

NATIONAL ASSEMBLY

SECOND SESSION

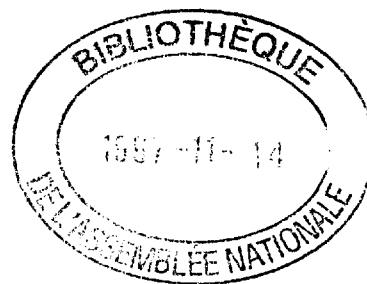
THIRTY-FIFTH LEGISLATURE

Bill 167

An Act to amend the Savings and Credit Unions Act

Introduction

**Introduced by
Mr Bernard Landry
Minister of Finance**



**Québec Official Publisher
1997**

EXPLANATORY NOTES

The object of this bill is to broaden the mission and powers of credit unions, federations and confederations, particularly so as to allow credit unions and federations to offer new services and financial products. The mission of a confederation will include facilitating the fulfilment of the mission of credit unions, promoting the development of credit unions and providing support services to federations and legal persons belonging to their group. Credit unions, federations and confederations will be authorized to engage in any activity, in addition to the activities expressly authorized by law, which is connected to the fulfilment of their mission, unless they are prohibited from so doing by the Government.

This bill also provides that credit unions and federations will be authorized, as an ancillary activity, to offer services to non-members. As well, confederations will be authorized, as a subsidiary activity, to offer to provide to any person the services they use or the services they provide to credit unions, federations or legal persons belonging to their group.

In addition, this bill amends the provisions relating to the capitalization of credit unions, notably in order to allow federations and confederations to set standards concerning the adequacy and composition of the base capital. The provisions concerning capitalization shares are also amended so as to facilitate the issue of such shares.

Moreover, this bill introduces provisions which reinforce the supervisory and intervention powers of the Inspector General and others which strengthen disclosure requirements as regards the interests held by officers and conflicts of interest. It also introduces provisions designed to relax the rules governing the allocation of surplus earnings.

Finally, the bill contains transitional provisions and provisions for concordance.

LEGISLATION AMENDED BY THIS BILL:

- Savings and Credit Unions Act (R.S.Q., chapter C-4.1);
- Act respecting security fund corporations (R.S.Q., chapter C-69.1);
- Act respecting trust companies and savings companies (R.S.Q., chapter S-29.01);
- Act respecting the Mouvement des caisses Desjardins (1989, chapter 113);
- Act respecting the implementation of the Act respecting administrative justice (1997, chapter 43).

Bill 167

AN ACT TO AMEND THE SAVINGS AND CREDIT UNIONS ACT

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS :

1. Section 3 of the Savings and Credit Unions Act (R.S.Q., chapter C-4.1) is amended by inserting, after paragraph 2, the following paragraph :

“(2.1) to offer or provide other financial services and financial products to its members;”.

2. Section 5 of the said Act is amended

(1) by replacing paragraph 1 by the following paragraph :

“(1) to protect the interests of the federations affiliated with it, coordinate their activities, provide joint services to them, foster the attainment of the objects of those federations and of the credit unions affiliated with them and promote the development of those federations and of those credit unions;”;

(2) by inserting, after paragraph 3, the following paragraph :

“(3.1) to provide management, data processing, telecommunications, consulting and procurement services and other similar services to the federations affiliated with it, to the credit unions affiliated with those federations and to any legal person belonging to the same group as it;”;

(3) by replacing the words “a credit union” in the third line of paragraph 4 by the words “, a credit union or a legal person belonging to the same group as the confederation”.

3. Section 7 of the said Act is amended

(1) by replacing the word “indirectly” in the second line by the words “through legal persons it controls”;

(2) by adding, at the end, the following paragraph :

“A partnership is controlled by a person where the latter holds, directly or through legal persons it controls, more than 50% of the shares. A limited partnership is controlled by a person where the person or a legal person controlled by that person is the general partner.”

4. Section 8 of the said Act is amended by replacing the words “directly or indirectly” in the third line of paragraphs 1 and 2 by the words “or partnership”.

5. Section 16 of the said Act is amended

(1) by replacing the figure “60” in the third line by the figure “90”;

(2) by adding, at the end, the following paragraph:

“The Inspector General may grant an extension even if that period has expired.”

6. Section 17 of the said Act is amended

(1) by replacing the figure “60” in the second line by the figure “90”;

(2) by adding, at the end, the following paragraph:

“The Inspector General may grant an extension even if that period has expired.”

7. Section 21 of the said Act, amended by subparagraph 2 of the first paragraph of section 176 of chapter 69 of the statutes of 1996 and by the second paragraph of that section, is again amended by striking out the words “directly or indirectly” in the third line of the second paragraph.

8. Section 22 of the said Act, amended by subparagraph 3 of the first paragraph of section 176 of chapter 69 of the statutes of 1996, is again amended by replacing the words “its use” by the words “the use of that name”.

9. Section 26 of the said Act, amended by section 7 of chapter 69 of the statutes of 1996, is replaced by the following section:

“26. A credit union must identify itself under the name authorized in the articles.

The credit union’s name must be indicated legibly on all its instruments, contracts, invoices and goods or services purchase orders.

Subject to the second paragraph, a credit union affiliated with a federation that is itself affiliated with a confederation may, with the authorization of the confederation, use other names.

Subject to the second paragraph, a credit union affiliated with an unaffiliated federation may also, with the authorization of the federation, use other names.”

10. Section 34 of the said Act, amended by subparagraph 4 of the first paragraph of section 176 of chapter 69 of the statutes of 1996, by paragraph 5 of section 177 of that chapter and by subparagraph 1 of the first paragraph of

section 178 of that chapter, is again amended by replacing subparagraph 4 of the first paragraph by the following subparagraph :

“(4) the name and address of each founder;”.

11. Section 41 of the said Act is amended

(1) by replacing the words “60 days” in the first line of the first paragraph by the words “one year”;

(2) by striking of the second paragraph.

12. Section 45 of the said Act, amended by section 13 of chapter 69 of the statutes of 1996 and by subparagraph 3 of the first paragraph of section 178 of that chapter, is again amended by replacing the words “, address and occupation” in the first line of paragraph 1 by the words “and address”.

13. Section 55 of the said Act, amended by section 17, subparagraph 6 of the first paragraph of section 176, paragraph 7 of section 177 and subparagraph 4 of the first paragraph of section 178 of chapter 69 of the statutes of 1996, is again amended

(1) by replacing the words “, address and occupation” in the first line of subparagraph 2 of the first paragraph by the words “and address”;

(2) by inserting the words “to complete the amalgamation or” after the word “provision” in the second paragraph.

14. Section 57 of the said Act is amended

(1) by replacing the first paragraph by the following paragraph:

“**57.** The notice calling the special meeting must indicate that a member is entitled to receive, upon request, a copy of the amalgamation agreement.”;

(2) by replacing the words “accompanying document” in the first line of the second paragraph by the words “of the amalgamation agreement”.

15. Section 59 of the said Act, amended by section 19 of chapter 69 of the statutes of 1996, is again amended by replacing the words “six months” by the words “nine months”.

16. Section 65 of the said Act is amended by striking out the words “, within 10 days of its adoption,” in the first and second lines of the third paragraph.

17. Section 67 of the said Act is amended by replacing the word “include” in the second line of the first paragraph by the words “also include, where permitted by the by-laws of the credit union,”.

18. Section 68 of the said Act is amended by adding, at the end, the following paragraph:

“Permanent shares and preferred shares may be issued also to the fund referred to in section 273.”

19. Section 69 of the said Act is amended by replacing the words “Only fully paid shares may be issued. They” in the first line by the following: “Shares may be paid in full or by instalments, according to the terms and conditions and in the cases determined by resolution of the board of directors of the credit union. The resolution shall be submitted for approval to the federation with which the credit union is affiliated or, if the credit union is not affiliated, to the Inspector General.

The shares”.

20. Section 73 of the said Act is amended

(1) by striking out the words “where authorized to do so by by-law” in the first and second lines of the first paragraph;

(2) by replacing the words “by-law must state” in the first line of the second paragraph by the words “board of directors of the credit union shall set out, by resolution, for each series of a class,”;

(3) by replacing the word “by-law” in the first line of the third paragraph by the word “resolution”.

21. Section 74 of the said Act is replaced by the following section:

“74. The credit union shall attest the issue of permanent shares by the issue of certificates or by nominal registration in a computer-based register established in accordance with the standards applicable to the credit union. The certificates or register shall indicate the par value of the shares, the preferences, rights and restrictions attached to them and any special condition applicable to their redemption or transfer.

The nominal registration of a permanent share shall constitute evidence of the right of ownership in the share.”

22. Section 75 of the said Act is amended by adding, at the end of the third paragraph, the following sentence: “However, permanent shares transferred to the confederation may be transferred subsequently to the fund referred to in section 273.”

23. Section 79 of the said Act is amended

(1) by replacing the words “for at least five years by a person who is 60 years of age and has availed himself of a right to pre-retirement or to

retirement or by a person who is 65 years of age” in the second and third lines of the first paragraph by the words “by a person for at least five years where the person has reached 60 years of age and has exercised a right to pre-retirement or retirement or has reached 65 years of age or in any other case provided by regulation of the Government”;

(2) by replacing the second paragraph by the following paragraph:

“A redemption under the first paragraph may not be effected if the capital base of the credit union or, where applicable, of the federation with which it is affiliated is inadequate or if the redemption would cause the capital base to become inadequate.”

24. The said Act is amended by inserting, after section 79, the following section:

“79.1. A credit union may purchase all or any of the permanent shares it has issued.

Any such purchase requires authorization by the Inspector General and, where applicable, by the federation with which the credit union is affiliated.”

25. Section 80 of the said Act is replaced by the following section:

“80. The annual meeting may determine the interest payable on permanent shares out of the surplus earnings.

The board of directors may determine the interest payable on permanent shares out of the sums allocated to the stabilization reserve.

No interest payable on permanent shares may exceed the maximum rate prescribed by by-law of the federation with which the credit union is affiliated. If the federation is itself affiliated with a confederation, the maximum rate of interest shall be determined by by-law of the confederation.”

26. Section 81 of the said Act is amended

(1) by striking out the words “where authorized to do so by by-law” in the first and second lines of the first paragraph;

(2) by replacing the words “by-law must state” in the first line of the second paragraph by the words “board of directors of the credit union shall set out, by resolution, for each series of a class,”;

(3) by replacing the word “by-law” in the first line of the third paragraph by the word “resolution”.

27. Section 82 of the said Act is repealed.

28. Section 83 of the said Act is replaced by the following section :

“83. Preferred shares are transferable between members, including auxiliary members where permitted by the by-law of the credit union, and, where applicable, between such members and the confederation with which the federation of which the credit union is a member is itself affiliated.

Preferred shares may be transferred to third persons if they have been given as security by a member or an auxiliary member.

Preferred shares transferred to the confederation or to third persons may be subsequently transferred only to the members of the credit union which has issued them, and to the auxiliary members where permitted by the by-law of the credit union. However, preferred shares transferred to the confederation may be transferred subsequently to the fund referred to in section 273.”

29. The said Act is amended by inserting, after section 83, the following section :

“83.1. A credit union shall cease to issue preferred shares when the confederation with which the federation with which the credit union is affiliated is affiliated holds preferred shares issued by the credit union in the fund referred to in section 452.”

30. Section 84 of the said Act is replaced by the following section :

“84. The credit union shall attest the issue of preferred shares by the issue of certificates or by nominal registration in a computer-based register established in accordance with the standards applicable. The certificates or register shall indicate the par value of the shares, the preferences, rights and restrictions attached to them and any special condition applicable to their redemption or transfer.

The nominal registration of a preferred share shall constitute evidence of the right of ownership in the share.”

31. Section 86 of the said Act is amended by replacing the words “Except in the event of the death of its holder or of the winding-up, insolvency or dissolution of the credit union” in the first and second lines by the words “Except in the case of liquidation, insolvency or dissolution of the credit union, in the event of the death of the shareholder or in the other cases provided by regulation of the Government”.

32. Section 87 of the said Act is amended by replacing the words “does not cause its capital base or, as the case may be, that of the federation with which it is affiliated, to fall to a level that is lower than the level required under this Act” in the second, third, fourth and fifth lines by the words “does not render its capital base inadequate or, where applicable, the capital base of the federation with which it is affiliated”.

33. Section 88 of the said Act is amended

- (1) by striking out the words “or repurchase” in the first line;
- (2) by adding, at the end, the following paragraph:

“Every purchase must be authorized by the Inspector General and, where applicable, by the federation with which the credit union is affiliated.”

34. Section 89 of the said Act is amended by striking out the words “within the limits prescribed by by-law of the credit union” in the second line.

35. The said Act is amended by inserting, after section 90, the following section:

“90.1. A credit union affiliated with a federation which is itself affiliated with a confederation may not be a member of a credit union affiliated with a federation which is affiliated with that confederation.

A credit union affiliated with an unaffiliated federation may not be a member of a credit union affiliated with that federation.

A federation affiliated with a confederation may not be a member of a credit union affiliated with a federation affiliated with that confederation.

An unaffiliated federation may not be a member of a credit union which is affiliated with it.

A confederation may not be a member of a credit union affiliated with a federation which is itself affiliated with that confederation.”

36. Section 104 of the said Act is amended

- (1) by inserting the words “and to the federation with which the credit union is affiliated,” after the word “members” in the second line of the first paragraph;
- (2) by adding, at the end, the following paragraph:

“A representative of the federation may attend and participate in the meeting.”

37. Section 128 of the said Act is amended by striking out the last sentence.

38. Section 134 of the said Act, amended by section 36 of chapter 69 of the statutes of 1996, is again amended by replacing paragraph 5 by the following paragraph:

“(5) determine the rate of interest on preferred shares and, where applicable, on permanent shares, and adopt a policy for the determination of the rates of interest applicable to savings and to credit;”.

39. Section 141 of the said Act, amended by subparagraph 5 of the first paragraph of section 178 of chapter 69 of the statutes of 1996, is again amended by replacing the words “, address and occupation” in the third and fourth lines by the words “and address”.

40. Section 157 of the said Act, replaced by section 43 of chapter 69 of the statutes of 1996, is amended by replacing the figure “128” by the figure “127”.

41. Section 183 of the said Act, amended by section 58 of chapter 69 of the statutes of 1996, is again amended by inserting the words “and of the conformity of the credit extended to restricted parties and persons who are associates of an officer with the applicable rules of ethics and standards” after the word “interest” in the second paragraph.

42. Section 188 of the said Act is repealed.

43. Section 190 of the said Act, amended by subparagraph 6 of the first paragraph of section 178 of chapter 69 of the statutes of 1996, is again amended by replacing the words “, address and occupation” by the words “and address”.

44. Section 197 of the said Act is amended by replacing the words “pay damages, if any,” in the fourth line of the first paragraph by the words “, where applicable, pay damages to repair any injury”.

45. Section 205 of the said Act, amended by section 67 of chapter 69 of the statutes of 1996, is again amended

(1) by inserting the words “and any interest held by the officer’s spouse or minor child and by a minor child of the officer’s spouse” after the word “enterprise” in the fourth line of the first paragraph;

(2) by replacing the third paragraph by the following paragraph:

“However, no officer shall be required to disclose any interest referred to in the first paragraph that represents a total of less than 10% of the securities issued by an enterprise or of the voting rights attached to such securities, if the total value of such interests is less than the amount determined by the board of audit and ethics of the federation with which the credit union is affiliated or, if it is not affiliated, by the Inspector General.”

46. Section 206 of the said Act, amended by section 68 of chapter 69 of the statutes of 1996, is replaced by the following section:

“206. Every officer who is in a situation that constitutes a conflict of interest must, on pain of dismissal, disclose the situation, abstain from voting on any matter related to the situation, and shall not attempt to influence any decision relating thereto. The officer shall, in addition, withdraw from any meeting during discussions and votes in relation to the situation. The minutes of the meeting shall mention the disclosure of the situation of conflict of interest.”

47. Section 211 of the said Act is repealed.

48. Section 212 of the said Act is amended

(1) by replacing the words “reserved to its members, subject to the exceptions set out in this Act” in the second and third lines of the first paragraph by the words “exercised for the benefit of its members”;

(2) by inserting, after the first paragraph, the following paragraph:

“The products and services offered or provided by a credit union to its members may, as an ancillary activity, be offered or provided to persons who are not members.”

49. Section 213 of the said Act is amended

(1) by replacing the words “A credit union may” in the first line by the words “A credit union has all the powers of a legal person. It may engage with any person in any transaction pertaining to the pursuit of its objects or relevant to its operations.

A credit union may, in particular,”;

(2) by replacing the words “and factoring” in paragraph 7 by the words “, factoring and payroll”;

(3) by replacing paragraph 8 by the following paragraph:

“(8) acquire or assign claims, except in the cases prescribed by regulation of the Government;”;

(4) by inserting, after paragraph 8, the following paragraph:

“(8.1) administer loans;”;

(5) by inserting the words “and provide foreign exchange services” after the word “cheques” in paragraph 9;

(6) by adding, after paragraph 11, the following paragraphs:

“(12) undertake, in the cases provided by regulation of the Government, the activities that a trust company may carry on under the Act respecting trust companies and savings companies (chapter S-29.01);

“(13) act as a liquidator or sequestrator for the enforcement of an obligation secured by hypothec of which the credit union is a creditor.”

50. Paragraphs 4, 5 and 6 of section 214 of the said Act shall be renumbered as paragraphs “14”, “15” and “16”, respectively, of section 213.

51. Section 215 of the said Act is amended

(1) by replacing the words “any other activity it considers expedient in the interest of the public and the members” in the third and fourth lines of the first paragraph by the words “any activity, not prohibited by law but not related to the pursuit of the objects thereof, that the Government considers expedient in the interest of the public and the members”;

(2) by replacing the second paragraph by the following paragraphs:

“The Government may, after taking the advice of the Minister, prohibit a credit union, a specific group of credit unions or all the credit unions from carrying on an activity related to the pursuit of their objects but that is not expressly authorized by law.

Any order made pursuant to this section shall be published in the *Gazette officielle du Québec*.”

52. Section 217 of the said Act is amended

(1) by inserting the words “and a person referred to in paragraph 1 of section 208” after the word “affiliated” in the third line of paragraph 1;

(2) by striking out paragraphs 2, 4, 5 and 6;

(3) by striking the words “or 2” in the second line of paragraph 7.

53. Section 220 of the said Act, amended by section 72 of chapter 69 of the statutes of 1996, is again amended by striking out the words “or where the transfer is a condition inherent in a contract entered into under paragraph 8 of section 213 or paragraph 11 of section 364” in the third, fourth and fifth lines of the second paragraph.

54. Section 221 of the said Act, amended by section 73 of chapter 69 of the statutes of 1996, is again amended by striking out the last paragraph.

55. The said Act is amended by inserting, after section 226, the following section:

“226.1. For the purposes of the communication and use of information concerning a partnership or a legal person, except personal information, that pertains to the supply of goods or services, the credit unions affiliated with federations belonging to the same group as a confederation, such federations, such confederation as well as La Caisse centrale Desjardins du Québec where such federations are members thereof, shall not be considered to be third persons in relation to each other.”

56. The French text of the heading of Division II of Chapter XIV of Title II of the said Act is replaced by the following:

“CAPITAL DE BASE”.

57. Section 227 of the said Act, amended by subparagraph 5 of the first paragraph of section 180 of chapter 69 of the statutes of 1996, is again amended

(1) by replacing the first paragraph by the following paragraphs:

“227. A credit union not affiliated with a federation shall, in relation to its operations, maintain an adequate capital base to meet its requirements. A credit union shall, in this respect, comply with the regulations of the Government.

The Inspector General may, if the Inspector General considers it necessary, give written instructions to an unaffiliated credit union concerning the adequacy of its capital base.”;

(2) by replacing the word “first” in the second paragraph by the word “second”.

58. Sections 228, 229 and 230 of the said Act are repealed.

59. Section 231 of the said Act, amended by subparagraph 6 of the first paragraph of section 180 of chapter 69 of the statutes of 1996 and by paragraph 1 of section 111 of chapter 43 of the statutes of 1997, is again amended by replacing the first paragraph by the following paragraph:

“231. Where the Inspector General considers that a credit union not affiliated with a federation is not maintaining a capital base that the Inspector General considers adequate to meet the requirements of the credit union, the Inspector General may order it to adopt a compliance program within the time and for the reasons indicated by the Inspector General.”

60. Section 232 of the said Act is amended by replacing, in the French text, the words “sa base d’endettement” by the words “son capital de base”.

61. Section 238 of the said Act, amended by subparagraph 7 of the first paragraph of section 180 of chapter 69 of the statutes of 1996, is again

amended by striking out the words “with respect to the powers exercised by its credit committee” in the third and fourth lines of the first paragraph.

62. Section 239 of the said Act, amended by section 74 of chapter 69 of the statutes of 1996, is again amended by replacing, in the French text, the words “sa base d’endettement” by the words “son capital de base”.

63. Section 242 of the said Act is amended by striking out the second paragraph.

64. Section 252 of the said Act, replaced by section 77 of chapter 69 of the statutes of 1996, is amended by adding, at the end, the following paragraph:

“A credit union may not extend credit to any officer of a federation with which the credit union is affiliated or of a legal person belonging to the same group as the federation, to any officer of a confederation with which the federation is itself affiliated or to any officer of La Caisse centrale Desjardins du Québec, except to the extent determined by the rules of ethics and in accordance with the credit standards applicable to the credit union.”

65. Section 255 of the said Act, amended by section 80 of chapter 69 of the statutes of 1996, is replaced by the following section:

“255. A credit union may invest in all types of property. It shall exercise its powers to make investments with prudence and care. In addition, a credit union shall comply with the standards that are applicable to it.

The Inspector General may, if the Inspector General considers it necessary, give written instructions to a credit union concerning the investments it may make.

The Inspector General shall, before giving written instructions, inform the credit union of the Inspector General’s intention and give the credit union an opportunity to present observations.”

66. Section 256 of the said Act is replaced by the following sections:

“256. An unaffiliated credit union must adopt standards that ensure that its investments are consistent with sound and prudent financial and management practices.

“256.1. A credit union may invest in shares or in immovable property, except in the cases determined by regulation of the Government.”

67. Section 257 of the said Act is repealed.

68. Section 258 of the said Act, amended by section 82 of chapter 69 of the statutes of 1996, is again amended

(1) by adding, before the first paragraph, the following paragraph:

“258. No credit union affiliated with a federation which is itself affiliated with a confederation may acquire shares of a legal person controlled by the confederation or shares or units in a partnership controlled by the confederation.”;

(2) by replacing the words “A credit” in the first line of the first paragraph by the words “However, a credit”.

69. Section 260 of the said Act, amended by section 84 of chapter 69 of the statutes of 1996, is replaced by the following section:

“260. No credit union may make any investment that would allow it to acquire alone or with other credit unions or federations of credit unions or through a partnership or legal person it controls more than 30% of the assets or voting rights attached to the shares of a legal person, or to elect more than one third of the directors of that legal person.”

70. The said Act is amended by inserting, after section 260, the following section:

“260.1. The provisions of this Act shall not operate to restrict the powers of a credit union to realize security through the acquisition of property or otherwise. However, the credit union must take, within a reasonable time, having regard to market conditions, all necessary measures to comply with the provisions of this Act relating to investments.”

71. Section 262 of the said Act, amended by section 85 of chapter 69 of the statutes of 1996, is replaced by the following section:

“262. A credit union may not make deposits into an investment fund of the federation with which it is affiliated if the federation is not maintaining an adequate capital base.”

72. Section 266 of the said Act, amended by section 87 of chapter 69 of the statutes of 1996, is again amended

(1) by inserting the words “, if any” after the word “shares” in subparagraph 2 of the first paragraph;

(2) by replacing the words “in proportion to the business done with the credit union” in the first and second lines of subparagraph 4 of the first paragraph by the words “according to the method of apportionment established by the annual meeting”.

73. Section 267 of the said Act is repealed.

74. The said Act is amended by inserting, after section 270, the following section:

“270.1. The portion of the excess earnings representing the increase in value of the investment deposits of a credit union in an investment fund of the federation with which the credit union is affiliated shall be allocated to a reserve established for that purpose. Part of the reserve may serve to increase the excess earnings to be distributed, following a reduction in the value of investment deposits, by an amount equal to the reduction.

The credit union shall comply with the standards of the federation relating to the reserve.”

75. Section 271 of the said Act, amended by section 89 of chapter 69 of the statutes of 1996, is again amended by replacing the words “attain the percentage prescribed in section 267 or in the standards of the federation with which the credit union is affiliated” in the first paragraph by the words “ensure that the capital base of the unaffiliated credit union is adequate or that the capital base of the credit union meets the standards of the federation with which it is affiliated”.

76. Section 272 of the said Act, amended by section 90 of chapter 69 of the statutes of 1996, is again amended

(1) by striking out the second and third sentences of the first paragraph;

(2) by replacing the second paragraph by the following paragraph:

“The board of directors must pay out of the fund any sum that must be paid into the general reserve to ensure that the capital base of the unaffiliated credit union is adequate or to ensure that the capital base of the credit union meets the standards of the federation with which it is affiliated, where the sums allocated to the stabilization reserve are not adequate.”

77. Section 273 of the said Act is amended by adding, at the end, the following paragraphs:

“Dividends may be paid in the form of participation in a fund established for that purpose by by-law of the credit union. The credit union shall issue a participation certificate to the member.

Dividends may also be paid for the acquisition, by such a fund and for the benefit of the participating members, of permanent shares and preferred shares of the credit union held in the fund referred to in section 452.”

78. The said Act is amended by inserting, after section 273, the following sections:

“273.1. A credit union may issue permanent shares or preferred shares that the fund referred to in section 273 acquires and holds for the benefit of participating members.

“273.2. Where the by-laws of the credit union authorize it, the credit union may pay dividends partly or wholly in the form of credit granted to the members for the acquisition of any financial product or service offered by the credit union or by a legal person belonging to the same group as the federation with which the credit union is affiliated.”

79. Section 274 of the said Act, amended by section 91 of chapter 69 of the statutes of 1996, by subparagraph 7 of the first paragraph of section 176 of that chapter, by paragraph 10 of section 177 of that chapter, by subparagraph 8 of the first paragraph of section 178 of that chapter and by the second paragraph of section 178 of that chapter, is again amended by replacing the words “the name and occupation” in paragraph 4 by the words “the name”.

80. Section 277 of the said Act, amended by section 92 of chapter 69 of the statutes of 1996, is replaced by the following section :

“277. A credit union must keep any cheque honoured within the last five years and any book, register or other accounting records dating back less than 10 years, or a copy thereof that may be admitted as evidence.”

81. Section 303 of the said Act, amended by section 94 of chapter 69 of the statutes of 1996, by subparagraph 8 of the first paragraph of section 176 of that chapter, by paragraph 12 of section 177 of that chapter and by subparagraph 9 of the first paragraph of section 178 of that chapter, is again amended

(1) by replacing the words “the name and occupation” in paragraph 2 by the words “the name”;

(2) by inserting the words “, a statement of the reserve provided for in section 270.1” after the word “reserve” in the fourth line of paragraph 4.

82. Section 316 of the said Act is amended by replacing the words “the approval of a judge of the Superior Court stands in lieu thereof” in the second and third lines by the words “the account shall be submitted for approval to the federation with which the credit union is affiliated or, if it is not affiliated, to the Inspector General. Where the federation acts as the liquidator of a credit union affiliated with it, the account shall be submitted for approval to the confederation with which the federation is itself affiliated.”

83. Section 321 of the said Act is amended by replacing the words “60 days after” in paragraph 2 by the words “one year after”.

84. Section 322 of the said Act is amended by replacing the figure “60” in the first line of paragraph 1 and of paragraph 3 by the figure “90”.

85. Section 328 of the said Act, amended by section 96 of chapter 69 of the statutes of 1996, is again amended by replacing the words “and sections 267” in the second paragraph by the words “the second and third paragraphs of section 273 and sections 273.1, 273.2”.

86. Section 329 of the said Act is amended by inserting, after the first paragraph, the following paragraph:

“For the purposes of the application of sections 22.1, 23 and 25.4 to a federation, the reference therein to section “21” shall be replaced by a reference to section “333” and the reference therein to section “22” shall be replaced by a reference to section “333.0.1”.

87. Section 333 of the said Act, amended by subparagraph 10 of the first paragraph of section 176 of chapter 69 of the statutes of 1996, is again amended by inserting the words “and any or a combination of the following expressions: “caisse populaire”, “caisse Desjardins”, “caisse Desjardins de financement”, “caisse populaire Desjardins”, “caisse d’épargne”, “caisse d’économie”, “caisse d’économie Desjardins” or “caisse de crédit”” after the words “word “federation” ”.

88. The said Act is amended by inserting, after section 333, the following sections:

“333.0.1. The name of a federation may not include the expression “caisse populaire”, “caisse Desjardins”, “caisse Desjardins de financement”, “caisse populaire Desjardins”, “caisse d’économie” or “caisse d’économie Desjardins” unless the Confédération des caisses populaires et d’économie Desjardins du Québec agrees by resolution to the use of the name and undertakes by resolution to accept the federation as a member.

“333.0.2. Any federation whose name includes any of the expressions mentioned in section 333.0.1 and which ceases to be affiliated with the Confédération des caisses populaires et d’économie Desjardins du Québec must, within 60 days after the date from which it ceases to be affiliated, file with the Inspector General amending articles for the purpose of changing its name.”

89. Section 334 of the said Act is replaced by the following section:

“334. The capital stock of a federation shall consist of qualifying shares the price of which shall be determined by by-law of the federation. The capital stock may also include cooperative shares and preferred shares where permitted by the by-laws of the federation.

The shares shall be in registered form and may be issued only to members and, where permitted by the by-laws of the federation, shares may also be issued to auxiliary members.

The board of directors shall determine, by resolution, for each series, the price, rights, conditions and privileges attached to each class of cooperative shares and to each class of preferred shares. The resolution shall be submitted for approval to the confederation with which the federation is affiliated or, if the federation is not affiliated, to the Inspector General.

A federation may purchase all or some of the cooperative shares and preferred shares it has issued. Any such purchase requires authorization by the Inspector General and, where applicable, by the confederation with which the federation is affiliated."

90. The said Act is amended by inserting, after section 334, the following sections:

"334.1. Notwithstanding section 334, a federation affiliated with a confederation may issue preferred shares of one or more classes to a security fund corporation.

No purchase of such shares may be effected by anticipation without authorization by the Inspector General.

"334.2. The federation shall attest the issue of cooperative shares and preferred shares by the issue of certificates or by nominal registration in a computer-based register established in accordance with the applicable standards. The certificates or register shall indicate the par value of the shares, the preferences, rights and restrictions attached to them and any special condition applicable to their redemption or transfer.

The nominal registration of a cooperative share or a preferred share shall constitute evidence of the right of ownership in the share."

91. Section 336 of the said Act is amended by replacing the words "result in reducing its capital base to a level lower than the level it is required to maintain under this Act" in the second and third lines of the second paragraph by the words "render its capital base inadequate".

92. Section 337 of the said Act, amended by section 97 of chapter 69 of the statutes of 1996, is again amended by adding, at the end of the second paragraph, the following: "However, a federation affiliated with a confederation may not be an auxiliary member of another federation affiliated with that confederation. Similarly, a confederation may not be an auxiliary member of a federation that is affiliated with it."

93. Section 344 of the said Act is amended by adding, at the end, the following paragraph:

"(3) the cases in which general meetings may be held in groups, on different dates and at different locations, and the means enabling participants to communicate orally with each other, such as the telephone."

94. Section 360.1 of the said Act, enacted by section 107 of chapter 69 of the statutes of 1996, is amended by inserting, after the second paragraph, the following paragraph:

“The rules shall set out the amount representing the limit in the overall value of securities above which an officer is required to make a disclosure pursuant to section 205 and the procedure for determining the value of such securities.”

95. Section 361 of the said Act, amended by section 108 of chapter 69 of the statutes of 1996, is again amended by replacing the portion before paragraph 1 by the following:

“361. The members of the board of audit and ethics shall be elected by the general meeting. The members of any credit union affiliated with the federation may be members of the board of audit and ethics of the federation, except”.

96. Section 364 of the said Act, amended by section 111 of chapter 69 of the statutes of 1996, is again amended

(1) by replacing the words “or as the liquidator of a credit union affiliated with it” in paragraph 6 by the words “of a credit union with which the federation is affiliated or as the liquidator of a credit union with which the federation is affiliated or which is affiliated with another federation belonging to the same group as the federation”;

(2) by replacing the words “paragraph 6 of section 214” in the first line of paragraph 5 by the words “paragraph 16 of section 213”;

(3) by inserting, after paragraph 6, the following paragraph:

“(6.1) act as a liquidator or sequestrator for the enforcement of an obligation secured by hypothec of which the federation or a credit union with which it is affiliated is a creditor;”;

(4) by replacing the word “classes” in paragraph 8.1 by the words “series and classes of cooperative shares and”;

(5) by striking out paragraph 11.

97. Section 366 of the said Act, amended by section 113 of chapter 69 of the statutes of 1996, is again amended by adding, at the end of the first paragraph, the following subparagraph:

“(3) the establishment and administration of the fund referred to in section 273.”

98. Section 367 of the said Act, amended by section 114 of chapter 69 of the statutes of 1996, is again amended by adding, at the end, the following paragraphs :

“(4) the system of nominal registration in a computer-based register of permanent shares and preferred shares issued by credit unions ;

“(5) gifts other than gifts paid out of the fund referred to in section 272.”

99. Section 368 of the said Act, replaced by section 115 of chapter 69 of the statutes of 1996, is amended by replacing the words “general reserve” in the second paragraph by the words “capital base, of the elements which compose the capital base and of the proportion represented by each element”.

100. The said Act is amended by inserting, after section 368, the following sections :

“**368.1.** A federation may adopt standards applicable to the credit unions affiliated with it concerning the reserve referred to in section 270.1.

“**368.2.** A federation must adopt standards concerning investments that a credit union affiliated with it may make.”

101. Section 371 of the said Act, amended by section 118 of chapter 69 of the statutes of 1996, is again amended by adding, at the end of the first paragraph, the following subparagraph :

“(3) enter into an agreement with the board of audit and ethics of the credit union whereby the federation is entrusted with the supervision, direction or administration of the affairs of the credit union for a period specified in the agreement.”

102. The said Act is amended by inserting, after section 376, the following sections :

“**376.1.** The general meeting shall appoint, for a term of five years, on the recommendation of the president of the federation, a person to be in charge of audits and a person to be in charge of inspections, or appoint one person to be in charge of both. The person in charge of audits shall manage the audit service and, where applicable, the person in charge of inspections shall manage the inspection service. Their term of office may be renewed. They may be removed from office only by the general meeting, with the approval of the Inspector General.

In case of vacancy, the board of directors shall appoint a replacement who shall act until the next general meeting. It may also appoint a replacement if either person in charge is absent or unable to act.

“376.2. A federation not affiliated with a confederation shall adopt rules setting out the cases in which and the conditions subject to which the auditor of a credit union affiliated with the federation, a partner of the auditor or a personnel member who is assigned to audit functions in the credit union may contract with the credit unions affiliated with the federation.

The federation shall also adopt rules of ethics applicable to the persons in charge of the inspection of credit unions affiliated with the federation.”

103. The French text of the heading of Division III of Chapter VII of Title III of the said Act is replaced by the following heading:

“CAPITAL DE BASE”.

104. Section 389 of the said Act, amended by section 130 of chapter 69 of the statutes of 1996, is replaced by the following section:

“389. A federation shall maintain an adequate capital base. The capital base of a federation shall include the capital base of the credit unions affiliated with it.

A federation shall comply with the standards of the confederation with which it is affiliated or, if it is not affiliated, with the regulations of the Government.”

105. Section 390 of the said Act is replaced by the following section:

“390. The Inspector General may, where the Inspector General considers it necessary, give written instructions to a federation concerning the adequacy of its capital base, of the elements which compose the capital base and of the proportion represented by each element.

Before exercising the power under the first paragraph, the Inspector General shall notify the federation and, where applicable, the confederation with which the federation is affiliated of the Inspector General’s intentions and give them an opportunity to present observations.”

106. Sections 391 to 394 of the said Act are repealed.

107. Section 395 of the said Act, amended by subparagraph 11 of the first paragraph of section 180 of chapter 69 of the statutes of 1996 and by paragraph 1 of section 116 of chapter 43 of the statutes of 1997, is again amended by replacing the words “below the level applicable to it or that it is inadequate in view of the transactions of the federation or of the credit unions affiliated with it, or where he ascertains that” in the second, third and fourth lines of the first paragraph by the words “inadequate or where”.

108. Section 396 of the said Act is amended by replacing, in the French text, the words “sa base d’endettement” by the words “son capital de base”.

109. Section 402 of the said Act is repealed.

110. Section 403 of the said Act, amended by section 132 of chapter 69 of the statutes of 1996, is again amended by replacing the word “indirectly” in the first line of the first paragraph by the words “through a partnership or legal person it controls”.

111. Section 404 of the said Act, amended by paragraph 15 of section 177 of chapter 69 of the statutes of 1996, is again amended by striking out the second paragraph.

112. The said Act is amended by inserting, after section 404, the following section:

“**404.1.** Notwithstanding section 403, a federation may acquire and hold shares of any legal person to realize security. Thereafter, the credit union must, within a reasonable time and having regard to market conditions, take all necessary measures to comply with section 403.”

113. The said Act is amended by inserting, after section 405, the following section:

“**405.1.** A federation may not acquire shares of a legal person which is controlled by the confederation with which the federation is affiliated.”

114. Section 408 of the said Act is replaced by the following section:

“**408.** Every federation must adopt standards concerning its investments. Such investments may not exceed the limits determined by regulation of the Government.”

115. Section 408.1 of the said Act is amended by replacing the words “Notwithstanding section 408, a” in the first paragraph by the word “A”.

116. Section 414 of the said Act, amended by section 135 of chapter 69 of the statutes of 1996, is again amended by replacing the first paragraph by the following paragraph:

“**414.** Every federation shall adopt a by-law for the establishment of a liquidity fund and for the establishment of any deposit fund or investment fund.”

117. Section 417 of the said Act is amended by replacing the words “into the” in the second line of the first paragraph by the words “into an”.

118. Section 422 of the said Act is amended by replacing the word “establish” in the first line by the words “adopt a policy for the determination of”.

119. Section 423 of the said Act is amended by replacing the words “The deposit” in the first line by the words “A deposit”.

120. Section 424 of the said Act is replaced by the following section:

“**424.** The board of directors shall adopt a policy for the determination of the rate of interest payable on any balance remaining on the sums deposited into a deposit fund.”

121. Section 425 of the said Act, amended by section 137 of chapter 69 of the statutes of 1996, is again amended by replacing the words “The investment” in the first line of the first paragraph by the words “An investment”.

122. Section 426 of the said Act, amended by section 138 of chapter 69 of the statutes of 1996, is again amended by replacing the words “in the” in the first line by the words “in an”.

123. Section 427 of the said Act is amended by replacing the words “The investment” in the first line by the words “An investment”.

124. Section 428 of the said Act, amended by section 139 of chapter 69 of the statutes of 1996, is again amended by replacing the words “in view of its operations, establish and maintain sufficient capital stock as well as such general reserve and” in the first and second lines by the words “in relation to its operations, establish and maintain an adequate capital base, excluding that of the credit unions affiliated with it, and such”.

125. Section 429 of the said Act is amended by replacing the words “stock, general reserve” in the second line of the first paragraph by the word “base”.

126. Section 430 of the said Act is repealed.

127. Section 438 of the said Act is amended

(1) by replacing the words “the investment fund” in the first line of subparagraph 3 of the first paragraph by the words “an investment fund”;

(2) by replacing subparagraph 5 of the first paragraph by the following subparagraph:

“(5) the statements of a federation and of the credit unions affiliated with the federation that are referred to in paragraph 4 of section 303, except the excess earnings statement, presented in combined form, according to generally accepted accounting principles.”

128. Section 440 of the said Act is amended by replacing the words “required by paragraph 4 of section 303” in the second line by the words “of a federation and of the credit unions affiliated with the federation that are referred to in paragraph 4 of section 303, except the excess earnings statement”.

129. Section 441 of the said Act is replaced by the following section:

“**441.** Every federation shall also transmit to the Inspector General, every three months, a report on the adequacy of its capital base and liquid assets and a report, presented in combined form, on the statements of a federation and of the credit unions affiliated with the federation that are referred to in paragraph 4 of section 303, except the excess earnings statements, closed as of same date.”

130. Section 442 of the said Act, amended by section 140 of chapter 69 of the statutes of 1996, is again amended

(1) by replacing the words “227 to 254, 256” in the second paragraph by the words “227 to 247, 255”;

(2) by replacing the figure “273” in the second paragraph by the figure “273.2”.

131. Section 443 of the said Act is amended by adding, at the end, the following paragraph:

“For the purposes of the application of sections 22.1 and 25.4 to a confederation, the reference therein to section “21” shall be replaced by a reference to section “445”.”

132. Section 445 of the said Act, amended by subparagraph 12 of the first paragraph of section 176 of chapter 69 of the statutes of 1996, is again amended by inserting the words “and any or a combination of the following expressions: “caisse populaire”, “caisse Desjardins”, “caisse Desjardins de financement”, “caisse populaire Desjardins”, “caisse d’épargne”, “caisse d’économie”, “caisse d’économie Desjardins” or “caisse de crédit” ” after the words “word “confederation” ”.

133. Section 448 of the said Act, amended by section 141 of chapter 69 of the statutes of 1996, is again amended by replacing, in the third paragraph, the words “In no case may the majority of the members of the” in the first line by the word “The”, the words “consist of” in the first line by the words “must consist in the majority of directors who are not”, the word “and” in the second line by the word “or” and the word “it” in the second line by the words “confederation. Moreover, the board of directors must consist in the majority of directors who are not employees of a credit union affiliated with such a federation.”

134. Section 449 of the said Act, amended by section 142 of chapter 69 of the statutes of 1996, is again amended

(1) by replacing the words “several classes” in subparagraph 1 of the first paragraph by the words “more series and classes of cooperative shares and”;

(2) by replacing the words “paragraph 6 of section 214” in the first line of subparagraph 2 of the first paragraph by the words “paragraph 16 of section 213”;

(3) by adding, at the end of the first paragraph, the following subparagraphs :

“(5) extend credit;

“(6) make gifts in its name, in the name of federations affiliated with it or in the name of credit unions affiliated with such federations.”

135. The said Act is amended by inserting, after section 449.1, the following section :

“449.2. A confederation may, as an ancillary activity, offer or provide to any person the services it uses for its own benefit, for the benefit of federations affiliated with it, for the benefit of credit unions affiliated with such federations or for the benefit of legal persons belonging to the same group as the confederation.”

136. Section 450 of the said Act, amended by section 144 of chapter 69 of the statutes of 1996, is again amended

(1) by replacing the words “sufficient capital stock as well as such reserves and” in the second line of the first paragraph by the words “an adequate capital base and such”;

(2) by replacing the words “capital stock, reserves” in the second line of the second paragraph by the words “capital base”;

(3) by replacing the words “capital stock and general reserve” in the fifth paragraph by the words “capital base, excluding that of the credit unions affiliated with them, elements which compose the capital base and the proportion represented by each element.”

137. The said Act is amended by inserting, after section 450, the following section :

“450.1. A confederation may adopt standards concerning the adequacy of the capital base of the federations affiliated with it, the elements which compose the capital base and the proportion represented by each element.”

138. Section 452 of the said Act, amended by section 146 of chapter 69 of the statutes of 1996, is again amended by inserting the words “and preferred shares” after the word “shares” in the second line of the first paragraph.

139. Section 453 of the said Act is amended by inserting the words “and preferred shares” after the word “shares” in the third line.

140. Section 454 of the said Act is amended by inserting the words “and preferred shares” after the word “shares” in the fifth line.

141. Section 456 of the said Act is repealed.

142. Section 457 of the said Act, amended by section 149 of chapter 69 of the statutes of 1996, is again amended by replacing the words “or the second paragraph of sections 366, 368 and 369” in the first paragraph by the words “, the second paragraph of section 366, the second paragraph of section 368, section 368.2, the second paragraph of section 369 or section 408”.

143. Section 458 of the said Act, amended by section 151 of chapter 69 of the statutes of 1996, is again amended by adding, at the end, the following paragraphs:

“(4) the system of nominal registration in a computer-based register for permanent shares and preferred shares issued by credit unions and of cooperative shares and preferred shares issued by federations;

“(5) gifts other than gifts paid out of the fund referred to in section 272.”

144. Section 460 of the said Act is amended by replacing the first paragraph by the following paragraphs:

“460. A confederation may give to the federations affiliated with it, to the credit unions affiliated with such federations, to the holding companies controlled by it and to La Caisse centrale Desjardins du Québec, where its members belong to the same group as the confederation, written instructions to ensure that the investments they make are consistent with the provisions of this Act.

A confederation may also give to the legal persons belonging to the same group as the confederation and, where applicable, to La Caisse centrale Desjardins du Québec, written instructions for the resolution of a conflict of interest.

For the purposes of the first and second paragraphs, a confederation may require any pertinent information.”

145. The said Act is amended by inserting, after section 461, the following sections:

“461.1. The general meeting shall appoint, for a term of five years, on the recommendation of the president of the confederation, a person in charge of audits and a person in charge of inspections, or appoint one person to be in charge of both. The person in charge of audits shall manage the audit service and, where applicable, the person in charge of inspections shall manage the inspection service. Their term of office may be renewed. They may be removed from office only by the general meeting, with the approval of the Inspector General.

In case of vacancy, the board of directors shall appoint a replacement who shall act until the next general meeting. It may also appoint a replacement if either person in charge is absent or unable to act.

“461.2. A confederation shall adopt rules setting out the cases in which and the conditions subject to which the auditor of a credit union affiliated with a federation which is affiliated with the confederation or of a federation affiliated with the confederation, a partner of the auditor or a personnel member assigned to the audit of such a credit union or federation may contract with any such credit union or federation.

The confederation shall also adopt rules of ethics applicable to the persons in charge of the inspection of federations affiliated with the confederation or of credit unions affiliated with such federations.”

146. The said Act is amended by inserting, after the heading of Division II of Chapter V of Title IV, the following section:

“468.1. A confederation may invest in all types of property. It shall exercise its powers to make investments with prudence and care.

A confederation shall adopt standards to ensure that its investments is consistent with sound and prudent financial and management practices.”

147. Section 469 of the said Act is amended by replacing the first paragraph by the following paragraphs:

“469. A confederation shall not acquire shares issued by a legal person, except

(1) shares of a holding company constituted under the laws of Québec, which is or becomes, as a result of that acquisition, a legal person controlled by the confederation;

(2) shares of a legal person that carries on activities similar to its own;

(3) shares of a legal person to realize security.

However, the Inspector General may authorize a confederation to make investments, for the period specified by the Inspector General, in a legal person other than a holding company or legal person referred to in the first paragraph.”

148. Section 471 of the said Act, amended by section 161 of chapter 69 of the statutes of 1996, is replaced by the following section:

“471. A holding company which may acquire shares of a legal person referred to in subparagraph 1 of the first paragraph of section 470 may not, unless so authorized by the Minister, hold, directly or through a legal person it controls, shares issued by another holding company constituted for the specific purpose of acquiring shares issued by a legal person referred to in subparagraph 1 or 2 of the first paragraph of section 470.”

149. Section 472 of the said Act is amended by adding, at the end, the following sentence: “It may also acquire shares issued by a cooperative governed by the Cooperatives Act (chapter C-67.2).”

150. Section 473 of the said Act, amended by section 162 of chapter 69 of the statutes of 1996, is again amended by inserting the word “, units” after the word “shares” in the sixth line.

151. Section 474 of the said Act is amended by replacing the words “A holding company shall not acquire shares issued by a legal person mentioned in subparagraphs 1 to 3 of the first paragraph of section 470 for the purpose of acquiring control of it unless the legal person” in the first, second and third lines by the words “A confederation or a legal person that it controls shall not acquire shares issued by a legal person referred to in any of subparagraphs 1 to 3 of the first paragraph of section 470 so as to take control of it unless the legal person”.

152. Section 491 of the said Act is amended by adding, at the end, the following paragraphs:

“In addition, the Inspector General may order the person in charge of the audit service or the person in charge of the inspection service of a confederation to carry out any examination or investigation the Inspector General considers necessary or expedient into the internal affairs and activities of any federation affiliated with that confederation and any credit union affiliated with that federation.

The Inspector General may order the person in charge of the audit service or the person in charge of the inspection service of an unaffiliated federation to carry out any examination or investigation the Inspector General considers necessary or expedient into the internal affairs and activities of any credit union affiliated with that federation.”

153. Section 499 of the said Act is amended

(1) by replacing the words “controlled directly or indirectly by a confederation, a legal person controlled by such a holding company” in the second and third lines by the words “, a partnership controlled by a confederation, a partnership or legal person controlled by that holding company or partnership”;

(2) by replacing the words “sound financial practices” in the fifth line by the words “sound and prudent financial and management practices”.

154. The said Act is amended by inserting, after section 499, the following section:

“499.1. Where, in the opinion of the Inspector General, the board of audit and ethics of a credit union or of a federation is not exercising its functions in accordance with the provisions of this Act, the Inspector General may order the board to take the measures indicated by the Inspector General to remedy the situation.

Before acting under the first paragraph, the Inspector General shall, pursuant to section 5 of the Act respecting administrative justice (1996, chapter 54), notify the credit union or federation, as the case may be, of the Inspector General’s intentions and give it an opportunity to present observations.”

155. Section 500 of the said Act, amended by subparagraph 16 of the first paragraph of section 180 of chapter 69 of the statutes of 1996 and by paragraph 1 of section 121 of chapter 43 of the statutes of 1997, is again amended by inserting the words “or, as the case may be, to each member of the board of audit and ethics” after the word “order” in the third line of the first paragraph.

156. Section 504 of the said Act, amended by section 167 of chapter 69 of the statutes of 1996, is again amended

(1) by replacing subparagraph 1 of the first paragraph by the following subparagraph:

“(1) that the credit union is not maintaining a capital base that meets the standards applicable to it;”;

(2) by replacing subparagraph 2 of the first paragraph by the following subparagraph:

“(2) that the federation is not maintaining a capital base that meets the standards applicable to it;”.

157. Section 516 of the said Act, amended by section 170 of chapter 69 of the statutes of 1996, is again amended

(1) by replacing the words “an unaffiliated credit union may extend to its members” in the second line of paragraph 3 by the words “may be extended by an unaffiliated credit union or a confederation”;

(2) by replacing paragraph 4 by the following paragraph:

“(4) determine the standards governing the adequacy of the capital base of an unaffiliated credit union, of an unaffiliated federation and of a confederation, and determine the elements which compose the capital base and the proportion represented by each element;”;

(3) by replacing paragraph 5 by the following paragraph:

“(5) determine the cases in which a credit union may not invest in shares or immovable property;”;

(4) by striking out paragraph 9;

(5) by replacing paragraph 10 by the following paragraph:

“(10) determine the limits applicable to the classes of investments that a federation is authorized to make;”;

(6) by adding, at the end, the following paragraphs:

“(22) determine, for the purposes of sections 79 and 86, the cases in which a credit union may reimburse permanent shares or preferred shares to the shareholder;

“(23) determine, for the purposes of paragraph 8 of section 213, the cases in which a credit union or a federation may not acquire or assign claims;

“(24) determine, for the purposes of paragraph 12 of section 213, the cases in which a credit union may carry on the activities that a trust company may itself carry on.”

158. Section 518 of the said Act, amended by section 171 of chapter 69 of the statutes of 1996, is again amended by replacing the words “or section 368” in the first paragraph by the words “or section 368, 368.2 or 408”.

159. Section 519 of the said Act, replaced by section 172 of chapter 69 of the statutes of 1996, is amended by replacing the words “451, 452, 456.1 or 457” in the first paragraph by the words “450, 450.1, 451, 452, 456.1, 457 or 468.1”.

160. Section 521 of the said Act is amended

(1) by replacing the words “, of section 23, 26, 71, 72, 78, 82” in the second line by the words “or of section 23, 26, 71, 72, 78”;

(2) by replacing the words “or 275, of the first paragraph of section 277 or of section” in the second and third lines by the words “, 275 or 277”.

161. Section 582 of the said Act is amended

(1) by inserting the words “as it read on that date” after the words “section 408” in the second line of the second paragraph;

(2) by inserting the words “as they read on that date” after the words “section 403” in the third line of the third paragraph.

162. Section 583 of the said Act is repealed.

AMENDING PROVISIONS

163. Section 27 of the Act respecting security fund corporations (R.S.Q., chapter C-69.1) is amended by replacing the words “and administrative” in the third line by the words “or management”.

164. The said Act is amended by inserting, after section 30, the following section:

“30.1. Where the corporation ascertains or is notified by a federation or a confederation that a credit union affiliated with it is not adhering to sound and prudent financial or management practices, the corporation may fix and recover from the union a special subscription which the union must pay for each fiscal year determined by the corporation.”

165. Section 3 of the Act respecting trust companies and savings companies (R.S.Q., chapter S-29.01) is amended by inserting the words “or by the Savings and Credit Unions Act (chapter C-4.1)” after the words “insurance (chapter A-32)” in the first paragraph.

166. Section 10 of the Act respecting the Mouvement des caisses Desjardins (1989, chapter 113), amended by section 15 of chapter 111 of the statutes of 1996, is again amended

(1) by replacing the words “The Confédération” in the first line of the first paragraph by the words “In addition to their power to become surety, the Confédération”, and by replacing the word “corporations” in the third line of that paragraph by the words “legal persons”;

(2) by striking out the second and fourth paragraphs.

167. Section 12 of the said Act is amended by replacing the words “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” in the third, fourth, fifth and sixth lines by the words “in networks pursuant to section 11”.

168. Section 24 of the said Act which reenacts section 8 of the Savings and Credit Unions Act (R.S.Q., chapter C-4.1) for the Caisse centrale is replaced by the following section :

“24. For the purposes of the application of this division and of the Savings and Credit Unions Act (chapter C-4.1) to the Caisse centrale, the Caisse centrale, the Confédération and the federations affiliated with it, the Corporation de fonds de sécurité de la Confédération Desjardins and any other legal person controlled by the Caisse centrale or by the Confédération and any federation affiliated with it form part of the same group.”

169. Section 48 of the said Act is amended by striking out paragraphs 3, 4 and 5 of section 217 of the Savings and Credit Unions Act (R.S.Q., chapter C-4.1) which is replaced for the Caisse centrale.

170. The Act respecting the implementation of the Act respecting administrative justice (1997, chapter 43) is amended by striking out sections 106 to 110, paragraph 2 of section 111, sections 112 to 115, paragraph 2 of section 116, sections 117 to 120, paragraph 2 of section 121 and sections 122 and 123.

TRANSITIONAL AND MISCELLANEOUS PROVISIONS

171. The permanent shares issued by a credit union before (*insert here the date of assent to this Act*) shall form a class of permanent shares.

The preferred shares issued by a credit union before (*insert here the date of assent to this Act*) shall form a class of preferred shares.

The cooperative shares issued by a federation or a confederation before (*insert here the date of assent to this Act*) shall form a class of cooperative shares.

172. Section 79.1 of the Savings and Credit Unions Act, enacted by section 24, shall apply only to permanent shares issued as of (*insert here the date of coming into force of section 24*), unless a holder of permanent shares issued before that date consents to purchase.

173. For the purposes of section 183 of the Savings and Credit Unions Act, amended by section 58 of chapter 69 of the statutes of 1996, as amended by section 41, the report of the board of audit and ethics shall include mentions as to the conformity of credit extended to restricted parties and persons who are associates of officers only from the fiscal year following (*insert here the date of assent to this Act*).

174. Any portion of the excess earnings representing the increase in value of the investment deposits of a credit union in an investment fund of a federation with which the credit union is affiliated that was allocated to the general reserve before (*insert here the date of coming into force of section 74*)

may be paid into the reserve referred to in section 270.1 of the Savings and Credit Unions Act, enacted by section 74, in accordance with the standards adopted by the confederation with which the federation is affiliated.

175. Section 448 of the Savings and Credit Unions Act, amended by section 141 of chapter 69 of the statutes of 1996 and as it read on (*insert here the date preceding the date of assent to this Act*) shall apply to the composition of the board of directors of a confederation until the ensuing general meeting.

176. This Act comes into force on (*insert here the date of assent to this Act*), except paragraph 2 of section 45, section 74, section 368.1 of the Savings and Credit Unions Act, enacted by section 100, and paragraph 4 of section 458 of that Act, enacted by section 143 which come into force on the date or dates to be fixed by the Government.