsource the function. Where the function is outsourced the Board of Directors must ensure that the Supervisor remains the approved person;
- 78.2 Alternatively, the Board of Directors may establish one of the following;
- a. appoint a Supervisor; or
  - b. appoint a Supervisory Committee consisting of between 2 – 5 members. Those appointed as supervisors should be independent of the day-to-day operations they supervise; or
  - c. in connection with (a) above, outsource the function. Where the function is outsourced the Board of Directors must ensure that the Supervisor remains the approved person.
- 78.3 In accordance with Rule 76.1, the duties and responsibilities governing the conduct of the Supervisor / Committee shall be established by the Board of Directors through the adoption of a policy and procedure governing the role of the Supervisor / Committee.



- 78.4 Reference to Rule 76.1 above: Where a vacancy occurs the Board of Directors shall have the power to co-opt a replacement for the remaining period to the next annual general meeting.
- 78.5 Reference to Rule 76.2 above: Where a vacancy occurs the Supervisory Committee shall have the power to co-opt a replacement for the remaining period to the next annual general meeting.
- 78.6 The Supervisory Committee shall be notified of all meetings and be entitled to attend such meetings. The Supervisory Committee or members thereof have a right to attend any meeting of the Board or its Committees.
- 78.7 The Supervisory Committee shall be responsible for ensuring that the internal audit function is performed in accordance with the prescribed terms of reference. The Supervisor / Supervisory Committee shall be responsible for submitting monthly reports to the Board.

**Rule 79 Suspensions from Office**

If the credit union has adopted the process under Rule 76.1(b) the Supervisory Committee may, by unanimous vote of its entire membership at a special meeting convened for the purpose, suspend from office any officer of the credit union who in the opinion of the Supervisory Committee is guilty of a persistent or serious breach of the law relating to the credit union, these Rules or the policies laid down by the Board of Directors. Whether or not it suspends any officer, the Supervisory Committee may by unanimous decision convene a meeting of the Board of Directors or a special general meeting of the credit union to consider such action, at which such officer or officers shall be given an opportunity of being heard and/or represented.

**Rule 80 Special General Meeting called by Supervisory Committee**

Whenever an officer of the credit union has been suspended from office by the Supervisory Committee under the preceding Rule and within seven days thereof has not submitted their resignation, the Supervisory Committee shall convene a special general meeting of the credit union to be held not later than 30 days after the suspension. If the majority of the members present at such a meeting so signify by secret ballot they may:

- a. ratify the suspension and remove from office the person so suspended and determine the manner in which the vacancy so caused shall be filled and, notwithstanding the provisions of these Rules fill the vacancy at the meeting subject to any regulatory requirements on approved persons being met;
- b. rescind the suspension by the Supervisory Committee; or
- c. remove from office any other officer of the credit union (whether or not he or she has been suspended by the Supervisory Committee) and determine the manner in which the vacancy so caused shall be filled and, notwithstanding the provisions of these Rules, fill such vacancies at such a meeting;

provided, however, that no person shall be removed from office under this Rule without being given the opportunity of being represented or being heard at such special general meeting of which he or she shall be given 14 days notice in writing.

**Rule 81 Suspensions from Supervisory Committee**

The Board of Directors may, by majority vote of its entire membership at a special meeting called for the purpose, suspend from office the Supervisory Committee or any member thereof, for any and sufficient reason.

**Rule 82 Suspension Procedure**

When a Supervisor / member of the Supervisory Committee has been suspended from office under Rule 79 and within seven days of suspension has not submitted his or her

resignation, the Board of Directors shall convene a special general meeting of the credit union to be held not later than 30 days after the suspension. If a majority of the members present at such a meeting so signify by secret ballot they may:

- a. ratify the suspension and remove from office the person (or persons) so suspended and determine the manner in which the vacancy so caused shall be filled, and, fill such vacancy at such meeting;
- b. rescind the suspension by the Board of Directors; or
- c. remove from office any other officer of the credit union (whether or not he or she has been suspended by the Board of Directors) and determine the manner in which the vacancy so caused shall be filled, and notwithstanding the provisions of these Rules, fill such vacancy at such meeting,

provided, however, that no person shall be removed from officer under this Rule without being given an opportunity to be heard or represented at such special general meeting of which he or she shall be given 14 days notice in writing.

## **DIRECTORS, OFFICERS AND EMPLOYEES**

### **Rule 83 Conflict of Interest**

No director, committee member or employee of the credit union shall in any manner directly or indirectly participate in the deliberation upon or the determination of any question affecting his or her pecuniary interest or the pecuniary interest of any person or body (other than the credit union) in which he or she is directly interested. Such person shall withdraw from the meeting and the remaining qualified persons shall constitute a quorum while that matter is being discussed or determined, should his or her withdrawal result in a quorum not being present. The Board, by a majority decision of its number, shall maintain the right to require such an individual to withdraw from the Board during the period the conflict exists. The Board may co-opt another member to fill such a vacancy.

### **Rule 84 Confidentiality**

- 84.1 An officer or employee of the credit union shall not disclose to any person any information regarding any transaction of a member of the credit union except in so far as may be necessary for the proper conduct of business of the credit union, and in keeping with the Statements of Principle and Code of Practice for Approved Persons (APER).
- 84.2 On appointment, all officers and employees of the credit union shall sign a confidentiality agreement to ensure the confidentiality of business conducted by the credit union.
- 84.3 The credit union shall adhere to the requirements of the Data Protection Act 2018 and the GDPR 2018 and any subsequent such legislation.

### **Rule 85 Provision of Insurance and Associated Cover**

- 85.1 **Fidelity:** the Board of Directors of the credit union must at all times ensure compliance and maintain in force a policy of insurance.
- 85.2 **Life Cover:** the Board of Directors of the credit union may establish a scheme for the purposes of providing a benefit covering the life of the individual member by:
  - a. entering into an arrangement with a trust for the discretionary provision of a death benefit that may provide cover on the life of a member in relation to their shareholding held in the credit union; or alternatively,
  - b. entering into an arrangement with a person carrying on the business of insurance for the provision of cover on the life of a member in relation to their shareholding held in the credit union.

**Rule 86 Indemnity**

Any officer of the credit union shall be indemnified by the credit union against all costs, losses and expenses which such officer may incur or become liable for reason of any contract entered into or any act or thing done by him or her in discharge of his or her duties as authorised by the Board of Directors, and the Board is empowered to pay the amount of such indemnity out of the funds of the credit union.

**Rule 87 Failure to fulfil office**

If an officer of the credit union fails to attend three consecutive meetings of the Board and / or fails to perform the duties of his or her office, the Board of Directors may, after giving him or her reasonable notice and opportunity to be heard, declare vacant the office and appoint another eligible person in his or her place, or fill from its number such vacancy.

**ACCOUNTS, AUDIT, RETURNS AND RULES**

**Rule 88 Appointment of Auditor**

88.1 There shall be appointed in each year of account a qualified auditor to audit the credit union's accounts and balance sheet. For the purposes of this Rule, a "qualified auditor" means a person who is a qualified auditor under Section 7 of the FIPSA 1968.

88.2 None of the following persons shall be appointed as an auditor of the credit union:

- a. an officer or servant of the credit union;
- b. a person who is a partner of or in the employment of or who employs an officer or servant of the credit union.

88.3 The Board of Directors may appoint an auditor to fill any casual vacancy occurring between general meetings of the credit union.

88.4 The appointment of an auditor shall be ratified by resolution of an annual general meeting of the credit union.

88.5 The Board of Directors shall review the appointment of the external auditor annually following each AGM and undertake a tendering exercise to appoint, or reappoint, the external auditor at least every four years.

**Rule 89 Auditor's entitlement to attend meetings**

The auditor shall be entitled to attend any general meetings of the credit union, to receive all notices of the communications relating to any general meeting which any member of the credit union is entitled to receive, and to be heard at any meeting which he or she attends on any part of the business of the meeting which concerns him or her as auditor.

**Rule 90 Availability of Accounts**

90.1 The credit union shall keep a copy of the last balance sheet, together with the report of the auditor, always displayed in a conspicuous place at its registered office.

90.2 The credit union shall supply free of charge a copy of the last audited accounts of the credit union to every member of the credit union on individual request.

**Rule 91 Filing of accounts with the Authority**

The credit union shall, within the time period permitted by law and regulation, send the Authority such returns and audited accounts as may be required, relating to its affairs during the period covered by the return. The annual accounts shall include a copy of the report of the auditor on the credit union's accounts for such a period and a copy of each balance sheet made during that period and of any report of the auditor on that balance sheet.

**Rule 92            Availability of Rules**

The credit union shall supply to any person who is not a member on payment of an amount not exceeding £5.00 (*or such other sum as may from time to time be prescribed by law*) a copy of the Rules of the credit union and any amendments thereto.

**CREDIT UNION RECORDS**

**Rule 93            Maintenance of Register**

- 93.1        The credit union shall keep at its registered office a register and enter therein the following particulars:
- a.        the names, addresses of all members;
  - b.        a statement of the number of shares held by each member;
  - c.        a statement of other property in the credit union, whether in loans or otherwise, held by each member;
  - d.        the date at which each person was entered in the register as a member, and the date at which any person ceased to be a member;
  - e.        the names and addresses of the officers of the credit union with the offices held by them respectively and the dates, on which they assumed office and resigned.
- 93.2        The register shall be so constructed that it is not possible for an individual member to inspect any particulars therein mentioned in paragraphs (b), or (c) of Rule 92.1.
- 93.3        Any member or person having an interest in the funds of the credit union may inspect their own account and the books containing the names of members, as set out in Rule 92.2. This facility should be provided at all reasonable hours at the registered office or at any place where the same are kept, subject to such regulations as to the time and manner of such inspection as may be made from time to time by the general meetings of the credit union.

**Rule 94            Retention of Records**

- 94.1        In accordance with the requirements of the Data Protection Act 2018 and the GDPR 2018 or any subsequent Act, the credit union shall retain the following records;
- a.        register of members as set out in Rule 92.1;
  - b.        rules and registered amendments;
  - c.        receipts and securities held, a securities register and register of contracts of guarantee;
  - d.        minutes of all meetings;
  - e.        member's share and loan records;
  - f.        nominal and general ledgers;
  - g.        register of nominations;
  - h.        copies of annual returns;
  - i.        register of approved persons;
  - j.        register of bad debts written off.
- 94.2        Any other record required to be kept as a result of the obligation to maintain proper books of account shall be preserved by the credit union for a period of 5 years after the date to which it refers.
- 94.3        The credit union shall maintain records in accordance with the Money Laundering Regulations 2007 (or such successor legislation) and retain these records for a period of 5 years, (or in accordance with any other regulations that may be prescribed by law).

**Rule 95      Inspection of Accounts**

All books of account and other records of the credit union shall at all reasonable times be available for inspection by the auditor, the Board of Directors, Supervisor / Supervisory Committee, or other persons duly authorised on their behalf.

**Rule 96      Record of Account**

Numbered passbooks or statements of account shall be issued to members. Money paid in or out on account of shares, loans, interest and entrance fees shall be evidenced by an appropriate voucher or receipt or by entries in a member's passbook or statement. Statements of account shall itemise all transactions, and a copy shall be issued to each member at least annually or on request.

**Rule 97      Conducting Transactions**

Any person may pay money into a member's account on account of shares or a reduction of loan or interest. Only the member may make a withdrawal from their share account. The credit union shall have the discretion to accept a written signed request from any member permitting a named individual to conduct transactions on the member's behalf. The credit union will take all reasonable steps to assure itself of the validity of each written request, and will be indemnified by the member in the event of a subsequent dispute.

**Rule 98      Beneficiaries**

- 98.1      A member may, in accordance with the law, nominate any person or persons to whom (subject to the provisions of the law as to amount and the persons to whom a valid nomination may be made) any of his or her property in the credit union at the time of his or her death shall be transferred.
- 98.2      A member may change their nomination at any time in person or in writing
- 98.3      Any nomination made prior to the marriage or civil partnership of a member is revoked by that marriage.

**Rule 99      Payment to Beneficiary**

- 99.1      On receiving satisfactory proof of death of a member The Credit Union will ascertain if the nomination is;
- known
  - valid
  - living
- 99.2      Where the nomination satisfies 98.1 The Credit Union either transfer or pay in accordance with the law the full value of the property comprised in the nomination up to a maximum £5000.00 (or such amount that is permitted by law at the time)
- 99.3      Any amount above £5000.00 (or such amount permitted by law) remaining will be made available to the deceased estate
- 99.4      Where the Credit Union is not able to satisfy the stipulations of 98.1;
- a) if the value of deceased property held is equal to or less than £5000.00 (or such amount that is permitted by law at the time) The Credit Union will consider (without letters of administration or probate of will) disbursing the funds to those persons who have come before it should it have satisfactory evidence that they are entitled by law to receive it.
  - b) if the value of the deceased property is greater than £5000.00 (or such amount that is permitted by law at the time) The Credit Union will require those wishing to claim it to produce either a letter of Administration or a Grant of Probate

- 99.5 Should a member not inform The Credit Union of provisions made in Rule 97.3 then The Credit Union will not be liable should disbursements be made to the nominated beneficiary(s)
- 99.6 If the beneficiary is under the age of 16 then the payment must be made to the parent, guardian or other person to hold on trust for the beneficiary.
- 99.7 If payment would result in the beneficiary's total shareholding in The Credit Union going above the maximum limit then the beneficiary must be paid the value of those shares not transferred.
- 99.8 The Credit Union must not transfer any monies to the deceased member's beneficiary or estate until all liabilities to The Credit Union have been cleared.

**Rule 100 Bankruptcy**

Upon a claim made by a personal representative of a deceased member or the trustee in bankruptcy of a bankrupt member to any property in the credit union belonging to the deceased or bankrupt member the Directors shall transfer or pay such property to which the personal representative or trustee in bankruptcy has become entitled as the personal representative or trustee in bankruptcy may direct them.

**Rule 101 Incapacity to Control Affairs**

Where a member becomes incapable through disorder or disability of mind of managing his or her own affairs, the Board of Directors, if presented with satisfactory medical evidence and proof that no person has been duly appointed to administer his or her own property, may pay the amount of shares, loans and deposits belonging to such member to any person whom they shall judge proper to receive it on his or her behalf. The receipt of such person shall be a valid and sufficient release to the credit union for any sum so paid. The foregoing shall not apply when such member or person is a patient under the Mental Health Act 2007 or under the Mental Health (Scotland) Act 2003 (or such subsequent legislation), or is a person to whom powers are exercisable under the above Acts.

**AMENDMENTS TO RULES AND USE OF SEAL**

**Rule 102 Amendments to Rules**

- 102.1 The rules of the credit union may be amended only by a resolution passed by a two thirds majority vote of the members present at an annual general meeting or a special general meeting specifically called for that purpose. Notice of the proposed alteration must be given at the same time as the notice of the meeting.
- 102.2 Any member of the credit union, before the last day of the credit union's financial year, may propose an amendment of rule by serving notice of the proposed amendment, duly seconded, on the Board of Directors whose duty it shall be to incorporate the amendment in the agenda of the next annual general meeting or special general meeting.
- 102.3 The credit union must notify the trade body of its intention to alter or amend any of the model rules contained within this document prior to submission to the Authority.
- 102.4 No amendment of rules shall be valid until registered with the Authority.

**Rule 103 Ancillary Services**

The credit union may provide members with services that are ancillary to taking a deposit or making a loan, at such a fee as it considers appropriate. These include: -

- a. making or receiving payment (*via standing order, direct debit or otherwise*);
- b. issuing and administering the means of payment (*via cheque-books and debit cards*);
- c. money transmission services;
- d. giving advice on the above.

**Rule 104 Use of Legal Seal**

The Board shall not have a seal; therefore there is no need to determine the custody or use of a seal

**COMPLAINTS AND DISPUTES**

**Rule 105 Internal Complaints Procedure**

105.1 A formal written internal complaints procedure shall be maintained by the credit union and made available to members. The credit union shall aim to resolve a complaint and send a final response within eight weeks of receipt of the complaint (or such other time period as may be prescribed by the Authority).

105.2 In accordance with the regulations, the credit union must provide the Authority with a report once a year (by 30 April), in the format prescribed by them.

**Rule 106 Financial Ombudsman Service**

*If a complainant remains dissatisfied at the completion of the credit union's internal complaints procedure, and on the date of receipt of the credit union's final response, the complainant shall have six months within which to refer their complaint to the Financial Ombudsman Service.*

**Rule 107 Court Referrals**

Complainants who remain dissatisfied following a formal decision by the Ombudsman may jointly agree with the credit union to refer their complaint or dispute to the County Court, or in Scotland the Sheriff's Court. The County Court or Sheriff's Court shall have power to order the expenses of determining the same to be paid either out of the funds of the credit union or by such party to the dispute as he or she shall think fit, and such determination shall be binding on all parties without appeal and shall not be removable into any court of law or restrainable by injunction.

**STATUTORY APPLICATIONS TO THE AUTHORITY**

**Rule 108 Dissolution of credit union**

The credit union may be dissolved:

- a. on its being wound up in pursuance of an order or resolution made as is directed in regard to companies by the Insolvency Act 1986 (or such subsequent legislation); or,
- b. in accordance with the provisions of s119 of the Co-operative and Community Benefit Societies Act 2014.
  - i. to which not less than three fourths of the members of the credit union have given their consent, testified by their signature to the instrument: or
  - ii. approved by a special resolution of the credit union and confirmed by the Authority.

**Rule 109 Distribution of funds on dissolution**

If on the dissolution of the credit union there remains after the payments of debt, the repayment of share capital and discharge of all other liabilities any surplus assets whatsoever, they shall not be paid or distributed among the members of the credit union but shall be;

- a. transferred to another credit union; or
- b. if not so transferred, applied for charitable purposes as may be determined by the members in general meeting.

## **ANNEX A – Qualification for Membership**

### **1. INDIVIDUALS**

Admission to membership of the credit union is restricted to:

an individual who resides or is employed in the locality of Northumberland, Tyne and Wear, Darlington, The Tees Valley and County Durham as delineated on the attached map at ANNEX B in Red

### **2. CORPORATE**

Admission to membership of the credit union is restricted to a corporate body, an individual in his/her capacity as a partner in a partnership, an individual in his/her capacity as a member of the governing body, if the body corporate, partnership or unincorporated association has

- a place of business in the above locality.
- the following significant connection with the above locality
- The provision of social housing by Riverside Housing Association, Home Group, 2 Castles Housing Association, 3 Rivers Housing Association, Anchor Housing Group, Places for People Housing Association, Guinness Trust Housing Association, Isos Group Housing Association, Bernicia Group, Nomad E5 Housing Association, Thirteen Group, Beyond Housing, Accent Group, The Riverside Group, North Star Housing Group

3. An individual who is associated with other individuals through:

- Being a tenant of: Riverside Housing Association, Home Group, 2 Castles Housing Association, 3 Rivers Housing Association, Anchor Housing Group, Places for People Housing Association, Guinness Trust Housing Association, Isos Group Housing Association, Bernicia Group, Nomad E5 Housing Association, Thirteen Group, Beyond Housing, Accent Group, The Riverside Group, North Star Housing Group
- A student of Northumbria University, Newcastle University, Durham University, University of Sunderland

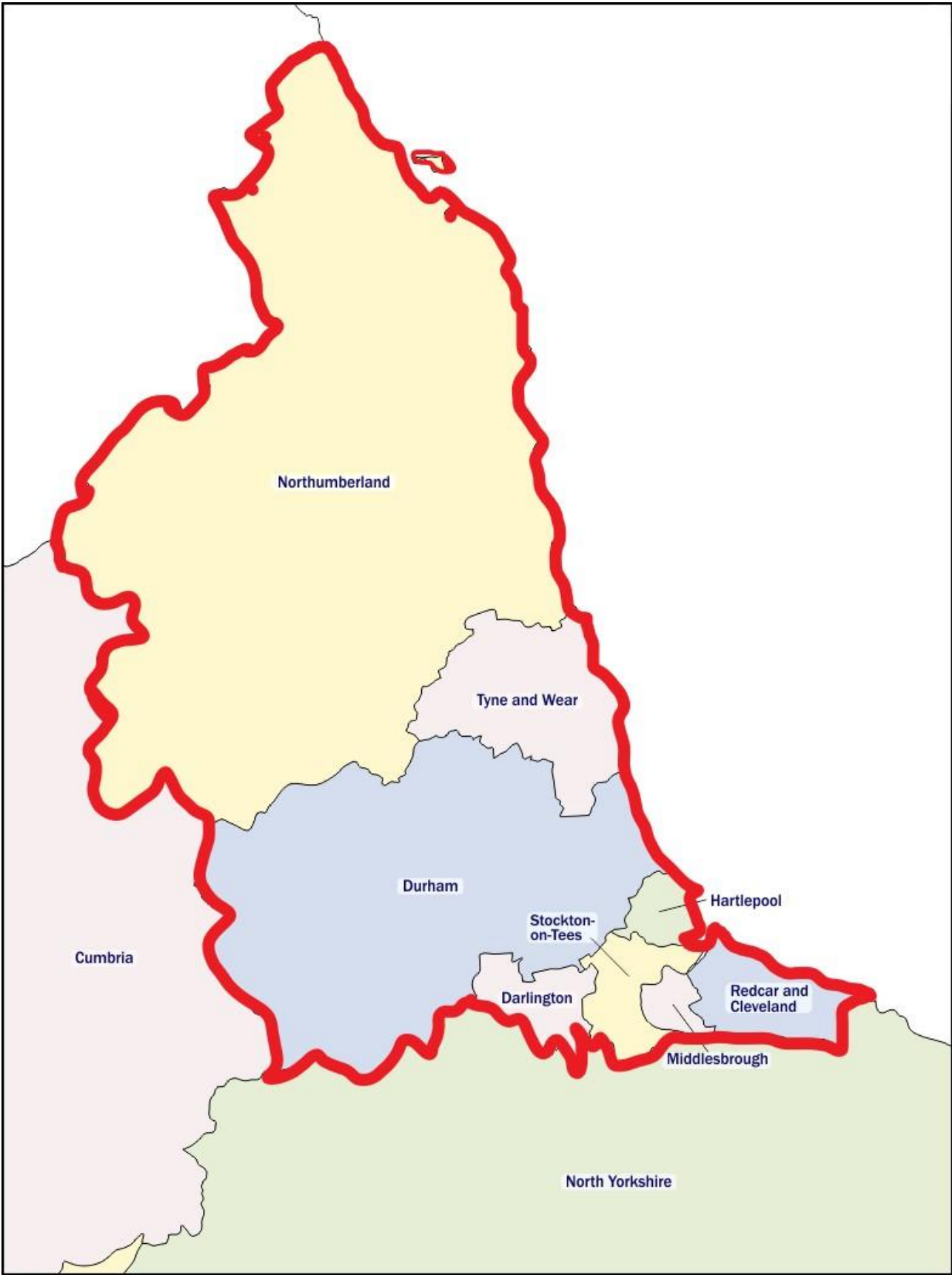
4. An individual who is employed by:

- Riverside Housing Association, Home Group, 2 Castles Housing Association, 3 Rivers Housing Association, Anchor Housing Group, Places for People Housing Association, Guinness Trust Housing Association, Isos Group Housing Association, Bernicia Group, Nomad E5 Housing Association, Thirteen Group, Beyond Housing, Accent Group, The Riverside Group, North Star Housing Group

5. An individual who is a member of the same household as, and is a relative of, another person who is a member of the credit union and falls directly within the common bond in the rules'



ANNEX B - Geographic Common Bond Area



## INTERPRETATION

In these rules the following terms shall have the meanings ascribed to them unless the context indicates otherwise.

Words importing the singular or plural include the plural or singular respectively, and words importing the masculine gender only shall include the feminine gender.

*"amendment"* in relation to the rules of the credit union includes the addition of any new rule or the deletion of any existing rule:

*"senior manager"* means an individual approved by the FCA / PRA in firms who hold key roles or have overall responsibility for whole areas of relevant firms.

*"attached shares"* means any shares in the credit union, other than any deferred shares, the withdrawal of which is not permitted by section 7(5) of the Credit Unions Act 1979, or the terms of the loan to a member:

Any reference to statute or FCA / PRA rule in this rulebook should be read as referring to the latest provision.

*"Authority"* means the Prudential Regulation Authority and the Financial Conduct Authority or its successor under law:

*"Board", "Board of Directors" or "Committee of management"* means the body responsible for the day to day management and administration of the credit union elected in accordance with these rules:

*"chairperson" or "president"* means the individual elected to chair meetings of the Board and general meetings of the credit union:

*"credit union"* means a society registered under the Industrial and Provident Societies Act 1965 by virtue of Section 1 of the Credit Unions Act 1979:

*"CUA 1979"* means the Credit Unions Act 1979:

*"corporate member"* In accordance with section 5A(6) CUA 1979, *"corporate member"* means –

- a body corporate which is a member of the credit union:
- an individual who is a member of the credit union in his capacity as a partner in a partnership; or
- an individual who is a member of the credit union in his capacity as an officer or member of the governing body of an unincorporated association.

*"deferred shares"* means any shares of a class defined as deferred shares by section 31A of the Credit Unions Act 1979. Deferred shares rank behind all other creditors (including other shareholders), and contribute to the reserves of a credit union and are not covered by the FSCS

*"non-deferred shares"* means all shares held in a credit union that are not deferred shares as defined by Section 31A of the Credit Unions Act 1979 and do not contribute to the reserves of the credit union. Non-deferred shares are covered by the FSCS

*"deposit"* in relation to Rules 4.1 and 100 shall have the meaning ascribed to it by the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 – SI2001/544:

*"FSMA"* the Financial Services and Markets Act 2000:

*"FOS"* means the Financial Ombudsman Service:

*"FIPSA 68"* renamed the "Co-operative and Community Benefit Societies and Credit Unions Act 1968 (by the Co-operative and Community Benefit Societies and Credit Unions Act 2010): FIPSA was repealed on 1 August 2014 and replaced by the Co-operative and Community Benefits Act 2014/

*"FSCS"* means the Financial Services Compensation Scheme:

*"IPSA 65"* renamed the "Co-operative and Community Benefit Societies and Credit Unions Act 1965 (by the Co-operative and Community Benefit Societies and Credit Unions Act 2010):

*"JMLSG"* means the Joint Money Laundering Steering Group:

*"LRO"* means The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011:

*"officer"* includes any president / chairperson, vice president / vice-chairperson, treasurer or treasurer designated as general manager, assistant treasurer, secretary, loan officer, member of any Committee or servant of the credit union, other than an employee appointed by the Board of Directors, but it does not include an auditor appointed by the credit union in accordance with the provisions of these rules:

*“regulations”* unless inconsistent with the text, means regulations made by the Treasury and rules made by the Authority:

*“total shareholdings”* shall mean the total shareholdings as shown in the most recent audited balance sheet to have been sent with the credit union’s annual accounts to the Authority.

..... **Director**

..... **Director**

..... **Director**

..... **Secretary**