

1975 Bill 90
(Second Session)

First Session, 18th Legislature, 24 Elizabeth II

THE LEGISLATIVE ASSEMBLY OF ALBERTA

BILL 90

THE CREDIT UNION AMENDMENT ACT, 1975

MR. GOGO

First Reading

Second Reading

Third Reading

Bill 90
Mr. Gogo

BILL 90

1975

(Second Session)

THE CREDIT UNION AMENDMENT ACT, 1975

(Assented to _____, 1975)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Alberta, enacts as follows:

1. *The Credit Union Act is hereby amended.*
2. *Section 2 is amended*
 - (a) *by renumbering clauses (a), (a1) and (a2) as clauses (a1), (a2) and (a3) respectively and by adding immediately before renumbered clause (a1) the following clause:*
 - (a) "Corporation" means the Credit Union Stabilization Corporation incorporated under this Act;
 - (b) *by striking out clause (g) and by substituting the following clauses:*
 - (g) "Stabilization Board" or "Board" means the board of directors of the Credit Union Stabilization Corporation incorporated under this Act;
 - (h) "Stabilization Fund" or "Fund" means the credit union stabilization fund established under section 92.
3. *The following heading is added after section 2:*

PART 1

CREDIT UNIONS

4. *The following section is added after section 38:*

38.1 The Director may order the directors of a credit union to appoint, within the time specified in the order, a committee to perform a documented internal audit in the manner and covering the period specified in the order.

Explanatory Notes

1. This Bill will amend chapter 74 of the Revised Statutes of Alberta 1970.

2. Section 2, clause (g) presently reads as follows:

(g) "Stabilization Fund" or "Fund" means the credit union stabilization fund heretofore established with the consent of the Director and administered by the Federation for the purpose of providing financial aid to credit unions.

3. The Act is divided into two parts.

4. Provides for a documented internal audit program.

5. Section 41.1 is struck out.

6. Section 42 is amended by striking out subsection (1) and by substituting the following:

42. (1) The board of directors shall, in the manner prescribed by the standard by-laws, establish and maintain reserve funds against possible withdrawals from the deposits of members or money paid by members for shares.

7. Section 44 is struck out and the following section substituted:

44. (1) After making provision for the Fund, reserve funds and the education fund, if any, the board of directors may declare a dividend from the undivided earnings at rates and for periods determined by the board of directors.

(2) Where a dividend of not less than 4 per cent is declared under this section during the fiscal year, the board of directors may declare and allot a rebate of interest paid on all loans of all members during the fiscal year from the remaining undivided earnings.

(3) The credit union shall prepare statements of expenditures on an accrual basis for dividend periods declared under subsection (1).

8. Section 56 is struck out and the following section substituted:

56. (1) A person who is a director, officer or member of the credit committee or the supervisory committee of a credit union has, during his term of office, all the rights of any member respecting withdrawal, transfer or other disposal of sums paid by him on account of his shares.

(2) Notwithstanding subsection (1), where a credit union becomes insolvent, any withdrawal, transfer or other disposal made by any of the directors, officers or members of the credit committee or supervisory committee of a credit union within four months preceding the insolvency is invalid and the director, officer or member, as the case may be, is liable to the credit union to the extent of the sums withdrawn, transferred or otherwise disposed of by him.

5. Section 41.1 presently reads as follows:

41.1 (1) The Stabilization Fund shall continue to be maintained for the purpose of providing financial aid to credit unions.

(2) The Fund shall be administered by a committee called the "Stabilization Committee".

(3) The Stabilization Committee shall consist of five persons, four of whom shall be appointed by the Federation and one of whom shall be appointed by the Minister.

(4) Every credit union shall make an annual payment into the Stabilization Fund in the amount prescribed by the standard by-laws.

(5) The Lieutenant Governor in Council may make regulations governing the operation and management of the Stabilization Fund.

6. Corrects a printing error. Section 42, subsection (1) reads:

42. (1) 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 reserve funds against possible withdrawals from the deposits of members or money paid by members for shares.

7. Section 44 presently reads as follows:

44. (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) 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.

(3) Notwithstanding subsection (1) or (2), a credit union may pass a by-law which, after registration, will allow dividends to be declared by the board of directors without further approval from the membership and in that case, after making provision for the reserve funds, 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 shall instruct the treasurer to credit the members' accounts accordingly.

(4) A dividend authorized in accordance with this section shall be calculated on the minimum quarterly share balance and paid for the preceding fiscal year, but no dividend may be paid to any person who has ceased to be a member of the credit union.

(5) Where a dividend of not less than 3 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.

(6) Dividends and rebates may be allotted from dividend surplus only.

8. Section 56 presently reads as follows:

56. No person who is a director, officer or member of the credit committee or the supervisory committee of a credit union shall, during his term of office, withdraw or transfer or otherwise dispose of sums paid by him on account of shares unless the withdrawal or transfer is approved

(a) at a joint meeting of the members of the board of directors, the credit committee and the supervisory committee, at which he is not present, and

(b) by a vote of those present equal to two-thirds of the number of all such members whether or not present and voting,

and in the case of the insolvency of the credit union, any such withdrawal or transfer made by him within four months preceding the insolvency is null and void, and he remains liable to the creditors of the credit union to the full extent of the shares so transferred or disposed of.

9. Section 57, subsection (1) is amended by striking out the word "February" and by substituting the word "March".

10. Section 58 is amended as to subsections (1) and (3) by striking out the words "Stabilization Committee" wherever they occur and by substituting the words "Stabilization Board".

11. Section 64 is amended by striking out clause (a) and by substituting the following:

- (a) before the end of March in each year send to the Director and the Stabilization Board an audited statement of the receipts and expenditures, assets and liabilities of the credit union and such other information as may be required by the Director or the Stabilization Board, and

12. The following section is added after section 67:

67.1 (1) Notwithstanding sections 24 and 38, a credit union may by supplemental by-law dispense with the supervisory committee where

- (a) an auditor appointed under section 67, subsection (3) conducts, in addition to the annual audit, an audit of the credit union's books at least quarterly, or
- (b) an audit committee appointed pursuant to section 38.1 is in existence,

and quarterly reports are made to the Director in a manner which is acceptable to the Director.

13. Section 68 is amended

- (a) as to clause (b) by adding after the words "by the Director" the words ", the Stabilization Board",
- (b) by adding the word "or" at the end of clause (d) and by adding the following after clause (d):
- (e) makes any written or oral representation that the shares of or deposits with the credit union are assured or guaranteed under this Act

9. Section 57 presently reads as follows:

57. (1) The annual meeting shall be held before the end of February in each year at such time as the credit union may determine.

(2) Special meetings may be called in the manner provided by the by-laws.

(3) The credit union shall supply without charge to each member on his application a summary of the latest annual return of the credit union.

10. Section 58, subsections (1) and (3) presently read as follows:

58. (1) Where the Director is of the opinion that the affairs of the credit union are being mismanaged or are being conducted in an unsound manner he shall make an order

(a) requiring the credit union to re-organize its affairs to the satisfaction of the Director within 90 days or such longer period as the Director may from time to time prescribe, or

(b) authorizing the Stabilization Committee or such person as he considers proper to re-organize, manage and supervise the affairs of the credit union so as to ensure that the affairs of the credit union will be properly managed in a sound manner.

(3) Where the Director makes an order under subsection (1), clause (b) he may (a) suspend the powers of the board of directors in whole or in part, and

(b) authorize the Stabilization Committee or the person appointed to carry on the affairs of the credit union to exercise the powers of the board of directors in whole or in part.

11. Section 64 presently reads as follows.

64. Every credit union shall

(a) before the end of February in each year send to the Director an audited statement of the receipts and expenditures, assets and liabilities of the credit union and such other information as may be required by the Director, and

(b) supply free to each shareholder, on his application, a copy of the latest annual return.

12. Alternate procedures are provided instead of the supervisory committee.

13. New offences are added to section 68. Section 68 presently reads as follows:

68. It is an offence against this Act if a credit union

(a) fails to give a notice, send a return or document, or do or allow to be done an act or thing that the credit union is by this Act required to give, send, do or allow to be done, or

(b) wilfully neglects or refuses to do an act or to furnish information required for the purposes of this Act by the Director or any other official or person whose duties require him to obtain the information, or

(c) does an act or thing forbidden by this Act, or

(d) makes a return or wilfully furnishes information that is in any respect false or insufficient.

otherwise than by such marks, signs, advertisements or other devices as are authorized by the Stabilization Board and used in the manner prescribed by the Stabilization Board, or

- (f) fails or neglects to present to a meeting of the board of directors of a credit union any written request or directive of the Stabilization Board made pursuant to this Act, or
- (g) fails or neglects to record in the minutes of a meeting of its board of directors a report of any written request or directive of the Stabilization Board which is presented at the meeting, or
- (h) fails to comply with any by-law, order or directive of the Stabilization Board.

14. Section 70 is amended by inserting the following subsection after subsection (1):

(1.1) No person shall make any representation that

- (a) any person, firm, corporation or association other than a credit union, or
- (b) the shares of or deposits with a person, firm, corporation or association other than a credit union, are guaranteed or insured or approved for guarantee or insurance under this Act.

15. Section 71 is amended by striking out the figure "\$100" and by substituting the figure "\$1,000".

16. Section 73 is amended

(a) by striking out subsection (2) and by substituting the following:

(2) The Director shall give the credit union not less than two months' notice of the proposed dissolution specifying the reason for the proposed dissolution and stating that unless cause is shown to the contrary the Registrar will be directed to strike the credit union off the register.

(b) as to subsection (3) by striking out the words ", unless cause to the contrary is previously shown by the credit union,".

14. Section 70 presently reads as follows:

70. (1) No person, firm, corporation or association doing business in the Province shall use the words "credit union" or an abbreviation or derivative thereof as part of its corporate or business name unless incorporated by or under the authority of an Act of the Parliament of Canada or an Act of the Legislature.

(2) A person, firm, corporation or association contravening the provisions of this section is guilty of an offence.

15. Section 71 presently reads as follows:

71. Every person, firm, corporation, association or credit union guilty of an offence under this Act is, on the complaint of a credit union or member thereof or of the Director, liable on summary conviction to a fine of not more than \$100.

16. Section 73 presently reads as follows:

73. (1) The Lieutenant Governor in Council may, by order, dissolve a credit union if satisfied by the report of the Director that

- (a) the incorporation of the credit union was obtained by fraud or mistake, or
- (b) the credit union exists for an illegal purpose, or
- (c) the number of members has fallen to less than 10, or
- (d) the credit union is not carrying on business or is not in operation, or
- (e) the credit union has wilfully, after notice from the Director, violated any of the provisions of this Act.

(2) The Registrar shall give the credit union not less than two months' notice of the proposed dissolution, specifying the reason therefor and stating that, unless cause is shown to the contrary within the said period, the name of the credit union will be struck off the register and the credit union dissolved.

(3) At the expiration of the time mentioned in the notice and upon receipt of a statement of the affairs of the credit union from the Director, the Registrar shall, 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.

17. Section 75, subsection (1.1), clause (b) is amended by striking out the words "Stabilization Committee" and by substituting the words "Stabilization Board".

18. The following heading and sections are added after section 80:

PART 2

THE CREDIT UNION STABILIZATION CORPORATION

81. In this Part,

- (a) "assessment" means an assessment by the Stabilization Board against a credit union;
- (b) "by-laws" means by-laws passed by the Stabilization Board pursuant to section 89;
- (c) "the former Stabilization Fund" means the stabilization fund which existed under this Act before the coming into force of this Part.

82. (1) There is hereby established a corporation with the name "The Credit Union Stabilization Corporation" which shall consist of the members of the Board.

(2) The Corporation is not subject to the provisions of

- (a) *The Insurance Corporations Tax Act*, or
- (b) *The Alberta Insurance Act*, or
- (c) *The Securities Act*.

(3) The fiscal year of the Corporation ends on the 31st day of December.

83. (1) The business and affairs of the Corporation shall be administered by the Board.

(2) The Board may exercise all of the powers of the Corporation.

84. (1) The Board shall consist of

- (a) three members of the Board appointed by the board of directors of the Federation,
- (b) one member of the Board elected by the members of the Federation, but who shall not be a director of the Federation, and
- (c) one member appointed by the Minister.

(2) Subject to subsection (3), a member of the Board holds office for a term of two years from the date of his

17. Section 75 (1.1) presently reads as follows:

(1.1) Where

- (a) a credit union that is required to reorganize its affairs pursuant to section 58, subsection (1), clause (a) does not do so to the satisfaction of the Director, or
 - (b) the Stabilization Committee or a person authorized, pursuant to section 58, subsection (1), clause (b), to reorganize, manage and supervise the affairs of a credit union, recommends to the Director that the credit union be wound up,
- the Director may appoint himself or such other person as he considers proper as liquidator of the credit union and upon completion of the winding up of the credit union the Director shall direct the Registrar to cancel the incorporation of the credit union.

81. Definitions.

82. Incorporation, fiscal year and non-applicability of legislation.

83. The Stabilization Board.

84. Composition of Board.

appointment or election, as the case may be, or until his successor is appointed or elected in his stead.

(3) The appointment of any member of the Board appointed pursuant to subsection (1), clause (a), may be terminated at any time by resolution of the board of directors of the Federation.

(4) Where a vacancy occurs in the position of a person appointed pursuant to subsection (1), clauses (a) and (c), the vacancy shall be filled by appointment under subsection (1), clauses (a) or (c), as the case may be, for the balance of the term.

(5) Where a vacancy occurs in the position of a person elected pursuant to subsection (1), clause (b), the vacancy may be filled by election under subsection (1), clause (b) or, where no election takes place, the Board may appoint any member of the Federation, other than a director thereof, as a member of the Board for the unexpired balance of the term.

(6) The general manager of the Federation and the Director are ex officio members of the Board but shall not be entitled to vote upon any matter.

85. The Board shall elect from among its members a chairman, a vice-chairman and a secretary for such period as the Board determines.

86. Vacancies on the Board do not impair the right of the Board to exercise its powers if the number of members holding office constitutes a quorum.

87. (1) Three of the voting members of the Board constitutes a quorum for the transaction of the business of the Corporation.

(2) A resolution of the Board, signed by all voting members, is of the same force and effect as if duly adopted at a regularly convened meeting of the Board.

88. The Board shall keep minutes of the proceedings of all meetings and a record of all its resolutions.

89. (1) The Board may make by-laws governing

- (a) the administration, management and control of the property and affairs of the Corporation;
- (b) the functions and duties of all officers, agents and employees of the Corporation;

85. Chairman, vice-chairman and secretary of the Board.

86. Vacancies.

87. Quorum and votes by mail.

88. Minutes of the Board.

89. By-laws of the Board.

- (c) the appointment or disposition of any special committees from time to time created for the purposes of the Corporation;
 - (d) the time and place for the holding of meetings of the members of the Board and the procedure in all things at such meetings;
 - (e) standards of sound business and financial practices for those credit unions under the supervision of the Corporation;
 - (f) the manner, content, frequency and form of reports to be made by these credit unions under the supervision of the Corporation;
 - (g) the manner and content and form of applications by credit unions to the Corporation for loans, advances, grants or other financial assistance;
 - (h) the terms and conditions of any policy of insurance or any insurance program authorized by the Corporation and the basis upon which credit unions may participate therein, including the costs to be paid by such credit unions;
 - (i) those credit unions that are not participating in any insurance program authorized by the Corporation, and requiring them to file with the Corporation certificates evidencing such insurance coverage as may from time to time be required by the Corporation;
 - (j) the conduct in all other particulars of the affairs and purposes of the Corporation.
- (2) No by-law or amendment to a by-law is effective until it has been
- (a) approved by the Director, and
 - (b) published in The Alberta Gazette.
- (3) *The Regulations Act* does not apply to by-laws made by the Board.

90. The objects of the Corporation are:

- (a) to assure the repayment of money invested in shares of, or deposits with, a credit union, including declared dividends on such shares and earned interest on such deposits, whether invested, deposited or credited before or after the commencement of this Part;
- (b) to protect and stabilize credit unions in financial difficulties by loans, advances or grants;
- (c) to provide for such preventive services as in the opinion of the Board may be necessary to avert

90. Objects.

financial difficulties or to recoup losses incurred by credit unions or members thereof;

- (d) to authorize the purchase of insurance policies or programs from any insurer licensed under *The Alberta Insurance Act* that provides indemnification for liability, and for loss or destruction of property, including, but not restricted to, the following:
 - (i) fire insurance;
 - (ii) bonding of employees, officers and directors;
 - (iii) insurance against burglary and theft;
 - (iv) investment, loan, document, securities and deposit insurance;
 - (v) public liability insurance;
 - (vi) directors, officers, committee members' and employees' liability insurance;
- (e) to establish and carry out technical and advisory programs for the general welfare of credit unions and the credit union movement in Alberta;
- (f) to purchase the assets and assume the liabilities, or any portion thereof, of a credit union that is in the process of dissolution or which in the opinion of the Board requires financial assistance;
- (g) to act as the liquidator of any credit union that is in the process of liquidation;
- (h) to supervise and administer the affairs of a credit union in the circumstances described in section 102;
- (i) to re-organize, manage and supervise the affairs of a credit union where an order is made by the Director pursuant to section 58.

91. In addition to the other powers that are conferred upon the Corporation by this Part and by section 14 of *The Interpretation Act*, the Corporation has the following powers:

- (a) to invest moneys in any stocks, bonds or securities of or guaranteed by the Government of Canada or the Government of Alberta, in paid-up shares or securities of The Credit Union Federation of Alberta Limited, the Co-operative Trust Company of Canada or the Canadian Co-operative Credit Society or in authorized trustee investments under *The Trustee Act*;
- (b) to raise or borrow in such amount and in such manner as it sees fit with or without security, and to charge the whole or any portion of the Fund, including moneys receivable as assessments, as security;

91. Powers of the Corporation.

- (c) to enter into an agreement or agreements under section 88 of the *Cooperative Credit Associations Act* with the Canada Deposit Insurance Corporation;
- (d) to purchase, acquire, sell, lease or otherwise dispose of any real or personal property;
- (e) to secure re-insurance of the liability of the Corporation with one or more insurers, in such amount as the Corporation thinks fit;
- (f) to levy an assessment to cover the cost of authorized insurance premiums or insurance programs, including the cost of administering any insurance program and to recover the assessment from those credit unions participating in the insurance programs;
- (g) to draw, make, accept, endorse, execute and issue promissory notes, bills of exchange, warrants and other negotiable and transferable instruments;
- (h) to pay to the members of the Board such allowance, travelling expenses and other remuneration as may be determined by the Board;
- (i) to pay all other expenses necessarily incurred in the carrying out of the objects of the Corporation;
- (j) to establish a head office and such other offices as the Board may determine are necessary or advisable;
- (k) to do all other things necessarily incidental or conducive to the attainment of its objects.

92. (1) There is hereby established a fund with the name "The Credit Union Stabilization Fund" which shall be held and administered by the Corporation and shall include but not be limited to:

- (a) all assets of whatever nature had or owned by the former Stabilization Fund;
- (b) all money received by the Corporation pursuant to any assessment, premium or charge made by the Corporation;
- (c) interest or dividends on moneys deposited or invested by the Corporation;
- (d) assets purchased from a credit union;
- (e) assets realized from a credit union in the process of dissolution;
- (f) all contracts made by the Corporation in pursuance of its powers;
- (g) borrowed moneys.

92. The Stabilization Fund, assets and liabilities.

(2) The Corporation shall assume the liabilities created or assumed by the committee of the former Stabilization Fund, which liabilities shall include but shall not be limited to:

- (a) the contributions to or annual investments in the former Stabilization Fund made by credit unions on or before December 31, 1974;
- (b) liabilities arising under or by virtue of any guarantee made or given by the former Stabilization Fund;
- (c) all trust accounts held by the former Stabilization Fund.

(3) The Board may issue debentures to a credit union in an amount equal to the credit union's contributions to or annual investments in the former Stabilization Fund made by the credit union on or before December 31, 1974.

(4) The Board may fix the rate of interest, if any, and other terms and conditions of a debenture issued under subsection (3) and may secure the payment of the debenture by a charge on the assets of the Fund.

93. (1) The Board shall each year assess and levy upon each credit union such sums as the Board determines not exceeding one-quarter of 1 per cent of the aggregate of the shares, savings and deposits of the credit union.

(2) The sum assessed upon each credit union shall be determined by the Board on the basis of the audited statement received pursuant to section 64.

(3) Notice of assessment upon a credit union shall be sent by mail to the credit union at its registered office and shall be deemed to have been given on the day on which the notice was sent.

(4) Each credit union shall pay to the Corporation the amount of its assessment within 30 days after notice of the assessment is sent or within such extended time as the Board may fix.

(5) Any assessment bears interest at such rate as shall be determined by the Board from the date at which the assessment is due under subsection (4) until payment, and all payments shall be applied first to the payment of interest and then to reduction of the assessment.

(6) The Board may waive in whole or in part the payment of any assessment upon such grounds as it considers proper.

(7) An assessment pursuant to this section is recoverable as a debt owing by the credit union to the Corporation and a certificate of a member of the Board, given under

93. Assessments on credit unions.

his hand and the seal of the Corporation, is prima facie evidence that the sum assessed upon the credit union, as set forth in the certificate, is owing and is due and payable to the Corporation without proof of the signature of the member of the Board or of his appointment or election to the Board.

(8) Any assessment required to be paid by a credit union pursuant to this section shall be charged as an expense of the credit union.

94. (1) If at any time the Board is of the opinion that

(a) the capital of the Corporation is about to become impaired, or

(b) further funds are required to meet the obligations of the Corporation as they fall due,

the Board may by notice in writing require every credit union to pay an assessment in addition to that under section 93.

(2) Not more than one additional assessment under subsection (1) shall be levied in any one fiscal year.

(3) The Board may also from time to time levy assessments to cover the cost of insurance premiums or plans pursuant to section 91, clause (g).

(4) The provisions of section 93 with regard to assessments made under that section apply to assessments made under this section with all necessary modifications.

95. All moneys received by the Corporation shall be deposited with The Credit Union Federation of Alberta Limited or with one or more chartered banks or with one or more treasury branches.

96. (1) Any member of a credit union is entitled to claim against the Corporation, subject to any statutory lien or specific charge in favour of the credit union, in the event that the credit union of which he is a member

(a) fails, neglects, or refuses to redeem, within the time prescribed by or under this Act or the by-laws of the credit union, all or any of his shares in the credit union and to return to him the money invested therein with authorized dividends after setting off any lien or specific charge in favour of the credit union, or

(b) fails to pay to him in accordance with the terms of the deposit, the provisions of this Act or the by-laws of the credit union, any moneys deposited with the credit union with earned interest in his

94. Notice of assessment.

95. Deposit of moneys received.

96. Claims against the Corporation.

name or on his behalf after setting off any lien or specific charge in favour of the credit union.

(2) Every claim under subsection (1) shall be made within six months of the time when the credit union failed, refused or neglected to return the moneys invested or deposited.

(3) In the case of a person who is under 18 years of age at the time when the claim under subsection (1) first arose, the claim may be made by his parent or guardian, or, if not so made, may be made by the person himself within six months from the date on which he attains the age of 18 years.

(4) Notwithstanding subsections (2) and (3), the Board may receive any claim after the expiry of the time limitations in subsections (2) and (3) and may make payment based on any claim so received.

97. (1) Where a member of a credit union is entitled to claim against the Corporation in respect of any share or deposit, or both, the Corporation shall, as soon as practicable upon receipt of notice of the claim in a form approved by the Board and upon the Board being satisfied as to the correctness of the amount of such claim, make payment thereof to such member or to his personal representative.

(2) Payment under this section by the Corporation in respect of any share or deposit discharges the Corporation and the credit union from any further liability to the member for the amount paid in respect of that share or deposit.

(3) Where the Corporation makes a payment under this section in respect of a share or deposit, the Corporation is subrogated for the amount paid to all the rights and interests of the shareholder or depositor as against the credit union.

(4) For the purposes of this section "share" includes declared dividends on the share and "deposit" includes earned interest on the deposit.

98. Where the aggregate of the claims under section 96, subsection (1) exceed the amount of the Fund, the Corporation shall make payment of all claims on a pro rata basis without regard to the order in which the claims may have been received.

99. The Corporation may issue to each credit union a device designed to inform members of a credit union of the

97. Payment of claims.

98. Pro rata payment of claims.

99. Advertising symbol of assurance afforded credit unions by the Corporation.

assurance given by the Corporation, which may be displayed at the office of the credit union and reproduced on any of its stationery or advertising.

100. (1) The Corporation may make loans, advances or grants to

- (a) a credit union that, in the opinion of the Board,
 - (i) requires financial assistance from the Corporation in order to maintain its solvency and to meet claims of its members for withdrawal of their shares or deposits, or
 - (ii) requires financial assistance to enable the credit union to operate its affairs in a sound, economic and businesslike manner,

or

- (b) a credit union for any of the following purposes:
 - (i) for carrying on, encouraging and assisting in technical and advisory matters relating to credit unions,
 - (ii) for the purpose of purchasing or acquiring a safe, vault or other safety equipment necessary to ensure the safety of moneys and documents entrusted to the credit union by its members for safe-keeping or required in the provision of services to its members,

where the Corporation is satisfied that the credit union seeking assistance has made every reasonable effort to meet its obligations and carry on its affairs from its own resources.

(2) Where a credit union seeks assistance from the Corporation, the Board may as a condition of granting assistance to the credit union require the credit union to assign its book debts and pledge its other assets to the Corporation for such time as the Board considers adequate or, where the credit union is in the process of dissolution, until dissolution is completed.

(3) In the event of the Corporation granting financial assistance to a credit union, the Board may, in addition to any other condition, stipulate that the financial assistance shall in whole or in part be repayable to the Corporation by the credit union out of future net earnings of the credit union.

101. (1) The Board may, in its discretion, issue to or on behalf of any credit union the guarantee of the Corporation in respect of any liability of, or to be assumed or acquired by, any credit union.

100. Assistance to credit unions.

101. Corporation may issue guarantees.

(2) In the event of the Corporation granting any guarantee, the Board may as a condition therefor require the credit union to assign its book debts and pledge its other assets to the Corporation for such time as the Board considers adequate.

102. (1) The Board may, by notice in writing to a credit union and to the Director, declare the credit union to be subject to supervision by the Corporation where

- (a) a credit union has in any year provided for the payment of a dividend which it cannot pay without reducing the amount to be allocated in that year to its guarantee reserve fund below the amount required by this Act, or
- (b) the amount of the guarantee reserve fund of a credit union, after deducting therefrom the reserve to be set aside in respect of the loan loss exposure of the credit union, as is provided for in the standard by-laws, is less than one-quarter of 1 per cent of its loans outstanding at the end of the preceding fiscal year, or
- (c) the Director advises the Board that in his opinion a credit union is conducting its affairs in a manner that is financially unsound or otherwise threatens to impair the security of its members, or
- (d) in the opinion of the Board any credit union
 - (i) is following unsound business or financial practices, or
 - (ii) is in breach of any by-laws of the Corporation, or
 - (iii) is conducting its affairs in a manner that threatens to impair the security of its members.

(2) A credit union declared to be subject to supervision shall remain under the supervision of the Corporation until

- (a) the circumstances giving rise to making of the declaration cease to exist, or
- (b) the credit union is liquidated or dissolved, or
- (c) the Corporation, at its own instance or upon the application of the credit union, and by notice to the credit union and the Director, releases the credit union from its supervision, or
- (d) the Director after hearing an appeal or pursuant to subsection (10), renders a decision removing the declaration.

(3) Where a credit union is subject to supervision by the Corporation, the Corporation may

- (a) authorize an employee or other person to act on its behalf to inspect the affairs of the credit union

102. Supervision of credit unions by the Corporation.

- and for that purpose, examine and investigate the books, accounts, assets, securities, documents, conditions, and affairs of the credit union and make inquiries from its officers, directors, members and employees or from any other person who may have knowledge of the affairs of the credit union;
- (b) order an audit of the affairs of the credit union by an auditor approved by the Board who in the discretion of the Board may be the auditor appointed by the credit union;
 - (c) require the auditor to make such reports to it as it considers advisable and may provide that those reports or any part of them shall be confidential and, unless the Director or a court otherwise orders, the Corporation is not required to produce any reports from the auditor;
 - (d) require the credit union to correct any practices that in the opinion of the Board are contributing to the financial difficulties suffered by the credit union or, in the opinion of the Board, are likely to contribute to the unsound conduct of its affairs;
 - (e) order the credit union, its directors, committee members, officers and employees to refrain from exercising any powers that in the opinion of the Board are contributing to the financial difficulties suffered by the credit union, or in the opinion of the Board are likely to contribute to the unsound conduct of the credit union's affairs;
 - (f) order the credit union, its directors, committee members, officers and employees to exercise the powers specified in an order under clause (e) upon terms specified in the order;
 - (g) order the credit union not to declare or pay a dividend or to restrict the amount of dividend to be paid to a rate or an amount fixed by the Board;
 - (h) issue directives for the operation of the credit union and may authorize an agent or employee of the Corporation to supervise the implementation thereof and, with the Board's authority, to allow variations therein;
 - (i) administer or appoint an administrator of the credit union at the expense of the credit union unless the Board decides to bear the whole or any portion of the expense.
- (4) The Board may, in its discretion,
- (a) remove or reappoint an administrator, or
 - (b) appoint another administrator in place of an administrator previously appointed, or
 - (c) appoint an employee of the Corporation as administrator.

(5) Where the Corporation itself administers, or appoints an administrator of, a credit union, both the Corporation and the administrator have the power

(a) to carry on, manage and conduct the operations of the credit union and in the name of the credit union to preserve, maintain, realize, dispose of, and add to the property of the credit union, to receive the income and revenues of the credit union, and to exercise all the powers of the credit union and of the directors, officers, credit officers, and credit committee, and

(b) to exclude the directors of the credit union and its officers, servants and agents from the property and business of the credit union.

(6) An administrator appointed by the Corporation shall report regularly to, and be subject to an inspection by, the Corporation and shall, upon his discharge, fully account to the Corporation for his administration of the credit union.

(7) Upon the completion of the accounting to the satisfaction of the Director, the administrator and the Corporation are released from all claims, other than on account of fraud, by the credit union or any member thereof or any person claiming by or through or under the credit union or any member thereof.

(8) The Corporation may make inquiries with respect to any credit union which is under supervision by the Corporation and with respect to any other credit union for specific purposes stated in a written inquiry, to any credit union, or any officer or employee thereof, or to any person whose name appears upon the books of the credit union as a member, depositor or borrower.

(9) Every credit union or person shall reply promptly and, in writing, if so required, to an inquiry made pursuant to subsection (9).

(10) Where the Corporation has placed any credit union under its supervision, the credit union may within 30 days after the declaration of supervision by the Corporation, appeal to the Director in writing for the removal of the declaration of supervision.

(11) Where an appeal is commenced under subsection (10), the Director shall, within 15 days from the date of hearing the appeal, render a decision either continuing or removing the declaration of supervision.

103. (1) The Director may authorize the Corporation

(a) to require any credit union to submit to it any reports on its financial affairs as it may determine

103. Inspection of credit union by Corporation.

are required to adequately evaluate the financial operation of the credit union;

- (b) to inspect and investigate the affairs and operations of any credit union for any reason, including but not limited to its
 - (i) method of operation, or
 - (ii) compliance with this Act, or
 - (iii) loan policies, or
 - (iv) investment and insurance programs.

(2) In carrying out an inspection authorized under subsection (1), the Board through its members, agents or employees

- (a) may attend at a credit union,
- (b) shall have access to all premises of the credit union,
- (c) may examine and investigate all the books, accounts, assets, securities, documents, conditions and affairs of the credit union, and
- (d) may examine under oath the officers, directors, members and employees of the credit union and any other persons who may have knowledge of the affairs of the credit union.

104. The Board shall appoint a manager and may appoint such other officers, employees and committees of the Corporation as it considers necessary for its purposes, and shall determine their remuneration, if any, which shall be paid out of the Fund.

105. The Board may delegate to a manager or to officers, employees and committees appointed under section 104 any powers and functions that the Board may determine are necessary for the attainment of its objects.

106. All members, officers and employees of the Corporation, and members of committees of the Corporation who are concerned with the receipt, management or expenditure of money shall, before entering upon their duties, furnish a fidelity bond issued by an insurer licensed under *The Alberta Insurance Act* in such amount as the Board shall fix, the cost of which bond shall be borne by the Corporation.

107. (1) The Corporation shall maintain full and complete records and all transactions of the Corporation shall be clearly entered therein.

104. Appointment of manager and other employees.

105. Delegation of powers to employees.

106. Bonding of employees and members of the Corporation.

107. Business records and audit of the Corporation.

(2) The Corporation shall maintain separate accounts as follows:

- (a) an accumulated net assessment account to which shall be credited all assessments levied pursuant to section 93 and section 94, subsection (1) and to which shall be charged all payments of assistance to credit unions;
- (b) an accumulated net earnings account to which shall be credited all earnings realized by the Corporation on the accumulated net assessment account and to which shall be charged all operating expenses and losses, and provisions for losses, other than expenses in respect of any insurance policy authorized by the Corporation;
- (c) an accumulated insurance assessment account to which shall be credited all assessments pursuant to section 94, subsection (3) and all earnings thereon and to which shall be charged all payments made in respect of any insurance policy or program authorized by the Corporation.

(3) The Corporation shall annually appoint a chartered accountant or firm of chartered accountants or other qualified person to audit the books and accounts of the Corporation for the current fiscal year.

(4) Upon receipt of the auditor's report, the Corporation shall forthwith send to the Director and to the Federation a copy thereof together with the annual report and such further statement of the affairs of the Corporation as the Director or the Federation may require.

(5) The Corporation shall furnish to the Director and the Federation such additional information as they or either of them may require.

(6) The Corporation shall make a report on its affairs and financial condition to the annual meeting of the Federation.

19. The Credit Union Federation of Alberta Limited Act is amended as to section 5 by striking out subsection (3).

20. This Act comes into force on the day upon which it is assented to and upon so coming into force sections 2, 3, 5, 10 and 18 shall be deemed to have been in force at all times on and after December 31, 1974.

19. Consequential amendment. Section 5, subsection (3) of The Credit Union Federation of Alberta Limited Act reads as follows:

(3) The credit union stabilization fund referred to in The Credit Union Act is not an asset of the Federation, but the ownership of that fund and of any advances made therefrom or interest, moneys or claims accruing thereto as well as the right to sue for, recover, receive or give valid receipts for all or any of such interest, moneys or claims shall vest in such person or committee as may be determined by the Lieutenant Governor in Council.