

1981, chapter 31

AN ACT RESPECTING THE SOCIÉTÉ D'ENTRAIDE ÉCONOMIQUE AND AMENDING VARIOUS LEGISLATION

Bill No. 40

Introduced by Mr Jacques Parizeau

First reading: 30 November 1981

Second reading: 10 December 1981

Third reading: 19 December 1981

Assented to: 19 December 1981

Coming into force: by proclamation of the Government, except s. 197, the 1st par. of s. 205 and s. 219 which come into force on 19 December 1981

13 January 1982: ss. 1 to 15, 16 (except the words "time and" in the third par.), 17 to 49, 162 to 167, 190 to 195, 201 to 204, 206 (1st par.), 207 to 213, 216 to 218, 220 to 223
G.O., 1982, Part 2, p. 163

Acts amended:

Savings and Credit Unions Act (R.S.Q., chapter C-4)

Taxation Act (R.S.Q., chapter I-3)





CHAPTER 31

An Act respecting the sociétés d'entraide économique
and amending various legislation

[Assented to 19 December 1981]

HER MAJESTY, with the advice and consent of the National
Assembly of Québec, enacts as follows:

TITLE I

CONVERSION OF THE CAISSES D'ENTRAIDE ÉCONOMIQUE

CHAPTER I

SCOPE

Conversion.
sion.

1. Every caisse d'entraide économique governed by the Act respecting the Caisses d'entraide économique (R.S.Q., chapter C-3) may be continued as a société d'entraide économique governed by Title II.

CHAPTER II

CONVERSION PLAN

Conversion
plan.

2. The Fédération des caisses d'entraide économique du Québec must prepare a conversion plan for each union.

Executive
officers.

The executive officers and the employees of each union must assist the federation and put at its disposal all the books and documents in their keeping.

Contents of
the plan.

3. The conversion plan of a union must contain

- (1) its corporate name;
- (2) the location of its head office;

(3) the amount of the paid-up capital stock on 30 November 1981, indicating the portion of that amount that was subscribed before 23 August 1981;

(4) the surname, given name and address of each shareholder on 30 November 1981;

(5) the number of shares held by each shareholder on 30 November 1981, specifying those subscribed before 23 August 1981 and the amount of money such shares represent;

(6) the number of shares, for each shareholder, that will be converted into share capital of the company resulting from the continuance and the amount of money such shares represent;

(7) the description and the amount of the authorized share capital of the company resulting from the continuance;

(8) the number of shares, for each shareholder, that will be converted into deposits, and the amount of money such deposits represent;

(9) the interest rates and maturity dates that will be fixed for the deposits resulting from the conversion of the shares;

(10) the proportion of the operating surplus which may be allocated, for the current fiscal year, to the payment of the interest on the sums paid on the shares or to the payment of rebates to depositors or borrowers;

(11) any other provision that may be determined by the Minister.

Exemptions.

4. However, the Minister may exempt the federation from preparing a conversion plan for a union,

(1) if a joint petition under section 98 of the Savings and Credit Unions Act (R.S.Q., chapter C-4) has been submitted to him by the union for the confirmation of a joint agreement for the purpose of an amalgamation;

(2) if a by-law to change the affiliation of the union has been submitted to him for approval;

(3) if the members have decided to wind up the affairs of the union in accordance with section 106 of the said Act;

(4) if the powers of its board of directors, of its board of supervision or of the committee on credit are suspended in accordance with section 103 of the said Act;

(5) if the union has received, in accordance with section 110 of the said Act, the notice required before ordering the dissolution.

Additional
informa-
tion.

5. In addition to the information to be contained in the conversion plan, the Minister may require any other information or document he may determine concerning each union.

Approval.

6. The conversion plan and a summary of such plan must be forwarded to the Minister for approval.

Contents.

The summary of the plan must contain

(1) the data enabling the members to establish how many of their shares will be converted into shares of the company, and how many into deposits;

(2) the description of the characteristics of such shares and deposits;

(3) as the case may be, the proportion of the operating surplus that may, for the current fiscal year, be allocated to the payment of interest on the sums paid on shares or to the payment of rebates to depositors or borrowers;

(4) all other information determined by the Minister.

Approval.

The Minister may approve, with or without amendments, the conversion plan and the summary of such plan.

Approved
plans and
summa-
ries.

7. After approving the conversion plan and the summary of the plan, the Minister shall forward a copy thereof to the federation and to the union concerned. He shall also forward to such union the summaries of the conversion plans of all the other unions.

Informa-
tion.

Every member or creditor may obtain from the union the information provided for in paragraphs 3, 7 and 10 of section 3. A member may also obtain all the information provided for in the other paragraphs of such section to the extent that such information concerns him.

Access.

The union must give the summary of the conversion plan to every member or creditor who requests it, and allow him to examine the summary of the conversion plan of any other union.

Nominal
list.

The union shall, from 1 January to 30 January 1982, allow the members to examine the nominal list of members entered in the books or records of the union and make abstracts therefrom.

CHAPTER III

CONVERSION MEETING

Conversion
meeting.

8. Not later than 18 January 1982, the federation must call, for 30 January 1982, a special meeting of the members of each union whose conversion plan has been approved by the Minister.

- Notice. The notice shall be sent to the last known address of each member.
- Copy. A copy of the notice of the calling of the meeting that will be sent to the members of each union must also be transmitted without delay to the Minister.
- Invitation. **9.** All the members and auxiliary members of the union must be invited to attend the special meeting.
- Presumption. All the members attending the meeting are deemed to have waived the notice of the calling of the meeting.
- Valid decision. **10.** In no case does the unintentional failure to send the notice of the calling of the meeting or the fact that a member has not received the notice invalidate the decisions taken or the procedure followed at the special meeting.
- Contents of the notice. **11.** The notice of the calling of the special meeting must, in particular, state the object and the day, time and place of the meeting.
- Accompanying documents. **12.** The notice of the calling of the meeting must be accompanied with the agenda, the summary of the conversion plan, and such documents and information as the Minister may determine.
- Opinion of the board. **13.** The agenda of the special meeting must, in particular, provide for an item indicating that the board of directors may give its opinion on the conversion plan.
- Exemption. **14.** The Minister may, for the reasons set forth in section 4, allow the special meeting of a union not to take place.
- Chairman. **15.** The president of the union or, in his absence, the vice-president shall be the chairman of the meeting.
- Chairman. If, within thirty minutes from the time fixed for holding the meeting, the president and the vice-president are not present, the members attending the meeting shall choose the chairman among themselves.
- Quorum. **16.** The quorum at the special meeting is fixed at 10% of the members of the union or 500 members, whichever is less.
- Quorum. A quorum need be reached only within the hour following the time fixed for holding the meeting in order for the meeting to deliberate.
- Adjournment. If within the hour following the time fixed for holding the meeting there is no quorum, the meeting must be held on the next day at the same time and place, without other formality; the quorum for such meeting is constituted of the members then present.

Observer. **17.** The Minister may designate a person to attend the special meeting as an observer. That person must report to the Minister his observations on the progress of the meeting and, as the case may be, make such recommendations to him as he deems expedient.

Draft conversion plan. **18.** To adopt the conversion plan approved by the Minister, a draft conversion by-law must be submitted to the members at the special meeting.

Three-quarters majority. **19.** The conversion by-law must be adopted by at least three-quarters of the votes cast by the members attending the special meeting called for such purpose.

Vote. For such meeting, all members present are entitled to vote except minors under sixteen years of age.

Secret ballot. **20.** The vote is held by secret ballot.

Rules. The rules governing the holding of the special meeting and voting are determined by the federation and approved by the Minister.

Presumption. **21.** If the conversion by-law is adopted, all the members and shareholders of the union are deemed to have adopted the by-law and the conversion plan.

Corrections. In no case may the union amend the conversion plan in any manner except in the case of a clerical error, if authorized by the Minister.

Amendment by letters patent. **22.** In no case may the conversion by-law be amended; nor may it be repealed unless the Minister refuses to issue the letters patent.

CHAPTER IV

APPLICATION FOR CONTINUANCE

Application for letters patent. **23.** The application for the issue of letters patent for the company indicates

(1) the corporate name of the company, which is that of the union, but with the expression "caisse d'entraide économique" replaced by "société d'entraide économique";

(2) the location of the head office of the company, which is that of the union;

(3) the surname, given name, occupation and address of each of the first directors of the company, who are the directors of the union;

(4) the description and the amount of the authorized share capital of the company resulting from the continuance;

(5) the modalities of conversion of the shares into shares of the company resulting from the continuance.

Accompanying documents.

24. In addition to the conversion by-law, the application must also be accompanied with such documents, proofs and information as may be determined by the Minister.

Application for continuance.

25. The application for the continuance of the union as a société d'entraide économique must be made by the directors of the union and forwarded to the Minister not later than 10 February 1982.

Signature.

The application must be signed by one of the directors of the union.

Issue of letters patent.

26. The Minister may, if he deems it expedient, issue under his seal the letters patent of the company.

Notice.

27. The Minister must give notice of the issue of the letters patent in the *Gazette officielle du Québec*.

Effective date.

On the date of publication of the notice or on any earlier or later date determined by the Minister and indicated in the notice, the union becomes a société d'entraide économique governed by Title II.

Date of publication.

28. On the date of publication of the notice or on the date indicated in the notice,

(1) the letters patent attest the continuance of the union as a société d'entraide économique and its continuance as a company governed by Title II;

(2) the letters patent of the company are deemed to be the deed of incorporation of the company, which is continued as a company governed by Title II.

Rights unaffected.

29. Subject to this Act and its application, the rights, obligations and deeds of the union continued as a company governed by Title II and those of the members are not affected by the continuance.

Conversion plan binding.

Moreover, the union that has been continued as a company is bound by the conversion plan adopted by its members.

CHAPTER V

SPECIAL PROVISIONS

Issue of
shares pro-
hibited.

30. No union may continue to issue shares after 30 November 1981.

Issue of
shares con-
tinued.

However, a union whose members did not adopt the conversion plan at the special meeting may again issue shares, subject to the applicable Acts.

Repay-
ment sus-
pended.

31. A union whose members have adopted a conversion by-law must suspend the repayment of the shares.

Suspension
lifted.

The suspension is lifted by the refusal of the Minister to issue the letters patent.

Fraction of
share
added to
deposits.

32. The amount of money represented by any fraction of a share that may exist as a result of the conversion of the shares of a union into shares of the share capital of a *société d'entraide économique* is added to the amount of deposits resulting from the conversion of the shares.

Winding-
up.

33. In case of a winding-up, deposits resulting from the conversion of shares rank after all the other debts of the company resulting from the continuance, but before the shares.

Transfer of
shares.

34. Any person may, after 31 January 1982 but before 28 February 1982, acquire shares at par value from a member of a union that has adopted the conversion plan, and thereby become a member of the union.

Registra-
tion.

The transfers of shares must be registered with the union.

Mention.

The register of transfers must indicate every case of a share that, after its conversion into a share of a *société d'entraide économique*, will be deductible under sections 208 to 210.

Appoint-
ment by
the Minis-
ter.

35. In case of a vacancy on the board of directors of a union, or of the incapacity or resignation of a director, in the period between 30 November 1981 and the date of the special meeting or, if the conversion by-law is adopted, the date when the Minister refuses to issue letters patent, the Minister may, if the directors remaining in office are not a quorum, appoint such director for that period as necessary to form a quorum, after consulting the federation and the directors in office, if any.

Exten-
sions.

36. The Minister may, at all times, extend any time limit or fix any other date determined under this title.

TITLE II

SOCIÉTÉS D'ENTRAIDE ÉCONOMIQUE

CHAPTER I

ADMINISTRATION

37. The administration of this Act, except Title I, is entrusted to a superintendent, under the authority of the deputy minister.

The superintendent is assigned to the Ministère des Institutions financières et Coopératives.

The deputy minister of the department may also act as superintendent.

38. The superintendent is assisted by one or more deputies and by the other civil servants deemed necessary.

He may delegate in writing the functions conferred on him by this Act to any of the persons mentioned in the first paragraph.

39. The superintendent and his deputies are appointed and remunerated in accordance with the Civil Service Act (R.S.Q., chapter F-3.1).

40. The superintendent may require any information relating to the conduct of the business of any société d'entraide économique.

41. The superintendent has the custody of the documents required for the administration of this Act, excepting Title I.

CHAPTER II

DEFINITIONS

42. In this Act, except in Title I, unless the context indicates otherwise,

“executive officers” means a member of the board of directors, a member of the board of supervision or of the committee on credit, the president, the vice-president, the secretary and his assistant, the treasurer and his assistant, any employee authorized to grant loans and any employee acting under the immediate control of the board of directors;

“federation” means the Fédération des sociétés d'entraide économique du Québec contemplated in Title III;

“regulation” means a regulation made by the Government.

CHAPTER III

SCOPE

Scope. **43.** This title applies to every *caisse d'entraide économique* that has, pursuant to Title I, been continued as a *société d'entraide économique*, and to every company resulting from the amalgamation of two or more *sociétés d'entraide économique*.

Corporation. **44.** Every *société d'entraide économique* is a corporation to which Part I of the Companies Act (R.S.Q., chapter C-38) applies, *mutatis mutandis*, and subject to this Act.

Applicability. **45.** The Government may, by regulation, designate any provision of Part I of the Companies Act as not applicable to a company.

Applicability. **46.** The Special Corporate Powers Act (R.S.Q., chapter P-16) does not apply to a company, except section 1 of that Act.

CHAPTER IV

OBJECT AND CORPORATE NAME

Economic development. **47.** A *société d'entraide économique* is a company dealing in financing of undertakings or persons, whose role is to promote regional economic development.

Object. The object of a *société d'entraide économique* is to grant loans, receive deposits and promote economic awareness.

Corporate name. **48.** The corporate name of the company must include the expression "*société d'entraide économique*".

Restriction. No other corporation or company may include that expression in its corporate name, or use it.

CHAPTER V

SHARE CAPITAL

Share capital. **49.** The authorized share capital of a company consists of common shares of a par value of \$5; subject to sections 52 and 60, the shares must entail the same rights for each holder.

Payment. **50.** Shares must be paid for in cash and only fully paid shares may be issued.

Share certificate. **51.** The issue of share certificates in bearer form is prohibited.

Shares of deceased shareholder. **52.** Upon the death of a shareholder who acquired shares at the continuance, or upon the death of a shareholder who acquired

shares from a person who had acquired them at the continuance, the company must acquire such shares if so requested by the shareholder's assigns.

Value. The value of the shares is that fixed at the last annual general meeting that fixed such value or, failing that, \$5.

Conditions. **53.** In no case, however, may the company pay for shares it has acquired under section 52 unless, after that payment,

(1) it can discharge its liabilities when due;

(2) the book value of its assets is greater than the aggregate of its liabilities and the sums representing the consideration for the issued shares of its share capital; and

(3) its deposit liability is within the limits applicable to the company pursuant to Division II of Chapter XI.

Liability. **54.** Directors who authorize the payment of shares in violation of section 53 are jointly and severally liable for the sums involved and not yet recovered.

Prescription. Any right of action arising out of this section is prescribed by two years from the act alleged.

Creditor of the company. **55.** A person whose shares have been acquired becomes the creditor of the company and has a right to be paid as soon as the company may legally do so or, in the case of a winding-up, to be collocated by preference to the shareholders but after the creditors, including the holders of deposits contemplated in section 33, with regard to those deposits.

Dividends. **56.** The company has no authority to declare or pay dividends on shares.

CHAPTER VI

HOLDING SHARES

Shares. **57.** In no case may a shareholder or associated shareholders hold more than 5% of the outstanding shares of the share capital of any société d'entraide économique.

Obligation to sell. **58.** A shareholder or associated shareholders holding, on the date of the coming into force of this section, more than 5% of the outstanding shares of the share capital of a société d'entraide économique must, within five years from that date, sell or otherwise alienate the shares held in contravention of section 57.

Prescribed period. The Minister may extend the period prescribed.

Limits. **59.** In no case may a société d'entraide économique enter in the register of share transfers any share acquired by a shareholder or associated shareholders

(1) already holding more than 5% of the issued shares of the share capital of the company;

(2) who, by that fact, would be holding more than 5% of the issued shares of the share capital of the company.

Voting rights. **60.** No shareholder, proxy or associated shareholders may exercise a number of voting rights greater than 5% of all the voting rights conferred by the outstanding shares of the share capital of a company.

Associated shareholders. **61.** The Government may, by regulation, determine the cases in which persons are associated shareholders.

CHAPTER VII

BOARD OF DIRECTORS

DIVISION I

GENERAL PROVISIONS

Composition. **62.** The board of directors of a société d'entraide économique is composed of not fewer than five nor more than fifteen members.

Status. A director need not be a shareholder.

Term. The term of office of a director is one year.

Vacancy. **63.** In case of vacancy, the directors may appoint a person for the unexpired portion of the term.

Vacancies. However, if the number of directors remaining is insufficient to constitute a quorum, a director or a shareholder may order the secretary to call a special general meeting to fill the vacancies.

Continuance in office. **64.** A director remains in office until he is re-elected, replaced or removed.

Resignation. A director may resign from office by giving a notice to that effect.

DIVISION II

POWERS AND DUTIES

- Duties. **65.** The board of directors must, in particular,
- (1) comply with the standards established by the federation, and see that they are complied with;
 - (2) put at the disposal of the board of supervision the personnel required by it for the carrying out of its functions.
- Mandataries. **66.** The directors, the other senior executive officers and the other representatives of the company are considered to be mandataries of the company.
- Presumption. **67.** A director is presumed to have acted with appropriate skill and all the care of a prudent administrator if he relies on the opinion or the report of an expert to take a decision.

DIVISION III

MEETINGS

- Quorum. **68.** A majority of the members of the board of directors constitute a quorum.
- Decisions. The decisions of the board are taken by the majority vote of the directors present.
- Presumption of approval. **69.** A director present at a meeting of the board is deemed to have approved any resolution or participated in any measure taken while he was present at the meeting, except in the following cases:
- (1) if he requests at the meeting that his dissent be registered in the minutes of the proceedings;
 - (2) if he notifies the secretary of the meeting in writing of his dissent before the adjournment or rising of the meeting.
- Presumption of approval. **70.** A director absent from a meeting of the board is presumed not to have approved any resolution or participated in any measure taken while he was absent.

DIVISION IV

REMOVAL OF A DIRECTOR

- Removal of a director. **71.** A director may be removed at a special general meeting called for that purpose.

Vacancy. **72.** A vacancy created by the removal of a director may be filled at the meeting at which the removal took place.

Notice. The notice of the calling of the meeting must mention that such an election is to be held if the resolution for removal is adopted.

Information of director concerned. **73.** The director who is to be removed must be informed of the place, date and time of the meeting within the time prescribed for calling the meeting.

Representations. He may attend the meeting and be heard or, in a written statement read by the chairman of the meeting, give the reasons for his opposition to the resolution proposing his removal.

DIVISION V

SPECIAL PROVISIONS

Defence. **74.** A company shall assume the defence of its director or other mandatary prosecuted by a third person for an act done in the exercise of his duties and shall pay damages, if any, resulting from that act, unless he has committed a grievous offence or a personal offence separable from the exercise of his duties.

Defence. However, in a penal or criminal proceeding, the company shall assume only the payment of the expenses of its director or other mandatary if he had reasonable grounds to believe that his conduct was in conformity with the law, or the payment of the expenses of its director or other mandatary if he has been freed or acquitted.

Expenses. **75.** A company shall assume the expenses of its director or other mandatary if, having prosecuted him for an act done in the exercise of his duties, it loses its case and the court so decides.

Expenses. If the company wins its case only in part, the court may determine the amount of the expenses it shall assume.

Obligations. **76.** A company shall assume the obligations contemplated in sections 74 and 75 in respect of any person who acted at its request as director for a corporation of which it is a creditor.

Conflict of interest. **77.** A director who has an interest in an undertaking putting his interest in conflict with that of the company must, under pain of forfeiture of office, disclose his interest and abstain from voting on any decision relating to the undertaking in which he has an interest.

Related person. A director is deemed to have an interest in any undertaking in which a person related to him, within the meaning of the regulations, has an interest.

**Disquali-
fication.** A director forfeited of office by reason of a conflict of interest becomes, furthermore, disqualified for the office of director of a company for a period of five years from the act alleged.

Liability. **78.** Directors who authorize a loan or an investment in violation of this title or the regulations are jointly and severally liable for the losses resulting therefrom to the company.

**Prescrip-
tion.** Any right of action arising from this section is prescribed by two years from the act alleged.

CHAPTER VIII

COMMITTEE ON CREDIT

**Committee
on credit.** **79.** A company may, by by-law, establish a committee on credit responsible for giving its advice on such loan applications as the by-law may determine.

**Composi-
tion.** The by-law also determines the number of members of the committee, their mode of appointment, their terms of office and their mode of remuneration.

Director. **80.** A director may be a member of the committee on credit.

**Coming
into force of
by-law.** **81.** The by-law establishing the committee on credit comes into force only after its approval by the shareholders.

CHAPTER IX

BOARD OF SUPERVISION

**Board of
super-
vision.** **82.** A board of supervision is charged with the supervision of the operations of the company.

**Composi-
tion.** The board is composed of three members.

Election. **83.** The members of the board are elected from among the shareholders at the annual general meeting.

**Restric-
tions.** Directors, members of the committee on credit and officers or employees of the company are disqualified to sit on the board of supervision.

Term. **84.** The term of office of the members of the board is one year.

**Extension
of term.** However, the term of office of a member may be extended to three years if the by-laws of the company provide for election of the members of the board by rotation.

- Quorum. **85.** Two members constitute a quorum of the board.
- Vacancy. **86.** If there is a vacancy, the members of the board may appoint a member for the unexpired portion of the term.
- Vacancies. However, if there is more than one vacancy to be filled, a member of the board, a director or a shareholder may order the secretary to call a special general meeting to fill the vacancies.
- Continuance in office. **87.** The members of the board remain in office until they are re-elected, replaced or removed.
- Resignation. A member of the board may resign his office by giving a notice to that effect.
- Removal. **88.** A member of the board may be removed at a special general meeting called for that purpose.
- Vacancy. **89.** A vacancy created by the removal of a member of the board may be filled at the meeting at which the removal took place.
- Notice. The notice of the calling of the meeting must mention that such an election is to be held if the resolution for removal is adopted.
- Information of the member concerned. **90.** The member who is to be removed must be informed of the place, date and time of the meeting within the time prescribed for calling the meeting.
- Representations. He may attend the meeting and be heard or, in a written statement read by the chairman of the meeting, give the reasons for his opposition to the resolution proposing his removal.
- Recommendations. **91.** The board must, in particular, make a report of its observations to the board of directors and, if it considers it advisable, propose its recommendations to it.
- Notification of the superintendent. It must notify the superintendent and the federation; it may call a special general meeting if
- (1) the board of directors ignores its recommendations;
 - (2) there is a violation of a legal or regulatory provision or of a standard established by the federation in connection with the operations of the company;
 - (3) reprehensible financial, business or administrative practices are discovered by the board of supervision.
- Annual report. **92.** The board must, at the annual general meeting, make a report of its activities, including the manner in which the company gives effect to the advice of the committee on credit.

Suspension.

93. The board may suspend an employee of the company from his functions; it must without delay make a report of the reasons for the suspension to the board of directors. On receiving the report, the board of directors shall take the appropriate measures.

Access to documents.

94. The board has access to the books, accounts, securities and vouchers of the company and every person having custody of them must facilitate their examination. It may require the officers and employees of the company to furnish the documents and information necessary for the carrying out of its functions.

CHAPTER X

EXECUTIVE OFFICERS

Special conditions prohibited.

95. No société d'entraide économique may grant a loan to an executive officer or a person with whom an executive officer does not deal at arm's length, or accept a deposit from an executive officer or a person with whom an executive officer does not deal at arm's length, on more favourable terms than it grants in its normal course of business.

Liability.

96. Every person who makes or accepts a deposit in violation of section 95 is liable for the sums lost by the company by reason of the more favourable terms granted.

Prescription.

The right of action arising from this section is prescribed by two years from the act alleged.

Conflict of interest.

97. An executive officer other than a director having an interest in an undertaking which puts his personal interest in conflict with that of the company must, on pain of forfeiture of office, disclose his interest in writing to the company.

Related person.

An executive officer is deemed to have an interest in any undertaking in which a person related to him, within the meaning of the regulations, has an interest.

CHAPTER XI

FINANCIAL TRANSACTIONS

DIVISION I

DEPOSITS

Deposits.

98. In no case may a company receive deposits from another société d'entraide économique or from the federation.

Transferable deposits.

99. In no case may a company receive deposits transferable by order to third persons, unless the regulations so permit.

DIVISION II

DEPOSIT LIABILITIES

Deposit liabilities.

100. In no case may the total amount of the deposit liabilities of a company exceed five times the surplus of its assets over its liabilities.

Deposit liabilities.

The deposit liabilities of a company are composed of deposits and due and accrued interest on such deposits.

Liability ratio.

101. The superintendent may, at the request of a company, set a ratio of over five for the company if he is convinced that its financial position permits it and the standards prescribed by this Act and the regulations thereunder, and the standards prescribed by the federation, are being complied with.

Liability ratio.

The superintendent may reduce the ratio to five if he considers that the company no longer meets the conditions permitting the ratio he set for it.

Liability ratio.

102. The superintendent may, on such conditions and for such period as he may determine, permit a company, at its request, to exceed the ratio of five or the ratio set by him.

Dividends.

103. In no case may a company declare or pay dividends if the total amount of its deposit liabilities exceeds or would as a consequence exceed the ratio of five or the ratio set by the superintendent pursuant to section 101 or 102, as the case may be.

DIVISION III

LOANS

Loans.

104. Except with the authorization of the superintendent and on such conditions as he may determine, no company may grant a loan if the total of its borrowings exceeds 1% of its deposit liabilities, or any higher percentage fixed by regulation, but not over 5%.

Borrowings.

Any borrowing determined by regulation is deducted from the total of the company's borrowings.

Renewal.

105. Section 104 does not apply in respect of the renewal of a loan that does not entail additional outlays on the part of the company.

Restriction.

106. No company may grant a loan to another société d'entraide économique.

Restric-
tion.

Nor may a company grant a loan secured by shares of its share capital. A loan granted before the continuance of the company is not contemplated in this case.

Classes of
loans.

107. The Government may, by regulation, determine the classes of loans and establish for all, one or several of them, or for one or several of the loans of one class,

(1) the total amount or proportion of assets or other elements the company may devote thereto;

(2) the term or maximum period of amortization of such loans;

(3) the nature of the security that may or must, as the case may be, be demanded for such loans and the proportion of the security;

(4) the conditions and restrictions to which such loans are subject.

Compli-
ance.

The Government may also, by regulation, prescribe a time limit within which companies whose loans are not in conformity with the regulation on its coming into force must comply therewith.

Regula-
tions.

108. The Government may, by regulation, determine

(1) the conditions and restrictions governing a loan granted to a director or other executive officer or to a person with whom that director or executive officer does not deal at arm's length;

(2) the cases in which loans to a director or other executive officer or to a person with whom that director or executive officer does not deal at arm's length are prohibited;

(3) the loans or classes of loans to grant which the company must have the authorization of the federation;

(4) the loans or classes of loans that must be disclosed to the superintendent and the particulars that the disclosure must contain.

Interested
person.

109. No director may, on pain of forfeiture of office, attend the proceedings of a meeting or participate in decisions dealing with a loan intended for him or for a person with whom he does not deal at arm's length.

Disquali-
fication.

A director forfeited of office becomes, furthermore, disqualified for the office of director of a company for a period of five years from the act alleged.

Disclosure
to superin-
tendent.

110. A company that grants a loan to an executive officer or to a person with whom that executive officer does not deal at arm's

length must disclose the loan to the superintendent. The disclosure must give the name of the executive officer or the person, the amount of the loan, the maturity date, the rate of interest, the security offered, if any, and the other information prescribed by regulation.

Unauthor-
ized loan.

111. A loan granted in violation of this division is excluded from the assets of the company for the purposes of computing the deposit liabilities ratio, unless the superintendent decides otherwise.

DIVISION IV

INVESTMENTS

Invest-
ments.

112. No company may make investments except in

(1) deposits in a bank, a savings bank, or a registered institution within the meaning of the Deposit Insurance Act (R.S.Q., chapter A-26);

(2) bonds or other evidences of indebtedness issued by the Gouvernement du Québec or the Government of Canada;

(3) the other investments determined by regulation.

Limits.

113. Except with the authorization of the superintendent and on such conditions as he may determine, no company may make any investment contemplated in section 112, other than an investment contemplated in section 124, if the total of its borrowings exceeds 1% of its deposit liabilities or any other higher percentage fixed by regulation, but not over 5%.

Borrow-
ings.

Any borrowing determined by regulation is deducted from the total of the company's borrowings.

Real es-
tate.

114. No company may acquire real estate except real estate situated in Québec.

Classes of
real estate.

115. The Government may, by regulation, determine classes of real estate and establish for all, one or several of them,

(1) the total amount or proportion of its assets that a company may invest therein;

(2) the conditions and restrictions to which such investments are subject.

Compli-
ance.

The Government may also, by regulation, prescribe a time limit within which a company whose investments in real estate are not in conformity with the regulation on its coming into force must comply therewith.

Sale of real estate. **116.** The company must, within seven years of its acquisition, sell any real estate acquired to secure the repayment of a sum owed to it.

Extension. The superintendent may extend the period at all times.

Prior investment. **117.** A company may continue to hold an investment made in accordance with the Savings and Credit Unions Act before its continuance as a company governed by this title.

Unauthorized acquisition. **118.** The superintendent may order a company to sell or otherwise alienate any property acquired in violation of this division and prescribe the time within which it is to be sold or alienated.

Exclusion from assets. Any property that has not been sold or alienated on the expiry of the prescribed time is excluded from the assets of the company for the purposes of computing the deposit liabilities ratio.

DIVISION V

BORROWINGS

Borrowings. **119.** No company may borrow except for temporary liquidity needs resulting from its transactions.

Authorization. **120.** No company may negotiate a loan, including a line of credit, without the authorization of the federation; that authorization may entail conditions and restrictions.

Line of credit. Authorization given for a line of credit exempts the company from obtaining any other authorization for a loan made under that line of credit.

Security. **121.** No company may hypothecate, mortgage, pledge or otherwise give as security property held by it, except an immovable held by it for its own use.

Security. The federation may, however, authorize the company to give such security; the authorization may be accompanied with conditions and restrictions. The federation must, in such a case, notify the superintendent; the notice must contain the name of the company, the name of the lender, the amount of the loan, its maturity date, the rate of interest, the security offered and the other information prescribed by regulation.

Advances of money. **122.** However, no authorization is required for advances of money made under section 40 of the Deposit Insurance Act (R.S.Q., chapter A-26).

Notification. In such a case, the company must nevertheless notify the federation and the superintendent.

123. No company may borrow from another société d'entraide économique.

DIVISION VI

LIQUID ASSETS

124. A company must maintain sufficient liquid assets at all times.

Definition. The following are liquid assets for the purposes of the first paragraph:

- (1) cash on hand;
- (2) term deposits of less than 93 days;
- (3) deposits with the federation other than those it must maintain pursuant to section 126;
- (4) evidences of indebtedness issued by the Gouvernement du Québec or the Government of Canada maturing in 185 days or less; and
- (5) such other assets as are determined by regulation.

125. If the superintendent considers the liquid assets to be insufficient, he may notify the company of the amount of such assets he would consider sufficient, and of the time within which the company must increase its liquid assets to that sufficient amount.

126. A company must at all times maintain cash deposits with the federation equal to a minimum percentage of the liabilities consisting of the deposits received by the company.

The minimum percentage is fixed by regulation.

127. No company failing to comply with the notice contemplated in section 125 may, as long as it fails to comply, grant a loan or make an investment other than as listed in subparagraphs 1 to 4 of the second paragraph of section 124.

No company failing to maintain the percentage of cash deposits provided for in section 126 may grant a loan or make an investment other than a deposit with the federation or other than an investment contemplated in subparagraphs 1 to 4 of the second paragraph of section 124.

128. Section 127 does not apply to the renewal of a loan that does not entail additional outlays on the part of the company.

Extension. **129.** If the Minister considers that a company is not able at the time of its continuance to comply with section 124 or 126, he may, on such conditions as he may determine, grant a time limit to the company to comply therewith.

CHAPTER XII

ANNUAL REPORT

Annual meeting. **130.** The company must hold an annual general meeting within three months of the end of its fiscal year.

Annual report. **131.** The annual report presented to the shareholders must also contain

- (1) the surname, given name and address of each director;
- (2) the number of shareholders;
- (3) the statement of assets and liabilities, the income statement, the statement of changes in financial condition and the statement of retained earnings;
- (4) the report of the auditor.

Copies. The board of directors must draw up an annual report within three months after the end of the fiscal year of the company. The board of directors must send a copy to the superintendent and the federation within that period.

Signature. **132.** The statements listed in subparagraph 3 of the first paragraph of section 131 must be approved by the board of directors; the statement of assets and liabilities must be signed for the board of directors by two directors.

CHAPTER XIII

FINANCIAL DISCLOSURE

Financial statement. **133.** Within three months after the end of its fiscal year, the company shall prepare and send to the superintendent and the federation a statement of its financial condition.

Form and tenor. The statement must supply such information, be accompanied with such documents and be in such form and of such tenor as the superintendent may determine.

Signature. The statement shall be signed, in the name of the board of directors, by two of its members.

Filing.

134. The company shall further file such statement or report as the superintendent may determine, at such time as he may determine. It shall send a copy thereof to the federation.

Additional
informa-
tion.

135. The superintendent may require such additional information or detail as he may determine in respect of the statement referred to in section 133 or 134. The company shall supply the information or detail to him within the time he determines.

Copy.

The superintendent may send a copy of the information or detail to the federation.

CHAPTER XIV

AUDIT

Audit.

136. The books and accounts of the company shall be audited every year by an auditor.

Auditor.

137. If no auditor is appointed by the annual general meeting, the superintendent shall appoint an auditor and fix the salary to be paid to him by the company.

Auditor.

138. No executive officer or employee of the company or of a corporation in which the company has invested or to which it has granted a loan, shall act as the auditor of the company.

Access to
records.

139. The auditor has access, for the performance of his duties, to all the books, registers, accounts and other records of the company and the person keeping such documents shall facilitate his examination of them.

Additional
informa-
tion.

The auditor may further require from the executive officers and employees of the company any information and explanation necessary for the performance of his duties.

Report.

140. At the annual general meeting the auditor shall submit to the shareholders a report on the financial condition of the company at the end of its fiscal year.

Auditor's
opinion.

141. The auditor shall mention in his report whether he is of the opinion, from what he has found in the books, accounts and registers of the company, from the explanations he was given and the information he obtained, that the statements give a faithful account of the operations of the company for the fiscal year and of its financial condition at the end of that year; or, if of the opinion that they do not give a faithful account thereof or that relevant information on the affairs of the company has not been supplied or obtained, he must explain why he is of such opinion.

Presence at meetings. **142.** The auditor is entitled to attend any shareholders' meeting and be heard thereat on any question related to the performance of his duties.

Notice. The secretary shall send to the auditor notice of the calling of every meeting.

Auditor convened. **143.** One director or ten shareholders may, by means of a notice sent ten days before the holding of a meeting, convene the auditor. The latter is then bound to attend the meeting.

Special audit. **144.** The superintendent may order that the annual audit of the affairs of the company be carried on or extended or, if he deems it necessary, that a special audit be made.

Auditor appointed by superintendent. The superintendent may appoint to that effect an auditor and the expenses incurred for the auditing are charged to the company.

CHAPTER XV

INSPECTION

Annual inspection. **145.** The superintendent shall inspect or cause to be inspected, at least once a year, the internal management and the operations of the company, to ensure that this Act, the regulations thereunder and the standards of the federation are complied with and to safeguard the interest of the depositors, creditors and shareholders.

Object. **146.** The object of the inspection is, particularly, to verify

- (1) the accuracy of the information and details supplied in the statements and reports provided for in this title;
- (2) the adequacy of the safety measures as regards the monies the company is entrusted with;
- (3) the financial, commercial and management methods followed by the company;
- (4) the financial condition of the company.

Requested inspection. **147.** The superintendent shall further inspect or cause to be inspected the affairs of a company whenever that is requested by at least one hundred shareholders.

Report. The superintendent shall then forward to the company so inspected a copy of his inspection report.

Access to
books and
records.

148. The inspector has access at all times to the books, registers, accounts and other records of the company and every person keeping such documents shall facilitate his examination of them. The inspector may take a copy of any such document.

Additional
informa-
tion.

The inspector may further require from the executive officers and employees of the company any information and explanation necessary for the performance of his duties.

Special
meeting.

149. After the inspection, the superintendent may order that a special general meeting be called to convey to the shareholders the information he considers relevant.

CHAPTER XVI

PROVISIONAL ADMINISTRATION

Provisional
adminis-
trator.

150. The Minister may suspend the powers of the board of directors and appoint, for such period as he may determine, an administrator to exercise its powers if, pursuant to an inspection or any statement or report required by this title or the regulations, he is of opinion

(1) that some of the assets have been the object of an embezzlement;

(2) that the assets are insufficient to ensure adequate protection to the depositors, creditors and shareholders;

(3) that there has been misconduct, misappropriation or breach of trust by one or more directors, or the directors neglect seriously the obligations imposed by this title and the regulations made under this Act or by the standards of the federation;

(4) that certain of the financial, commercial or management methods followed by the company might reduce the value of its securities.

Representa-
tion.

151. Before suspending the powers of the board of directors, the Minister shall, however, give the directors of the company and the federation the opportunity to be heard.

Report.

152. The administrator must present to the Minister, with the least possible delay, a detailed report of his findings, together with his recommendations.

Term.

The administrator remains in office until the expiry of the period for which he has been appointed, unless the Minister prolongs his term of office or terminates it earlier.

Powers of
the Minister.

153. The Minister, upon the report of the administrator, may

(1) remove the suspension of the powers of the board of directors;

(2) dismiss from office the members of the board of directors and order that a special general meeting of the shareholders be held to proceed with the election of new directors;

(3) order upon such conditions as he may determine the winding-up of the company and appoint a liquidator.

Disqualification.

Any director so dismissed from office becomes disqualified to hold the office of director of any company for a period of five years from the date of the act alleged.

Winding-up order.

154. The decision ordering the winding-up has the same effect as an order made by a judge of the Superior Court under section 24 of the Winding-up Act (R.S.Q., chapter L-4); in other respects, the provisions of Division IV of the said Act apply *mutatis mutandis* to the winding-up so ordered.

Report.

155. As soon as his term of office has expired, the administrator must send a complete report of his administration to the Minister.

Costs.

The costs, fees and expenditures of the provisional administration are payable by the company, unless the Minister orders otherwise.

CHAPTER XVII

AMALGAMATION AND WINDING-UP

Amalgamation.

156. No company may amalgamate except with one or more other sociétés d'entraide économique.

Copy of resolution.

157. A company deciding to wind up its affairs shall send to the superintendent and the federation a certified true copy of every resolution made by the shareholders respecting the winding-up of the company and the appointment of a liquidator.

Approval of resolution.

158. The resolution to approve the winding-up becomes effective only when it is approved by the superintendent and on the date he determines; before giving his approval, he may replace the liquidator appointed in the resolution by a liquidator he chooses.

Liquidator. For the purposes of the Winding-up Act, the liquidator appointed by the superintendent is deemed to have been appointed by the shareholders, except in the cases provided for in sections 6 and 7 of that Act, the superintendent acting, in such cases, in the place and stead of the shareholders.

Suspension of proceedings. **159.** As soon as the resolution becomes effective, every action and every proceeding by way of seizure by garnishment, seizure before judgment or seizure in execution, or otherwise, against the moveable or immoveable property of the company, must be suspended.

Collocation of costs. The costs incurred by a creditor after he has had knowledge of the winding-up, particularly by his attorney, cannot be collocated against the proceeds of the property of the company, which are distributed in consequence of the winding-up.

Proceedings. A judge of the Superior Court in the district in which the corporate seat of the company is located may, however, on such conditions as he may deem proper, authorize the institution of a suit or the continuance of any proceedings commenced.

Security. **160.** The liquidator, before taking possession of the property of the company, must give a security sufficient to guarantee the discharge of his office. At the request of the superintendent or any other interested person, a judge of the Superior Court may determine the amount and nature of the security and increase it if necessary.

Summary report. **161.** The liquidator must, within seven days after the expiry of any period of three months, send to the superintendent and the board of directors of the company a summary report of his activities for such period.

Complete report. When the winding-up of the company is terminated, the liquidator must send to the superintendent a complete report of his activities.

TITLE III

FÉDÉRATION DES SOCIÉTÉS D'ENTRAIDE ÉCONOMIQUE DU QUÉBEC

CHAPTER I

GENERAL PROVISIONS

Federation. **162.** The Government may establish a corporation under the name of "Fédération des sociétés d'entraide économique du Québec".

Members. The sociétés d'entraide économique shall be members of such federation.

Applicability. **163.** Part I of the Companies Act applies to the federation, *mutatis mutandis* and subject to this Act, except sections 3 to 30, 34, 34.1, 37 to 43, 45 to 76, 78 to 82, 84, 86, paragraphs *a* and *b* of subsection 2 of section 91, sections 93 to 96, paragraphs *j* and *k* of subsection 3 of section 98, sections 102 and 103, paragraphs *d* and *e* of subsection 1 and subsection 2 of section 104 and sections 122 and 123.0.1.

Regulated provisions. **164.** The Government may, by regulation, designate other provisions of Part I of the Companies Act that are not applicable to it.

Interpretation. In the interpretation of the provisions of Part I of the Companies Act, the word "company" means the "federation" and the word "shareholder" means a member of such federation.

Interpretation. Where a provision of the said Part requires the vote of shareholders representing a given proportion of the share capital of a company, such provision must be interpreted as requiring, for the purposes of the application of section 163, a number of votes equal to the given proportion in value.

First directors. **165.** The first directors of the federation shall be appointed by the Government.

Meeting. Those directors shall call a meeting of members, in particular to elect directors; such meeting must be held within the period fixed by the order of appointment.

Directors. **166.** The board of the federation shall be composed of not fewer than seven directors.

CHAPTER II

OBJECTS

Objects. **167.** The objects of the federation are

(1) to protect the interests of the companies, to foster the attainment of their objects and to promote their development;

(2) to act as a supervisory body over the companies, to the extent provided for in this Act;

(3) to furnish to the companies educational, data processing, consulting, technical assistance and other similar services;

(4) to establish and administer a liquidity fund for the benefit of the companies.

CHAPTER III

POWERS AND DUTIES

Standards. **168.** The federation must establish standards, not contrary to the Act or to the regulations, applicable to the companies respecting the following matters:

- (1) the reserves for doubtful debts they must maintain;
- (2) the accounting methods they must adopt;
- (3) any financial or administrative subject that it may determine;
- (4) matters provided for by section 107, paragraph 3 of section 108, section 115 and paragraphs 1 to 3, 5 and 15 of section 190.

Effect. Such standards have no effect until approved by the Government.

Regulated standards. The federation is not required to establish any standard on a matter referred to in the first paragraph if a regulation on that matter is made by the Government.

Non-compliance notified. **169.** The federation must notify the superintendent of any failure by a company to comply with the standards it has established.

Powers. **170.** The federation may

- (1) develop policies on any matter allowing the companies to achieve their objects;
- (2) examine the books and accounts of the companies;
- (3) carry out the inspections entrusted to it by warrant of the superintendent;
- (4) make agreements with any company to oversee, direct or manage its affairs during a given period.

Duties. **171.** The federation shall determine, by by-law, after the first meeting of its members,

- (1) the rules according to which its members are represented at meetings and the basis on which their number of votes is fixed and, where such is the case, the number of persons that each member may delegate thereto;

(2) the mode of constituting its board of directors, the number of directors, the mode of election and the quorum of the board of directors.

Restric-
tions.

172. In no case may the federation

(1) borrow from a company or with the guarantee of a company;

(2) accept other deposits than those it receives from companies.

Loans.

173. With the exception of advances to companies, the federation may in no case grant any loans.

Deposits.

174. In no case may the federation make deposits with a company.

Holding
shares.

175. The federation may, with the authorization of the Minister, acquire or hold shares of a corporation whose object is to provide the technical or financial services determined by regulation of the Government.

Holding
shares.

176. In no case may the federation hold or acquire shares of any corporation other than that contemplated in section 175.

Authorized
borrow-
ings.

177. The federation may borrow from a company or with the guarantee of a company in order to acquire or hold shares of a corporation whose object is to provide financial services. A company is authorized to grant a loan to it or security for that purpose.

Restricted
loans.

The company may grant or guarantee a loan only if the company complies or would comply by the fact of such loan to the provisions of Chapter XI of Title II and the regulations, or standards as the case may be, related thereto.

Assess-
ment.

178. The federation may, in the case provided for in section 175 impose on companies the payment of an assessment.

CHAPTER IV

ASSESSMENTS

Assess-
ment.

179. The federation may fix, for each fiscal year, a basic assessment and any other assessment that it deems necessary.

Assess-
ment.

Every company is bound to pay such assessments.

Special
services.

180. The federation may also fix an assessment in respect of a company that makes arrangements to avail itself of particular services offered by the federation.

Amount of
assessment.

181. In order to determine the amount of the assessments, the companies must furnish any reports that the federation may require.

Report.

The form and tenor of such reports and the time at which they must be made and sent are determined by the federation.

CHAPTER V

LIQUIDITY FUND

Liquidity
fund.

182. The liquidity fund is composed of sums that are deposited by the companies with the federation.

Invest-
ment.

183. The assets of the liquidity fund are invested in the manner provided for by paragraphs 1, 2 and 4 of section 124 and in the manner that the Government determines by regulation.

Demand
deposits.

184. The federation must invest in the form of demand deposits with the Caisse de dépôt et placement du Québec an amount which is established on the basis of a percentage and on the basis of assets that the Government determines by regulation.

Advances.

185. The federation may, out of the liquidity fund, make advances to companies in accordance with the rules determined by regulation.

Excess
revenues.

186. The revenues derived from the liquidity fund in excess of expenditures attached thereto may only be distributed as interest on sums deposited therein by the companies.

Separate
assets.

187. The assets of the liquidity fund must be distinct from those of the federation. Such assets must be designated in the books, registers and accounts of the federation in such a manner as to be separate from the other assets of the federation.

Separate
files.

The federation must keep separate files and accounts of all the operations relating thereto.

Unautho-
rized secu-
rity.

188. In no case may the federation give as security for a loan any asset from the liquidity fund except in the case of an advance that is granted to it under section 40 of the Deposit Insurance Act.

CHAPTER VI

VARIOUS PROVISIONS

Applica-
bility.

189. Sections 71 to 77 and 97 and Chapters XII to XVI of Title II apply to the federation, *mutatis mutandis*.

TITLE IV

REGULATIONS

Regula-
tions.

190. In addition to the regulatory powers that are conferred on it by this Act, the Government may, by regulation

(1) establish or prohibit one or several modes of remuneration applicable to the executive officers or employees of a company and determine in that respect classes of persons and the rules applicable to each class;

(2) establish rules respecting the nature and amount of tariffs and fees that may be imposed on depositors and borrowers of a company and provide for cases where such tariffs and fees are forbidden;

(3) determine the time at which depositors of a company must be informed of the tariffs pertaining to their deposits and the terms and conditions according to which they must be informed;

(4) provide for the cases where a company may receive deposits transferable by order to third parties;

(5) determine the time at which the depositors of a company must be informed of the interest rates pertaining to their deposits, the terms and conditions according to which they must be informed and the mode of calculation of interest paid;

(6) determine the form of inspection reports made for the superintendent and the information that they must contain;

(7) determine the nature, form and tenor of books, accounts and registers that must be kept by a company and the manner in which they must be kept;

(8) define, for the purposes of the application of each of the sections where they appear, the expressions "not dealing at arm's length", "related person" and "excess of assets over liabilities";

(9) determine the procedure to be followed and the notices to be given before the Minister suspends the powers of the board of directors of a company;

(10) determine the methods to be followed in order to evaluate the assets and liabilities of a company;

(11) prescribe the nature of audits respecting the statements and reports that a company must file with the superintendent and the form of the auditor's attestation;

(12) establish the standards respecting reserves for doubtful debts that must be maintained by companies;

(13) establish the mode of accounting that must be adopted by companies;

(14) establish standards applicable to companies on any subject in financial and administrative matters;

(15) determine the insurance that a company must take to insure itself against risks of fire, theft, civil and employer liability and embezzlement of funds by its executive officers and the amounts of such insurance;

(16) prescribe the loans to be deducted from the aggregate of the loans contemplated in sections 104 and 113;

(17) prescribe the information that must contain the disclosure contemplated in section 110 and the notice contemplated in section 121;

(18) provide in a regulation made under subparagraphs 1 to 3, 5, 12 to 15 and section 107, paragraph 3 of section 108 and section 115 that it replaces any standard established under section 168;

(19) determine the investments contemplated in paragraph 3 of section 112 and the assets contemplated in paragraph 5 of section 124;

(20) determine the percentages contemplated in sections 104, 113 and 126;

(21) determine the rules according to which the federation may make advances to the companies in accordance with section 185;

(22) make in respect of the *fédération des sociétés d'entraide économique du Québec*, or render applicable to it, with or without amendment, the regulations that the Government may make under this Act;

(23) adopt, for the purposes of Title I, any provision allowing to make up for any omission in order to ensure the continuance of any union as a *société d'entraide économique*;

(24) adopt any transitional provisions and other measures necessary to allow the application of this Act.

Coming
into force of
the regula-
tions.

191. The regulations made under this Act come into force on the date of their publication in the *Gazette officielle du Québec* or on any later date fixed therein. A regulation made under paragraphs 23 and 24 of section 190 may also, once published and if it provides therefor, apply from any date not before 30 November 1981.

TITLE V

OFFENCES AND PENALTIES

Offence. **192.** Every person is guilty of an offence who

(1) contravenes a provision of this Act, the regulations or of the standards established under section 168;

(2) furnishes to the Minister or the superintendent, or to a person to whom he has delegated his functions, false or inaccurate documents or information;

(3) refuses or neglects to file a statement or report required by this Act, the regulations or the standards established under section 168;

(4) files a statement or report that he knows to be false or makes in a book or register an entry that he knows to be false or refuses or neglects to make one required by this Act or the regulations or the standards established under section 168;

(5) hinders or attempts to hinder, in any manner, any person who does an act which this Act obliges or authorizes him to do.

Offence. **193.** A person who, knowingly, by an act or omission attempts to aid a person to commit an offence or who advises, encourages or incites a person to commit an offence is himself a party to the offence and liable to the same penalty as that provided for the person who is guilty of the offence, whether or not such person has been prosecuted or convicted.

Penalty. **194.** Any person who is guilty of an offence is liable on summary proceedings, in addition to costs, to a fine of not less than \$300 nor more than \$10 000 for each offence and to a fine of not less than \$500 nor more than \$20 000 for each subsequent offence within two years.

Proceedings. **195.** Proceedings are brought in accordance with the Summary Convictions Act (R.S.Q., chapter P-15) by the Attorney General or by a person whom he authorizes generally or specially for that purpose.

Prescription.

Proceedings under this Act are prescribed by 2 years from the date of the offence.

TITLE VI

MISCELLANEOUS AND TRANSITIONAL PROVISIONS

Guarantee.

196. A deposit of five hundred dollars or less, from the conversion, under this Act, of shares that would otherwise be a deposit guaranteed by the Régie de l'assurance-dépôts du Québec, is guaranteed even if the document evidencing the liability of the company is not a document within the meaning of the document referred to in paragraph *b* of section 2 of the General Regulations made under the Deposit Insurance Act (R.S.Q., chapter A-26).

Temporary permit.

197. The Régie de l'assurance-dépôts du Québec may, on such conditions as it may determine, issue to a caisse d'entraide économique a permit ending on 30 November 1982 even if that union does not meet the provisions of of the Deposit Insurance Act and the regulations thereunder respecting the granting of a permit.

Cancellation or suspension.

The permit so issued may at any time be suspended or cancelled by the Régie. However, the Régie must allow the union to be heard within fifteen days from the suspension or cancellation of the permit.

Effective date.

The permit the Régie may issue under this section may have effect, if it is so stipulated therein, from any date not before 15 November 1981.

Validity.

198. Every permit issued under the Deposit Insurance Act to a union continued as a société d'entraide économique remains valid until 31 August 1982.

Cancellation or suspension.

However, that permit may be suspended or cancelled at any time by the Régie de l'assurance-dépôts du Québec. However, the Régie must allow the company to be heard within fifteen days from the suspension or cancellation of the permit.

Board of supervision.

199. The members of the board of supervision of a union that has been continued as a société d'entraide économique are the members of the board of supervision of the company until they are replaced.

Balance of the surplus account.

200. The balance of the surplus account and that of the general reserve of a caisse d'entraide économique form part, from the date on which it is continued as a company governed by Title II, of the account of the unallocated profit of the company.

Overpay-
ments.

Overpayments of a union continued as a company are allocated, in the proportion contemplated in the conversion plan, to payment of the interest on the amounts paid on the shares held immediately before the continuance or to payment of rebates to depositors or borrowers as if the company were still a union. Any remainder of the overpayments also forms part of the account of the unallocated profit of the company.

Adminis-
trator ap-
pointed by
the Minis-
ter.

201. The Minister may appoint, for the period he determines, an administrator to the Fédération des caisses d'entraide économique du Québec; the latter shall replace the board of directors, the committee on credit, the board of supervision and the general meeting of the federation and shall exercise the powers thereof.

Term.

The administrator remains in office until the expiry of the period for which he has been appointed, unless, before then, the Minister extends his term of office or terminates it earlier.

Quarterly
report.

202. The administrator, within seven days after the end of every three month period, shall submit to the Minister a brief report on his activity for that period. He shall also, at the end of his term, make a complete report of his administration to the Minister.

Costs.

The costs, fees and expenditures of the administration are payable by the federation, unless the Minister orders otherwise.

Corporate
status.

203. The corporate status of the Fédération des caisses d'entraide économique du Québec is not affected by the continuance of the caisses d'entraide économique as sociétés d'entraide économique governed by Title II.

Auxiliary
members.

The unions thus continued become auxiliary members of the Fédération des caisses d'entraide économique du Québec.

Costs for
application
of Act.

204. The Government may determine all or part of the costs required for the application of this Act which are payable by the Fédération des sociétés d'entraide économique du Québec.

Share of
the costs.

The federation may determine the share of the costs to be paid to it by each company.

R.S.Q.,
c. C-4,
s. 25, am.

205. Section 25 of the Savings and Credit Unions Act (R.S.Q., chapter C-4) is amended by adding the following paragraph:

Resigna-
tion.

"The resignation of the member becomes effective only from the complete reimbursement of his shares and savings."

Interpre-
tation.

However, the second paragraph of section 25 of the Savings and Credit Unions Act, where that paragraph applies to a caisse

d'entraide économique, must be read in the period between the date of the coming into force of this section and 1 February 1982 without reference to the words "and savings".

Registered
plans or
funds.

206. No registered retirement plan, registered retirement savings plan, registered home ownership savings plan, deferred profit-sharing plan or registered retirement income fund the assets of which are, before 28 February 1982, invested in shares of a *caisse d'entraide économique* do not cease to be registered for the purposes of the Taxation Act (R.S.Q., chapter I-3), merely on account of the conversion, in conformity with Title I, of such shares into shares of a *société d'entraide économique* or into deposits in that company in conformity with Title I.

Deductible
invest-
ment.

The shares from such conversion are investments deductible for the purposes of such plans.

Presump-
tion.

207. Whenever a registered retirement savings plan is revised or amended and the plan resulting therefrom no longer meets the requirements of section 909 of the Taxation Act in respect of the payment of benefits by reason of the fact that, in a taxation year, the beneficiary has reached the age of seventy-one and the assets, which were in whole or in part shares of a *caisse d'entraide*, were not reimbursed or otherwise paid to him during that year, the beneficiary is deemed to reach the age of seventy-one only during the year when all the deposits become payable.

Allowable
deduction.

208. A taxpayer who receives, upon the continuance of a *caisse d'entraide* as a *société d'entraide économique* governed by Title II, shares of the share capital of a *société d'entraide économique* may deduct from his tax otherwise payable under Part I of the Taxation Act, for the taxation year 1981, an amount not exceeding 25% of the par value of those shares insofar as the shares are the result of the conversion of the share capital of a union subscribed before 23 August 1981 and paid before 30 November 1981.

Deductible
amount.

For the purposes of that deduction, the beneficiary or subscriber of a registered retirement plan, registered retirement savings plan, registered home ownership savings plan or a deferred profit-sharing plan may also deduct the amount deductible under the first paragraph.

Deductible
amount.

209. If the amount the taxpayer may deduct under section 208 exceeds the amount of his tax otherwise payable under Part I of the Taxation Act, for the taxation year 1981, he may deduct from his tax otherwise payable under that Part, for subsequent taxation years, an amount not exceeding the amount he could deduct for the taxation year 1981 less the aggregate of the amounts he has already deducted for previous taxation years.

Deductible
share.

210. Every share of the share capital of a société d'entraide économique that an individual referred to in section 965.7 of the Taxation Act received upon the continuance of a union as a société d'entraide économique governed by Title II, is deductible for the taxation year 1982, for the purposes of the deduction referred to in the said section 965.7.

Allowable
deduction.

The individual referred to in the said section 965.7 who acquires, in the taxation year 1982, shares of a société d'entraide économique from a registered retirement savings plan of which he is the beneficiary or subscriber, or from a registered home ownership savings plan or deferred profit-sharing plan or from a retirement plan of which he is the beneficiary, may also avail himself, for that taxation year, of the deduction referred to in section 965.7 of the said Act; the shares are deemed, for deduction purposes, to have been acquired at par value.

R.S.Q.,
c. I-3,
s. 965.1,
am.

211. Section 965.1 of the Taxation Act (R.S.Q., chapter I-3) is amended by replacing the second paragraph by the following paragraph:

Federation
of co-
operative
bodies.

"The arrangement referred to in the first paragraph may also be made with a federation of cooperative bodies governed by an Act referred to in paragraph *b* of the second paragraph of section 965.4 or in paragraph *b* or *c* of section 965.5 concerning the custody of some of the shares contemplated in the first paragraph that are issued by a body governed by such an Act."

R.S.Q.,
c. I-3,
s. 965.5,
am.

212. Section 965.5 of the said Act is amended by adding the following paragraph:

"(c) it is a société d'entraide économique governed by the Act respecting the sociétés d'entraide économique (1981, chapter 31)."

R.S.Q.,
c. I-3,
s. 965.6,
am.

213. Section 965.6 of the said Act is amended by replacing what precedes paragraph *b* by the following:

Share eligi-
ble to a
stock sav-
ings plan.

"965.6 A share may also be included in a stock savings plan if it is a share of an individual, other than a membership stock or share, referred to as a "share" in this title and in section 1049.1,

(a) issued by a body governed by an Act referred to in paragraph *b* of the second paragraph of section 965.4 or paragraph *b* or *c* of section 965.5;"

Payment
withheld
from de-
posit.

214. A société d'entraide économique may, for the repayment of any claim it has, at the time of continuance, against a shareholder or depositor who was a member before the continuance, withhold any moneys it owes to him and use them to compensate the claim.

Presump-
tion.

215. For the purposes of the Securities Act (R.S.Q., chapter V-1), a société d'entraide économique is deemed to be a corporation described in paragraph *a* of section 113 of that Act.

Required
sums.

216. The sums required for the application of this Act for the fiscal years 1981-1982 and 1982-1983 shall be taken out of the consolidated revenue fund and, for subsequent years, out of the sums voted each year by the Legislature.

Minister.

217. The Minister of Financial Institutions and Cooperatives is charged with the application of this Act.

Effect.

218. Sections 1 to 7 have effect as from 30 November 1981.

Effect.

219. Section 197 has effect as from 15 November 1981.

Applica-
bility.

220. Sections 206 and 207 apply to the taxation year 1981 and subsequent taxation years.

Applica-
bility.

221. Sections 209 and 211 to 213 apply to the taxation year 1982 and subsequent taxation years.

Report.

222. The Minister of Financial Institutions and Cooperatives shall, within three years after the coming into force of this Act, submit to the Committee on Financial Institutions and Cooperatives a report on the application of this Act and make recommendations on the advisability of maintaining the application of or amending this Act.

Coming
into force.

223. This Act will come into force on the date to be fixed by government proclamation, except those provisions that are excluded by the proclamation, which will come into force on any later date or dates that may be fixed by government proclamation.

Coming
into force.

However, section 197, the first paragraph of section 205 and section 219 come into force on the date of sanction of this Act.

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