

1968 Bill 36

---

First Session, 16th Legislature, 17 Elizabeth II

---

THE LEGISLATIVE ASSEMBLY OF ALBERTA

## **BILL 36**

**An Act to amend The Credit Union Act**

---

THE MINISTER OF INDUSTRY AND DEVELOPMENT

---

First Reading .....

Second Reading .....

Third Reading .....

---

Printed by L. S. Wall, Queen's Printer, Edmonton

# BILL 36

1968

An Act to amend The Credit Union Act

(Assented to \_\_\_\_\_, 1968)

**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* is hereby amended.

2. Section 32 is amended by striking out subsection (1) and by substituting the following:

32. (1) The credit committee shall not grant a loan in an amount greater than the sum obtained by adding together

- (a) the amount prescribed by the standard by-laws for the purposes of this section, and
- (b) the value of the unencumbered portion of the shares of the borrower,

unless security is taken for the loan.

3. Section 32a is amended

- (a) as to subsection (1) by striking out the words "manager or treasurer" and by substituting the words "manager, treasurer or other designated employee",
- (b) by striking out subsection (2) and by substituting following:

(2) A loan officer may make a loan in excess of a member's shares to a maximum of one-half of one per cent of the assets of the credit union in a single loan, but in no case may the amount of the loan so granted be greater than the sum obtained by adding together

- (a) the amount prescribed by the standard by-laws for the purposes of this section, and
- (b) the value of the unencumbered portion of the shares of the borrower.

(c) by adding the following subsection after subsection (4):

(5) The board of directors of a credit union

- (a) may, subject to subsection (1), appoint more than one loan officer, and

## Explanatory Notes

1. This Bill amends chapter 67 of the Revised Statutes.

2. This amendment allows for the Lieutenant Governor in Council to set the maximum amount of loans in excess of unencumbered shares, which procedure will allow for greater flexibility and speed. Sections 11 (1) and 32 (1) presently read:

11. (1) The Supervisor shall prepare and submit for approval by the Lieutenant Governor in Council standard by-laws, not inconsistent with this Act, which shall apply to every credit union incorporated hereunder.

32. (1) The credit committee shall not grant a loan of more than four hundred dollars in excess of the unencumbered portion of the shares of the borrower without requiring security.

3. These amendments

- (a) allow for employees other than managers and treasurers to be made loan officers, which is intended to spread out the work load,
- (b) allow for the Lieutenant Governor in Council to set the maximum amount of a loan which a loan officer may make in excess of a borrower's unencumbered shares, which procedure will make for greater flexibility and speed, and
- (c) enable a credit union to have more than one loan officer at a time.

Section 32a presently reads:

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.

(2) The loan officer may make a loan in excess of a member's shares to a maximum of one-half of one per cent of the assets of the credit union in a single loan, but in no case may the amount of the loan so granted by the loan officer be more than five hundred dollars greater than 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.

- (b) shall, when seeking the consent of the Supervisor for any appointment, provide the Supervisor with any information he may require respecting the qualifications, character and other matters respecting the proposed appointee.

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

**33.** (1) Subject to subsection (2) a loan may be made to any director, officer, supervisory committee member or other official or employee of a credit union in accordance with this Act, but any such loan shall be reported by the credit committee or loan officer making the loan, as the case may be, to the board of directors at its first meeting subsequent to the making of the loan.

(2) A loan to a credit committee member shall not be made without the approval of a two-thirds majority vote of a quorum of the board of directors.

**5.** The heading "Reserve Fund" and section 41 are struck out and the following heading and section are substituted:

**Guaranteed Reserve Fund**

**41.** (1) Subject to subsection (2), the board of directors shall set aside as a guarantee reserve fund

- (a) all entrance fees and fines collected from members, and
- (b) at the end of each fiscal year before the declaration of a dividend, such portion of the net earnings of the credit union as shall be necessary to provide adequate guarantee reserves for delinquent loans in accordance with such scale as may be provided in the standard by-laws.

(2) Where at the close of any fiscal year, the amount of the guarantee reserve fund is equal to at least 7 per cent of the total amount of loans outstanding to members, the directors may with the consent of the Supervisor, direct that no moneys, other than fees and fines, shall be set aside for the guarantee reserve fund for that year.

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

(4) Subject to the standard by-laws, a credit union shall, if required by the Supervisor or his appointee, write off any overdue loan against the guarantee reserve fund.

(5) Every credit union shall invest 5 per cent of its net earnings in the credit union stabilization fund established pursuant to section 79.

4. This change places directors, officers, employees, and supervisory committee members on nearly the same footing as ordinary members as far as the procedure for obtaining loans for themselves is concerned. Section 33 presently reads:

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.

5. Name of fund changed, and the minimum fund requirements for bad loan exposure is related to outstanding loans: Section 41 presently reads:

**Reserve Fund**

41. (1) Subject to subsection (2), the board of directors shall set aside as a reserve fund

(a) all entrance fees and fines collected from members, and

(b) at the end of each fiscal year before the declaration of a dividend, such portion of the net earnings of the credit union as shall be necessary to provide adequate reserves for delinquent loans in accordance with such scale as may be provided in the standard by-laws.

(2) Where at the close of any fiscal year, the amount of the reserve fund is equal to at least ten per cent of the total of shares and deposits held by the credit union, the directors may, with the consent of the Supervisor, direct that no moneys other than fees and fines be set aside for the reserve fund for that year.

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

(3a) Subject to the standard by-laws, a credit union shall, if required by the Supervisor or his appointee, write off any overdue loan against the reserve fund.

(4) Every credit union shall invest five per cent of its net earnings in the credit union stabilization fund established pursuant to section 79.

**6.** Section 58, subsection (1) is amended

- (a) as to clause (b) by adding at the end thereof the word "or",
- (b) by adding after clause (b) the following clause:
  - (c) appoint an administrator to reorganize, manage and supervise the affairs of the credit union for such period of time as the Supervisor, in his discretion, may direct, and an administrator may exercise such powers and shall perform such duties as the Supervisor vests in or imposes upon him.

**7.** Section 80 is amended by striking out subsection (2) and by substituting the following:

(2) The Supervisor, in his discretion, may issue a certificate of authority for the purposes of subsection (1) to a credit union incorporated in another province or territory of Canada where any members of the credit union own land within Alberta, whether or not they live in Alberta.

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

**6.** This amendment gives the Supervisor another alternative where he finds a credit union operating under dangerous or potentially dangerous conditions. 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) 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.

**7.** The close proximity stipulation is removed. Section 80 presently reads:

80. (1) If it holds a certificate of authority issued by the Supervisor under this section, a credit union that

- (a) is not incorporated in Alberta, and
- (b) is not registered under The Companies Act as a foreign company,

is capable of acquiring and holding lands or any interest therein within Alberta and capable of registering any title thereto under The Land Titles Act.

(2) The Supervisor, in his discretion, may issue a certificate of authority for the purposes of subsection (1) to a credit union incorporated in another province or territory of Canada where

- (a) the credit union is carrying on business in close proximity to the Alberta boundary, and
- (b) any members of the credit union own land within Alberta, whether or not they live in Alberta.

(3) A certificate of authority issued under this section does not authorize the credit union to carry on business in Alberta.