

No. 106

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5th Session, 13th Legislature, Alberta  
7 Elizabeth II, 1959

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## **BILL 106**

A Bill to amend The Credit Union Act

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HON. MR. REIERSON

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Edmonton, Alberta, 1959

## Explanatory Note

**2. Section 3 presently reads:**

"3. The Minister of Industries and Labour is charged with the administration of this Act."

The section is removed because of the change in the definition of "Minister". See the Bill to change certain statutory references to the Minister of Industries and Labour.

**3. Section 12 reads:**

"12. (1) The capital of a credit union shall be unlimited in amount and shall be divided into shares of a par value of five dollars each.

(2) The number of shares issued may be reduced from time to time by by-law of the credit union if the reduction is confirmed by an order of the court obtained in the manner set forth in The Companies Act."

Subsection (2) is not applicable to credit unions, which have no fixed capitalization.

**4. Section 13 is rewritten for greater clarity. Section 13 presently reads:**

"13. The shares of a credit union may be payable by instalments at such time and in such manner as may be determined by its by-laws."

**5. Section 14 presently reads:**

"14. No shareholder shall receive interest on any other than the paid-up portion of his shares."

Earnings on shares in a credit union are allocated as dividends.

**6. Section 15 presently reads:**

"15. (1) Subject to subsections (2) and (3), shares in a credit union may be assigned or transferred or may be repurchased by the credit union.

(2) No assignment, transfer or repurchase of shares is valid until approved and authorized by the directors.

(3) No assignment, transfer or repurchase of shares shall be approved or authorized by the directors if it would reduce the total number of shareholders below ten."

**7. Power to withdraw money.**

# BILL

No. 106 of 1959

An Act to amend The Credit Union Act

(Assented to \_\_\_\_\_, 1959)

**H**ER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Alberta, enacts as follows:

**1.** *The Credit Union Act*, being chapter 67 of the Revised Statutes is hereby amended.

**2.** Section 3 is repealed.

**3.** Section 12 is amended by striking out subsection (2).

**4.** Section 13 is struck out and the following is substituted:

**13.** Members may purchase shares of a credit union by instalment payments at such time and in such manner as may be determined by the by-laws of the credit union.

**5.** Section 14 is amended by striking out the word "interest" and by substituting the word "dividends".

**6.** Section 15 is amended

(a) as to subsection (1) by striking out the words and figures "subsections (2) and (3)" and by substituting the word and figure "subsection (3)",

(b) by striking out subsection (2).

**7.** The following new section is added immediately after section 17:

**17a.** Subject to sections 53 and 63 and the standard by-laws a member of a credit union who appears in person at the office of the credit union may withdraw moneys standing to his credit in share or deposit accounts.

**8. (a) Section 19(1) (e) presently reads:**

"19. (1) For the purpose of carrying out its objects, every credit union may

.....  
(e) invest in the paid-up shares of building associations and of other credit unions to any extent not exceeding twenty-five per cent of its capital,"

(b) Power is given to control the use of chequing systems.

**9. Section 23 presently reads:**

"23. Within ten days after receipt, by the provisional secretary, of the certificate of incorporation, he shall give notice to each of the applicants for incorporation, stating that the certificate has been received, and calling an organization meeting of the credit union."

**10. Section 28(1) which sets out the duties of the board of directors of a credit union is amended.**

**11. Section 29, subsection (1) presently reads:**

"29. (1) Subject to section 34, the credit committee shall have the general supervision of all loans to members and, subject to a general order of the board and the provisions of this Act, shall fix the amount of the rate of interest on each loan."

This provision is affected by sections 32 and 33 as well as section 34.

**12. Section 31 reads in part:**

"31. Every application for a loan shall be made on a form provided by the credit committee, and shall set forth . . .".  
The forms are provided by the credit union not the committee.

**13. Taking of a promissory note is made mandatory.**

**14. Section 32(3) presently reads:**

"(3) An assignment of shares or of deposits or the endorsement of a note may be taken as security."

**15. Immediate loans by loan officer.**

**8.** Section 19 is amended

- (a) as to subsection (1),
  - (i) by striking out clause (e) and by substituting the following:
    - (e) invest in the paid-up shares of such other credit unions as are approved for that purpose by the Supervisor,
  - (ii) by striking out the words "five hundred" in clause (j) and by substituting the words "fifteen hundred",
- (b) by adding immediately after subsection (2) the following:
  - (3) Subject to the standard by-laws a credit union may with the consent of the Supervisor permit its members to withdraw moneys from deposit accounts only, by means of negotiable or non-negotiable orders upon itself.

**9.** Section 23 is amended by adding immediately at the end thereof the words "on a day not less than ten days nor more than thirty days after the date of the notice".

**10.** Section 28, subsection (1) is amended by adding immediately after clause (f) the following clause:

- (f1) appoint any committee required to be appointed or directed to be appointed by the Supervisor,

**11.** Section 29, subsection (1) is amended by striking out the word and figure "section 34" and by substituting the words and figures "sections 32, 33 and 34".

**12.** Section 31 is amended by striking out the words "credit committee," and by substituting the words "credit union,".

**13.** The following new section is added immediately after section 31:

**31a.** A promissory note shall be taken by a credit union for each loan granted.

**14.** Section 32 is amended by striking out subsection (3) and by substituting the following:

- (3) The security taken may be an assignment of tangible assets or shares or deposits or may be the endorsement of a note.

**15.** The following new section is added immediately after section 32:

**32a.** (1) With the consent of the Supervisor the board of directors of a credit union may, by resolution, appoint the manager or treasurer of the credit union as loan officer with authority to make immediate loans to members without first obtaining the approval of the credit committee.

**16. Section 33 is rewritten for greater clarity. Section 33 presently reads:**

"33. No person who is a director, officer or member of the credit committee or of the supervisory committee nor any official or employee of the credit union who is a member thereof, shall borrow in excess of the value of his shares and deposits and accumulated earnings unless the borrowing is approved at a joint meeting of the members of the board of directors, the credit committee and supervisory committee other than such person, by a vote which is equal to two-thirds of the number of all such members."

**17. Section 34 presently reads:**

"34. (1) When considering a loan to any other credit union, the members of the credit committee and the board of directors shall sit together and a majority of each body shall be present.

(2) No such loan shall be granted unless the decision to make the loan is unanimous and the Supervisor gives his consent thereto."

**18. Section 36 presently reads:**

"36. The interest paid on a loan made by a credit union shall not exceed one per cent per month on unpaid balances."

**19. (a) Section 39(1) (b) presently reads:**

"39. (1) Subject to the consent of the Supervisor, a credit union from time to time

.....  
(b) may borrow moneys not exceeding in the aggregate fifty per cent of its combined capital, surplus and deposits upon a vote of three-fourths of the members present, or one-third of the total membership, whichever is the greater, taken at an annual meeting of the credit union or at a special meeting called for the purpose, if those voting in the affirmative represent a majority of the shares issued."

**(b) Subsection (2) presently reads:**

"(2) When a credit union is borrowing upon the security of its capital investments, the credit union may, without the consent of the Supervisor, borrow up to the amount of the market value of its capital investments, upon a vote of at least three-fourths of the members of the board of directors, but no investment representing all or any portion of its reserve fund shall be used as a basis for such borrowing."

(2) No loan shall be made by the loan officer in excess of the value of the unencumbered portion of an applicant's shares.

(3) The loan officer shall report the making of every loan to the next regular meeting of the credit committee and the credit committee shall ratify the action of the loan officer by noting their approval on the application.

(4) The Supervisor may withdraw his consent at any time and thereupon no further loans shall be made by the loan officer.

**16.** Section 33 is struck out and the following is substituted:

**33.** (1) A loan in excess of the value of his shares and deposits and accumulated earnings shall not be made to a director, officer, or member of the credit committee or supervisory committee, or to an official or employee of the credit union who is also a member thereof, unless the loan is approved by a joint meeting of the board of directors, the credit committee and the supervisory committee at which a majority of the members of each body is present.

(2) The person who is applying for the loan is not entitled to be present or to vote at the joint meeting.

(3) The loan shall not be granted unless it is approved by two-thirds of all the members present at the joint meeting.

(4) A person who is a member of the board of directors and a member of the credit committee has only one vote.

**17.** Section 34 is amended by adding immediately after subsection (2) the following:

(3) This section does not apply to loans by a credit union whose voting membership is composed exclusively of corporate bodies.

**18.** Section 36 is amended

(a) by renumbering the section as subsection (1),

(b) by adding immediately after the renumbered subsection (1) the following:

(2) Interest on loans shall not be compounded at any time.

**19.** Section 39 is amended

(a) as to subsection (1), clause (b) by striking out the words "if those voting in the affirmative represent a majority of the shares issued",

(b) as to subsection (2),

(i) by adding immediately preceding the words "upon a vote of" the words "in excess of all statutory reserves,"

(ii) by striking out the word "fund" and by substituting the word "funds",

**20.** (3) The present section 43 moved to the section dealing with the fund to which it relates.

(4) Allocation to a stabilization fund.

**21.** Other reserve funds to be established.

**22.** Section 42 is amended to make it applicable to reserve funds established under section 41a as well as the fund established under section 41. Section 42 presently reads:

- "42. The reserve fund shall be invested by the board of directors
- (a) by deposit in a chartered bank or in any other institution approved by the Supervisor, or
  - (b) in any investment authorized for investments by section 3 of The Trustee Act."

**23.** Section 43 relates only to the reserve fund established under section 41 and not to the reserve funds established under the proposed section 41a. The provision has therefore been made subsection (3) of section 41. See clause 19.

**24.** Section 45 is to be amended to refer to rebates as well as dividends and the heading is amended accordingly.

**25.** Section 45 presently reads:

**"Dividends**

"45. (1) After making provision for the reserve fund, as required by section 41, and for the educational fund, if any, the board may declare a dividend from the remainder of the net earnings, and in such case shall present its resolution to the annual meeting of the credit union for confirmation.

(2) A dividend authorized at that meeting shall be paid on all shares outstanding at the end of the preceding fiscal year according to the amount credited on the books of the credit union as having been paid on such shares."



(c) by adding immediately after subsection (2) the following:

(3) No credit union shall incur overdrafts.

**20.** Section 41 is amended by adding immediately after subsection (2) the following:

(3) The reserve fund shall be held as a reserve against bad loans or losses and shall not be distributed except on general liquidation of the assets of the credit union.

(4) Where a credit union is participating in a stabilization fund established pursuant to section 79, a sum not exceeding five per cent of the net earnings may be paid into the stabilization fund and the allocation to the reserve fund under subsection (1) may be reduced by a like amount.

**21.** The following new section is added immediately after section 41:

**41a.** The board of directors shall, in the manner prescribed by the standard by-laws, establish and maintain reserve funds against possible withdrawals from the share and deposit accounts of members.

**22.** Section 42 is amended

- (a) by striking out the words "The reserve fund" and by substituting the words "All reserve funds",
- (b) by striking out clause (b) and by substituting the following clause:
  - (b) in any investment authorized under clauses (e) and (f) of subsection (1) of section 19.

**23.** Section 43 is repealed.

**24.** The heading "Dividends" immediately preceding section 45 is amended by adding at the end thereof the words "and Rebates".

**25.** Section 45 is amended

- (a) by adding immediately after subsection (1) the following:
  - (1a) The members present at the annual meeting may not increase the dividend recommended but may, upon a two-thirds majority vote, reduce the dividend and in such case the amount of the reduction shall remain in the undivided earnings account for the remainder of the fiscal year.
- (b) by adding immediately after subsection (2) the following:
  - (3) Where a dividend of not less than three per cent is authorized under this section the board may, if the surplus so permits, declare and allot a rebate of interest paid on the loans of all members during the preceding fiscal year.

**26.** Section 48 is amended for greater clarity. The section presently reads:

"48. Subject to section 49, the membership of a credit union shall be limited to groups of persons having a common bond of occupation or association, or to groups within a well defined neighbourhood, community, or rural or urban district."

**27.** Section 50 presently reads:

"50. A minor may be a member of a credit union and may vote at meetings, but no minor shall be elected as a director or member of the credit committee or supervisory committee of the credit union."

**28.** (a) Section 58(1) presently reads:

"58. (1) If it appears to the Minister upon the report of the Supervisor made after an inquiry by him under this Act, that the affairs of the credit union are being mismanaged or are being conducted upon an unsound basis, the Supervisor, with the approval of the Minister, may

- (a) cancel the incorporation of the credit union and appoint a liquidator to wind up its affairs, or
- (b) notify the credit union that unless its affairs are reorganized to the satisfaction of the Supervisor within ninety days, or such longer period as the Supervisor may from time to time prescribe, the incorporation of the credit union will be cancelled and a liquidator appointed to wind up its affairs."

(b) Subsection (2) presently reads:

"(2) If the credit union fails to reorganize its affairs to the satisfaction of the Supervisor within ninety days or the prescribed period after receipt of the notice, the Supervisor, with the approval of the Minister, may cancel the incorporation of the credit union and appoint a liquidator."

**29.** Section 67(3) presently reads:

"(3) Notwithstanding subsection (1) but subject to the approval of the Lieutenant Governor in Council, the standard by-laws may require that a credit union with a share capital and deposits exceeding such amount as may be set out from time to time in the standard by-laws appoint chartered accountants or qualified persons, approved in either case by the Supervisor, to conduct an annual audit of the credit union."

**30.** (a) Section 72(1) presently reads:

"72. (1) A credit union may be dissolved by consent of three-fourths of its members, shown by their signatures to an instrument of dissolution."

(4) Dividends and rebates may be allotted from undivided profits only.

**26.** Section 48 is amended by striking out the words "to groups within" and by substituting the words "to persons within".

**27.** Section 50 is amended by adding immediately at the end thereof the words "and no minor under the age of eighteen years shall be permitted to vote upon any resolution pertaining to the expenditure or borrowing of any money".

**28.** Section 58 is amended

- (a) as to subsection (1) by striking out clauses (a) and (b) and by substituting the following:
  - (a) appoint a liquidator to wind up the affairs of the credit union and upon completion of the liquidation, cancel its incorporation, or
  - (b) notify the credit union that unless its affairs are reorganized to the satisfaction of the Supervisor within ninety days, or such longer period as the Supervisor may from time to time prescribe, a liquidator will be appointed to wind up its affairs and upon completion of the liquidation the incorporation of the credit union will be cancelled.
- (b) as to subsection (2) by striking out the words "cancel the incorporation of the credit union and appoint a liquidator" and by substituting the words "appoint a liquidator and upon completion of the liquidation, cancel the incorporation of the credit union".

**29.** Section 67, subsection (3) is amended by adding immediately at the end thereof the words "in a manner approved by the Supervisor".

**30.** Section 72 is amended

- (a) by striking out subsection (1) and by substituting the following:
 

**72.** (1) A credit union whose financial position enables it to return to its members in full the moneys standing to their credit in share and deposit accounts may be dissolved by a resolution

  - (a) passed at a general meeting of which not less than ten days' notice has been given, specifying the intention to propose the resolution, and
  - (b) passed by a majority of not less than three-fourths of the votes cast by the members entitled to vote who are present in person at the meeting.

(b) Subsection (2) presently reads:

"(2) The instrument of dissolution shall set forth in detail

- (a) the liabilities and assets of the credit union,
- (b) the number of members and the nature of their respective interests in the credit union,
- (c) the claims of creditors, if any, and the provision to be made for their payment, and
- (d) the intended appropriation or division of the funds or property of the credit union, unless the same is stated in the instrument of dissolution to be left to the award of the Supervisor."

(c) Self-explanatory.

**31.** Section 73(3) presently reads:

"(3) At the expiration of the time mentioned in the notice the Registrar may, unless cause to the contrary is previously shown by the credit union, strike the name of the credit union off the register, and in that case he shall publish notice thereof in The Alberta Gazette, whereupon the credit union is dissolved.

**32.** Provisions relating to liquidation are added similar to those found in The Co-operative Associations Act.

- (b) as to subsection (2) by striking out all the words preceding clause (a) and by substituting the words “(2) Prior to the passing of a resolution under subsection (1) a financial statement shall be prepared setting forth in detail”,
- (c) by adding immediately after subsection (4) the following:
  - (5) When the Supervisor is satisfied that the claims of all the creditors have been met and the shareholders have been paid in full he shall notify the Registrar and cancel the incorporation.

**31.** Section 73, subsection (3) is amended by striking out the words “the Registrar may” and by substituting the words “and upon receipt of a statement of the affairs of the credit union from the Supervisor the Registrar shall”.

**32.** Section 75 is struck out and the following is substituted:

**75.** (1) When the directors are of the opinion that the credit union should be wound up they may pass a resolution to that effect and by the same resolution appoint the Supervisor or a person approved for that purpose by the Supervisor as liquidator and authorize him to take the necessary steps for the winding up of the credit union.

(2) Upon the appointment of the liquidator all the powers of the directors cease except in so far as the liquidator sanctions the continuance of such powers.

(3) The liquidator, upon his appointment, shall take into his custody or control all the property, effects and things in action to which the credit union is or appears to be entitled.

(4) The liquidator shall, within sixty days after his appointment, prepare a statement of the assets, debts and liabilities of the credit union and the values of such assets as shown by his books and records, and where the liquidator is a person other than the Supervisor he shall send to the Supervisor a true copy of such statement.

(5) The liquidator may

- (a) bring or defend any action or other legal proceedings in the name and on behalf of the credit union;
- (b) carry on the business of the credit union, so far as may be necessary for the beneficial winding up thereof;
- (c) appoint a solicitor to assist him in the performance of his duties;
- (d) employ an agent to do any business that the liquidator is unable to do himself;
- (e) make any compromise or arrangement with a creditor or class of creditors or a person claiming to be a creditor, or with persons having or alleging themselves to have a claim, present or future, certain or contingent, ascertained or sounding only in damages, against the credit union or whereby the credit union may be rendered liable;



- (f) make any compromise or arrangement in respect of
    - (i) calls and liabilities to calls,
    - (ii) debts and liabilities capable of resulting in debts,
    - (iii) claims, present or future, certain or contingent, ascertained or sounding only in damages, subsisting or supposed to subsist between the credit union and a contributory, or alleged contributory, or other debtor or person apprehending liability to the credit union, and
    - (iv) all questions in any way relating to or affecting the assets or the winding up of the credit union;
  - (g) take any security for the discharge of any call, debt, liability or claim mentioned in clause (f) and give a complete discharge in respect thereof;
  - (h) sell the real and personal property and things in action of the credit union by public auction or private contract, with power to transfer the whole thereof to any person, or to sell the same in parcels;
  - (i) execute, in the name and on behalf of the credit union all deeds, receipts and other documents, and for that purpose use when necessary the seal of the credit union;
  - (j) prove, rank, and claim in the distribution of the estate of a contributory for any balance against his estate;
  - (k) receive dividends in distribution in respect of a balance mentioned in clause (j) as a separate debt due from the estate of the contributory, and ratably with the other separate creditors;
  - (l) draw, accept, make and endorse a bill of exchange or promissory note in the name and on behalf of the credit union, with the same effect with respect to the liability of the credit union as if the bill or note had been drawn, accepted, made or endorsed by or on behalf of the credit union in the course of its business;
  - (m) raise on the security of the assets of the credit union any money required;
  - (n) do all such other things as may be necessary for winding up the affairs of the credit union and distributing its assets.
- (6) In respect of services rendered during the three months immediately before the appointment of the liquidator, the liquidator shall, in priority to all other debts, pay, to an amount not exceeding two hundred and fifty dollars, the wages or salary of any person employed by the credit union.
- (7) Where the liquidator is a person other than the Supervisor he shall not exercise the powers referred to in clauses (a), (b), (d), (e), (f), (g) and (m) of subsection (5) without first obtaining the approval in writing of the Supervisor.

**33. Authority to establish stabilization fund.**



(8) If a liquidator, not being the Supervisor, resigns, dies or is removed from the office of liquidator the vacancy thus created may be filled by appointment by the Supervisor.

(9) The liquidator shall be described by the style of the liquidator of the particular credit union in respect of which he is appointed and not by his individual name.

(10) The liquidator shall receive such remuneration as may be fixed by a judge of the Supreme Court on application of the liquidator.

(11) The acts of a liquidator are valid notwithstanding any defects that are afterwards discovered in his appointment or qualification.

(12) When the liquidator has realized all the property of the credit union or so much thereof as can, in his opinion, be realized without needlessly protracting the liquidation and has distributed a final dividend, if any, to the creditors and adjusted the rights of the contributories among themselves, he shall apply to a judge of the Supreme Court for directions relating to the filing of his accounts and to fix a day for the hearing of an application to a judge of the Supreme Court for an order approving the liquidator's accounts and fixing his remuneration and discharging the liquidator and declaring the credit union dissolved.

(13) In fixing a day for the hearing of the application the judge shall give all necessary directions relating to the notices to be given and the evidence by affidavit or otherwise to be adduced on the application.

(14) Upon the hearing of the application the judge may grant or refuse the same in whole or in part and may make such order as in the circumstances he deems proper having regard to the evidence adduced before him.

(15) The liquidator shall file a true copy of the order with the Registrar within fifteen days from the date of the order.

**33.** Section 79 is amended by adding immediately after subsection (2) the following:

(3) A federation that includes sixty per cent or more of the credit unions in the Province may, with the consent of the Supervisor, establish and administer a stabilization fund for the purpose of providing financial aid to credit unions.

**34.** This Act comes into force on the day upon which it is assented to.

No. 106

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FIFTH SESSION

THIRTEENTH LEGISLATURE

7 ELIZABETH II

1959

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**BILL**

An Act to amend The Credit Union  
Act

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Received and read the

First time.....

Second time.....

Third time.....

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HON. MR. REIERSON

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