

NATIONAL ASSEMBLY
Thirty-third Legislature, second session

1989, chapter 113

**AN ACT TO REPLACE THE ACT RESPECTING
LA CONFÉDÉRATION DES CAISSES POPULAIRES
ET D'ÉCONOMIE DESJARDINS DU QUÉBEC**

Bill 279

Introduced by Mr Jacques Chagnon, Member for Saint-Louis

Introduced 15 May 1989

Passage in principle 21 June 1989

Passage 21 June 1989

Assented to 22 June 1989

Coming into force: 22 June 1989, except the fourth paragraph of section 31 and the last paragraph of section 62, which come into force on 23 December 1990

Act replaced:

Act respecting La Confédération des caisses populaires et d'économie Desjardins du Québec (1971, chapter 80)





CHAPTER 113

An Act to replace the Act respecting La Confédération des caisses populaires et d'économie Desjardins du Québec

[Assented to 22 June 1989]

Preamble

WHEREAS it is in the interest of La Confédération des caisses populaires et d'économie Desjardins du Québec and of its members that chapter 80 of the statutes of 1971, as amended by chapter 78 of the statutes of 1975, chapter 102 of the statutes of 1978, chapter 46 of the statutes of 1979, chapter 90 of the statutes of 1979, chapter 60 of the statutes of 1980, chapters 52 and 70 of the statutes of 1982, chapter 133 of the statutes of 1986 and chapter 64 of the statutes of 1988, be consolidated and amended in order to harmonize it with the provisions of the Savings and Credit Unions Act (1988, chapter 64);

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

DIVISION I

LA CONFÉDÉRATION DES CAISSES POPULAIRES ET D'ÉCONOMIE DESJARDINS DU QUÉBEC

Objects

1. In addition to its objects under the Savings and Credit Unions Act (1988, chapter 64), La Confédération des caisses populaires et d'économie Desjardins du Québec, hereinafter called "the Confédération", shall also have as its object the definition of common objectives designed to achieve the unity of thinking and action of its member federations and the credit unions affiliated with them.

Firm name

2. The Confédération may identify itself under the firm name of "Mouvement des caisses Desjardins".

By-laws

3. The by-laws of the Confédération may provide for the admission of any person or partnership as honorary members.

Honorary members may attend meetings; however, they are neither entitled to vote nor eligible to hold any office within the Confédération, nor are they entitled to benefits afforded to members by the Confédération.

- Election** **4.** For the formation of its board of directors, the Confédération may, by by-law, grant to each member federation the right to elect a certain number of directors. The election may take place during group meetings convened by the Confédération or during the annual meeting of the Confédération. No member of the board of directors thus elected shall be dismissed except by the member federation who has the right to elect him.
- President or director general** **5.** The board of directors may, if authorized by by-law, choose from among its members or from among non-members, a president of the Confédération who is not the chairman of the board of directors. The board of directors may also appoint a director general.
- Powers and duties** The Confédération's by-law shall determine the powers and duties of the officers so chosen, and the conditions of their eligibility.
- Term of office** **6.** The term of office of the president of the Confédération shall be fixed by by-law, shall not exceed ten years and shall be renewable.
- Vacancy** When the president of the Confédération is chosen, he shall become a director *ex officio* for the duration of his term. The seat which he held as an elected director, where such was the case, shall become vacant and such vacancy shall be filled by the board of directors in accordance with the by-laws.
- Remuneration** The board of directors shall fix the remuneration of the president of the Confédération as well as the other conditions relating to his status as an employee of the Confédération.
- Attendance allowance** **7.** The board of directors may exclude the employees of a credit union, a federation or the Confédération from the payment of the attendance allowance referred to in section 348 of the Savings and Credit Unions Act.
- Powers** **8.** The Confédération may, for the purpose of making the investments which it may make pursuant to the Savings and Credit Unions Act,
- (1) borrow money upon its credit, in particular from its members and auxiliary members;

(2) issue bonds or other securities, and pledge them or sell them for such sums and at such prices as considered expedient.

9. Subject to section 260 of the Savings and Credit Unions Act in respect of credit unions, every credit union and member federation holding shares or bonds issued by a corporation forming part of the same group as the Confédération, within the meaning of section 8 of the Savings and Credit Unions Act, may assign them to the Confédération and receive, in payment or exchange, preferred shares, shares or bonds issued by the Confédération.

Where, as a result of the acquisition of preferred shares of the Confédération pursuant to this section, a member federation holds units, shares, bonds or debentures referred to in paragraph 2 of section 408 of the Savings and Credit Unions Act in a proportion exceeding the percentage prescribed therein, the federation shall have until 31 December 1991 to comply.

The Inspector General of Financial Institutions may grant extensions on the conditions he determines.

10. The Confédération and member federations authorized by the Confédération may guarantee the financial liabilities of the corporations mentioned in Schedule A and Schedule B.

The aggregate of the sums represented by the guarantees given by the Confédération and all its member federations in accordance with this section, shall not exceed 1% of the total assets of the credit unions affiliated with such member federations; in addition, the aggregate of the sums represented by the guarantees given by a member federation shall not exceed 1% of the total assets of the credit unions affiliated with it.

11. Notwithstanding section 469 of the Savings and Credit Unions Act, the Confédération may acquire and hold securities or qualifying shares permitting it to adhere to a credit card network, a debit or payment card network and an electronic fund transfer network.

12. The Confédération may, accessorially to its main activities, contract with any person to provide him with services which it offers in the context of its participation to networks in accordance with section 11, management services, data processing services or any other technical service which the Confédération uses for its own benefit or the benefit of its members.

DIVISION II

SOCIÉTÉ D'INVESTISSEMENT DESJARDINS

- 13.** A joint stock company hereinafter called “the Company” is incorporated under the name of “Société d’investissement Desjardins”; its head office shall be in the city of Montréal.
- 14.** Subject to this Act, the Company shall be governed by Part II of the Companies Act (R.S.Q., chapter C-38).
- 15.** The purpose of the Company is to promote the development of industrial or commercial undertakings, whether of a cooperative nature or not, and thus promote the economic progress of Québec.
- 16.** The Company may in particular
- (1) acquire securities and any evidences of indebtedness or titles of participation;
 - (2) establish, provide and lease and hire technical, management and research services for itself or for others;
 - (3) grant a loan or guarantee the payment, in whole or in part, of a financial liability.
- 17.** The authorized capital stock of the Company is composed of an unlimited number of common shares without par value.
- The directors of the Company may make a by-law to increase the capital stock of the Company by creating shares contemplated by section 146 of the Companies Act. Such a by-law is subject to the procedure established in sections 155 to 157 of that Act.
- 18.** The Company’s business is administered by a board of not less than nine directors.
- However, the by-laws of the Company may provide for a greater number of directors.
- It is not necessary to be a shareholder to be a director of the Company.
- 19.** The board of directors of the Company may exercise the powers set out in sections 142, 145 and 169 of the Companies Act.

DIVISION III

LA CAISSE CENTRALE DESJARDINS DU QUÉBEC

Incorporation **20.** A corporation, hereinafter called “the Caisse centrale” is incorporated under the name of “La Caisse centrale Desjardins du Québec”.

Firm name The Caisse centrale may also identify itself under the firm name of “Caisse centrale Desjardins”.

Powers **21.** The Caisse centrale is a corporation within the meaning of the Civil Code and has the general powers of such a corporation and the special powers conferred on it by this Act.

Head office **22.** The Caisse centrale has its head office at Lévis or any other location in the Province of Québec fixed by a by-law adopted by the general meeting.

Notice The Caisse centrale must, within ten days of the adoption of the by-law, give notice of the change to the Inspector General of Financial Institutions who shall cause a copy of the notice to be published in the *Gazette officielle du Québec* at the expense of the Caisse centrale.

Change of address The Caisse centrale may, by resolution of its board of directors, change the location of its head office within the boundaries of the city where it is located. A notice of the change of address must be given to the Inspector General.

Applicable provisions **23.** Except where incompatible with this division, the provisions of the Savings and Credit Unions Act (1988, chapter 64) respecting credit unions and federations apply to the Caisse centrale, adapted as required.

Exceptions However, the following provisions do not apply to the Caisse centrale: paragraph 6 of section 2, sections 4, 11 to 19, 55 to 89, 96 to 109, paragraphs 2 and 5 of section 112, sections 118, 127, 137, 143, 147 to 150, 154 to 183, 227 to 239, 247, 256 to 260, 266, 267, 271 to 273, 321 to 328, 345, 349, the first paragraph of section 353, sections 354, 355, 358 to 363, 389 to 394, 408, 410, 411, 413 to 427, 437, 514, 515 and 545 to 550.

1988, c. 64, s. 8, replaced for the Caisse centrale **24.** Section 8 of the Savings and Credit Unions Act is replaced, for the Caisse centrale, by the following section:

Interpretation **“8.** For the purposes of sections 217 and 251, the following entities form part of the same group as the Caisse centrale: the

Confédération, the Corporation de fonds de sécurité de la Confédération Desjardins as well as any other legal person directly or indirectly controlled by the Caisse centrale or by the Confédération or any federation affiliated with it.

Interpreta-
tion

For the purposes of any other provision of this Act and of Division III of the Act to replace the Act respecting La Confédération des caisses populaires et d'économie Desjardins du Québec, the following entities form part of the same group as the Caisse centrale: the Confédération and the federations affiliated with the Confédération, the Corporation de fonds de sécurité de la Confédération Desjardins as well as any other legal person directly or indirectly controlled by the Caisse centrale or by the Confédération or any federation affiliated with it."

Capital
stock

25. The capital stock of the Caisse centrale consists of the shares subscribed for by its members.

Shares

The amount of a share is \$1 000 and no share may be issued without being fully paid.

Preferred
shares

The capital stock may also include one or several classes of preferred shares. The by-laws of the Caisse centrale shall determine the price, rights, conditions and privileges attached to preferred shares.

Shares

The shares shall be in registered form and can be transferred only in accordance with the provisions of the by-laws of the Caisse centrale. Where permitted by the by-laws of the Caisse centrale, the shares may also be issued to auxiliary members.

Redemption
of shares

26. Except with the prior written approval of the Inspector General, the Caisse centrale shall not redeem the shares held by a member applying therefor or preferred shares the issuance of which was authorized by the Inspector General; the redemption of shares shall be made at par value and must not leave the Caisse Centrale with an insufficient capital base to meet its requirements.

Maximum
amount

The Caisse centrale shall not, however, redeem more than 10% of its shares during any one fiscal year.

Effect

27. Any redemption of shares or preferred shares contemplated by section 26 shall take effect only after the approval by the Inspector General of the enabling resolution adopted by the board of directors of the Caisse centrale.

- Resolution The Inspector General may approve a resolution referred to in the first paragraph only if such resolution is submitted to him within three months from the date on which it was adopted.
- Proof When submitted to the Inspector General, the resolution shall be accompanied with proof that it was regularly adopted and with declarations stating
- (1) the number of issued and outstanding shares and preferred shares of the Caisse centrale;
 - (2) the number of shares or preferred shares being redeemed;
 - (3) the assets and liabilities of the Caisse centrale;
 - (4) the reasons for the proposed redemption.
- Refusal Notwithstanding the provisions of this section, the Inspector General may choose to refuse to approve a resolution made under this section.
- Membership **28.** The federations that are members of the Confédération are members of the Caisse centrale.
- Auxiliary members **29.** The Caisse centrale may admit, as auxiliary members, the auxiliary members of the Confédération and any other legal person including any cooperative body or national or international cooperative institution operating according to rules similar to the rules of cooperative action set out in section 2 of the Savings and Credit Unions Act.
- Classes of auxiliary members The Caisse centrale may establish by by-law one or more classes of auxiliary members and determine conditions for their admission, their rights and obligations and criteria or conditions relating to their withdrawal, suspension or expulsion.
- General meeting **30.** Delegates of the member federations of the Confédération constitute the general meeting of the Caisse centrale when they are convened at an annual or special meeting.
- Board of directors **31.** The business of the Caisse centrale shall be administered by a board of directors composed of directors elected from among the directors of the Confédération.
- Number of directors The Caisse centrale shall determine, by by-law, the number of its directors which may not be less than nine.

- Election** For the formation of its board of directors, the Caisse centrale may, by by-law, grant to each member federation the right to elect a certain number of directors. The election may take place during group meetings convened by the Caisse centrale or during its annual meeting. No member of the board of directors thus elected shall be dismissed except by the federation which has the right to elect him.
- Majority of members** In no case may the majority of the members of the board of directors consist of employees of the Confédération and of a federation affiliated with it.
- End of term of office** A director who ceases to be a member of the board of directors of the Confédération loses his right to sit on the board of directors of the Caisse centrale.
- Chairman, vice-chairman, secretary** **32.** The board of directors, at its first meeting after the annual meeting or during such annual meeting, shall choose from among the directors a chairman of the board, one or several vice-chairmen of the board and the secretary of the board.
- President** The board of directors shall also choose a president of the Caisse centrale who need not be a director and shall fix his remuneration. The Caisse centrale may also determine by by-law the method of appointment of the secretary of the Caisse centrale who need not be a director.
- Powers and duties** The by-laws of the Caisse centrale shall determine the powers and duties of the officers so chosen, and the conditions of their eligibility.
- Officers** The by-laws may also provide for the appointment of any other officers of the Caisse centrale and determine their powers and duties and the conditions of their eligibility and appointment.
- Powers and duties of president** **33.** The president of the Caisse centrale who is not a member of the board of directors is entitled to be convened to, attend and address the meetings of the board; he must, however, withdraw from a meeting at the request of the majority of the directors present. The president shall perform his duties under the direction of the board of directors.
- Notice of meetings** **34.** Unless otherwise provided in the by-laws, meetings of the board of directors are called, at the request of the chairman of the board, the vice-chairman of the board, the president of the Caisse centrale or two directors, by written notice at least seven clear days

before the date scheduled for the meeting. The notice shall indicate the place, the date and the time of the meeting and the matters that will be debated.

Late
payments

35. The board of directors of the Caisse centrale shall, in addition to its duties under the Savings and Credit Unions Act, supervise all credit extended by the Caisse centrale where the statement of reimbursement indicates late payments and shall, for such purpose, establish control mechanisms.

Interest
on shares

36. The board of directors may declare an interest on shares; it shall then determine the modalities of payment thereof.

Exception

37. In no case may an interest be declared or paid on shares where the Caisse centrale is or would thereby become insolvent or where the paid-up capital is or would thereby be broken into.

Surplus
account

38. The board of directors may order the creation of a surplus account or of any other account or reserve that it considers appropriate.

Dividends

39. The board of directors may, out of the annual surplus earnings, pay a dividend to the members contemplated in sections 28 and 29 pro rata to their transactions with the Caisse centrale; such dividends may vary according to the nature of the transactions made with the Caisse Centrale.

Executive
committee

40. The board of directors may, if authorized by by-law, constitute an executive committee.

Members of
executive
committee

The executive committee shall be composed of not fewer than three persons chosen by the board of directors from among its members; the board shall also designate the chairman among them.

Liability

41. The members of the board of directors who authorize the payment of interest on shares in contravention of section 37 are jointly and severally liable for the sums involved and not yet recovered.

Prescription

The right of action arising out of the preceding paragraph is prescribed by two years from the date of declaration of interest.

Additional
powers

42. In addition to exercising the rights and powers conferred on a credit union or a federation by the Savings and Credit Unions Act, the Caisse centrale may, among other things,

(1) receive deposits from the Gouvernement du Québec, the Government of Canada, the government of any Canadian province and the government of any other country, province or state;

(2) receive deposits from any person except natural persons and savings and credit unions governed by the Savings and Credit Unions Act;

(3) extend credit, alone or jointly with others, to the governments and persons from whom it may receive deposits;

(4) borrow money, issue bonds, debentures or other evidences of indebtedness;

(5) hypothecate, mortgage or give as security its assets, by way of a trust deed in accordance with sections 28 to 30 of the Special Corporate Powers Act (R.S.Q., chapter P-16) or in any other manner, but only for the following purposes:

(i) to secure a loan contracted with the Bank of Canada;

(ii) to obtain an advance of money under the Deposit Insurance Act (R.S.Q., chapter A-26) or any similar legislation;

(iii) for the purpose mentioned in paragraph 8 of this section;

(iv) to secure a loan contracted to meet short-term requirements for liquid funds;

(v) to acquire or improve an immovable intended mainly for its own use, in which case the security shall apply only to that immovable;

(vi) for any other transactions with the prior approval of the Inspector General;

The Caisse centrale shall notify the Inspector General within a reasonable time after the giving of any security under subparagraphs (i) to (v) of this paragraph 5;

(6) subscribe at a fixed price, bonds or other evidences of indebtedness

(i) issued or guaranteed by the Gouvernement du Québec, the Government of Canada, the Government of any Canadian province, the government of any other country, province or state, or by a municipal corporation in Canada;

(ii) issued by an agency of the Gouvernement du Québec, the Government of Canada, the government of any Canadian province or the government of any other country, province or state;

(iii) issued by a cooperative body or by a national or international cooperative institution operating according to rules similar to the rules of cooperative action set out in section 2 of the Savings and Credit Unions Act;

(iv) issued by an international institution of which Canada is a member and in particular by members of the World Bank Group;

or be a member of a group constituted to distribute or sell such bonds or evidences of indebtedness;

(7) become a member of any association the object of which is to organize a system of clearing and settlement of instruments of payment;

(8) act on behalf of its members and of any other person for the clearing and settlement of instruments of payment and provide the necessary guarantees;

(9) transfer to any person or acquire from any person claims resulting from loans acquired or granted by the Caisse centrale or the transferor;

(10) guarantee the financial liabilities of its members and of the governments and persons from whom it may receive deposits provided that the person in favour of whom the guarantee is given by the Caisse centrale shall be unconditionally obliged to reimburse to the Caisse centrale the full amount of any payment or reimbursement made by the Caisse centrale;

(11) acquire or improve immovables to the extent that they serve mainly for its own use as well as immovables securing payment of a debt owing to it in order to ensure total or partial payment of such debt;

Immovables
or real
rights

The Caisse centrale may own immovables or real rights for a period of seven years from the date of their acquisition to ensure payment of an amount owing to it or from the date on which they cease to serve mainly for its own use in accordance with the decision made by the directors. The Inspector General may extend this period of time;

(12) represent its members in any manner connected with the exercise of their powers and, in particular, participate with them in

the establishment and management of the services that they may provide or provide, as the mandatary of its members, any service they may offer.

Conditions
and
restrictions

43. Where the Inspector General considers that the financial practices of the Caisse centrale in matters relating to credit or investments may affect the security of depositors, he may give written instructions to the Caisse centrale concerning conditions or restrictions in matters of credit or investments or the financial or administrative practices of the Caisse centrale in these matters; the Inspector General may make these conditions or restrictions applicable to all credits and investments, to such class or classes thereof as he may determine or to such type or types of credit or investments as he may identify. Before exercising this power, the Inspector General shall notify the Caisse centrale of his intention and give it an opportunity to be heard.

Applicable
provisions

44. The third paragraph of article 1966 and article 1571*d* of the Civil Code shall apply to a sale or transfer of the whole, of a portion or of a particular category of debts or book accounts made in favour of a member federation of the Confédération by a credit union affiliated to such federation for the purpose of selling or transferring such debt to the Caisse centrale, and to such a sale or transfer made in favour of Caisse centrale by such federation.

Presumption

45. For the purposes of the acquisition and holding by a supplemental pension plan of bonds or other evidences of indebtedness issued by the Caisse centrale, the Caisse centrale and its members mentioned in section 28 are deemed, for the purposes of the Act respecting supplemental pension plans (R.S.Q., chapter R-17), to be corporations and their shares are deemed to be common shares.

Presumption

46. For the purposes of the acquisition and holding by the Caisse de dépôt et placement du Québec of bonds or other evidences of indebtedness issued by the Caisse centrale, the Caisse centrale and its members mentioned in section 28 are deemed, for the purposes of the Act respecting the Caisse de dépôt et placement du Québec (R.S.Q., chapter C-2), to be companies and their shares are deemed to be common shares.

Applicability

47. Sections 205 and 206 of the Savings and Credit Unions Act shall not apply to officers of the Caisse centrale with respect to their interest in their respective federation.

1988, c. 64,
s. 217,
replaced for
the Caisse
centrale

48. Section 217 of the Savings and Credit Unions Act is replaced, for the Caisse centrale, by the following section:

Restricted
party

“217. A person is a restricted party with respect to the Caisse centrale where that person is

(1) an officer of the Caisse centrale, of the Confédération or of a federation affiliated with the Confédération;

(2) a legal person having a majority of directors and officers who are officers of a legal person referred to in paragraph 1;

(3) the auditor of the Caisse centrale or the partner of such auditor;

(4) a shareholder holding 10% or more of the voting rights attached to the shares issued by a legal person controlled by the Confédération or 10% or more of such shares;

(5) a legal person belonging to the same group as the Caisse centrale;

(6) a legal person controlled by one or several persons referred to in paragraph 1;

(7) any other person whose interests or dealings with the Caisse centrale might, in the opinion of the Inspector General, influence the investments or transactions that may be made by the Caisse centrale.”

1988, c. 64,
s. 403, am.
for the
Caisse
centrale

49. The first paragraph of section 403 of the Savings and Credit Unions Act is replaced, for the Caisse centrale, by the following paragraph:

Limitations

“403. The Caisse centrale shall not acquire or hold, directly or indirectly, more than 30% of the common shares of a legal person or shares in any number that permits it to exercise voting rights in excess of 30% of all voting rights attached to the total issued shares of the legal person or to elect more than one third of the directors of the legal person, except where the legal person is a subsidiary of the Caisse centrale carrying on outside the province of Québec activities similar to those of a savings and loans company.”

Conditions
for holding
subsidiary

50. The Inspector General may give written instructions to the Caisse centrale concerning conditions applicable to the holding of a subsidiary referred to in section 49; the conditions may apply to the Caisse centrale as well as to the subsidiary. Before exercising this power, the Inspector General shall notify the Caisse centrale of his intention and give it an opportunity to be heard.

Interpreta-
tion

51. Where sections 403 to 407 and 409 of the Savings and Credit Unions Act apply to the Caisse centrale, the words “the Confédération

with which it is affiliated” and “the Confédération with which the federation is affiliated” shall be replaced by the words “La Confédération des caisses populaires et d’économie Desjardins du Québec”.

Liquid assets

52. The Caisse centrale shall at all times maintain such liquid assets as are adequate to meet its requirements.

Liquid assets

The Inspector General may give written instructions to the Caisse centrale as to the adequacy and nature of its liquid assets. Before exercising this power, the Inspector General shall notify the Caisse centrale of his intention and give it an opportunity to be heard.

Foreign currencies

53. The Caisse centrale shall at all times maintain adequate and appropriate assets against liabilities in foreign currencies.

Capital base

54. The Caisse centrale shall, in view of its operations, maintain an adequate capital base. The Inspector General may give written instructions to the Caisse centrale as to the adequacy of its capital base.

Capital base

The capital base of the Caisse centrale shall include

(1) its general reserve;

(2) its issued shares;

(3) its preferred shares issued with the authorization of the Inspector General but only in the proportion determined by the Inspector General;

(4) any other asset determined by the Inspector General.

Assets and liabilities

55. The Inspector General may, for the purposes of section 54, determine the assets and liabilities which may be added to or deducted from the capital base of the Caisse centrale as well as the proportion of these assets and liabilities to each other and the conditions and limitations attaching to them and to the components of the capital base.

Limited amounts

56. The aggregate of the deposits received by the Caisse centrale, its borrowings, the guarantees and the letters of credit which it has extended and the other liabilities determined by written instructions of the Inspector General, shall at no time exceed twenty times the amount of its capital base.

- Ratio** The Inspector General may, where he deems it necessary, reduce or increase the ratio which applies to the Caisse centrale within such reasonable time as he may prescribe.
- Reduction** For the purposes of the first paragraph, the amount of the capital base of the Caisse centrale shall be reduced by the amount of any investment or credit, or portion of an investment or credit, made or extended by the Caisse centrale in contravention of the provisions of the Savings and Credit Unions Act which apply to the Caisse centrale or of the written instructions of the Inspector General, unless it was made or extended before 22 June 1989 and as long as it is recognized as an asset by the Inspector General on such conditions as he may determine.
- Compliance program** Where the Caisse centrale does not comply with the ratio which is applicable to it or where the Inspector General considers that the capital base of the Caisse centrale is inadequate in view of its transactions, the Inspector General may order the Caisse centrale to adopt within the time he prescribes and for the reasons he indicates, a compliance program describing the appropriate measures to be implemented within the time indicated therein.
- Notification** **57.** Before exercising the powers set out in sections 54 to 56, the Inspector General shall notify the Caisse centrale of his intentions and give it an opportunity to be heard.
- Ethics committee** **58.** The Caisse centrale shall establish an ethics committee consisting of not fewer than three members elected by the annual meeting from among the members of the general meeting.
- Members of ethics committee** In no case may the majority of the members of the ethics committee consist of officers of the Caisse centrale, of employees of the Confédération or of a federation affiliated with it, of officers or employees of a holding company controlled by the Confédération or of a legal person controlled by such holding company, and of shareholders holding 10% or more of the voting rights attached to the shares of a legal person belonging to the same group as the Caisse centrale.
- Rules of ethics** **59.** The ethics committee shall adopt rules for the protection of the interests of the Caisse centrale and its members, that are consistent with the policies of the Confédération. The rules shall concern, in particular, the procedure governing contracts with restricted parties, the conditions applicable to the credit extended to them, the disclosure requirements of the Caisse centrale and of the restricted parties, the protection of confidential information held by the Caisse centrale with respect to its members and the persons with

whom it carries on its operations, and the conduct required of the Caisse centrale in cases where its interest or that of a legal person belonging to the same group as the Caisse centrale is in conflict with that of its depositors or its members.

Duties **60.** The ethics committee shall see to the implementation of the rules that it has adopted and shall advise the board of directors, within ten days, of any cases where the rules were not observed.

Findings and recommendations The committee shall submit its findings and recommendations to the board of directors and may call a meeting to lay any matter brought up in its report before the members.

Report of activities **61.** The ethics committee shall submit a report of its activities to the board of directors at the end of the fiscal year of the Caisse centrale and shall present it at the annual meeting.

Audit committee **62.** The Caisse centrale shall establish within its board of directors an audit committee consisting of not fewer than three members.

Members of audit committee In no case may the majority of the members of the audit committee consist of officers contemplated by the first or fourth paragraph of section 32, of employees of the Caisse centrale, the Confédération or a federation affiliated with it, of officers or employees of a holding company controlled by the Confédération or of a legal person controlled by such holding company, and of shareholders holding 10% or more of the voting rights attached to the shares of a legal person belonging to the same group as the Caisse centrale.

Statements **63.** The audit committee shall examine every financial statement as well as the annual statement before they are approved by the board of directors or certified by two directors. The committee shall also examine every auditor's report contemplated by section 75.

Duties The audit committee shall also ensure that

(1) the operations of the Caisse centrale are in compliance with the provisions of this division, the provisions of the Savings and Credit Unions Act which apply to the Caisse centrale and with the regulations;

(2) the Caisse centrale complies with the orders and written instructions issued under the provisions of this division or the provisions of the Savings and Credit Unions Act which apply to the Caisse centrale.

Report

64. The audit committee shall report its findings to the board of directors and may, if it considers it appropriate, make recommendations to them.

Meeting

65. The audit committee may be convened by one of its members, by a director or by one of the auditors. The auditors must be notified of any meeting of the committee and shall attend any meeting to which they are convened and must then be given an opportunity to be heard.

Correction

The committee shall, if it becomes aware of an error or misstatement in a financial statement, cause such statement to be corrected and inform the board of directors.

Report of activities

66. The audit committee shall each year transmit a report of its activities to the Inspector General to the close of the last fiscal period of the Caisse centrale.

Report of activities

The report shall be transmitted within three months from the closing date. It must indicate the composition of the committee, any changes in its membership and the content of any mandate entrusted to it.

Audit

67. The Caisse centrale shall cause its books and accounts to be audited every year by two auditors.

Auditors

The annual meeting shall appoint, as auditors of the Caisse centrale, two accounting firms and fix their remuneration; the appointments expire at the end of the next annual meeting.

Revocation

A special meeting convened for that purpose may, by a vote of at least two-thirds of delegates present, revoke the appointment of one auditor or of the two auditors.

Qualifications

68. The auditor of the Caisse centrale must be an accountant qualified to practice public accounting. He must be a member in good standing of an institute or association of accountants incorporated under the laws of a province of Canada or a firm of accountants in which one or more of the officers or employees fulfill those requirements.

1988, c. 64,
s. 435,
replaced for
the Caisse
centrale

69. Section 435 of the Savings and Credit Unions Act is replaced, for the Caisse centrale, by the following section:

Disqualification

435. The auditor shall be disqualified to act as such where he or an associate or the spouse or child of either living with him or the associate

(1) is a director or an officer of the Caisse centrale or of a legal person controlled by it, of the Confédération or of a federation affiliated with it or of a holding company controlled by the Confédération;

(2) holds, directly or indirectly, 10% or more of the voting shares of one class or of all the voting shares of a legal person controlled by the Caisse centrale or by the Confédération, or can control the election of a majority of the directors of such a legal person;

(3) has been the sequestrator, liquidator or trustee in bankruptcy of any legal person belonging to the same group as the Caisse centrale within the two years preceding his appointment as auditor.

Disqualifica-
tion The auditor is also disqualified from acting as such where he or an associate is an employee of the Caisse centrale or of a legal person belonging to the same group."

Designation **70.** The Caisse centrale shall, within fifteen days of appointing a firm of accountants as auditor, designate a member of the firm who meets the qualifications described in sections 68 and 69 to conduct the audit of the Caisse centrale, and forthwith notify the Inspector General in writing of the designation.

Resignation **71.** The Caisse centrale shall forthwith notify the Inspector General of the resignation of an auditor, of the non-renewal of the appointment of an auditor or of a decision to propose the revocation of the appointment of an auditor.

Appointment
by Inspector
General **72.** If the Caisse centrale fails to appoint auditors, the Inspector General may appoint auditors and fix the remuneration that the Caisse centrale shall pay to them.

Books,
records and
accounts **73.** To perform their duties as auditors of the Caisse centrale, the auditors of the Caisse centrale have access to all the books, records and accounts of the Caisse centrale and any person having custody thereof shall facilitate their examination by the auditors. At the request of the auditors of the Caisse centrale, the officers, employees and other representatives of the Caisse centrale shall furnish all the information and explanations necessary to enable them to perform their duties as auditors.

Report **74.** The auditors shall indicate in their report

(1) whether they have carried out their audit in accordance with generally accepted auditing standards;

(2) whether, in their opinion, the financial statements of the Caisse centrale included in the report submitted to the annual meeting, give a faithful account of the financial position of the Caisse centrale, the income from its operations and the changes in its financial position according to generally accepted accounting principles applied in the same manner as during the preceding fiscal year;

(3) any other information prescribed by regulation of the Government.

Reservations The auditors shall also give sufficient explanations in their report of any reservations they express in their report.

Unsatisfactory transactions **75.** The auditors shall, without delay, report in writing to the board of directors any transaction or condition affecting the interests of the Caisse centrale that, in their opinion, is not satisfactory and requires rectification. In particular, they shall report any transactions of the Caisse centrale which have come to their notice in the normal course of their audit and which are in violation of the provisions of this division, of the provisions of the Savings and Credit Unions Act applicable to the Caisse centrale, of orders or written instructions of the Inspector General or of the government regulations adopted under these Acts. Copy of their report shall be transmitted to the audit committee and to the Inspector General.

Error or misstatement If the auditors are notified or become aware of an error or misstatement in the financial statements on which they reported, and if in their opinion the error or misstatement is material, they shall inform in writing the board of directors which shall

- (1) prepare and publish amended financial statements, or
- (2) inform the members and the Inspector General accordingly.

General meeting **76.** The auditors of the Caisse centrale are entitled to receive notice of any general meeting, to attend and be heard thereat on any matter relating to their duties as auditors.

Liability **77.** An auditor or former auditor who, in good faith, makes an oral or written statement or report under the first paragraph of section 75, shall not be liable in any civil action arising therefrom.

Fiscal year **78.** The fiscal year of the Caisse centrale ends on 31 December each year or at any other fiscal year-end date applicable to the members of the Caisse centrale in accordance with section 437 of the Savings and Credit Unions Act.

Reports and statements **79.** Within three months after the end of its fiscal year, the Caisse centrale shall transmit to the Inspector General the reports and statements prescribed by sections 306 and 307 of the Savings and Credit Unions Act.

Expenses **80.** The expenses incurred for the inspection and supervision of the Caisse centrale under this Act shall be charged to the Caisse centrale.

Winding-up **81.** In the case of the winding-up of the Caisse centrale, the liquidator shall first pay the debts of the Caisse centrale according to their respective ranks, where that is the case, and the costs of winding-up. He shall then pay the preferred shares according to their respective ranks followed by the shares. After these payments, the balance of the assets of the Caisse centrale shall be divided among its members pro rata to the number of shares held by each.

1988, c. 64, s. 499, replaced for the Caisse centrale **82.** Section 499 of the Savings and Credit Unions Act is replaced, for the Caisse centrale, by the following section:

Order **“499.** Where, in the opinion of the Inspector General, the Caisse centrale or a legal person controlled by it does not adhere to sound financial practices or is not complying with this Act or with division III of the Act to replace the Act respecting La Confédération des caisses populaires et d'économie Desjardins du Québec, a government regulation thereunder, a compliance program, written instructions of the Inspector General or the rules of ethics on self-dealing and conflict of interest, he may order it to cease such practices and to remedy the situation.”

1988, c. 64, s. 516, replaced for the Caisse centrale **83.** Section 516 of the Savings and Credit Unions Act is replaced, for the Caisse centrale, by the following section:

Regulations **“516.** The Government, by regulation, may determine

(1) the reports, documents and information that must be transmitted to the Minister or the Inspector General in addition to those required by this Act, the date or the prescribed time for their transmission, the form and content of such documents and the number of copies required;

(2) the additional information that must appear in the annual report of the Caisse centrale;

(3) the additional information that must be stated by the auditor in a report under section 74 of the Act to replace the Act respecting

La Confédération des caisses populaires et d'économie Desjardins du Québec and under section 299 of this Act;

(4) conditions and restrictions governing the flow of information within the Caisse centrale, to and from the Caisse centrale and legal persons belonging to the same group as the Caisse centrale or to and from the Caisse centrale and a restricted party, with a view to reducing the risks of conflict of interest;

(5) from among the regulatory provisions made under this section those the contravention of which constitutes an offence;

(6) from among the provisions of the Savings and Credit Unions Act respecting credit unions and federations, those which do not apply to the Caisse centrale in addition to those mentioned in section 23 of the Act to replace the Act respecting La Confédération des caisses populaires et d'économie Desjardins du Québec."

1988, c. 64,
s. 521,
replaced for
the Caisse
centrale

84. Section 521 of the Savings and Credit Unions Act is replaced, for the Caisse centrale, by the following section:

Contra-
vention

"**521.** Every person who contravenes any provision of section 275, of the first paragraph of section 277 or of section 435 of this Act or of section 26 or 37 or of the second paragraph of paragraph 11 of section 42 of the Act to replace the Act respecting La Confédération des caisses populaires et d'économie Desjardins du Québec, is guilty of an offence."

1988, c. 64,
s. 528,
replaced for
the Caisse
centrale

85. Section 528 of the Savings and Credit Unions Act is replaced, for the Caisse centrale, by the following section:

Non-
compliance
with order

"**528.** Every person who fails to comply with an order or written instructions issued or given by the Inspector General under section 398, 499 or 501 of this Act or under Division III of the Act to replace the Act respecting La Confédération des caisses populaires et d'économie Desjardins du Québec, is guilty of an offence."

1988, c. 64,
s. 529, am.
for the
Caisse
centrale

86. The second paragraph of section 529 of the Savings and Credit Unions Act is replaced, for the Caisse centrale, by the following paragraph:

Offence and
penalty

"Every person found guilty of an offence under the regulations made under paragraph 5 of section 516 is liable, in addition to costs, to a fine of not less than \$200 nor more than \$2 000 in the case of a natural person and of not less than \$600 nor more than \$30 000 in the case of a legal person."

Words
replaced

87. Where Titles V and VII of the Savings and Credit Unions Act apply to the Caisse centrale, the words “this Act” are replaced by “this Act and Division III of the Act to replace the Act respecting La Confédération des caisses populaires et d’économie Desjardins du Québec”.

DIVISION IV

MISCELLANEOUS PROVISIONS

Title

88. This Act may be cited under the title of an Act respecting the Mouvement des caisses Desjardins.

1971, c. 80,
replaced

89. The Act respecting La Confédération des caisses populaires et d’économie Desjardins du Québec (1971, chapter 80) as amended by chapter 78 of the statutes of 1975, chapter 102 of the statutes of 1978, chapter 46 of the statutes of 1979, chapter 90 of the statutes of 1979, chapter 60 of the statutes of 1980, chapters 52 and 70 of the statutes of 1982, chapter 133 of the statutes of 1986 and chapter 64 of the statutes of 1988 is replaced by this Act.

Coming into
force

90. The provisions of this Act come into force on 22 June 1989, except those of the fourth paragraph of section 31 and of the last paragraph of section 62, which come into force on 23 December 1990.

SCHEDULE A

The holding companies contemplated in subparagraphs 1 and 2 of the first paragraph of section 470 and in section 471 of the Savings and Credit Unions Act and the legal persons controlled, directly or indirectly, by such holding companies.

Institut coopératif Desjardins

SCHEDULE B

Place Desjardins Inc.