

1988, chapter 64  
**SAVINGS AND CREDIT UNIONS ACT**

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**Bill 70**

Introduced by Mr Pierre Fortier, Minister for Finance and Privatization

Introduced 15 November 1988

Passage in principle 22 November 1988

Passage 23 December 1988

**Assented to 23 December 1988**

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**Coming into force: on the date or dates fixed by the Government, except section 345, the second paragraph of section 448 and section 573 which will come into force on 23 December 1990**

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**Acts amended:**

Deposit Insurance Act (R.S.Q., chapter A-26)

Act respecting insurance (R.S.Q., chapter A-32)

Chartered Accountants Act (R.S.Q., chapter C-48)

Act respecting security fund corporations (R.S.Q., chapter C-69.1)

Act respecting municipal taxation (R.S.Q., chapter F-2.1)

Consumer Protection Act (R.S.Q., chapter P-40.1)

Securities Act (R.S.Q., chapter V-1.1)

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

**Act replaced:**

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

**Act repealed:**

Act respecting caisses d'établissement (R.S.Q., chapter C-5)





## CHAPTER 64

### Savings and Credit Unions Act

[Assented to 23 December 1988]

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

#### TITLE I

##### APPLICATION AND INTERPRETATION

Application      **1.** This Act applies to every savings and credit union, federation of credit unions or confederation of federations incorporated or resulting from an amalgamation under this Act.

Application      It also applies to every credit union, federation or federation of federations formerly governed by the Savings and Credit Unions Act (R.S.Q., chapter C-4).

Credit unions      **2.** Credit unions are cooperatives operating according to the following rules of cooperative action:

- (1) the number of members is not limited;
- (2) no member is entitled to more than one vote, regardless of the number of shares held by him;
- (3) no member may vote by proxy;
- (4) the payment of interest on the capital is limited;
- (5) a general reserve must be set up and the amounts paid into it cannot be distributed to the members, even in the event of a winding-up or dissolution;
- (6) surplus earnings are allocated in accordance with this Act.

Objects of  
credit union

**3. The objects of a credit union are**

- (1) to receive the savings of its members and invest them for profit;
- (2) to grant credit to its members;
- (3) to promote cooperation between the members of the credit union, between the members and the credit union and between the credit union and other cooperative bodies;
- (4) to further the development of knowledge in the economic, social and cooperative sectors.

Objects of  
federation

**4. A federation is a cooperative whose objects are, in addition to those of a credit union,**

- (1) to protect the interests of the credit unions affiliated with it, foster the attainment of their objects and promote their development;
- (2) to act as control and supervisory body over the credit unions affiliated with it, to the extent provided for in this Act;
- (3) to provide educational, promotional, consultative, technical assistance and other similar services to the credit unions affiliated with it;
- (4) to establish and administer funds in accordance with Chapter VIII of Title III.

Objects of  
confederation

**5. The confederation is a cooperative whose objects are**

- (1) to protect the interests of the federations affiliated with it, foster the attainment of their objects, promote their development, coordinate their activities and provide joint services to them;
- (2) to act as control and supervisory body over the federations affiliated with it and over credit unions affiliated with those federations, to the extent provided for in this Act;
- (3) to provide educational, promotional, consultative, technical assistance and other similar services to the federations affiliated with it and to the credit unions affiliated with those federations;
- (4) to enter, for the attainment of the objects of the federations affiliated with it and of the credit unions affiliated with those federations, into agreements which a federation or a credit union is authorized to join.

Confederation

**6.** A federation of federations of savings and credit unions is a confederation within the meaning of this Act.

Control

**7.** A legal person is controlled by a person where the latter holds, directly or indirectly, more than 50% of the voting rights attached to the shares of the former or can elect a majority of its directors.

Interpretation

**8.** For the purposes of this Act, the following entities form part of the same group:

(1) a confederation, the federations affiliated with the confederation, the security fund corporation incorporated at the request of the confederation as well as any other legal person directly or indirectly controlled by the confederation and any federation affiliated with it;

(2) a federation not affiliated with a confederation, the security fund corporation incorporated at the request of that federation as well as any other legal person directly or indirectly controlled by that federation.

## TITLE II

### CREDIT UNIONS

#### CHAPTER I

##### REPRESENTATION OF THE CREDIT UNION BEFORE ITS INCORPORATION

Acts performed before incorporation

**9.** Every credit union is bound by any act performed in its interest before its incorporation, provided it ratifies it within 90 days from incorporation.

Ratification

The ratification transfers to the credit union the rights and obligations of the person who performed the act, but does not of itself effect a novation. The person who performed the act has the same rights and is bound by the same obligations in respect of the credit union as a mandatary.

Act performed in the interest of credit union

**10.** A person who performs an act in the interest of a credit union before its incorporation is bound by that act unless the contract entered into for the credit union includes a clause excluding or limiting his liability and a statement to the effect that the credit union might not be incorporated or might not assume its obligations.

## CHAPTER II

## AFFILIATION

Affiliation

**11.** Every credit union must be affiliated with a federation.

Incorporation

**12.** No credit union may be incorporated unless a federation has undertaken to admit it as a member and to furnish, at the request of the Inspector General of Financial Institutions, such guarantees as he may consider sufficient to ensure the protection of the members of the credit union to be incorporated.

Guarantees

The guarantees required pursuant to the first paragraph may be furnished by a security fund corporation.

Exemption from affiliation

**13.** The Minister may, if he considers it advisable and after obtaining the advice of the Inspector General, authorize, on the conditions he determines, the incorporation of a credit union even if no federation has undertaken to admit it as a member and exempt the credit union from compliance with section 11 if the founders have furnished guarantees considered sufficient by the Inspector General to ensure the protection of the members of the credit union to be incorporated.

Exemption from affiliation

**14.** The Minister may, if he considers it advisable and after obtaining the advice of the Inspector General, exempt a credit union affiliated with a federation from compliance with section 11 on the conditions he determines, if the credit union establishes to his satisfaction that it has fulfilled all its obligations toward the federation and if it has furnished guarantees considered sufficient by the Inspector General to ensure the protection of its members.

Application for affiliation

**15.** Every application by a credit union for affiliation with a federation, other than an application made prior to its incorporation, and every application for disaffiliation must be authorized by a resolution of its board of directors stating the name of the representative of the credit union who is authorized to sign the application and be ratified by two-thirds of the votes cast by the members present at a special meeting or, provided the object of the resolution is mentioned in the notice calling the meeting, at an annual meeting.

Resolution

The credit union must, within 10 days of the ratification, transmit a certified copy of the resolution to the Inspector General with proof of its ratification.

Disaffiliation

**16.** A credit union which decides to disaffiliate from a federation or which is expelled following a decision of the federation with which it is affiliated must, within 60 days of the ratification of the resolution or decision, pass a by-law or resolution, as the case may be, to affiliate with another federation, apply for the incorporation of a new federation, amalgamate with a credit union affiliated with another federation, be wound up or apply to the Minister for an exemption from compliance with section 11.

Winding-up  
or  
dissolution

**17.** Every credit union affiliated with a federation that is wound up or dissolved must, within 60 days of the publication of the notice of winding-up or dissolution in the *Gazette officielle du Québec*, pass a by-law or resolution, as the case may be, to affiliate with another federation, apply for the incorporation of a new federation, amalgamate with a credit union affiliated with another federation, be wound up or apply to the Minister for an exemption from compliance with section 11.

Affiliation  
maintained

**18.** A credit union remains affiliated with a federation

(1) until another federation has undertaken to admit it as a member or until the new federation for whose incorporation it has applied is incorporated and the credit union has obtained articles of amendment to that effect;

(2) until it has amalgamated with a credit union affiliated with another federation;

(3) until it is dissolved;

(4) until it is exempted from compliance with section 11 by the Minister.

Amendment  
to articles

**19.** The Inspector General shall not accept to amend the articles of a credit union to change its affiliation unless the credit union establishes to his satisfaction that it has fulfilled all its obligations toward the federation with which it is affiliated.

### CHAPTER III

#### CORPORATE NAME

Corporate  
name

**20.** The corporate name of a credit union must not be liable to confusion with another corporate name or firm name.

Corporate  
name

The corporate name of a credit union must not contain the term "association" or "partnership".

Corporate  
name

**21.** The corporate name of a credit union shall contain one 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".

Corporate  
name

In no case may a person, including a partnership, other than a credit union governed by this Act, a federation of credit unions, a confederation of federations, a security fund corporation or a legal person directly or indirectly controlled by a confederation include in his or its corporate name or firm name or use in his or its activities any expression or combination of expressions mentioned in the first paragraph. The same applies to the English version of a corporate name with respect to the expressions "credit union" and "savings union".

Restriction

**22.** No credit union may be incorporated under a corporate name that includes the expression "caisse populaire", "caisse Desjardins", "caisse Desjardins de financement", "caisse populaire Desjardins", "caisse d'économie" or "caisse d'économie Desjardins", unless La Confédération des caisses populaires et d'économie Desjardins du Québec has, by resolution, consented to its use and a federation which is a member of such confederation has, by resolution, undertaken to admit the credit union as a member.

Change of  
name

**23.** Every credit union whose corporate name contains one of the expressions mentioned in section 22 and which ceases to be affiliated with a federation affiliated with La Confédération des caisses populaires et d'économie Desjardins du Québec must, within 60 days from the date on which it ceases to be affiliated, submit articles of amendment to the Inspector General for the purpose of changing its corporate name.

Articles of  
amendment

**24.** The Inspector General may order a credit union to submit, within 60 days of service of the order, articles of amendment for the purpose of changing its corporate name where its corporate name is not consistent with the legislation in force at the time it was granted. If the credit union fails to submit such articles of amendment within the prescribed time, the Inspector General may, of his own motion, assign another corporate name to the credit union.

Corporate  
name  
assigned by  
Inspector  
General

The Inspector General may also assign another corporate name to a credit union which ceases to be affiliated with a federation that is a member of La Confédération des caisses populaires et d'économie Desjardins du Québec if, 60 days after the date on which it ceased to be affiliated, it has failed to submit articles of amendment for the purpose of changing its corporate name.

- Certificate**      **25.** Where, of his own motion, the Inspector General assigns a corporate name to a credit union, he shall issue, in duplicate, a certificate attesting the change and publish notice of the change in the *Gazette officielle du Québec*.
- Effective date**      The Inspector General shall register one duplicate of the certificate and send the other to the credit union. The change becomes effective on the date appearing on the certificate.
- Use of corporate name**      **26.** No credit union may, in the course of its business, identify itself under a name other than its corporate name.
- Rights and obligations**      **27.** No change of name shall affect the rights and obligations of a credit union, and proceedings pending by or against the credit union may be continued under its new name without continuance of suit.

## CHAPTER IV

### HEAD OFFICE

- Location**      **28.** The head office of a credit union constitutes its domicile. It must be located in the judicial district specified in its articles.
- Change of location**      **29.** A credit union may change the location of its head office within the boundaries of the judicial district specified in its articles by resolution of its board of directors.
- Notice**      The credit union must, within 10 days of the adoption of the resolution, give notice of the change to the Inspector General who shall cause a copy of the notice to be published in the *Gazette officielle du Québec* at the expense of the credit union.
- Transfer to other district**      **30.** A credit union may transfer its head office to another judicial district provided its articles are amended accordingly.
- Notice**      A notice of the change of address of the head office of a credit union must accompany any amendment to the articles providing for the transfer.
- Registration**      **31.** The Inspector General shall register every notice of change of address of the head office of a credit union.



## CHAPTER V

## INCORPORATION

Application  
for  
incorporation

**32.** Twelve or more founders may apply for the incorporation of a credit union.

Founders

**33.** Any natural person having his domicile, a residence, a place of business or regular work in the territory set out in the articles of the credit union or who belongs to the group described therein may be a founder, except

- (1) a minor;
- (2) an interdicted person or a person of unsound mind declared incapable by a court, even a foreign court;
- (3) an undischarged bankrupt.

Content of  
articles of  
credit union

**34.** The articles of a credit union shall set out

- (1) its corporate name;
- (2) the judicial district in which its head office in Québec is located;
- (3) the territory in or group from which it may recruit its members;
- (4) the surname, given name, address and occupation of each founder;
- (5) the corporate name of the federation with which the credit union will be affiliated, where that is the case;
- (6) the conditions and restrictions, if any, concerning the exercise of certain powers or the pursuit of certain activities.

Content

The articles may include any other provision that a credit union is authorized to adopt by by-law under this Act.

Copy of  
articles

**35.** The articles of a credit union, signed by each founder, shall be transmitted in duplicate to the Inspector General.

Accom-  
panying  
documents

**36.** The articles must be accompanied with

- (1) an application, signed by two founders, requesting the Minister to authorize the incorporation of the credit union;

(2) a notice of the surname, given name, address and occupation of the person designated as the provisional secretary of the credit union;

(3) a notice of the manner in which the organization meeting will be called;

(4) a notice of the address of the head office;

(5) a certified copy of the resolution, if any, of the federation which has undertaken to admit the credit union as a member;

(6) for the purposes of section 22, a certified copy of the resolution of La Confédération des caisses populaires et d'économie Desjardins du Québec stating that it has given its consent to the use of the proposed corporate name;

(7) the documents constituting the guarantees referred to in section 12, 13 or 14;

(8) the financial forecasts of the assets, liabilities and results for the credit union's first year of operation;

(9) a report on the evaluation of the needs, within the territory or group described in the articles, which can be met by the incorporation of a credit union;

(10) any document required by regulation of the Government.

Additional  
information

**37.** The Inspector General may require such additional document or information as he may consider necessary for the examination of the application.

Report to  
Minister

**38.** Upon receipt of the articles and accompanying documents, the fees prescribed by regulation of the Government and any additional document or information he required, the Inspector General shall make a report to the Minister.

Incorporation  
authorized

**39.** The Minister may, if he considers it advisable and after obtaining the advice of the Inspector General, authorize the Inspector General to incorporate the credit union.

Duties of  
Inspector  
General

For that purpose, the Inspector General shall

(1) endorse on each duplicate of the articles the words "credit union incorporated";

(2) prepare in duplicate a certificate attesting the incorporation of the credit union and stating the date of its incorporation;

(3) attach a duplicate of the articles to each duplicate of the certificate;

(4) register one duplicate of the certificate and of the articles and accompanying documents;

(5) send the other duplicate of the certificate and of the articles to the credit union or its representative;

(6) send a certified copy of the certificate and of the articles to the federation which has undertaken to admit the credit union as a member and to the confederation with which the federation is affiliated, where that is the case;

(7) cause a notice of the issue of the certificate to be published in the *Gazette officielle du Québec* at the expense of the credit union.

Legal  
personality

**40.** From the date appearing on the certificate of incorporation, which may be subsequent to the date on which the certificate is made, the credit union is a legal person within the meaning of the Civil Code.

## CHAPTER VI

### ORGANIZATION MEETING

Organization  
meeting

**41.** The founders shall hold an organization meeting within 60 days of the incorporation of the credit union.

Extension

The Inspector General may grant an extension even after the sixty-day period has expired.

Calling of  
meeting

**42.** The meeting shall be called by the provisional secretary. If the provisional secretary is unable or refuses to act, the meeting shall be called by two founders.

Founders

**43.** Every person, including a partnership, who or which transmitted an application for membership to the provisional secretary before the notice calling the meeting was sent and who or which is accepted at the beginning of the meeting by the founders named in the articles is deemed to be a founder for the purposes of the meeting.

Duties of  
founders

**44.** At the meeting, the founders must

(1) adopt internal management by-laws;

(2) subscribe and pay for the number of qualifying shares prescribed by by-law of the credit union or, in the absence of such a by-law, one qualifying share;

(3) pass a resolution to ratify the affiliation of the credit union with the federation that has undertaken to admit it as a member, where that is the case;

(4) elect the members of the board of directors, of the board of supervision and of the credit committee;

(5) appoint an auditor, where this Act so requires.

Adoption of  
by-laws

The founders may, in addition, adopt any other by-law or take any other measure concerning the affairs of the credit union.

Transmission  
of documents

**45.** Within 30 days after the meeting, the credit union shall transmit to the Inspector General

(1) a list containing the surname, given name, address and occupation of each member of the board of directors, of the board of supervision and of the credit committee;

(2) a notice defining the fiscal year of the credit union;

(3) a certified copy of the resolution of the meeting of the founders ratifying the affiliation of the credit union with the federation that has undertaken to admit it as a member, where that is the case;

(4) a notice stating the name of the auditor or, as the case may be, of the federation or confederation entrusted with the audit.

## CHAPTER VII

### AMENDMENTS TO ARTICLES

Amendment

**46.** The articles of a credit union cannot be amended except by a by-law of the credit union.

Designation  
of director

The by-law must designate one of the directors who will be authorized to sign the articles of amendment and the accompanying application.

Approval

The by-law shall be submitted for approval to the federation with which the credit union is affiliated, unless the object of the by-law is to change its affiliation.

Copy of  
articles of  
amendment

**47.** The credit union shall transmit in duplicate to the Inspector General the articles of amendment signed by the director authorized for that purpose.

Accom-  
panying  
documents

**48.** The articles of amendment must be accompanied with

(1) an application for the amendment of the articles signed by the director authorized for that purpose;

(2) a certified copy of the credit union's by-law approving the amendments to the articles;

(3) a certified copy of the federation's resolution approving the amendment by-law, where the credit union is affiliated with a federation;

(4) any other document required by regulation of the Government.

Change of  
corporate  
name

**49.** Where the object of articles of amendment is to change the corporate name of a credit union to include one of the expressions mentioned in section 22, they must be accompanied with a certified copy of the resolution of La Confédération des caisses populaires et d'économie Desjardins du Québec which states its consent to the use of the proposed corporate name.

Additional  
information

**50.** The Inspector General may require such additional document or information as he considers necessary for the examination of the application.

Amendment

**51.** Upon receipt of the articles of amendment and accompanying documents, the fees prescribed by regulation of the Government and any additional document or information he required, the Inspector General may amend the articles if he considers it advisable.

Procedure

For that purpose, the Inspector General, in addition to the procedure set out in subparagraphs 3 to 7 of the second paragraph of section 39, shall endorse "articles amended" on each duplicate of the articles of amendment and prepare a certificate, in duplicate, attesting the amendment and stating its date of effect, which may be subsequent to the date on which the certificate is made.

## CHAPTER VIII

## UPDATING OF ARTICLES

Issue of  
updated  
articles

**52.** The Inspector General may issue updated articles to any credit union applying therefor.

Procedure

For that purpose, the Inspector General, in addition to the procedure set out in subparagraphs 3 to 6 of the second paragraph of section 39, shall endorse the words "articles updated" on each duplicate of the articles and prepare a certificate, in duplicate, attesting the updating of the articles and stating their date of effect, which may be subsequent to the date on which the certificate is made.

Effect

**53.** From the date on which they take effect, the updated articles shall replace the articles of the credit union previously in force.

Prevailing  
articles

**54.** The updated articles shall prevail over the replaced articles for any event which occurred on or after the date on which they take effect, but the replaced articles shall prevail over the updated articles for any event which occurred before that date.

## CHAPTER IX

## AMALGAMATION

Amalgama-  
tion  
agreement

**55.** Two or more credit unions may amalgamate. The amalgamating credit unions shall prepare an amalgamation agreement, in duplicate, setting out

(1) the corporate name of the amalgamated credit union, the judicial district of its head office, the territory in or group from which it may recruit its members and, where that is the case, the corporate name of the federation with which it will be affiliated;

(2) the surname, given name, address and occupation of each of the first members of the board of directors, of the board of supervision and of the credit committee;

(3) the mode of election of subsequent members of the board of directors, of the board of supervision and of the credit committee;

(4) the number of issued shares in each of the amalgamating credit unions, the price of each share and the manner of converting them into shares of the amalgamated credit union;

(5) the conditions and restrictions, if any, concerning the exercise of certain powers or the pursuit of certain activities;

(6) the consent of the federation that has undertaken to admit the amalgamated credit union as a member, where that is the case;

(7) such other provisions as are necessary to complete the amalgamation and to provide for the organization and management of the amalgamated credit union.

Adoption of  
agreement

**56.** Each credit union shall adopt the agreement, by by-law, at a special meeting. The by-law must designate a director who will be authorized to sign the articles of amalgamation and the accompanying application. The vote of the members shall be attested by the secretary on each duplicate of the agreement.

Special  
meeting

**57.** The notice calling the special meeting must be accompanied with a duplicate or a summary of the amalgamation agreement.

Transmission  
of documents

A copy of the notice and accompanying document shall be transmitted, within the time prescribed for calling the meeting, to the federation with which the credit union is affiliated, where that is the case. A representative of the federation may attend and be heard at the meeting.

Articles of  
amalgama-  
tion

**58.** Once the amalgamation by-laws are adopted, the amalgamating credit unions shall jointly prepare articles of amalgamation which must contain, in addition to the provisions that may be included in articles of incorporation pursuant to this Act, those set out in paragraph 1 of section 55.

Transmission  
of articles

**59.** The articles of amalgamation, prepared in duplicate and signed by the director of each of the amalgamating credit unions who is authorized for that purpose shall be transmitted to the Inspector General within six months of the adoption of the first amalgamation by-law by one of the amalgamating credit unions.

Accom-  
panying  
documents

**60.** The articles of amalgamation must be accompanied with

(1) a joint application requesting the Inspector General to authorize the amalgamation of the credit unions, signed by the directors authorized for that purpose;

(2) a duplicate of the amalgamation agreement;

(3) a certified copy of each by-law approving the amalgamation;

(4) a memorandum signed by the amalgamating credit unions setting forth the reasons for and objectives of the amalgamation;

(5) a notice of the address of the head office of the amalgamated credit union;

(6) a notice defining the fiscal year of the amalgamated credit union and stating the name of the auditor, if any;

(7) a certified copy of the resolution of the federation which has undertaken to admit the amalgamated credit union as a member, where that is the case;

(8) the financial forecasts of the assets, liabilities and results for the first year of operation of the amalgamated credit union;

(9) any other document required by regulation of the Government.

Additional  
information

**61.** The Inspector General may require such additional document or information as he may consider necessary for the examination of the application.

Amalgama-  
tion  
authorized

**62.** Upon receipt of the articles of amalgamation and accompanying documents, the fees prescribed by regulation of the Government and any additional document or information he required, the Inspector General may authorize the amalgamation if he considers it advisable.

Procedure

For that purpose, the Inspector General, in addition to the procedure set out in subparagraphs 3 to 7 of the second paragraph of section 39, shall endorse the words "amalgamated credit union" on each duplicate of the articles of amalgamation and prepare, in duplicate, a certificate attesting the amalgamation and stating its date of effect, which may be subsequent to the date on which the certificate is made.

Status of  
amalgama-  
tion  
unions

**63.** From the date of amalgamation, the amalgamating credit unions are continued as one and the same credit union.

Rights and  
obligations

The amalgamated credit unions shall acquire all the rights and assume all the obligations of each of the amalgamating credit unions. Proceedings pending by or against the amalgamating credit unions may be continued without continuance of suit.

Amalgama-  
tion by  
absorption

**64.** Credit unions may also amalgamate by absorption. A credit union may absorb another credit union provided the liabilities of the absorbed credit union, consisting of the deposits of its members, do not exceed 25% of its own such liabilities.



Application  
of  
ss. 55 to 62

**65.** Sections 55 to 62, adapted as required, apply to an amalgamation by absorption.

Approval of  
amalgama-  
tion  
agreement

Notwithstanding the foregoing, an absorbing credit union may approve the amalgamation agreement by a mere resolution of its board of directors.

Resolution

A certified copy of the resolution must be transmitted, within 10 days of its adoption, to the Inspector General and to the federation with which the credit union is affiliated, where that is the case.

Rights and  
obligations

**66.** From the date of amalgamation, the absorbing credit union shall acquire the rights and assume the obligations of the absorbed credit union.

Status of  
absorbed  
credit union

The absorbed credit union shall from that date be deemed to continue as the absorbing credit union and its members shall become members of the absorbing credit union.

## CHAPTER X

### CAPITAL STOCK

#### DIVISION I

##### GENERAL PROVISIONS

Capital stock

**67.** The capital stock of a credit union shall consist of qualifying shares. It may include permanent shares and preferred shares.

Capital may  
vary

The capital stock is variable.

Issue of  
shares

**68.** The shares shall be in registered form and may be issued only to members or, where permitted by the by-laws of the credit union, to auxiliary members.

Fully paid  
shares

**69.** Only fully paid shares may be issued. They must be paid for in money, except in the case of

(1) shares issued as a dividend;

(2) shares issued on the redemption or conversion of preferred shares;

(3) shares issued in accordance with the terms of an amalgamation agreement.

## DIVISION II

## QUALIFYING SHARES

Price of  
qualifying  
shares

**70.** The price of qualifying shares shall be determined by by-law of the credit union or, if the credit union is affiliated with a federation, by by-law of the federation.

Interest

**71.** No credit union may pay interest on qualifying shares it has issued.

Redemption

**72.** No credit union may redeem the qualifying shares it has issued except in the event of the death, withdrawal or expulsion of a member or in the event of the winding-up, insolvency or dissolution of the credit union.

## DIVISION III

## PERMANENT SHARES

Issue of  
permanent  
shares

**73.** A credit union may issue permanent shares where authorized to do so by by-law.

By-law

The by-law must state the number of permanent shares the credit union is authorized to issue, the amount of the issue, the par value of each share, the preferences, rights and restrictions attached to them and any special condition applicable to their redemption or transfer.

Approval of  
by-law

The by-law 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.

Certificates

**74.** The credit union shall issue certificates attesting the issue of permanent shares. Each certificate shall indicate the par value of the share, the preferences, rights and restrictions attached to it and any special condition applicable to its redemption or transfer.

Transfer  
among  
members

**75.** Permanent shares are transferable among members, including auxiliary members where permitted by the by-law of the credit union, and between such members and the confederation with which the federation of which the credit union is a member is affiliated, where that is the case.

Transfer to  
third persons

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

Subsequent  
transfer

Permanent shares transferred to the confederation or to third persons may be subsequently transferred only to members of the credit union which issued them, including auxiliary members where permitted by the by-law of the credit union.

Cessation  
of issue

**76.** A credit union must cease to issue permanent shares where the confederation with which the federation of which it is a member is affiliated holds, in the fund set up for such purposes, permanent shares issued by the credit union.

Priority of  
permanent  
shares

**77.** No permanent share shall entitle its holder to obtain, in the event of the winding-up, insolvency or dissolution of the credit union, any payment for his shares before the deposits, the other debts and the preferred shares of the credit union have been paid or redeemed. However, permanent shares, except those held by the confederation, have priority over qualifying shares.

Redemption

**78.** Except in the event of winding-up, insolvency or dissolution, permanent shares issued by a credit union are redeemable only in case of the death of their holder.

Redemption

**79.** The credit union may redeem permanent shares held 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.

Restriction

No payment may be made under this section if the capital base of the credit union or, as the case may be, of the federation with which it is affiliated is equal to or thereby lowered to, a level that is lower than the level required pursuant to this Act.

Interest

**80.** The only interest payable on permanent shares is the interest that may be determined by the annual meeting. Where the credit union is affiliated with a federation, the rate of interest must not exceed the maximum rate prescribed by by-law of the federation. Where the federation is affiliated with a confederation, the maximum rate is determined by by-law of the confederation.

#### DIVISION IV

#### PREFERRED SHARES

Issue of  
preferred  
shares

**81.** A credit union may issue preferred shares where authorized to do so by by-law.

- By-law** The by-law must state the number of preferred shares the credit union is authorized to issue, the amount of the issue, the par value of each share, the preferences, rights and restrictions attached to those shares and any special condition applicable to their repurchase, redemption or transfer.
- Approval of by-law** The by-law 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.
- Restriction** **82.** No unaffiliated credit union may issue preferred shares unless the sum of its general reserve and of the amount of issued permanent shares is equal to at least 4% of its liabilities.
- Transfer among members** **83.** Preferred shares are transferable among members, including auxiliary members where permitted by the by-law of the credit union.
- Transfer to third persons** Preferred shares may be transferred to third persons if they have been given as security by a member or an auxiliary member. They 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.
- Certificate** **84.** The credit union shall issue certificates attesting the issue of preferred shares. Each certificate shall indicate the par value of the share, the preferences, rights and restrictions attached to it and any special condition applicable to its repurchase, redemption or transfer.
- Priority of preferred shares** **85.** No preferred share shall entitle its holder to obtain, in the event of the winding-up, insolvency or dissolution of the credit union, any payment for his shares before the deposits and other liabilities of the credit union have been paid. However, preferred shares have priority over qualifying shares and permanent shares.
- Redemption** **86.** Except in the event of the death of its holder or of the winding-up, insolvency or dissolution of the credit union, no preferred share may be redeemed at the request of its holder before the expiry of a period of five years from its issue. However, the credit union may, at its option, purchase all or part of the shares it has issued, before the expiry of the stipulated term.
- Redemption** **87.** Except in case of death, a credit union may repurchase or redeem the preferred shares it has issued only so far as such purchase or redemption 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.

Redemption

**88.** Every redemption or repurchase must be authorized by the federation with which the credit union is affiliated or, if it is not affiliated, by the Inspector General.

Interest

**89.** The interest payable on preferred shares shall be determined by the board of directors within the limits prescribed by by-law of the credit union, but shall in no case exceed the maximum rate prescribed by by-law of the federation with which the credit union is affiliated. Where the federation is affiliated with a confederation, the maximum rate is determined by by-law of the confederation.

## CHAPTER XI

### MEMBERS

#### DIVISION I

##### GENERAL PROVISIONS

Require-  
ments for  
membership

**90.** To be a member of a credit union, a person, including a partnership, must

(1) have his or its domicile, a residence, a place of business or regular work in the territory of the credit union or belong to the group described in the articles of incorporation;

(2) except in the case of a founder, apply for membership;

(3) subscribe and pay for the number of qualifying shares prescribed by by-law of the credit union or, in the absence of such a by-law, one qualifying share;

(4) undertake to comply with the by-laws of the credit union;

(5) except in the case of a founder, be admitted by the board of directors or by a person authorized by it.

Classes of  
members

**91.** A credit union shall establish by by-law one or more classes of auxiliary members and determine conditions for their admission, their rights and obligations and criteria or conditions relating to their withdrawal, suspension or expulsion.

Auxiliary  
member

**92.** Any person, including a partnership, who or which does not meet the conditions set out in paragraph 1 of section 90 may be admitted as an auxiliary member.

Auxiliary  
member

Any member who ceases to meet the conditions set out in paragraph 1 of section 90 becomes an auxiliary member. If he is an officer of the credit union, he may continue nevertheless to exercise his duties until the expiry of his term of office.

Rights of  
auxiliary  
members

**93.** Auxiliary members may attend meetings; however, they are neither entitled to vote nor eligible to hold any office within the credit union.

Rights of  
minors

**94.** Minors may, without the authorization or intervention of anyone, subscribe for qualifying shares in a credit union, make deposits and withdraw the earnings and principal. However, they shall be admitted only as auxiliary members.

Dignitaries  
or honorary  
members

**95.** The by-laws of a credit union may provide for the admission of dignitaries or honorary members. Dignitaries or honorary members may attend meetings; however, they are neither entitled to vote nor eligible to hold any office within the credit union, nor are they entitled to any benefit afforded to members by the credit union.

## DIVISION II

### WITHDRAWAL, SUSPENSION AND EXPULSION

Withdrawal  
from  
membership

**96.** A member may withdraw from membership by requesting the repayment of his qualifying shares and the withdrawal of his savings.

Effect

The withdrawal of a member becomes effective upon the total repayment of his qualifying shares and the total payment of his savings.

Suspension

**97.** The board of directors, after informing a member of the grounds invoked for his suspension or expulsion and giving him an opportunity to be heard, may suspend or expel him if

- (1) he does not comply with the by-laws of the credit union;
- (2) he fails to fulfil his undertakings toward the credit union;
- (3) on two or more occasions, he presents or issues a cheque without sufficient funds;
- (4) despite a notice from the credit union, he allows a savings account to remain overdrawn.

Minutes	<b>98.</b> The minutes of the meeting of the board of directors at which a member is suspended or expelled must set forth the facts which justify the decision.
Notice	Within 15 days after the decision, the credit union shall transmit to the member, by registered or certified mail, a notice of his suspension or expulsion, giving the reasons therefor.
Term of suspension	<b>99.</b> No member may be suspended for more than six months.
Effect	<b>100.</b> The suspension or expulsion of a member takes effect upon the adoption of the resolution of the board of directors.
Suspended member	<b>101.</b> A member who has been suspended or expelled or whose withdrawal has taken effect loses the right to receive notice of, to attend or to vote at meetings of the credit union and to hold any office within the credit union.
Suspended member	However, a suspended member loses those rights only for the duration of the suspension.

## CHAPTER XII

### GENERAL MEETING OF THE MEMBERS

#### DIVISION I

##### GENERAL PROVISIONS

General meeting	<b>102.</b> The members of a credit union constitute its general meeting, whether convened at an annual meeting or a special meeting.
Representation	<b>103.</b> Only a legal person, including a partnership, that is a member of a credit union may be represented at a general meeting.
Representation	No person may represent more than one legal person.
Notice	<b>104.</b> Unless otherwise prescribed by by-law, notice of a general meeting must be sent by regular mail to the members at their last address recorded in the registers of the credit union, not less than 10 nor more than 45 days before the date fixed for the meeting.
Content	The notice shall state the place, date and time of the meeting and the matters to be considered. Where applicable, it shall be accompanied with a copy or summary of any draft by-law appearing on the agenda.

- Waiver**            **105.** A member may waive notice of a general meeting. His mere attendance at a meeting is a waiver except where he attends for the express purpose of objecting to the holding of the meeting on the ground that notice of the meeting was not given or was given irregularly.
- Quorum**            **106.** Unless otherwise prescribed by by-law, the members attending a general meeting constitute a quorum.
- Quorum**            If the quorum fixed by by-law is not reached, the meeting may be called a second time. If the quorum is still not reached, the meeting may be validly held and must deal with the same matters as those stated in the first notice.
- Vote**                **107.** No member is entitled to more than one vote, regardless of the number of shares held.
- Vote**                **108.** A person who has been a member for less than 90 days is not entitled to vote at a general meeting.
- Decisions**           **109.** Decisions are taken by the majority of the votes cast by the members present. In case of a tie, the chairman of the meeting has a casting vote. However, at the election of a director, or of a member of the board of supervision or of the credit committee, the person presiding over the election has a casting vote.
- Adoption of by-laws**   **110.** By-laws of the credit union are adopted at the general meeting by a two-third majority of the votes cast by the members present.
- Resolutions**        **111.** Resolutions in writing signed by all the members have the same force as if they had been passed at a general meeting.
- Minutes**            The resolutions shall be kept with the minutes of the general meetings.

## DIVISION II

## ANNUAL MEETING

- Annual meeting**       **112.** The annual meeting of a credit union shall be held within four months from the end of its fiscal year. The members shall be convened to

- (1) examine the annual report;
- (2) decide upon the allocation of the annual surplus earnings;



(3) elect the members of the board of directors, credit committee and board of supervision;

(4) appoint an auditor where this Act so requires;

(5) determine the interest payable on permanent shares, if any;

(6) make any decision reserved for the general meeting by this Act;

(7) address oral questions to the members of the board of directors for a minimum period of time determined by the by-laws of the credit union.

### DIVISION III

#### SPECIAL MEETINGS

Special  
meeting

**113.** The board of directors, the board of supervision, the president or the vice-president of the credit union or the board of directors of the federation with which the credit union is affiliated may order that a special meeting be held whenever it or he deems it advisable.

Requisition

**114.** The board of directors must hold a special meeting upon the requisition of 100 members of the credit union if it has 300 or more members, of one-third of the members if it has less than 300 or, if the quorum fixed by by-law of the credit union is less than 100 or less than one-third of its members, of the number of members required to constitute such quorum.

Vacancies

The board of directors must also hold a special meeting if two vacancies occur on the board of supervision.

Calling of  
meeting

**115.** Special meetings are called by the secretary of the credit union. If the secretary is unable or refuses to act, the president of the credit union shall call the meeting.

Meeting  
called by  
federation

**116.** If the meeting is not called within 30 days of the requisition made by the federation or the members, the federation or, as the case may be, two members who have signed the requisition may call the meeting. In the latter case, the members may obtain a copy of the list referred to in paragraph 5 of section 274, notwithstanding the second paragraph of section 278.

Reimburse-  
ment of  
expenses

Unless the members object thereto by resolution at the meeting, the credit union shall reimburse those who called the meeting for reasonable expenses incurred by them to hold the meeting.

Matters  
considered

**117.** Only the matters specified in the notice of meeting may be considered or decided at a special meeting.

## CHAPTER XIII

### MANAGEMENT AND ADMINISTRATION

#### DIVISION I

##### PROVISIONS COMMON TO THE BOARD OF DIRECTORS, THE CREDIT COMMITTEE AND THE BOARD OF SUPERVISION

Organs of  
credit union

**118.** Apart from the general meeting, the organs of a credit union are the board of directors, the credit committee and the board of supervision.

Terms of  
office

**119.** The term of office of the members of the board of directors, of the credit committee and of the board of supervision is three years.

Rotation of  
members

The credit union must determine by by-law a mode of rotation so that one-third of the members of each of those organs, to the nearest whole number, are replaced each year.

Shorter  
terms of  
office

The credit union may, for the purposes of this section, shorten the term of office of the members elected at the organization meeting or elected following an increase in the number of members of those organs.

Continuance  
in office

**120.** At the end of his term of office, a member shall remain in office until he is reelected or replaced.

Decrease  
in number

**121.** A decrease in the number of members does not end the term of those who remain in office.

Resignation

**122.** A member may resign from office by giving notice to that effect.

Dismissal

**123.** No member may be dismissed at a special meeting unless he has been informed in writing, within the same advance time as that prescribed for calling the meeting, of the grounds for his dismissal and of the place, date and time of the meeting.

Opposition

The member may give, in a written statement read by the chairman of the meeting, the grounds for his opposition to his dismissal. He may also address the meeting.

Dismissal  
of director  
general

**124.** Where the director general of a credit union, who may also be a member of its board of directors, is dismissed, he thereby becomes disqualified from sitting as a member of the board of directors, the credit committee or the board of supervision of the credit union for a period of five years from his dismissal.

Justification

**125.** The minutes of the meeting at which a member is dismissed must state the facts which justify the decision.

Notice

The credit union, within 15 days of the decision, shall send to the member, by registered or certified mail, a notice of his dismissal, stating the reasons therefor. The credit union shall also send, within the same time, a copy of such notice to the federation with which it is affiliated.

Vacancy

**126.** A vacancy resulting from the dismissal of a member may be filled during the meeting at which the dismissal takes place provided that the notice of the meeting mentions that such an election may be held.

Remunera-  
tion

**127.** The members are not remunerated. They are nonetheless entitled to reimbursement of reasonable expenses incurred by them in carrying out their duties.

Participation  
by telephone

**128.** Subject to the by-laws of the credit union, the members may, if they all consent, participate in a meeting by any means of communication, such as the telephone, which permits all persons participating in the meeting to communicate orally with each other. The members are deemed in that case to have attended the meeting.

Resolutions

**129.** Resolutions in writing signed by all the members who are entitled to vote on such resolutions have the same force as if they had been passed at a meeting.

Minutes

The resolutions shall be kept with the minutes of the proceedings.

Waiver of  
notice

**130.** Any member may waive, in writing, the notice of a meeting. His mere attendance at the meeting is a waiver, except where he attends for the express purpose of objecting to the holding of the meeting on the ground that notice of the meeting was not given or was given irregularly.

Dissent

**131.** A member present at a meeting is deemed to have consented to any resolution passed or action taken at the meeting, except

(1) if, at the meeting, he requests that his dissent be recorded in the minutes;

(2) if, before the meeting is adjourned or closed, he sends his dissent in writing to the secretary of the meeting.

Dissent of  
absent  
member

**132.** A member not present at a meeting is deemed to have consented to any resolution passed or action taken at the meeting unless, within seven days following the date on which he becomes aware of the resolution or action, he sends his dissent by registered or certified mail or delivers it to the head office of the credit union and requests, that it be recorded in the minutes of the next meeting.

## DIVISION II

### BOARD OF DIRECTORS

Board of  
directors

**133.** The affairs of a credit union are managed by the board of directors, subject to any functions devolved upon another organ of the credit union.

Powers

The credit union may determine by by-law those powers that the board of directors may exercise only if so authorized by the general meeting.

Duties

**134.** The board of directors shall, in particular,

(1) observe and enforce the regulations made by the Government for the purposes of this Act, the by-laws of the credit union, of the federation with which it is affiliated and of the confederation with which the federation is affiliated, where that is the case, and the orders and written instructions issued under this Act;

(2) provide the credit committee and the board of supervision with any personnel they require to carry out their functions;

(3) furnish the Inspector General, at his request, with a certified copy of the by-laws of the credit union;

(4) ensure the keeping and preservation of the registers;

(5) determine the rate of interest on savings and preferred shares, the rate applicable to any extension of credit and the amounts available to the credit committee for loans to the members;

(6) make or control the investments of the credit union;

(7) insure the credit union against the risks of fire, theft, embezzlement by its officers or employees, and civil and employer's liabilities;

(8) designate the persons authorized to sign contracts or other documents on behalf of the credit union;

(9) at the annual meeting, give an account of its management and submit the annual report;

(10) facilitate the work of the persons responsible for the inspection of the credit union, the supervision of its transactions or the audit of its books and accounts.

Number of  
directors

**135.** The credit union shall determine, by by-law, the number of directors, which shall not be less than five.

Formation  
of board

**136.** For the formation of its board of directors, a credit union may, by by-law, divide its members into groups, or its territory into districts, and grant to each of the groups or districts the right to elect a certain number of directors.

Dismissal

No member of the board of directors thus elected shall be dismissed except by the members of the credit union who have the right to elect him.

Number of  
directors

The by-law of the credit union may also prescribe the number of directors who will represent a group or a territory on the board of directors. Such directors may be elected by all the members of the credit union.

Directorship

**137.** Every natural person who is a member of the credit union or who represents a legal person, including a partnership, that is a member of the credit union, may be a director, except

(1) a member or the representative of a member who has been a member for less than 90 days, unless he is a founder;

(2) an employee of the credit union other than the director general or an employee of the federation with which the credit union is affiliated, of the confederation with which the federation is affiliated or of a legal person belonging to the same group as the federation or confederation;

(3) a member of the credit committee or board of supervision of the credit union;

(4) an officer within the meaning of section 187 or employee of another credit union;

(5) an interdicted person or a person of unsound mind declared incapable by a court, even a foreign court;

(6) an undischarged bankrupt.

Vacancy

**138.** In the event of vacancy, the directors may appoint a replacement for the unexpired portion of the term of office. If they fail to do so before the next general meeting, the general meeting may fill the vacancy.

Resignation

**139.** Every director who resigns for reasons relating to the conduct of the affairs of the credit union shall declare his reasons to the credit union by means of a written statement to the chairman of the board of supervision and shall send a copy to the federation with which the credit union is affiliated or, if it is not affiliated, to the Inspector General,

(1) where he has grounds to believe that such course of action is in contravention of a provision of this Act, a government regulation thereunder, a provision of any other Act or an order or written instruction of the Inspector General;

(2) where he has grounds to believe that such course of action may have an adverse effect on the financial position of the credit union.

Declaration

A director who in good faith makes such a declaration shall not thereby incur any civil liability.

Quorum

**140.** Where the number of directors remaining in office does not constitute a quorum, a director, two members of the credit union, a member of the board of supervision or the board of directors of the federation with which the credit union is affiliated may order the secretary of the credit union to call a special meeting to fill the vacancy.

Calling of meeting

If the secretary fails to act, the meeting may be called by the persons who ordered the holding of the meeting. Unless the members object thereto by resolution at the meeting, the credit union shall reimburse those who called the meeting for reasonable expenses incurred by them to hold the meeting.

Change among directors

**141.** Within 30 days after a change is made among the directors of the board of directors, the credit union shall give notice of the

change to the Inspector General, together with a list containing the surname, given name, address and occupation of each director.

Chairman  
and vice-  
chairman

**142.** At its first meeting after the organization meeting and, subsequently, after every annual meeting, the board of directors shall choose from among its members a chairman, a vice-chairman and a secretary who shall be the president, vice-president and secretary of the credit union.

Director  
general

**143.** The board of directors shall also appoint for an indefinite period a director general or manager, whom it may choose or not from among its members.

Assistant-  
secretary

**144.** The board of directors may appoint from among its members or from among non-members any other officer required for the proper operation of the credit union and an assistant-secretary to exercise the powers of the secretary whenever the latter is unable or refuses to act.

President,  
vice-  
president

**145.** The powers and duties of the president, vice-president and secretary shall be determined by by-law of the credit union.

Replacement

**146.** If the president is unable to act, the vice-president shall replace him.

Restriction

**147.** The director general shall not be the president or vice-president of the credit union although he may simultaneously hold the office of director general and that of secretary.

Duties of  
director  
general

**148.** The director general shall perform his duties under the direction of the board of directors. His powers and duties are determined by by-law of the credit union.

Remunera-  
tion

The board of directors shall determine the remuneration of the director general.

Presence  
of director  
general

**149.** A director general who is not a member of the board of directors is entitled to be convened to, attend and address the meetings of the board; he must, however, withdraw from a meeting from the time the opportuneness of his presence to debate on a given matter is being discussed.

Withdrawal

A director or director general shall also withdraw from any meeting at which his conditions of employment are being discussed.

## Meeting

**150.** The board of directors shall meet at the call of the president or two directors. Unless otherwise provided in the by-laws of the credit union, meetings are called by written notice at least five days before the date scheduled for the meeting. The notice shall indicate the place, the date and the time of the meeting and the matters that will be debated.

Calling of  
meeting

**151.** The board of directors of the federation with which the credit union is affiliated may call a meeting of the board of directors of the credit union. A representative of the federation may attend and address the meeting.

## Quorum

**152.** Unless otherwise provided in the by-laws of the credit union, a majority of the directors constitutes a quorum at meetings of the board of directors.

## Decisions

**153.** The decisions of the board of directors are taken by a majority vote of the directors present. In case of a tie, the chairman of the meeting has a casting vote.

## DIVISION III

## CREDIT COMMITTEE

## Functions

**154.** The functions of the credit committee are

(1) to authorize the credit that may be extended by the credit union;

(2) to authorize the signing of releases, discharges or waivers of priority and applications for cancellation under article 2157*b* of the Civil Code of Lower Canada.

## Powers

**155.** Every credit union may determine, by by-law, the extent, limits and conditions of the powers of its credit committee.

Approval  
of by-law

Every by-law of a credit union pertaining to the credit committee shall be submitted for approval to the federation with which it is affiliated or, if it is not affiliated, to the Inspector General.

Delegation  
of powers

**156.** The credit committee may, on the conditions it determines, authorize the director general or any other person who may be designated by the board of directors, to exercise all or part of its powers.



Transactions  
with restrict-  
ed parties

The credit committee cannot, however, in the case of transactions with restricted parties, delegate its powers to authorize credit.

Conflict of  
interest

The board of directors shall exercise the powers of the credit committee where, on a given subject, a quorum cannot be reached because of a conflict of interest involving one of its members.

Appeal

**157.** A member of a credit union whose application for credit has been refused may appeal from the decision to the board of directors.

Decision

After giving the member an opportunity to be heard, the board of directors shall decide the appeal in accordance with the by-laws of the credit union.

Decision  
confirmed or  
amended

The board of directors may confirm, amend or quash the decision appealed from and make any decision which, in its opinion, should have been made in the first instance.

Number of  
members

**158.** The credit committee shall consist of three or five members, as prescribed by the by-laws of the credit union.

Membership

**159.** Every natural person who is a member of the credit union or who represents a legal person, including a partnership, that is a member of the credit union, may be a member of the credit committee, except

(1) a member or the representative of a member who has been a member for less than 90 days, unless he is a founder;

(2) an employee of the credit union, of the federation with which the credit union is affiliated, of the confederation with which the federation is affiliated or of a legal person belonging to the same group as the federation or confederation;

(3) a director or a member of the board of supervision of the credit union;

(4) an officer within the meaning of section 187 or an employee of another credit union;

(5) an interdicted person or a person of unsound mind declared incapable by a court, even a foreign court;

(6) an undischarged bankrupt.

- Vacancy**            **160.** In the event of vacancy, the members of the credit committee may appoint a replacement for the unexpired portion of the term of office. If they fail to do so before the next general meeting, the general meeting may fill the vacancy.
- Quorum**            If, due to vacancies, a quorum cannot be reached, a member of the credit committee, a director, two members of the credit union or a member of the board of supervision or the board of directors of the federation with which the credit union is affiliated may order the secretary of the credit union to call a special meeting to fill the vacancies.
- Calling of meeting**    If the secretary fails to act, the meeting may be called by the persons who ordered the holding of the meeting. Unless the members object thereto by resolution at the meeting, the credit union shall reimburse those who called the meeting for reasonable expenses incurred by them to hold the meeting.
- Resignation**        **161.** Every member of the credit committee who resigns for reasons relating to the conduct of the affairs of the credit union shall declare his reasons to the credit union by means of a written statement to the chairman of the board of supervision and shall send a copy to the federation with which the credit union is affiliated or, if it is not affiliated, to the Inspector General,
- (1) where he has grounds to believe that such course of action is in contravention of a provision of this Act, a government regulation thereunder, a provision of any other Act or an order or written instruction of the Inspector General;
- (2) where he has grounds to believe that such course of action may have an adverse effect on the financial position of the credit union.
- Declaration**        A member who in good faith makes such a declaration shall not thereby incur any civil liability.
- Chairman**           **162.** At its first meeting after the organization meeting and, subsequently, after every annual meeting, the credit committee shall choose a chairman from among its members.
- Secretary**          The credit committee shall also appoint a secretary whom it may choose or not from among its members. Where the credit committee fails to appoint a secretary, the director general shall perform the duties of the secretary.

Assistant-  
secretary

**163.** The credit committee may in addition appoint an assistant-secretary to exercise the powers of the secretary where the secretary is unable or refuses to act.

Quorum

**164.** A majority of the members constitutes a quorum at meetings of the credit committee.

Resolutions

**165.** The resolutions of the credit committee must be adopted by the unanimous vote of the members present at a meeting.

Attendance  
at meeting

**166.** The director general of the credit union and any other person empowered to authorize credit may attend and address the meetings of the credit committee.

Report of  
activities

**167.** The credit committee shall submit a report of its activities to the board of directors at the end of the fiscal year and shall present it at the annual meeting.

## DIVISION IV

## BOARD OF SUPERVISION

Board of  
supervision

**168.** The function of the board of supervision is to supervise the operations of the credit union.

Duties

The board of supervision shall ensure, in particular, that

- (1) an audit of the cash in hand and all other assets is carried out;
- (2) the operations of the credit union are in compliance with this Act and the regulations or by-laws applicable to it under this Act;
- (3) the internal affairs and activities of the credit union are inspected in accordance with the provisions of this Act;
- (4) the credit union complies with the orders and written instructions issued under this Act;
- (5) the rules adopted by the ethics committee which are applicable to the credit union are observed.

Complaints

**169.** The board of supervision shall, in addition to its main function, receive any complaints from the members, including auxiliary members where permitted by the by-laws of the credit union, inform the other organs if need be and reply to the complainant.

## Filing

Any complainant unsatisfied with the board's reply may file his complaint with the federation with which the credit union of which he is a member is affiliated; he may also file his complaint with the confederation with which the federation is affiliated if he remains unsatisfied with the reply of the federation.

## Recommendations

The federation or confederation, as the case may be, may make recommendations to the credit union in connection with the complaint filed with it.

## Ethics committee

**170.** The board of supervision of an unaffiliated credit union shall also assume the functions of the ethics committee set out in sections 355 and 357, adapted as required.

## Approval of rules

The rules adopted by the board of supervision for the protection of the interests of the credit union and its members shall be submitted for approval to the board of directors of the credit union. The credit union shall transmit a copy of the rules to the Inspector General within 30 days of their approval.

## Number of members

**171.** The board of supervision shall consist of three members.

## Membership

**172.** Every natural person who is a member of the credit union or who represents a legal person, including a partnership, that is a member of the credit union, may be a member of the board of supervision, except

(1) a member or a representative of a member who has been a member for less than 90 days, unless he is a founder;

(2) an employee of the credit union, of the federation with which the credit union is affiliated, of the confederation with which the federation is affiliated or of a legal person belonging to the same group as the federation or confederation;

(3) a director or a member of the credit committee of the credit union;

(4) an officer within the meaning of section 187 or an employee of another credit union;

(5) an interdicted person or a person of unsound mind declared incapable by a court, even a foreign court;

(6) an undischarged bankrupt.

## Vacancy

**173.** In the event of vacancy, the members of the board of supervision may appoint a replacement for the unexpired portion of

the term of office. If they fail to do so before the next general meeting, the general meeting may fill the vacancy.

**Quorum**

If, due to vacancies, a quorum cannot be reached, a member of the board of supervision, a director, two members of the credit union or the board of directors of the federation with which the credit union is affiliated may order the secretary of the credit union to call a special meeting to fill the vacancies.

**Calling of meeting**

If the secretary fails to act, the meeting may be called by the persons who ordered the holding of the meeting. Unless the members object thereto by resolution at the meeting, the credit union shall reimburse those who called the meeting for reasonable expenses incurred by them to hold the meeting.

**Resignation**

**174.** Where a member of the board of supervision resigns, he shall send to the federation with which the credit union is affiliated or, if it is not affiliated, to the Inspector General, a copy of the notice he addresses to the credit union.

**Chairman and secretary**

**175.** At its first meeting after the organization meeting and, subsequently, after every annual meeting, the board of supervision shall choose a chairman and a secretary from among its members.

**Quorum**

**176.** Two members constitute a quorum at meetings of the board of supervision.

**Access to documents**

**177.** The board of supervision has access to the books, records, accounts and any other document of the credit union, and every person having custody of them must facilitate its examination of them. It may require the officers and employees of the credit union to furnish any document or information necessary for the carrying out of its functions.

**Inspection**

**178.** The board of supervision may, where it considers it necessary, require that a special inspection be carried out.

**Suspension of employee**

**179.** The board of supervision may suspend any employee of the credit union or any member of the credit committee. Before rendering its decision, the board shall serve on the person concerned a prior notice of not less than three clear days mentioning the grounds which justify such decision, the date on which it will become effective and the possibility of being heard. Where the board of supervision is of the opinion that any delay could seriously compromise the interests of the members of the credit union, it may render its decision without giving the person advance notice or an opportunity to be heard.

Notice of  
suspension

Within five days following the suspension, the board of supervision shall notify, in writing, the board of directors and the federation with which the credit union is affiliated and the confederation with which the federation is affiliated, where that is the case.

Recommen-  
dations to  
board of  
directors

**180.** The board of supervision shall report its findings to the board of directors and to the credit committee and may, if it considers it appropriate, make recommendations to them.

Report to  
ethics  
committee

The board of supervision shall also report its findings to the ethics committee of the federation with which the credit union is affiliated. The ethics committee shall also be notified, within 10 days, of any cases where the rules of ethics it adopted were not observed.

Notice of  
non  
compliance

**181.** The board of supervision shall notify, in writing, the board of directors and the federation with which the credit union is affiliated, where that is the case, if

(1) in its opinion, the credit union is contravening a provision of this Act or the regulations or by-laws applicable to it under this Act, where such contravention relates to the operations of the credit union and might have an adverse effect on its financial position;

(2) it discovers financial or administrative practices which might have an adverse effect on the financial position of the credit union;

(3) it observes that the credit union is not complying with the orders or written instructions issued under this Act.

Copy

Upon receipt of the notice, the federation shall send a copy of it to the confederation with which it is affiliated.

Corrective  
measures

The board of supervision shall notify the Inspector General where, in its opinion, the board of directors and the federation are neglecting to take, as soon as possible under the circumstances, the necessary measures to remedy the situation identified in the notice.

Inspection  
report

**182.** Upon receipt of the periodical inspection report, the board of supervision shall submit its recommendations to the board of directors and may call a special meeting to lay any matter brought up in the report before the members.

Report of  
activities

**183.** The board of supervision shall submit a report of its activities to the board of directors at the end of the fiscal year of the credit union and shall present it at the annual meeting.

## DIVISION V

## SPECIAL COMMITTEES

Formation  
of special  
committees

**184.** To facilitate the proper operation of the credit union, the board of directors may form special committees, composed of members of the credit union, and determine their powers and duties.

Request by  
general  
meeting

The general meeting may require the formation of special committees.

Membership

**185.** No employee of the credit union except the director general may be a member of a special committee.

Powers and  
duties

**186.** The special committees shall exercise their powers and duties under the direction of the board of directors.

## DIVISION VI

## OFFICERS

Officers

**187.** The president, vice-president, secretary, assistant-secretary and director general of a credit union are the officers of that credit union.

Officers

The members of the board of directors, of the credit committee and of the board of supervision and any other person appointed as such by the board of directors of the credit union are also officers of the credit union.

Conflict of  
interest

**188.** Every employee authorized to extend credit is subject to the same rules as an officer in matters pertaining to conflicts of interest.

Mandataries

**189.** The officers of a credit union are deemed to be the mandataries of the credit union.

Transmission  
of  
information

**190.** The board of directors shall furnish to the Inspector General the surname, given name, address and occupation of each of the officers of the credit union within 30 days following their election or appointment.

Performance  
of duties

**191.** Every officer of a credit union shall in performing his duties act within the limits of the powers conferred on him.

- Compliance      He shall comply with this Act, the regulations made thereunder by the Government, the articles and by-laws of the credit union, the by-laws of the federation with which the credit union is affiliated and of the confederation with which the federation is affiliated, where that is the case, and with the orders and written instructions issued under this Act.
- Care and prudence      **192.** Every officer of a credit union shall exercise the care, prudence and diligence that a reasonable person would exercise in similar circumstances.
- Conflict of interest      He shall also act with honesty and fairness in the best interest of the credit union and in view of its objects. In so doing, he shall take into account the interests of the members and avoid placing himself in situations where his personal interest is in conflict with his obligations.
- Presumption      **193.** An officer of a credit union is presumed to have exercised the care, prudence and diligence that a reasonable person would exercise in similar circumstances if he acted in good faith and based his decisions on an expert's opinion or report.
- Compliance with s.192      **194.** The mere fact that an investment or credit has been made or extended in compliance with this Act and the government regulations thereunder does not release any officer of the credit union from the duty to act in accordance with section 192.
- Liability insurance      **195.** Every credit union must purchase, according to market conditions, liability insurance for the benefit of an officer or a person acting at its request as a director or officer of a legal person of which the credit union is a shareholder or creditor, to cover any liability that may be incurred by such persons when acting as such, except any liability resulting from a failure to act with honesty and fairness.
- Communication of information      **196.** No officer may communicate information concerning the credit union or its members except to the extent determined by the rules adopted by the ethics committee or, as the case may be, by the board of supervision, and by government regulations.
- Defence of officer      **197.** Every credit union shall assume the defence of any officer or any person who has acted in that capacity for the credit union and who is prosecuted by a third person for an act done in the performance of his duties and shall pay damages, if any, resulting from that act, unless he has committed a gross negligence or a personal fault separable from the performance of his duties.



Penal or  
criminal  
proceedings

In penal or criminal proceedings, however, the credit union shall assume the payment of the expenses of the officer or of the person who has acted in that capacity for the credit union only where he had reasonable grounds to believe that his conduct was in conformity with the law, or if he has been freed or acquitted or if the proceedings have been withdrawn or dismissed.

Expenses of  
prosecuted  
officer

**198.** Every credit union shall assume the expenses of an officer or of a person who has acted in that capacity for the credit union and whom it prosecutes for an act done in the performance of his duties if it loses its case and the court so decides.

Expenses

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

Obligations  
under  
ss. 197  
and 198

**199.** Every credit union shall assume its obligations under sections 197 and 198 in respect of any person who is acting or has acted at its request as a director or officer of a legal person of which it is a shareholder or creditor.

Liability

**200.** The officers of a credit union who authorize the redemption or repurchase of shares in contravention of this Act are jointly and severally liable for the payment to the credit union of any sum disbursed by it for the redemption or repurchase.

Liability

**201.** The officers of a credit union who authorize any investment or credit in contravention of this Act or the regulations and by-laws that are applicable to it under this Act are jointly and severally liable for any resulting losses to the credit union.

Liability

**202.** Every person who accepts a deposit in contravention of section 241 or who extends credit in contravention of section 250 is liable for the sums lost by the credit union by reason of the more favourable terms granted.

Prescription

**203.** Any right of action arising from section 200, 201 or 202 is prescribed by two years from the date on which the board of supervision becomes aware of the alleged act.

Right of  
action

**204.** Any right of action arising from section 200, 201 or 202 may be exercised by

(1) the credit union;

(2) the federation with which the credit union is affiliated, in its capacity as a mandatary of the credit union, if the credit union has

neglected to exercise such right of action after having been formally notified to do so by the federation;

(3) the Inspector General, if the federation with which the credit union is affiliated neglects to act following the service of the formal notice mentioned in subparagraph 2;

(4) the Inspector General, if the credit union is not affiliated with a federation and has neglected to exercise such right of action after having been formally notified to do so by the Inspector General.

Notice       Where a federation serves a formal notice in accordance with subparagraph 2, it must, at the same time, transmit a copy to the Inspector General.

Hearing       Before exercising its right of action under this section, a federation or the Inspector General must give the credit union an opportunity to be heard.

Disclosure  
of interest       **205.** Every officer of a credit union must, within three months of his appointment or election and, subsequently, every year, disclose to the board of directors of the credit union, in writing and under oath, any interest held by him in any enterprise.

Obligation       No officer may discharge the duties of his office until he has fulfilled his obligation under this section.

Exception       However, no officer shall be required to disclose any interest representing less than 10% of the shares issued by a legal person or less than 10% of the voting rights attached to such shares.

Conflict of  
interest       **206.** Every officer whose interest in an enterprise comes into conflict with that of the credit union must, on pain of dismissal, disclose his interest, abstain from voting on any matter related to the enterprise in which he has an interest, and avoid influencing any decision relating thereto. He must also withdraw from the meeting while the matters concerning the enterprise in which he has such an interest are being discussed.

Decision  
concerning  
associate       **207.** Moreover, no officer of a credit union may, on pain of dismissal, make any decision concerning any form of credit intended for him or any decision concerning a person who is his associate, or be present during the deliberations of a meeting or participate in decisions relating thereto.

Associate  
of officer       **208.** A person is an associate of an officer of a credit union where that person is

(1) the spouse, minor child or the minor child of the spouse of the officer;

(2) the partner of the officer or a partnership in which the officer is a partner;

(3) a legal person controlled by the officer or by his spouse, his minor child or the minor child of his spouse, individually or jointly;

(4) a legal person in which the officer holds 10% or more of the voting rights attached to the shares issued by it or 10% or more of such shares.

Spouse

**209.** "Spouse" means a person who

(1) is married and cohabits with the person to whom he is married;

(2) is living with another person in a conjugal relationship outside marriage and has been living with that person for at least one year.

Dismissal  
of officer

**210.** An officer who is dismissed for having contravened section 206 or 207 also ceases to be qualified to sit as a member of the board of directors, of the credit committee and of the board of supervision of any credit union for a period of five years from his dismissal.

## CHAPTER XIV

### OPERATIONS

#### DIVISION I

#### GENERAL PROVISIONS

Enjoyment  
of  
civil rights

**211.** Every credit union has the full enjoyment of civil rights in the pursuance of its objects.

Business and  
powers

A credit union may engage in and carry on with any person such business as may be useful to ensure its proper operation and the attainment of its objects.

Business  
restricted to  
members

**212.** The productive or profitable activities of a credit union being essentially cooperative, they shall be reserved to its members, subject to the exceptions set out in this Act.

Interpre-  
tation

Such activities are deemed not to constitute the carrying on of trade or a means of earning a profit.

## Powers

**213.** A credit union may

(1) receive deposits from a federation, a confederation or La Caisse centrale Desjardins du Québec;

(2) with the authorization of the federation with which it is affiliated or, if it is not affiliated, with the authorization of the Inspector General, receive deposits from or extend credit to another credit union;

(3) receive deposits from or extend credit to the Government of Québec or of Canada, a municipality or a school board in Québec, and their mandataries;

(4) sell bonds or other debt securities issued or guaranteed by the Government of Québec or of Canada, a municipality or a school board in Québec;

(5) act, according to law, as a securities dealer for the distribution of permanent shares and preferred shares issued by it and for the distribution of the securities of a holding company controlled by the confederation with which the federation of which the credit union is a member is affiliated, where that is the case;

(6) issue, endorse, accept and discount promissory notes, bills of exchange, drafts and other negotiable instruments and receive deposits transferable by order to third persons;

(7) offer cash management, electronic cash command and factoring services;

(8) transfer to another credit union, to a federation or, with the authorization of the federation with which it is affiliated or if it is not affiliated, of the Inspector General, to any other person, or acquire from another credit union or federation claims resulting from loans granted by the transferring credit union or federation;

(9) acquire and sell traveller's cheques;

(10) provide or offer payment card and credit card services;

(11) offer and administer savings plans which must be registered pursuant to the Taxation Act (R.S.Q., chapter I-3) or the Income Tax Act (S.C., 1970-71-72, chapter 63).

## Powers

**214.** A credit union may in addition

(1) receive the payment of tax accounts and electricity, gas and telephone bills and other public utility accounts;

(2) with the authorization of the Minister, issue registration plates for motor vehicles;

(3) engage in the sale of lottery tickets and urban transport tickets;

(4) subscribe for shares in a cooperative and benefit from its services;

(5) subscribe or guarantee, out of a social or community fund, funds to promote and further knowledge of the cooperative sector or for charitable, benevolent, educational, artistic or sport purposes;

(6) establish, in accordance with the Act respecting supplemental pension plans (R.S.Q., chapter R-17), a pension plan for the benefit of its employees and their spouses or dependants, or join any such plan established by another credit union affiliated with the federation of which it is member or a plan established by that federation or the confederation with which the federation is affiliated.

Public  
interest

**215.** The Government may, after obtaining the advice of the Minister, authorize a credit union, a specific group of credit unions or all the credit unions subject to this Act to carry on any other activity it considers expedient in the interest of the public and the members.

Order

At least 45 days before making an order to that effect, the Government shall publish a notice of intention in the *Gazette officielle du Québec*. An order made under the first paragraph becomes effective 15 days after its publication in the *Gazette officielle du Québec* or on any later date indicated in the notice.

Restricted  
parties and  
associates

**216.** A credit union shall, in respect of restricted parties and persons who are associates of any of its officers and with whom it does business, act in the same manner as when it is dealing at arm's length.

Restricted  
party

**217.** A person is a restricted party with respect to a credit union where that person is

(1) an officer of the credit union, of the federation with which the credit union is affiliated and of the confederation with which the federation is affiliated;

(2) a director or officer of La Caisse centrale Desjardins du Québec, where the credit union is affiliated with a federation that is affiliated with La Confédération des caisses populaires et d'économie Desjardins du Québec;

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

(4) the auditor of a credit union, a partner of the auditor and any employee of the auditing service of the federation with which the credit union is affiliated or of the confederation with which the federation is affiliated, where that is the case, who is assigned to the audit of the credit union and who is responsible for the audit report;

(5) a shareholder holding 10% or more of the voting rights attached to the shares issued by a legal person controlled by a confederation belonging to the same group as the federation with which the credit union is affiliated or 10% or more of such shares;

(6) a credit union or a legal person belonging to the same group as the federation with which the credit union is affiliated and, where applicable, La Caisse centrale Desjardins du Québec;

(7) a legal person controlled by one or several persons referred to in paragraph 1 or 2;

(8) any other person whose interests or dealings with a credit union might, in the opinion of the Inspector General, influence the investments or transactions that may be made by that credit union.

Designation  
of restricted  
party

**218.** Where the Inspector General designates a person as being a restricted party, he shall notify his decision to the person he so designates and to the credit union concerned by his decision.

Review of  
decision

The Inspector General may revise his decision at the request of the person so designated or of the credit union concerned.

Hearing

Before rendering his decision or refusing to revise his decision, the Inspector General shall give the person and the credit union concerned an opportunity to be heard.

Rules of  
ethics

**219.** All transactions of a credit union with restricted parties or with persons who are associates of an officer of the credit union must be in compliance with the rules adopted by the ethics committee or the board of supervision, as the case may be, and with the provisions of this Act.

Approval of  
transactions

**220.** Every transaction by a credit union to acquire securities issued by a restricted party or to transfer assets between them must be approved by the board of directors of the credit union after it has obtained the advice of the board of supervision.

Transfer of  
assets

No bad debts, unproductive assets or assets repossessed from a debtor in default may be transferred to a credit union except in the case of a transfer of assets *en bloc* authorized by the Inspector General as part of a reorganization 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.

Service  
contract

**221.** Every service contract between a credit union and a restricted party must be made on favourable terms for the credit union or at least on competitive terms.

Approval

Every such contract must be approved by the board of directors of the credit union after it has obtained the advice of the board of supervision, unless it involves only minimal amounts.

Contestation

In cases of contestation, the onus is on the credit union to show that the service contract to which it is a party meets the prescribed requirements.

Exemption

The Minister may, after he has obtained the advice of the Inspector General, exempt a service contract between a credit union and a legal person belonging to the same group as the federation with which the credit union is affiliated from compliance with the first paragraph where the main activity of the legal person consists in offering services relating to the ordinary business of a credit union.

Cancellation  
of  
transaction

**222.** The Inspector General or any person having a sufficient interest may apply to the court for the cancellation of a transaction with a restricted party or with a person who is an associate of an officer of the credit union made in contravention of the provisions of this Act and which might seriously prejudice the interests of the members of the credit union.

Claim  
against  
member

**223.** A credit union may, to obtain payment of any specific, liquid and exigible claim it has against a member or depositor, withhold any sum of money it owes to him and use it to compensate its claim except in the case of the redemption of qualifying shares issued by it.

Knowledge  
not  
presumed

**224.** Persons doing business with a credit union are not presumed to have knowledge of the contents of a document concerning a credit union by reason only that the document has been registered or is available for examination in accordance with this Act.

Presumption  
of good faith

**225.** Persons doing business with a credit union may presume that

(1) the credit union is pursuing its objects and exercising its powers in accordance with its articles and by-laws;

(2) the documents transmitted to the Minister or the Inspector General and registered under this Act contain true information;

(3) the officers of the credit union are validly holding office and lawfully exercising the powers arising therefrom;

(4) the documents of the credit union which purport to be from an officer are valid and binding on the credit union.

Inapplica-  
bility of  
ss. 224 and  
225

**226.** Sections 224 and 225 do not apply to persons in bad faith or to persons who ought to have had knowledge of the situation by virtue of their position within or their dealings with the credit union.

## DIVISION II

### CAPITAL BASE

Capital base

**227.** Every credit union not affiliated with a federation must maintain a capital base equal to at least 5 % of its total liabilities. The Inspector General may, where he deems it necessary, reduce or increase such percentage which applies to the credit union, within such reasonable time as he may prescribe.

Notice of  
intention

Before exercising the powers set out in the first paragraph, the Inspector General shall notify the credit union of his intention and give it an opportunity to be heard.

Capital base

**228.** The capital base of a credit union not affiliated with a federation shall include

- (1) its general reserve;
- (2) its stabilization reserve;
- (3) its qualifying shares and permanent shares;
- (4) its preferred shares, up to 1 % of its liabilities; and
- (5) any other asset prescribed by regulation of the Government.

Liabilities

**229.** For the purposes of section 227, the liabilities of a credit union not affiliated with a federation shall consist of the deposits, loans, accrued interest on deposits and loans and any other liability prescribed by regulation of the Government.



Reduction of  
capital base

**230.** The capital base of a credit union not affiliated with a federation shall be reduced by the amount of any investment or credit that is not in compliance with this Act unless it was made or extended before (*insert here the date of coming into force of this section*) and as long as it is recognized as an asset by the Inspector General on the conditions he determines.

Capital  
adequacy

**231.** Where the Inspector General considers that the capital base of a credit union not affiliated with a federation is below the level applicable to it or where he is of the opinion that its capital base is inadequate in view of its operations, he may order the credit union to adopt a compliance program within the time he prescribes and for the reasons he indicates.

Compliance  
program

Before exercising the power set out in the first paragraph, the Inspector General shall notify the credit union of his intention and give it an opportunity to be heard.

Content

**232.** The compliance program shall describe the appropriate measures to be implemented by the credit union not affiliated with a federation to ensure the adequacy of its capital base, within the time limits indicated therein.

Approval

**233.** The compliance program adopted by a credit union not affiliated with a federation must be submitted for approval to the Inspector General who may approve it with or without amendment.

Establish-  
ment of  
compliance  
program

**234.** Where a credit union not affiliated with a federation fails to comply with the order of the Inspector General, the Inspector General may establish such compliance program as he deems appropriate.

Implementa-  
tion

**235.** A credit union not affiliated with a federation is bound to implement the compliance program approved or established by the Inspector General.

Report

**236.** Where a credit union not affiliated with a federation is required to implement a compliance program, it must furnish to the Inspector General any report he may require on the implementation of the program at such intervals, in such form and of such tenor as he may determine.

Restrictions

**237.** A credit union not affiliated with a federation shall cease to solicit or receive deposits for as long as it has failed

- (1) to adopt a compliance program;

(2) to implement a compliance program;

(3) to furnish to the Inspector General such report as he may require on the implementation of a compliance program.

Instructions

**238.** The Inspector General may, while a compliance program is in effect, give the unaffiliated credit union affected by the program any written instructions he deems appropriate with respect to the powers exercised by its credit committee.

Notice and hearing

Before exercising the power set out in the first paragraph, the Inspector General shall notify the credit union of his intention and give it an opportunity to be heard.

Compliance with by-laws

**239.** Every credit union shall comply with the by-laws of the federation with which it is affiliated with respect to the adequacy of its capital base. The by-law of the federation must be submitted for approval to the confederation with which it is affiliated or, if it is not affiliated, to the Government.

### DIVISION III

#### DEPOSITS

Depositors

**240.** Every credit union may, without the authorization or intervention of any other person, receive deposits of money from any person whatever his age, legal status or civil status and whether or not he has the legal capacity to contract.

Deposits from employees

**241.** No credit union may accept deposits from its employees, a restricted party or a person who is an associate of any of its officers on more favourable terms than those applicable in the ordinary course of business of the credit union.

Execution of trust

**242.** A credit union is not bound to see to the execution of any trust to which a deposit is subject.

Discharge

Notwithstanding the foregoing, if the credit union is notified of the existence of a trust to which a deposit standing in the names of two or more persons is subject, the only valid discharge is the receipt or cheque of all such persons or of those among them who, under the deed or act creating the trust, may be entitled to receive the sums payable in respect of the deposit.

Inactive account

**243.** Any deposit in respect of which no transaction has taken place and no statement of account has been requested or

acknowledged by the depositor for a period of seven years is an inactive account.

Inactive  
account

The amount of every cheque, draft or bill of exchange issued, certified or accepted by a credit union and in respect of which no payment has been made for a period of seven years from its date of issue, certification or acceptance is considered to be an inactive account.

Notice

**244.** Every credit union shall send by registered or certified mail to each person to whom a deposit referred to in section 243 is repayable or to whom or at whose request an instrument referred to in the said section has been issued, certified or accepted, to his last recorded address, a notice stating that the account is inactive and that the balance of the account and the interest thereon will be transferred to the Minister of Finance if not claimed.

Time limit

The notice must be given at least six months before any transfer is made.

Transfer of  
money

**245.** At the expiry of the six months, the credit union shall transfer to the Minister of Finance the sums of money it owes on an inactive account, including the interest thereon.

Consolidated  
revenue fund

**246.** All sums of money from inactive accounts transferred to the Minister of Finance shall be paid into the consolidated revenue fund.

Return of  
sums

Any person entitled to such sums of money may require that the sums be returned to him by asserting his claim, and prescription shall not be invoked against him. The Minister of Finance is authorized to pay the necessary sums of money out of the consolidated revenue fund.

Information  
relating to  
inactive  
accounts

**247.** Every credit union shall keep an up-to-date list of the surname, given name and last recorded address of every person whose account is inactive and post it on its premises. A copy of the list must be transmitted to the Minister of Finance with the transfer of any sum of money from an inactive account.

#### DIVISION IV

#### CREDIT

Forms of  
credit

**248.** Every credit union may, in accordance with this Act and, where applicable, the regulations of the Government or the by-laws of the federation with which it is affiliated, extend credit, particularly by way of

(1) loans, lines of credit or advances, with or without security, leasing, loans granted or acquired by the credit union on the security of conditional sales agreements and the acquisition by the credit union of property related to such agreements, including the acquisition by the credit union of conditional sales agreements;

(2) the discount of a negotiable instrument;

(3) guarantees of payment or repayment of fixed sums of money.

Renewal  
of credit

**249.** No credit union may extend credit on the security of the shares issued by it or by another credit union, except in the case of renewal of credit so extended before (*insert here the date of coming into force of this section*) which entails no additional outlay for the credit union.

Extension of  
credit to  
employees

**250.** No credit union may extend credit to its employees, a restricted party or a person who is an associate of any of its officers on more favourable terms than those applicable in the ordinary course of business of the credit union.

Extension of  
credit to  
legal person

**251.** No credit union may extend credit to a legal person belonging to the same group as the federation with which the credit union is affiliated, unless it is authorized by the board of directors after it has obtained the advice of the board of supervision.

Extension of  
credit to  
officers

**252.** No credit union may extend credit to any of its officers or to any person who is an associate of any of its officers in a total amount exceeding the annual salary paid by the credit union to the officer if he is remunerated or, if not, the amount determined according to the rules of the ethics committee or the board of supervision, as the case may be, unless the credit is secured by first hypothec on the principal residence of the officer.

Disclosure

**253.** A credit union which extends credit to a restricted party or to a person who is an associate of any of its officers shall disclose it to its board of supervision and to the ethics committee of the federation with which it is affiliated, where that is the case.

Content

The disclosure must indicate the surname and given name of the restricted party or of the associate, the amount of credit extended, the maturity date, the rate of interest and the security offered.

Credit card

**254.** The provisions of sections 251 to 253 do not apply to credit extended to restricted parties or to persons who are the associates of an officer of a credit union by way of a credit card or involving amounts within the limits usually granted to credit card holders.

## DIVISION V

## INVESTMENTS

Power to  
make  
investments

**255.** Every credit union shall exercise the powers to make investments conferred on it by this Act with the prudence and care that a reasonable person would exercise in similar circumstances, and act with honesty and fairness in the best interest of its members and depositors.

Investments  
permitted

**256.** In addition to credit extended in accordance with this Act and sums deposited with a bank, or with a registered institution within the meaning of the Deposit Insurance Act or in funds referred to in Chapter VIII of Title III, established by the federation with which it is affiliated, a credit union may make investments in the following property:

(1) bonds or other debt securities issued or guaranteed by the Government of Québec or of Canada, by a municipality or school board in Québec, by the Conseil scolaire de l'île de Montréal, by a *fabrique* in Québec, or by an ecclesiastical, religious or cemetery corporation in Québec;

(2) bonds or other debt securities issued by a legal person operating a public service in Canada and vested with the right to fix rates attached to the service;

(3) bonds or other debt securities secured by an undertaking to a trustee by the Government of Québec or of Canada to pay sufficient subsidies to pay the interest and principal at their respective maturity dates;

(4) bonds issued by a cooperative governed by the Cooperatives Act (R.S.Q., chapter C-67.2), a federation of such cooperatives or a legal person controlled by such a cooperative or by a federation of such cooperatives

(a) if they are secured by first privilege or hypothec on immovables and equipment;

(b) if they are secured by first hypothec on immovables in Québec and if the amount of the debt is not more than 75 % of the value of the immovables securing payment thereof; or

(c) if they are secured by first privilege on equipment and if the issuer has paid in full the interest on his other loans during the 10 years preceding the acquisition;

(5) preferred shares or any debt securities other than those described in paragraph 4 issued by a cooperative governed by the Cooperatives Act, a federation of such cooperatives, or a legal person controlled by such a cooperative or by a federation of such cooperatives;

(6) bonds or other debt securities issued by persons other than those described in paragraph 4 and secured by immovables situated in Québec, if the amount of the debt is not more than 75 % of the value of the immovables securing payment thereof, after deducting the other debts secured by the same immovables and ranking equally with or prior to the debt;

(7) immovables securing payment of a debt owing to it, in order to ensure total or partial payment of such debt;

(8) immovables situated in Québec, other than those mentioned in paragraph 7, to the extent that the immovables serve mainly for its own use or are acquired out of the sums allocated to the social fund or community fund.

Investment  
in shares or  
unsecured  
debt  
securities

**257.** A credit union other than a credit union incorporated for the purpose of offering services to a group may, in addition, with a view to promoting the development of enterprises in its territory, invest in shares or in unsecured debt securities of such enterprises, if credit may be extended to them, within the limits prescribed by by-law of the federation with which it is affiliated. The by-law must be submitted for approval to the confederation with which the federation is affiliated or, if it is not affiliated, to the Government.

Restriction

No credit union shall invest in such an enterprise, however, if another credit union has already invested in the shares or unsecured debt securities of the enterprise.

Acquisition  
of shares  
of holding  
company

**258.** A credit union may acquire one non-participating voting share of any holding company controlled by the confederation with which the federation of which it is a member is affiliated.

Restriction

No credit union may acquire shares issued by a legal person if shares issued by the legal person are already held, directly or indirectly, by a holding company controlled by the confederation with which the federation of which it is a member is affiliated.

Disposition  
of shares

**259.** A credit union shall dispose of the shares held by it in a legal person where any such shares are directly or indirectly acquired by the holding company controlled by the confederation with which the federation of which the credit union is a member is affiliated.

Time limit	The credit union shall dispose of the shares within two years. The two-year period begins to run from the date of acquisition of the shares by the holding company or by the legal person controlled by the holding company.
Extension	The Inspector General may grant an extension on the conditions he determines.
Percentage of investment permitted	<b>260.</b> In no case may the aggregate investment of a credit union under paragraph 5 of section 256 or section 257 exceed, on the date of the investment, 2% of its assets.
Restriction	No such investment may be made if it enables a credit union to acquire, directly or indirectly, by itself or with other credit unions or federations of credit unions, more than 30% of the voting rights attached to the shares of a legal person contemplated therein, or enable it to elect more than one-third of the directors of the said legal person.
Sale of immovable	<b>261.</b> A credit union shall, within seven years of the date of acquisition or within any extension that may be granted by the Inspector General, sell any immovable acquired to secure the repayment of any sum owed to it.
Compliance with by-laws	<b>262.</b> No affiliated credit union may make any investment under paragraph 5 of section 256 or section 257 or make deposits into the investment fund of the federation with which it is affiliated, unless it complies with the by-laws of the federation as to the adequacy of its capital base.
Level of capital base	No unaffiliated credit union may make any investment under paragraph 5 of section 256 or section 257 unless its capital base meets the level required under this Act.

## DIVISION VI

## SECURITY

Security	<b>263.</b> No credit union may hypothecate, mortgage, pledge or otherwise give as security property held by it, except <ol style="list-style-type: none"><li>(1) to secure a loan contracted to meet short term requirements for liquid funds;</li><li>(2) to acquire or improve an immovable intended mainly for its own use, in which case the security shall apply only to that immovable;</li></ol>
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(3) to obtain an advance of money under the Deposit Insurance Act (R.S.Q., chapter A-26);

(4) to subscribe for savings bonds in favour of the Government of Québec or of Canada.

Authoriza-  
tion

Before giving such security, the credit union must obtain the authorization of the federation with which it is affiliated or, if it is not affiliated, of the Inspector General.

#### DIVISION VII

##### LIQUID ASSETS

Liquid assets

**264.** Every credit union not affiliated with a federation must at all times maintain such liquid assets as are adequate to meet its requirements. The Inspector General may give written instructions to a credit union as to the adequacy and nature of its liquid assets.

Instructions

Before exercising the power set out in the first paragraph, the Inspector General shall notify the credit union of his intention and give it an opportunity to be heard.

Liquidity  
fund

**265.** Every credit union affiliated with a federation must at all times maintain adequate liquid assets in the form of deposits in the liquidity fund of the federation in accordance with the by-laws of the federation. If the federation is affiliated with a confederation, the credit union must comply with the by-laws of the confederation.

#### DIVISION VIII

##### SURPLUS EARNINGS

Allocation of  
surplus  
earnings

**266.** All annual surplus earnings of a credit union shall be allocated to

- (1) the general reserve;
- (2) the payment of interest on permanent shares;
- (3) the establishment and maintenance of a stabilization reserve;
- (4) the allotment of dividends to members, depositors or borrowers, in proportion to the business done with the credit union;
- (5) the establishment and maintenance of a social or community fund, where that is the case.



Annual meeting      Surplus earnings shall be allocated by the annual meeting after the members have considered the recommendations of the board of directors and taking into account the statement of results for the preceding fiscal year.

By-laws      Any allocation of surplus earnings must, in addition, be consistent with the by-laws of the federation with which the credit union is affiliated.

Percentage of allocated amounts      **267.** The sum of the amounts allocated to the general reserve and the amounts corresponding to the permanent shares and qualifying shares issued by a credit union not affiliated with a federation must represent at least 4% of its liabilities.

Payment of dividends      **268.** In no case may the general reserve be apportioned among the members or drawn upon for the payment of dividends.

Interest on permanent shares      **269.** Surplus earnings may be allocated in full to the general reserve. A credit union may decide not to pay any interest on the permanent shares issued by it or not to allot any dividend.

Allocation of other amounts      **270.** The by-laws of the credit union and of the federation with which it is affiliated may provide for the allocation of any other amount to the general reserve.

Stabilization reserve      **271.** The board of directors must pay into the general reserve, out of the amounts allocated to the stabilization reserve, such sums as are necessary to attain the percentage prescribed in section 267 or by the by-laws of the federation with which the credit union is affiliated.

Interest on permanent shares      Where the amounts allocated to the stabilization reserve are not paid into the general reserve, they may serve for the payment of interest on permanent shares.

Social or community fund      **272.** A credit union may, by by-law, establish a fund for social or community purposes. Not more than 10% of the amount paid as dividends may be paid into the fund. The sums allocated to the fund must be used by the board of directors within three years following their allocation, failing which they shall be paid into the general reserve.

Payment out of fund      However, the board of directors must pay out of the fund any sum that must be paid into the general reserve to attain the percentage prescribed in section 267 or by the by-laws of the federation with which the credit union is affiliated, where the sums allocated to the stabilization reserve are not sufficient.

Dividends

**273.** Dividends may vary according to the nature of the transactions made with the credit union and may be paid in the form of permanent or preferred shares.

## CHAPTER XV

## BOOKS AND REGISTERS

Register

**274.** Every credit union shall keep at its head office a register containing

(1) its articles of incorporation and the related certificates of the Inspector General, its by-laws and any notice concerning the address of its head office;

(2) the minutes and resolutions of the meetings;

(3) the minutes of meetings and the resolutions of the board of directors, of the credit committee, of the board of supervision and of any special committee;

(4) a list containing the surname, given name and occupation of each officer of the credit union, and stating, for each term of office, the date on which it begins and the date on which it ends, or its duration, as the case may be;

(5) a list containing the corporate name or the surname and given name and last recorded address of each member or other shareholder of the credit union;

(6) the number of permanent or preferred shares held by each member or shareholder;

(7) the particulars of the subscription of each share and the date of its subscription, redemption or transfer;

(8) a list of charges exigible by the credit union for the various services offered by it;

(9) the management agreements entered into by the credit union and the federation with which it is affiliated or the security fund corporation incorporated at the request of the federation or the confederation with which the federation is affiliated, where that is the case;

(10) the compliance programs of the credit union;

(11) the orders of the Inspector General and of the Minister;

(12) the written instructions issued under this Act.

Books and  
records

**275.** Every credit union shall, in addition, keep at its head office

(1) the books, registers and accounting records necessary for preparing the financial statements;

(2) statements of account indicating, on a daily basis and for each depositor, the transactions between the credit union and that depositor and the balance owing to or by the credit union in respect of that depositor.

Information  
storage  
device

**276.** The registers, books and accounting records of the credit union may be entered or recorded by means of any information storage device capable of reproducing any information in intelligible written form.

Destruction  
of documents

**277.** In no case may a credit union destroy any cheque accepted or paid within less than 10 years or any book, register or other accounting records dating back less than 10 years.

Destruction

The destruction by a credit union of any document described in the first paragraph must be carried out in accordance with the by-laws of the federation with which it is affiliated and of the confederation with which the federation is affiliated, where that is the case.

Examination  
of documents

**278.** Any member of a credit union may examine in the register of the credit union the documents described in paragraphs 1, 2, 4, 5 and 8 of section 274 during usual business hours.

Copies

He may also obtain copies of the documents described in paragraphs 1, 2, 4 and 8 of the said section. The credit union may require the payment of the expenses incurred for the reproduction and transmission of such documents.

Oath

The credit union may require a member to declare under oath that the information he obtains under this section will be used solely for the exercise of his rights under this Act.

Copy of  
list

**279.** The Inspector General may, at all times, obtain a copy of the list referred to in paragraph 8 of section 274. He may also distribute the list by any means he considers appropriate.

## CHAPTER XVI

## AUDIT

- 280.** Every credit union shall cause its books and accounts to be audited every year by an auditor.
- Auditor** The audit shall be conducted by the auditor of the auditing service of the federation with which the credit union is affiliated or by the auditor of the auditing service of the confederation with which the federation is affiliated, where that is the case.
- Auditor** Where the federation or confederation, as the case may be, has no auditing service, the credit union shall appoint an auditor.
- Powers and obligations** **281.** A federation or confederation has, in exercising its duties as auditor, the powers and obligations set out in sections 292 to 296 and 298 to 300 in respect of auditors.
- Appointment of auditor** **282.** The auditor of a credit union not affiliated with a federation shall be appointed at the annual meeting. His appointment expires at the next annual meeting.
- Vacancy** If the office of auditor becomes vacant, the directors shall appoint a replacement. They may, in addition, appoint a person to exercise the duties of the auditor when the auditor is unable to act.
- Auditor appointed by the Inspector General** **283.** If a credit union fails to have its books and accounts audited or to appoint an auditor in accordance with this Act, the Inspector General may appoint an auditor whose remuneration shall be charged to the credit union.
- Member of professional corporation** **284.** The auditor responsible for auditing the affairs of a credit union must be a member in good standing of a professional corporation of accountants recognized by the Professional Code (R.S.Q., chapter C-26).
- Disqualification** **285.** In no case may the auditor be an officer, a person who is an associate of an officer, an employee or a member of the credit union or of the federation with which the credit union is affiliated or of the confederation with which the federation is affiliated, where that is the case. However, the auditor may be a person employed in such capacity by the federation or the confederation.
- Resignation** **286.** The auditor of a credit union shall resign upon ceasing to be qualified to act as auditor.

**Dismissal**      **287.** The Inspector General or any interested person may apply to the Superior Court to obtain the dismissal of an auditor who does not meet the requirements of section 284 or 285.

**Resignation**      **288.** Every unaffiliated credit union must inform the Inspector General, within 10 days, of the resignation of the auditor or of the decision to propose his dismissal during his term of office.

**Access to documents**      **289.** The auditor shall have access to all the books, registers, accounts, other accounting records and vouchers of the credit union. Every person having custody of those documents must facilitate their examination by the auditor.

**Meeting**      **290.** The auditor may require the holding of a meeting of the board of directors and be heard thereat on any question related to his duties as auditor. The meeting shall be convened in accordance with section 150.

**Information and documents**      The auditor may require from the officers, mandataries and employees of the credit union the information and documents necessary to enable him to perform his duties as auditor.

**Auditor's report**      **291.** The auditor shall submit his report to the board of directors of the credit union.

**Content**      **292.** The auditor shall indicate in his report

(1) whether his examination has been made in accordance with generally accepted auditing standards;

(2) whether, in his opinion, the financial statements of the credit union included in the report submitted to the annual meeting present fairly the financial position of the credit union and the results of its operations, in accordance with generally accepted accounting principles applied in the same manner as in the preceding fiscal year;

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

**Reservations**      The auditor shall include in his report sufficient explanations in respect of any reservations he may have expressed.

**Reporting**      **293.** The auditor shall report to the board of directors in writing any transaction or situation affecting the interest of the credit union that, in his opinion, is not satisfactory and requires rectification. In particular, he shall report to the board any transactions of the credit union and transactions between the credit union and restricted parties

which have come to his notice in the course of his audit and which lead him to believe that the credit union is in contravention of this Act or any regulation made thereunder by the Government.

Copy

He shall transmit a copy of the report referred to in the first paragraph to the board of supervision of the credit union, to the federation with which the credit union is affiliated, where that is the case, and to the Inspector General.

Independent  
professional  
services

Every person other than an advocate or a notary who provides independent professional services to the credit union has, in respect of transactions between restricted parties and the credit union, the same obligations as the auditor.

Civil  
liability

**294.** An auditor or the person referred to in the third paragraph of section 293 who makes a report in good faith under the said section shall not thereby incur any civil liability.

Attendance  
at meeting

**295.** The auditor is entitled to attend any general meeting and be heard thereat on any matter relating to his duties as auditor.

Notice of  
meeting

The secretary shall give notice of every general meeting to the auditor.

Presence of  
auditor

**296.** Two directors or 10 members may, by means of a notice of at least five days, require the presence of the auditor at a general meeting and the auditor is bound to attend.

Error in  
financial  
statements

**297.** If a director, the director general or the assistant-secretary becomes aware of an error or misstatement in the financial statements on which the auditor reported, he shall immediately notify the auditor thereof and, if necessary, send him revised financial statements.

Error

**298.** If the auditor is notified or becomes aware of an error or misstatement in a financial statement on which he reported, and if in his opinion the error or misstatement is material, he shall inform each director of the error or misstatement.

Revised  
financial  
statements

The directors who are informed of the error or misstatement shall, within 60 days, prepare and issue revised financial statements or inform the members, the federation with which the credit union is affiliated, where that is the case, and the Inspector General of the error or misstatement.

Annual  
statement

**299.** The auditor shall, in addition, audit the financial statements included in the annual statement submitted to the

Inspector General and transmit his report to him and send a copy to the federation with which the credit union is affiliated, where that is the case.

Report **300.** The auditor shall indicate in the report required under section 299

(1) whether his examination has been made in accordance with generally accepted auditing standards;

(2) whether, in his opinion and on the basis of generally recognized accounting principles, applied in the same manner as in the preceding fiscal year, the financial statements included in the annual statement present fairly the financial position of the credit union and the results of its operations;

(3) whether, in his opinion, the method used to present particulars that may affect the security of depositors is adequate;

(4) whether, in the normal course of his audit, he has become aware of situations or transactions which lead him to believe that the credit union has not adhered to sound financial practices;

(5) whether, in his opinion, the management practices adopted by the credit union as regards self-dealing and conflicts of interest are adequate and whether the credit union is complying therewith;

(6) any other information prescribed by government regulation.

Special audit **301.** The Inspector General may order that the annual audit of the affairs of a credit union be repeated or extended or that a special audit be made.

Appointment of auditor He may, for that purpose, appoint an auditor whose remuneration shall be charged to the credit union.

## CHAPTER XVII

### FINANCIAL DISCLOSURE

Fiscal year **302.** Unless otherwise prescribed in its by-laws, the fiscal year of a credit union ends on 31 December each year.

Annual report **303.** At the end of its fiscal year, the credit union shall prepare an annual report containing

(1) the corporate name and address of its head office;

(2) the surname, given name and occupation of each of its officers;

(3) the number of its members;

(4) a statement of assets and liabilities, a statement of results, a statement of the stabilization reserve and of the community or social fund, a statement of the surplus earnings, a statement of the general reserve and a statement of provisions to cover losses on credit extended and investments made, presented on a comparative basis with the corresponding statements for the immediately preceding fiscal year;

(5) a statement showing the total amount of credit extended to restricted parties and to persons who are associates of any of its officers;

(6) where applicable, a statement showing the credit union's participating interest in the investment fund of the federation with which it is affiliated and the return on such interest;

(7) the auditor's report;

(8) the report of activities of the credit committee, of the board of supervision and of special committees, if any;

(9) the other statements and information required by by-law of the credit union;

(10) any other information required by government regulation.

Approval **304.** The annual report shall be submitted to the board of directors for approval. The approval of the board must be certified by at least two of the directors.

Copy **305.** Every member is entitled to receive, on request and free of charge, a copy of the annual report.

Transmission of copy **306.** Within four months after the end of the fiscal year, the board of directors shall transmit a copy of the annual report to the Inspector General and to the federation with which it is affiliated and to the confederation with which the federation is affiliated, where that is the case.

Annual statement **307.** Within four months after the end of its fiscal year, the credit union shall prepare and transmit to the Inspector General and to the federation with which it is affiliated, where that is the case, an annual statement of its financial position setting out the results of its operations for the year.



Signature      The statement must be signed by two directors.

Statements  
and reports      **308.** Every credit union shall furnish to the Inspector General, at his request, on the dates and in the form he determines, the statements, statistics, reports and other information he deems appropriate for the application of this Act.

Copy      The Inspector General may transmit a copy of the documents received by him under the first paragraph to the federation with which the credit union is affiliated and to the confederation with which the federation is affiliated, where that is the case.

## CHAPTER XVIII

### WINDING-UP

Winding-up      **309.** Divisions II and III of the Winding-up Act (R.S.Q., chapter L-4) apply to the winding-up of any credit union, subject to the provisions of this chapter.

«Company»  
and  
«share-  
holder»      For the purposes of the application of the said Act to a credit union, the word “company”, in the said Act, means a credit union, the word “shareholder” means a member of the credit union and, where a provision of the said Act requires the vote of the shareholders representing a specified proportion of the capital stock of a company, that provision is deemed to require the vote of a number of members of the credit union corresponding to the specified proportion in value.

Resolution      **310.** The winding-up of a credit union may be decided by a resolution adopted by the vote of three-fourths of the members present at a special meeting.

Liquidator      The meeting shall then appoint, by the vote of a majority of the members present, a liquidator who is entitled to immediate possession of the property of the credit union.

Existence      The credit union shall thereafter exist and carry on business solely for the purposes of the winding-up of its affairs.

Security      **311.** In order to guarantee the performance of his duties before taking possession of the property of the credit union, the liquidator shall give sufficient security and maintain it thereafter. At the request of the Inspector General or of any other interested person, a judge of the Superior Court may determine the amount and nature of the security and increase it according to circumstances where the liquidator is neither the federation with which the credit union is affiliated nor a security fund corporation.

Publication  
of notice

**312.** Every credit union that has decided to effect the winding-up of its business shall give notice to the Inspector General and to the federation with which it is affiliated, where that is the case, within 10 days after the passing of a resolution to that effect and forward to them, within the same time, a certified copy of the resolution. The credit union shall cause the notice to be published in the *Gazette officielle du Québec* and in a newspaper circulated in the locality where the head office of the credit union is situated.

Content  
of notice

The notice shall indicate the date of the passing of the resolution to wind up, the surname, given name and address of the liquidator and the address where interested persons may send him their claims.

Suspension  
of proceed-  
ings

**313.** From the time the notice is published in the *Gazette officielle du Québec*, all proceedings against the property of the credit union, whether by seizure before judgment, seizure in execution or otherwise, shall be suspended.

Costs

The costs incurred by a creditor directly or through his attorney after the publication of the notice shall not be collocated out of the proceeds of the property of the credit union.

Institution  
or con-  
tinuance of  
proceedings

A judge of the Superior Court of the district in which the head office of the credit union is situated may, however, on the conditions he considers suitable, authorize the institution or continuance of any proceedings.

Duties of  
liquidator

**314.** The liquidator shall first pay the debts of the credit union and the costs of winding-up. He shall then repay the preferred shares according to their respective ranks, followed by the permanent shares, and finally the qualifying shares.

Transfer of  
sums to  
Minister

The sums representing deposits or shares which could not be paid shall be transferred to the Minister of Finance and deposited into the consolidated revenue fund.

Claim

Any person entitled to any of the sums transferred to the Minister of Finance may require payment thereof by asserting his claim, and prescription shall not be invoked against him.

Payment

The Minister of Finance is authorized to make the payment of such sums out of the consolidated revenue fund.

Balance  
of assets

**315.** After the payments referred to in section 314 are made, the balance of the assets devolves upon the federation with which the credit union is affiliated or, if it is not affiliated, upon a legal person designated by the Government.

Approval of  
judge

**316.** If the members fail to confirm the account provided for in section 16 of the Winding-up Act, the approval of a judge of the Superior Court stands in lieu thereof.

Summary  
report of  
liquidator's  
activities

**317.** The liquidator shall transmit at the request of the Inspector General, within the time and in respect of the period he determines, a summary report of his activities or any document or information he requires concerning the conduct of the winding-up.

Copy of  
account

**318.** The liquidator shall transmit to the Inspector General a copy of the account he submits to the general meeting of the members pursuant to section 15 of the Winding-up Act.

Final report

**319.** When the winding-up of the credit union is completed, the liquidator shall transmit a final report of his activities to the Inspector General.

Documents  
used for  
winding-up

The liquidator shall, in addition, forward to the federation with which the credit union was affiliated or, if it was not affiliated, to the Inspector General the documents of which he took possession for the purposes of the winding-up.

Inspector  
General  
to act on  
behalf of  
members

**320.** The Inspector General may, even if he alleges no particular interest, act before the courts in all matters respecting the winding-up and exercise, on behalf of the members or creditors of the credit union, any right they may have against the credit union.

## CHAPTER XIX

### DISSOLUTION

Dissolution

**321.** The Minister may, if he considers it advisable and after obtaining his advice, request the Inspector General to dissolve a credit union if

- (1) the number of members is reduced to less than 12;
- (2) the organization meeting is not held within 60 days after the date of incorporation or, as the case may be, within the time granted by the Inspector General;
- (3) the credit union has failed, for three consecutive years, to hold the annual meeting of its members or to furnish a copy of its annual report to the Inspector General;
- (4) the liquidator has failed to transmit to the Inspector General the reports or information required under sections 317, 318 and 319.

Dissolution

**322.** The Minister may, if he considers it advisable, request the Inspector General to dissolve a credit union if,

(1) 60 days after the confirmation of the resolution provided for in section 16 or after its expulsion from a federation, the credit union has failed to pass a by-law or resolution, as the case may be, to affiliate with another federation, apply for the incorporation of a new federation, amalgamate with a credit union affiliated with another federation, wind up or apply to the Minister to be exempted from compliance with section 11;

(2) 120 days after the confirmation of the resolution provided for in section 16 or of its expulsion from a federation, the credit union has failed to affiliate with another federation, incorporate a new federation, submit to the Inspector General an amalgamation agreement with a credit union affiliated with another federation or if it has failed to pass a resolution for its winding-up or has not obtained from the Minister the permission to be exempted from compliance with section 11;

(3) 60 days after the publication of the notice of winding-up or dissolution of the federation with which it is affiliated, the credit union has failed to pass a by-law or resolution, as the case may be, to affiliate with another federation, apply for the incorporation of a new federation, amalgamate with a credit union affiliated with another federation, wind up or apply to the Minister to be exempted from compliance with section 11;

(4) 120 days after the publication of the notice of winding-up or dissolution of the federation with which it is affiliated, the credit union has failed to affiliate with another federation, submit to the Inspector General an amalgamation agreement with a credit union affiliated with another federation or if it has failed to pass a resolution for its winding-up or has not obtained from the Minister the permission to be exempted from compliance with section 11.

Notice of  
alleged  
default

**323.** Before requesting the Inspector General to dissolve a credit union, the Minister shall give the credit union or the liquidator, as the case may be, notice of the alleged default and of the penalty that applies and give him or it an opportunity to make representations within 30 days from the date of the notice. Copy of the notice must be transmitted to the federation with which the credit union is affiliated, where that is the case.

Representa-  
tions

If, after considering the representations of the credit union or of the liquidator or, if none were made, at the expiry of the period of time fixed in the first paragraph, the Minister maintains the notice of

default, and the default is not remedied within 30 days following the expiry of the period of time fixed in the first paragraph, the Minister shall request the Inspector General to dissolve the credit union.

Notice of  
dissolution

**324.** The Inspector General shall cause to be published in the *Gazette officielle du Québec* a notice of dissolution of the credit union, which shall become effective on the date of publication of the notice.

Public  
Curator

**325.** The Public Curator shall have the seizin of the property of any dissolved credit union. He shall act as the liquidator of the property in accordance with section 314 and be accountable to the Inspector General.

Balance of  
assets

**326.** The balance of the assets of a credit union devolves in accordance with section 315.

Documents  
used for  
liquidation

When the liquidation of the property of the dissolved credit union is completed, the Public Curator shall deliver to the federation with which the credit union was affiliated or, if it was not affiliated, to the Inspector General, the documents of the credit union of which he took possession.

Application  
for revoca-  
tion of  
dissolution

**327.** On the application of any interested person, the Minister may, if he considers it advisable and after obtaining the advice of the Inspector General, request the latter to revoke the dissolution retroactively to the date on which it became effective by publishing a notice to that effect in the *Gazette officielle du Québec*.

Conditions  
of revocation

The Minister shall determine the conditions of the revocation of the dissolution. However, in no case may the revocation of a dissolution prejudice the rights acquired by any person after the dissolution.

### TITLE III

#### FEDERATIONS

#### CHAPTER I

#### INTERPRETATION

Applicability  
of Title II

**328.** Except where incompatible, the provisions of Title II and of the regulations made thereunder by the Government apply to federations, adapted as required.

Provisions  
not  
applicable

However, the following provisions do not apply to federations: sections 11 to 14, 16 to 19, the third paragraph of section 46, sections 67

to 109, 111, 221, 227 to 239, 256 to 258, 260, 262, subparagraph 5 of the first paragraph and the third paragraph of section 266, and sections 267 and 284.

**“federation”**      **329.** For the application of Title II to a federation, the word “federation” means “confederation”. In addition, the provisions of any section relating to a confederation must be ignored.

**Application of s. 263**      For the application of the second paragraph of section 263 to a federation, the said paragraph shall read as follows: “Before giving such security, the federation must give notice to the confederation with which it is affiliated or, if it is not affiliated, to the Inspector General.”

**Permanent share**      For the application of section 314 to a federation, a permanent share means a cooperative share.

## CHAPTER II

### INCORPORATION AND CORPORATE NAME

**Application for incorporation**      **330.** Twelve or more credit unions may apply for incorporation as a federation.

**Founding credit unions**      **331.** To be a founder, a credit union must have obtained prior authorization by way of a resolution of its board of directors, setting out the name of the representative of the credit union for the purposes of the incorporation of the federation. The resolution must be ratified by the vote of two-thirds of the members present at a special meeting or, provided that the notice of meeting sets out the object of the resolution, at an annual meeting.

**Meeting**      The credit union shall notify the federation with which it is affiliated, where that is the case, of the holding of the meeting. A representative of the federation may attend and address the meeting.

**Resolution**      **332.** A certified copy of the resolution of every founding credit union must accompany the articles of incorporation of the federation.

**Corporate name**      **333.** The corporate name of a federation must include the word “federation”.

## CHAPTER III

## CAPITAL STOCK

**Capital stock**      **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. It may also include cooperative shares and preferred shares. The by-law of the federation shall determine the price, rights, conditions and privileges attached to cooperative shares and preferred shares. The by-law respecting cooperative shares must be approved by the confederation with which the federation is affiliated, where that is the case.

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

**Interest**            **335.** No interest is payable on qualifying shares issued by a federation.

**Redemption of qualifying shares**      **336.** No federation may redeem the qualifying shares issued by it except where a credit union withdraws or is expelled from the federation or where the credit union or federation is wound up, becomes insolvent or is dissolved.

**Payment of dividends**      No federation may pay dividends where the payment of such dividends would result in reducing its capital base to a level lower than the level it is required to maintain under this Act.

## CHAPTER IV

## MEMBERS

**Membership**        **337.** Only credit unions may be members of a federation.

**Auxiliary member**      A federation may admit any other legal person, including a partnership, as an auxiliary member.

**Require-ments for membership**      **338.** To become a member of a federation, a credit union must

- (1) apply for affiliation, except in the case of a founding credit union;
- (2) undertake to comply with the by-laws of the federation;

(3) subscribe and pay for the number of qualifying shares prescribed by by-law of the federation or, in the absence of such a by-law, one qualifying share;

(4) be admitted by the board of directors of the federation or a person authorized by the board, except in the case of a founding credit union.

Application  
for affiliation

**339.** A federation may accept an application for affiliation submitted by the founders of a credit union. The affiliation shall become effective upon the incorporation of the credit union.

Conditions of  
affiliation

**340.** A federation shall, by by-law, prescribe the other conditions of affiliation applicable to its members, define their rights and obligations as members and prescribe the conditions applicable to the withdrawal or expulsion of members.

Decision  
concerning  
affiliation or  
expulsion

**341.** Every decision of a federation concerning the affiliation or expulsion of a credit union shall be transmitted to the credit union by registered or certified mail and a copy shall be sent to the Inspector General.

Effect

The decision of a federation to expel a credit union shall not become effective

(1) until another federation has undertaken to admit the credit union as a member or until the new federation the incorporation of which the credit union has applied for is incorporated and the credit union has received articles of amendment to be affiliated therewith;

(2) until the credit union has amalgamated with a credit union affiliated with a federation;

(3) until the credit union is dissolved;

(4) until the credit union is exempted from compliance with section 11 by the Minister.

Auxiliary  
members

**342.** A federation may, by by-law, establish one or several classes of auxiliary members, prescribe the conditions of admission applicable to such members, define their rights and obligations and prescribe criteria or conditions applicable to the resignation, suspension or expulsion of auxiliary members.

Vote

Auxiliary members are not entitled to vote and their representatives are not eligible for office.



## CHAPTER V

## MEETING OF THE MEMBERS

General  
meeting

**343.** The general meeting of a federation shall consist of the representatives of the credit unions affiliated with the federation.

Organization  
meeting

The organization meeting shall, however, consist of the persons who have signed the articles of incorporation in their capacity as representatives.

By-law

**344.** A federation shall, by by-law, prescribe

(1) the manner in which the credit unions affiliated with it are to be called to and represented at the general meetings;

(2) criteria for determining the number of representatives and votes to which each credit union is entitled.

## CHAPTER VI

## DIRECTION AND MANAGEMENT

## DIVISION I

## BOARD OF DIRECTORS, EXECUTIVE COMMITTEE AND ETHICS COMMITTEE

Election of  
directors

**345.** The directors of a federation shall be elected from among the directors of the credit unions affiliated with it or from among persons meeting the requirements prescribed by by-law of the federation.

Disqualifica-  
tion

The following persons are disqualified from holding office as a director:

(1) a representative of a credit union affiliated for less than 90 days, except in the case of a founding credit union;

(2) an employee of the federation, unless he is the general manager;

(3) an employee of the confederation with which the federation is affiliated or an employee of a legal person belonging to the same group as the federation, where that is the case;

(4) a member of the credit committee or of the board of supervision of the federation;

(5) an officer of another federation within the meaning of section 187, or an employee of another federation;

(6) an interdicted person or a person of unsound mind declared incapable by a court, even a foreign court;

(7) an undischarged bankrupt.

**Restriction** Moreover, in no case may the majority of the members of the board of directors consist of the general manager of the federation, general managers of affiliated credit unions and persons referred to in the by-laws of the federation.

**Chairman** **346.** A federation may, by by-law, provide that the chairman of its board of directors shall not be the president of the federation. In any case, however, the president of the federation must be chosen by the board of directors from among its members.

**President and secretary of federation** The by-law may also provide that the president of the federation shall remain in office until the expiry of his term as director. In addition, the federation may, by by-law, prescribe the mode of appointment of the secretary of the federation, who need not be a member of the board of directors.

**Resignation** **347.** The general manager of a federation or of a credit union affiliated with it who becomes the president or vice-president of the federation or the chairman or vice-chairman of its board of directors is deemed to resign as general manager.

**Attendance allowance** **348.** The directors, the secretary and the assistant-secretary shall receive, in addition to the reimbursement of reasonable expenses they incur in the performance of their duties, an attendance allowance in an amount fixed by the board of directors. The aggregate amount paid in that respect shall not, however, exceed the amount fixed by the general meeting. No allowance shall be paid before the maximum amount is fixed by the general meeting.

**Remuneration** The president of a federation may be remunerated.

**Executive committee** **349.** Where the board of directors consists of more than eight members, it may, if so authorized by by-law of the federation, appoint an executive committee consisting of not fewer than three directors, including a chairman.

**Composition of credit committee** Moreover, in no case may the majority of the members of the executive committee be employees of the federation or of credit unions

affiliated with it, and the number of members of the executive committee shall not exceed one-half of the number of directors.

Powers of  
executive  
committee

**350.** The executive committee shall exercise the powers of the board of directors to the extent determined by by-law of the federation.

Vacancy

**351.** In case of vacancy, the directors may appoint a replacement for the unexpired portion of the term of office.

Provisions  
applicable

**352.** Sections 128 to 132 and 150 to 152, adapted as required, apply to the executive committee.

Ethics  
committee

**353.** A federation shall establish an ethics committee consisting of not fewer than three members elected by the annual meeting.

Members

The members of the ethics committee are officers within the meaning of section 187, and section 348, adapted as required, applies to them.

Restriction  
as to  
membership

**354.** No member of the ethics committee may be an employee of the federation or of the credit unions affiliated with it, or a director, officer or employee of a holding company controlled by the confederation with which the federation is affiliated, where that is the case, of a legal person controlled by the holding company or, if the federation is affiliated with La Confédération des caisses populaires et d'économie Desjardins du Québec, of La Caisse centrale Desjardins du Québec, or a shareholder holding 10% or more of the voting rights attached to the shares of legal persons belonging to the same group as the federation.

Adoption  
of rules

**355.** The ethics committee shall adopt rules for the protection of the interests of the federation, the credit unions affiliated with it and their members, that are consistent with the policies of the confederation with which the federation is affiliated, where that is the case.

Rules

The rules shall concern, in particular, the procedure governing contracts with restricted parties, the conditions applicable to the credit extended to them, the disclosure requirements of the federation, credit unions affiliated with it and restricted parties, the protection of confidential information held by the federation and credit unions affiliated with it in respect of their members, and the conduct required of the federation and credit unions affiliated with it in cases where their interest or that of a legal person belonging to the same group as the federation is in conflict with that of the members of the credit union.

Approval  
of rules

**356.** The rules adopted by the ethics committee shall be submitted, for approval, to the board of directors of the federation which cannot amend them.

Copy

The federation shall transmit a copy of the rules to the Inspector General and to the confederation with which it is affiliated, where that is the case, within 30 days of their approval.

Report of  
ethics  
committee

**357.** The ethics committee shall each year transmit to the Inspector General, within two months of the closing date of the fiscal year of the federation, a report of its activities to the closing date.

Content

The report shall set out, in particular,

(1) the surname, given name, address and occupation of each member of the committee;

(2) any change among the members of the committee;

(3) the nature of the tasks assigned to the committee;

(4) the list of cases of conflict of interest and self-dealing referred to the committee;

(5) the cases where the rules adopted by the committee have not been observed.

## DIVISION II

### CREDIT COMMITTEE

Members of  
credit  
committee

**358.** The members of the credit committee shall be elected by the annual meeting from among the members of any credit union affiliated with the federation, except

(1) a member of a credit union affiliated for less than 90 days, except in the case of a founding credit union;

(2) an employee of an affiliated credit union, unless he is the general manager, or an employee of the federation;

(3) a director or a member of the board of supervision of a federation;

(4) an officer of another federation within the meaning of section 187 or an employee of another federation;

(5) an interdicted person or a person of unsound mind declared incapable by a court, even a foreign court;

(6) an undischarged bankrupt.

**Quorum**

**359.** In no case may the quorum of the credit committee be made up of a majority of persons who are general managers of credit unions affiliated with the federation.

**Attendance allowance**

**360.** The members of the credit committee shall receive, in addition to the reimbursement of reasonable expenses they incur in the performance of their duties, an attendance allowance in an amount fixed by the board of directors. The aggregate amount paid in that respect shall not exceed the amount fixed by the general meeting. No allowance shall be paid before the maximum amount is fixed by the general meeting.

## DIVISION III

## BOARD OF SUPERVISION

**Members of board of supervision**

**361.** The members of the board of supervision shall be elected at the general meeting from among the members of any credit union affiliated with the federation, except

(1) a member of a credit union affiliated for less than 90 days, except in the case of a founding credit union;

(2) an employee of the credit union, unless he is the general manager, or an employee of the federation;

(3) a director or a member of the credit committee of the federation;

(4) an officer of another federation within the meaning of section 187 or an employee of another federation;

(5) an interdicted person or a person of unsound mind declared incapable by a court, even a foreign court;

(6) an undischarged bankrupt.

**Quorum**

**362.** In no case may the quorum of the board of supervision be made up of a majority of persons who are general managers of credit unions affiliated with the federation.

**Attendance allowance**

**363.** The members of the board of supervision may receive, in addition to the reimbursement of reasonable expenses they incur in the performance of their duties, an attendance allowance in an amount fixed by the board of directors. The aggregate amount paid in that

respect shall not exceed the amount fixed by the general meeting. No allowance shall be paid before the maximum amount is fixed by the general meeting.

## CHAPTER VII

### OPERATIONS

#### DIVISION I

##### GENERAL PROVISIONS

Powers of  
federation

**364.** In addition to the other powers it may exercise under this Act, every federation may

(1) develop policies on any matter enabling the credit unions affiliated with it to attain their objects;

(2) examine the books and accounts of any credit union affiliated with it;

(3) make a convention with any credit union affiliated with it for the supervision, administration or management of its affairs, including those of its credit committee, for a specified period;

(4) participate with any credit union affiliated with it in the establishment and management of the services that the credit union may provide;

(5) establish a pension plan under paragraph 6 of section 214 for the benefit of the employees of a credit union affiliated with it, and their spouses and dependants;

(6) act, for the purposes of this Act, as the provisional administrator or liquidator of a credit union affiliated with it;

(7) provide appropriate services to persons wishing to incorporate a credit union;

(8) acquire the qualifying shares required to become a member of a confederation;

(9) guarantee, according to law, the undertakings of any credit union affiliated with it;

(10) provide, as the mandatary of a credit union affiliated with it and with the consent thereof, any service the credit union may offer;

(11) where it is affiliated with La Confédération des caisses populaires et d'économie Desjardins du Québec, transfer to La Caisse centrale Desjardins du Québec or acquire from it any loan held by the federation or La Caisse centrale Desjardins du Québec.

Classes of  
credit

**365.** Every federation may, by by-law applicable to the credit unions affiliated with it, establish classes of credit and determine, for all or one or more classes, or for one or more forms of credit of any such class, conditions and restrictions respecting the exercise of the powers of a credit union in matters of credit.

Approval of  
by-laws

The by-laws of the federation shall be submitted for approval to the confederation with which it is affiliated or, if it is not affiliated, to the Government.

By-laws

**366.** Every federation may pass by-laws applicable to the credit unions affiliated with it concerning

(1) the reports a credit union is required to submit for the purpose of determining the amount of the exigible assessments, and the form and tenor thereof;

(2) any other financial or administrative matter.

By-laws

**367.** A federation not affiliated with a confederation shall adopt by-laws applicable to the credit unions affiliated with it concerning

(1) the reserves to be maintained for bad debts and contingent losses;

(2) the requirements relating to accounting operations and to the books, registers and other accounting records which they are required to keep;

(3) the management, preservation and destruction of documents issued or received by a credit union.

Adequacy of  
liquid assets

**368.** A federation not affiliated with a confederation may, by by-law applicable to the credit unions affiliated with it, establish standards relating to the adequacy of their liquid assets.

Adequacy  
of general  
reserve

An affiliated federation or an unaffiliated federation may, in addition, by by-law applicable to the credit union affiliated with it, establish standards relating to the adequacy of their general reserve.

Classes of  
credit unions

**369.** A federation may, when adopting by-laws under this Act, establish various classes of credit unions or transactions and prescribe appropriate standards for each class.

Transmission  
of by-laws

**370.** The by-laws of a federation shall be transmitted to the Inspector General and to the confederation with which it is affiliated, where that is the case.

Protection of  
depositors  
and  
members

**371.** Where a federation considers that the financial position of a credit union affiliated with it is not satisfactory or that its assets are not sufficient to give adequate protection to its depositors, creditors and members, it may

(1) give written instructions to the credit union respecting the measures it considers appropriate to remedy the situation and specify the period within which the credit union is required to comply therewith;

(2) order the credit union, within the period prescribed and for the reasons specified by it, to adopt and implement a compliance program in accordance with its instructions.

Instructions

The federation shall, within 10 days, transmit to the confederation with which it is affiliated or, if it is not affiliated, to the Inspector General a copy of the instructions or orders given or issued under the first paragraph.

Non com-  
pliance  
with  
instructions

**372.** Every federation shall notify the Inspector General and the confederation with which it is affiliated, where that is the case, of any failure of a credit union to comply with the written instructions or order it has given or issued thereto.

Approval of  
instructions

**373.** The Inspector General may, after giving the credit union an opportunity to present its views in writing within the time fixed by him, approve the instructions or order of the federation with or without amendment.

Written  
instructions

Once approved, the instructions or order of the federation are regarded as written instructions of the Inspector General.

Instructions  
given by  
Inspector  
General

**374.** If, in the opinion of the Inspector General, a federation neglects to exercise the powers conferred on it by section 371, he may, after giving the federation an opportunity to present its views in writing within the time fixed by him and after obtaining the advice of the confederation with which the federation is affiliated, where that is the case, give the credit union concerned the instructions he deems expedient.

Operating  
deficit

**375.** A federation has all the powers necessary to make good any operating deficit of a credit union affiliated with it in case of a



deficiency in the general reserve of the credit union, where the security fund corporation of which it is a member does not do so.

Source of  
funds

The federation shall make up the deficit out of its own funds or by means of a special assessment collected from the credit unions affiliated with it.

Auditing  
service

**376.** Every federation not affiliated with a confederation shall establish and maintain a service to audit the financial statements of the credit unions affiliated with it or, if it does not establish such a service, designate an auditor for each affiliated credit union affiliated with it.

Inspection  
service

Every unaffiliated federation shall also establish and maintain an inspection service for the credit unions affiliated with it.

Annual  
inspection

**377.** Every federation not affiliated with a confederation shall, at least once a year, inspect the internal affairs and activities of the credit unions affiliated with it.

Purposes

**378.** The annual inspection shall be carried out, in particular, for the purposes of evaluating the financial policies and practices and the internal control system of a credit union, verifying the accuracy of its financial statements and ensuring that it is complying with this Act and the regulations that are applicable to it under this Act.

Inspector

**379.** Every person making an inspection under this chapter may

(1) enter, at any reasonable time, the place of business of the credit union concerned;

(2) examine and make copies from the books, registers, accounts, records and other documents relating to the activities of the credit union;

(3) require any information or document relating to the carrying out of this Act.

Access to  
documents

Every person having custody, possession or control of the books, registers, accounts, records and other documents shall, at the request of the person making the inspection, permit access to the documents and facilitate his examination of them.

Identification

**380.** The person making an inspection shall identify himself on request and produce a certificate of the federation attesting his capacity.

- 381.** No person may hinder the work of any person making an inspection, in particular by misleading him.
- 382.** The federation shall render an account of its inspection to the Inspector General and to the board of directors, credit committee and board of supervision of the credit union concerned. It shall, in addition, transmit to the Inspector General a copy of its inspection report.
- 383.** The federation may convene, separately or jointly, the board of directors, the credit committee and the board of supervision of the inspected credit union to submit and explain its inspection report to them.
- 384.** Following the inspection of a credit union, the federation may order that a special meeting be called to inform the members.
- 385.** The person making the inspection of a credit union on behalf of a federation shall in no case be the person responsible for the audit of the credit union.

## DIVISION II

## ASSESSMENTS

- 386.** A federation may, by by-law, fix for each fiscal year a regular assessment and any other assessment it considers necessary.
- Every affiliated credit union is bound to pay the assessments.
- 387.** A federation may also, by resolution of its board of directors, fix an assessment in respect of a credit union affiliated with it which agrees to avail itself of special services offered by the federation.
- Affiliated credit unions shall furnish to the federation any report that it may require pursuant to its by-laws to fix the amount of assessments.

## DIVISION III

## CAPITAL BASE

- Every federation shall maintain a capital base equal to at least 5% of its total liabilities. The Inspector General may, where he deems it necessary, reduce or increase the percentage which applies to the federation within such reasonable time as he may prescribe.

Reduction or  
increase

Before exercising the power set out in the first paragraph, the Inspector General shall notify the federation of his intention and give it an opportunity to be heard.

Adequacy  
of capital  
base

For the purpose of maintaining its capital base, a federation may, by by-law, impose on the credit unions affiliated with it standards respecting the adequacy of their capital base.

Capital base

**390.** The capital base of a federation shall include

- (1) its general reserve and that of each affiliated credit union;
- (2) the qualifying shares issued by each affiliated credit union;
- (3) the preferred shares issued by each affiliated credit union not exceeding 1% of the liabilities of the federation;
- (4) the permanent shares issued by each affiliated credit union, except the permanent shares held by the confederation with which the federation is affiliated, where that is the case;
- (5) the fraction of the security fund, liquidity fund or mutual aid fund established and administered by the security fund corporation for the benefit of the credit unions affiliated with the federation, which represents the amount corresponding to the ratio between the sum of the deposits received by the federation and the credit unions affiliated with it and the sum of the deposits received by all the credit unions that are members of the corporation and all the federations with which they are affiliated;
- (6) its stabilization reserve and that of affiliated credit unions;
- (7) the fraction of the general reserve of La Caisse centrale Desjardins du Québec which represents the amount corresponding to the ratio between the total liabilities of the federation and the total liabilities of all the federations which are affiliated with La Confédération des caisses populaires et d'économie Desjardins du Québec;
- (8) any other asset determined by government regulation.

Liabilities

**391.** For the purposes of section 389, the liabilities of a federation shall consist of the deposits received and loans contracted by the federation and the credit unions affiliated with it, accrued interest on such deposits and loans, and other liabilities determined by government regulation.

## Liabilities

In the case of a federation affiliated with La Confédération des caisses populaires et d'économie Desjardins du Québec, the fraction of the liabilities of La Caisse centrale Desjardins du Québec which represents the amount corresponding to the ratio between the total liabilities of the federation and the total liabilities of all the federations that are affiliated with the said confederation shall also be taken into account.

## Assets and liabilities

**392.** The assets and liabilities constituting the capital base and the liabilities of a federation and the credit unions affiliated with it and, where applicable, of La Caisse centrale Desjardins du Québec shall be presented in combined form according to generally accepted accounting principles and, where that is the case, standards prescribed by government regulation.

## Transfer of rights

**393.** A federation may, with the authorization of the Inspector General and for the time and on the conditions he specifies, transfer to another federation affiliated with the same confederation all or part of its rights in the fund referred to in paragraph 5 of section 390.

## Value of rights transferred

In such case, the value of the rights transferred shall, for the duration of the transfer and for the purposes of section 390, be deducted from the capital base of the transferring federation and added to the capital base of the federation to which the transfer is made.

Authoriza-  
tion

Before authorizing the transfer, the Inspector General shall obtain the advice of the confederation.

## Reduction of capital base

**394.** The capital base of a federation shall be reduced by the amount of any investment or credit that is not in compliance with this Act made or extended by the federation or an affiliated credit union, unless it was made or extended before (*insert here the date of the coming into force of this section*) and as long as it is recognized as an asset by the Inspector General on such conditions as he may determine.

## Inadequacy of capital base

**395.** Where the Inspector General considers that the capital base of a federation is 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 the federation has requested additional assistance from the security fund corporation of which the credit unions affiliated with it are members, he may order the federation or, as the case may be, the confederation with which it is affiliated to adopt to his satisfaction, within the time he prescribes and for the reasons he indicates, a compliance program for the federation and the credit unions affiliated with it.

Compliance  
program

Before exercising the powers set out in the first paragraph, the Inspector General shall notify the confederation or the federation, as the case may be, of his intention and give it an opportunity to be heard.

## Content

**396.** The compliance program shall describe the appropriate measures to be implemented by the federation to ensure the adequacy of its capital base, within the time indicated therein.

## Approval

**397.** The compliance program adopted by a confederation or a federation shall be submitted for approval to the Inspector General, who may approve it with or without amendment.

Implemen-  
tation

**398.** A federation and the credit unions affiliated with it are bound to implement the compliance program approved by the Inspector General. In addition, the federation shall be responsible for seeing to it that the program is implemented by the credit unions affiliated with it.

## Instructions

The Inspector General may, while a compliance program is in effect, give a credit union affected by the program and the federation any written instructions he deems appropriate with respect to the powers exercised by their credit committees.

## Hearing

Before exercising the power set out in the second paragraph, the Inspector General shall notify the credit union and the federation of his intention and give them an opportunity to be heard.

## Report

**399.** A federation and the credit unions affiliated with it must furnish to the Inspector General any report he may require on the implementation of the compliance program, at such intervals, in such form and of such tenor as he may determine.

Instructions  
or orders

**400.** Where, following an order of the Inspector General under section 395, a federation is required to implement a compliance program, the powers set out in section 371 shall, while the program is in effect, be exercised by the confederation with which the federation is affiliated or, if it is not affiliated, by the Inspector General, after he has obtained the advice of the federation.

Implementa-  
tion by the  
confedera-  
tion

**401.** Where a federation neglects to implement a compliance program, the confederation with which the federation is affiliated may, on the fifteenth day following the service of a formal notice to that effect, implement the program in the place of the federation.

Implementa-  
tion by the  
Inspector  
General

The Inspector General may, in the same manner, implement the compliance program that a federation not affiliated with a confederation has neglected to implement.

## DIVISION IV

## INVESTMENTS

- Investments**      **402.** A federation may invest in any kind of property.
- Limitations**      **403.** A federation shall not acquire or hold, directly or indirectly, more than 30 % of the shares of a legal person or shares in any number that permits it to exercise voting rights in excess of 30 % of all voting rights attached to the total issued shares of the legal person or to elect more than one-third of the directors of the legal person.
- Presumption**      Shares held by a legal person belonging to the same group as a federation and shares held by the credit unions affiliated with a federation are deemed to be held by the federation, except shares held by a confederation in a holding company controlled by the confederation or shares held by such a holding company.
- Disposition of shares**      If, following an acquisition of shares by a legal person belonging to the same group as a federation and by the credit unions affiliated with it, the federation is deemed to hold more than 30 % of the shares of a legal person or shares in any number that permits it to exercise voting rights in excess of 30 % of all voting rights attached to the total issued shares of a legal person or to elect more than one-third of the directors of the legal person, the federation, the legal persons belonging to the same group as the federation or the credit unions affiliated with the federation must, within a period of two years from the acquisition, dispose of any or all shares in excess of 30 % or of any or all shares permitting the federation to exercise voting rights in excess of 30 % or to elect more than one-third of the directors of the legal person unless, within that period, the federation ceases to be deemed to hold such excess number of shares.
- Authoriza-  
tion  
concerning  
acquisition  
of shares**      A federation not affiliated with a confederation may, however, with the authorization of the Minister and on such conditions as he may determine, hold more than 30 % of the shares of a legal person or shares that permits it to exercise voting rights in excess of 30 % of all voting rights attached to the total issued shares of the legal person or to elect more than one-third of the directors of such legal person.
- Immovable  
serving as  
head office**      **404.** Notwithstanding section 403, a federation may acquire or hold, for control purposes, shares issued by a legal person whose sole purpose consists in holding an immovable which will serve mainly as head office of the federation.

Posting of  
investment

In that case, the investment of the federation shall, for the purposes of section 408, be posted on a consolidated basis.

Acquisition  
of shares  
in holding  
company

**405.** A federation shall not acquire shares in a holding company controlled by the confederation with which it is affiliated, where that is the case.

Acquisition  
of shares  
in legal  
person

**406.** A federation shall not acquire shares in a legal person where such shares are already held, directly or indirectly, by a holding company controlled by the confederation with which it is affiliated.

Disposition  
of shares

**407.** A federation must dispose of any share held in a legal person where the holding company controlled by the confederation with which the federation is affiliated acquires, directly or indirectly, any of such shares.

Time limit

The federation shall dispose of the shares within a two-year period. This period shall run from the date of acquisition of the shares by the holding company or the legal person controlled by it.

Extension

The Inspector General may grant an extension on such conditions as he may determine.

Investments  
permitted

**408.** A federation may invest

(1) without any limits, in any security mentioned in subparagraphs 1 to 3 of section 256, in bonds, in other debt securities, in titles of indebtedness evidencing the sale of a hypothec portfolio, in deposit certificates and promissory notes issued, guaranteed or accepted by a bank or by an institution registered with the Régie de l'assurance-dépôts du Québec and in any promissory note issued by a legal person;

(2) an amount corresponding to not more than 3% of the assets of the credit unions affiliated with it, in units, shares, bonds or debentures and, where the federation is affiliated with La Confédération des caisses populaires et d'économie Desjardins du Québec, in bonds issued by the confederation;

(3) not more than 7% of its assets in property not referred to in paragraphs 1 and 2.

Notification

**409.** Every federation shall notify the confederation with which it is affiliated before acquiring voting shares.

Register of  
investments

**410.** Every federation not affiliated with a confederation shall keep a register of its own investments in shares as well as of those of

the legal persons belonging to the same group and of the credit unions affiliated with it.

Investment  
report

**411.** Every federation not affiliated with a confederation shall transmit to the Inspector General, within 30 days of the end of each semester of its fiscal year, a report on the investments in shares entered in the register it is required to keep pursuant to section 410, accompanied with a report of the board of supervision attesting that the investments are in compliance with this Act.

Information  
required

**412.** A federation may request from any legal person belonging to the same group any information required for the application of this division.

Amalgama-  
tion

**413.** Where, following an amalgamation, securities held by a federation are replaced by securities which cause the federation to cease to meet the requirements of this division, the federation must take such action as is necessary to ensure its compliance with the said requirements within five years from the amalgamation.

Change  
concerning  
affiliation

The same rule applies if, as a result of a change concerning its affiliation with a confederation, securities held by a legal person are deemed to be held by a federation.

## CHAPTER VIII

### FUNDS OF A FEDERATION

#### DIVISION I

##### GENERAL PROVISIONS

Funds

**414.** Every federation shall, by by-law, establish a liquidity fund, a deposit fund and an investment fund.

By-laws

Where the federation is affiliated with a confederation, it must comply with the by-laws adopted in that respect by the confederation.

Approval of  
by-laws

Where the federation is not affiliated with a confederation, it shall submit its by-law for approval to the Government which may approve it with or without amendment.

Other funds

**415.** The federation may, by by-law, establish any other fund.

Management  
of funds

**416.** A federation may, with the approval of the Inspector General and on the conditions he determines, entrust all or part of the management of the funds it has established to any other person.



Annual  
statements

The person must undertake, in writing, to transmit annual statements to the Inspector General along with any other statement or information he requires and allow him to exercise the powers set out in section 491 for the purpose of verifying the accuracy of the statements and information.

Deposits

**417.** Any sum deposited into a fund by a credit union constitutes a claim against the federation. However, only the net value of deposits made into the investment fund constitutes a claim.

Winding-up  
or  
disaffiliation

Every deposit becomes payable upon the winding-up of the federation or depositing credit union or upon the disaffiliation of the credit union.

Assets of  
funds

**418.** The assets of the funds are not separate from those of the federation. The federation must keep separate books and accounts of the operations relating to each fund.

Investment

**419.** No sum deposited into the funds established by a federation may be invested otherwise than in accordance with the federation's power to make investments or extend credit and with the regulations applicable to it in relation to such funds.

## DIVISION II

### LIQUIDITY FUND

Liquidity  
fund

**420.** The liquidity fund of a federation shall consist of the sums that the credit unions affiliated with it are required to deposit into the fund pursuant to section 265 and the income derived from the transactions made by the fund.

Liquid asset  
reserve

**421.** The fund shall constitute a liquid asset reserve for the credit unions affiliated with the same federation.

Rate of  
interest

**422.** The board of directors of the federation shall establish the rate of interest payable on any balance remaining on the sums deposited into the liquidity fund by a credit union.

## DIVISION III

### DEPOSIT FUND

Deposit fund

**423.** The deposit fund of a federation shall consist of the sums deposited therein by the credit unions which are affiliated with the federation and by auxiliary members, and of the income derived from the operations of the fund.

Rate of  
interest

**424.** The board of directors shall establish the rate of interest payable on any balance remaining on the sums deposited into the deposit fund.

#### DIVISION IV

##### INVESTMENT FUND

Investment  
funds

**425.** The investment fund of a federation shall consist of the sums entrusted to the fund as investment deposits by the credit unions which are affiliated with the federation, and of the income derived from the operations of the fund.

Deposits

The deposits constitute the interest of the depositing credit unions in the net assets of the fund and do not bear interest. However, the credit unions shall share the net income therefrom in accordance with the by-laws of the confederation with which the federation of which they are members is affiliated or, if it is not affiliated, with government regulations.

Interest of  
credit union  
in fund

**426.** The criteria used to establish the credit union's interest in the investment fund of the federation with which it is affiliated are determined pursuant to the by-laws that are applicable to it under section 414.

Investment  
fund

**427.** The investment fund shall consist of the assets determined by the by-laws applicable to it under section 414, including all the federation's investments in shares, subordinated securities, cooperative or preferred shares, preferred equity shares and any contributions to a mutual insurance company.

#### CHAPTER IX

##### STANDARDS OF SOLVENCY

Adequacy of  
capital stock  
and reserve

**428.** Every federation shall, in view of its operations, establish and maintain sufficient capital stock as well as such general reserve and liquid assets as are adequate to meet its requirements and obligations, in accordance with the by-laws of the confederation with which it is affiliated or, if it is not affiliated, with government regulations.

Written  
instructions

**429.** The Inspector General may give written instructions to a federation as to the adequacy of its capital stock, general reserve and liquid assets.

Hearing Before exercising the powers set out in the first paragraph, the Inspector General shall inform the federation of his intention and give it an opportunity to be heard.

Adequacy of general reserve and liquid assets **430.** In determining whether the general reserve and liquid assets of a federation are adequate, the Inspector General shall exclude from it all or part of any credit extended or of any investment made by a federation contrary to this Act, except if the credit or investment was extended or made before (*insert here the date of coming into force of this section*) and as long as it is recognized as an asset by the Inspector General on the conditions he determines.

Winding-up or dissolution **431.** In the event of the winding-up or dissolution of the federation, the liquidator or Public Curator, as the case may be, shall, after the payments referred to in the first paragraph of section 314 are made, divide the remaining assets, among the credit unions affiliated with the federation in proportion to the number of qualifying shares held by each credit union. Where there remains no credit union affiliated with the federation, the liquidator shall transfer the remaining assets to the confederation with which the federation was affiliated or, if it was not affiliated, to a legal person designated by the Government.

## CHAPTER X

### SURPLUS EARNINGS

Use of surplus earnings **432.** The sums paid into the stabilization fund established by a federation, out of its surplus earnings, may be allocated to the payment of interest on permanent shares issued by a credit union affiliated with that federation where it cannot provide therefor.

## CHAPTER XI

### AUDIT

Annual audit **433.** Every federation shall cause its books and accounts to be audited every year by two auditors.

Auditor Where the federation is affiliated with a confederation, one of the auditors shall be chosen from the staff acting as such within the auditing service of that confederation in which case section 284 applies or, if the confederation does not have such a service, it shall designate an auditor.

Auditor Where the Inspector General appoints an auditor pursuant to section 283, the auditor may act alone.

Replacement **434.** Where the office of the auditor appointed by the federation becomes vacant, the directors shall appoint a replacement. The directors may also appoint a person to exercise the duties of the auditor if the auditor is unable to act.

Disqualifica-  
tion **435.** In no case may an auditor be

(1) an officer of the federation or confederation with which the federation is affiliated, where that is the case, or a person who is an associate of such officers;

(2) an employee of the federation, of an affiliated credit union, of the confederation with which the federation is affiliated, unless he is employed as an auditor by the confederation, or of any other legal person belonging to the same group as the federation.

Dismissal of  
auditor **436.** The Inspector General or any interested person may apply to the Superior Court to obtain the dismissal of an auditor who does not meet the requirements of section 435.

## CHAPTER XII

### FINANCIAL DISCLOSURE

Fiscal year **437.** Unless another date applicable to all the federations affiliated with it is prescribed by the by-law of a confederation, the fiscal year of a federation ends on 31 December each year.

Annual  
report **438.** The annual report of a federation must include, in addition to the information prescribed under Chapter XVII of Title II,

(1) a statement of the deposits made by the credit unions affiliated with it in each of its funds, established according to the various classes of deposits, according to their respective maturity dates, and showing the average annual return obtained by each class;

(2) a statement of the credit extended and investments made out of each fund, established according to the various classes of credit or investments, according to their respective maturity dates, and showing the average annual return obtained by each class;

(3) the net value of the investment fund and the method for calculating the value of the fund;

(4) a statement showing the consolidation value of any investment in shares of the same legal person carrying 20% or more of the voting rights and any investment in voting shares of a controlled legal person;

(5) the statements prescribed under paragraph 4 of section 303, presented in combined form, according to generally accepted accounting principles.

Accompanying documents

The annual report of a federation not affiliated with a confederation shall be accompanied with the financial statements of every legal person controlled by it.

Copy of annual report

**439.** At least 10 days before the date of the annual meeting, the board of directors shall send to each member a copy of the annual report.

Publication of summary of statements

**440.** The federation shall, in addition, publish each year a summary of the statements required by paragraph 4 of section 303, presented in combined form, in two newspapers circulated in the territories of the credit unions affiliated with it.

Report on adequacy of capital stock

**441.** Every federation shall also transmit to the Inspector General, every three months, a report on the adequacy of its capital stock, general reserve and liquid assets and on the level of the capital base applicable to it and a report, presented in combined form, on the statements referred to in paragraph 4 of section 303 closed as of same date.

TITLE IV

CONFEDERATIONS

CHAPTER I

INTERPRETATION

Application of Titles II and III

**442.** Except where incompatible, the provisions of Title II and Title III and of government regulations thereunder, adapted as required, apply to a confederation.

Provisions not applicable

However, the following sections do not apply to a confederation: sections 11 to 19, 67 to 109, 111, 154 to 183, 221, 227 to 254, 256 to 260, 262, 266 to 273, 284, 305, 353, 354, 356 to 363, 375, 389 to 401 and 403 to 438.

Provisions not applicable

**443.** Where Title II applies to a confederation, the provisions of any section which relate to a federation or a confederation must be ignored.

Provisions  
not appli-  
cable

Where Title III applies to a confederation, the words “credit union” mean “federation”. In addition, the provisions of any section which relate to a confederation must be ignored.

## CHAPTER II

### INCORPORATION AND CORPORATE NAME

Application  
for  
incorporation

**444.** Six or more federations may apply for the incorporation of a confederation.

Corporate  
name

**445.** The corporate name of a confederation must include the word “confederation”.

## CHAPTER III

### AUXILIARY MEMBERS

Auxiliary  
member

**446.** A confederation may admit any legal person, including a partnership, as an auxiliary member. A federation of savings and credit unions or of cooperatives with objects similar to those of a savings and credit union, incorporated outside Québec, may be admitted as an auxiliary member of a confederation to avail itself of the services offered by the confederation.

Classes of  
auxiliary  
members

**447.** A confederation may establish by by-law one or more classes of auxiliary members and prescribe conditions for their admission, define their rights and obligations, prescribe criteria or conditions applicable to their resignation, suspension or expulsion.

Vote

Auxiliary members are not entitled to vote and their representatives are not eligible for office.

## CHAPTER IV

### DIRECTORS

Directors

**448.** Unless otherwise prescribed in the by-laws of a confederation, the directors of a confederation shall be elected from among the directors of the federations affiliated with it.

Restriction

In no case may the majority of the members of the board of directors consist of employees of the confederation and of a federation affiliated with it.

## CHAPTER V

## OPERATIONS

## DIVISION I

## GENERAL PROVISIONS

Powers of  
confederation

**449.** In addition to the other powers it may exercise under this Act, a confederation may

(1) provide for one or several classes of preferred shares;

(2) establish a pension plan under paragraph 6 of section 214 for the benefit of the employees of a federation affiliated with it or a credit union which is affiliated with such a federation, and their spouses or dependants;

(3) participate in the establishment and management of any service that may be offered or provided by a federation affiliated with it or a credit union affiliated with such a federation.

Adequacy of  
capital stock  
and reserves

**450.** Every confederation shall, in view of its operations, establish and maintain sufficient capital stock as well as such reserves and liquid assets as are adequate to meet its requirements.

Written  
instructions

The Inspector General may give written instructions to a confederation as to the adequacy of its capital stock, reserves and liquid assets.

Hearing

He shall, before exercising that power, inform the confederation of his intention and give it an opportunity to be heard.

Adequacy of  
liquid assets

A confederation may, by by-law applicable to the federations affiliated with it and to the credit unions affiliated with such federations, establish standards relating to the adequacy of their liquid assets.

Adequacy of  
capital stock  
and reserve

It may also, by by-law applicable to the federations affiliated with it, establish standards relating to the adequacy of their capital stock and general reserve.

By-laws

**451.** Every confederation shall adopt by-laws concerning the establishment and administration of funds mentioned in Chapter VIII of Title III by federations affiliated with it.

Fund for  
purchase of  
permanent  
shares

**452.** Every confederation may, by by-law, establish a separate fund to purchase permanent shares issued by credit unions that are members of the federations affiliated with it.

By-law

The by-law may in addition

(1) prescribe the conditions and method of operation of such a fund;

(2) designate the trust company entrusted with the administration of the fund, determine its powers and duties, fix the terms of its mandate and the method for determining its remuneration;

(3) prescribe the maximum amount that the trust company may borrow for the purposes of the fund or the method for determining such amount, the maximum term of the loan, the conditions under which it may be made and the nature of the related security;

(4) fix for each fiscal year of the fund the assessment that each credit union must pay into the fund, or the method for calculating such assessment;

(5) order the winding-up of the fund and determine the procedure therefor;

(6) prescribe any other measure required for the administration of the fund.

Sums paid  
into fund

**453.** A fund established under section 452 shall receive the sums borrowed for its funding and the proceeds of the sale by the confederation of permanent shares held by the fund.

Deposit of  
sums

**454.** The sums which constitute a fund established under section 452 shall be deposited with an institution whose deposits are guaranteed by the Régie de l'assurance-dépôts du Québec and shall be used exclusively for payment of the management costs of the fund, the capital and interest on any amount borrowed for its funding and the purchase price of the permanent shares issued by the credit unions which are members of the federations affiliated with the confederation which has established the fund.

Separate  
assets

**455.** The assets of a fund established under section 452 shall be separate from those of the confederation and shall alone serve for the performance of the obligations contracted for the purposes of the fund by the trust company entrusted with the administration of such fund.



Winding-up  
of confede-  
ration

Notwithstanding the first paragraph, in the event of the winding-up of the confederation, any balance remaining in the fund, after all its debts have been paid, shall be used for the payment of other debts of the confederation.

Approval of  
by-laws

**456.** The by-laws of a confederation adopted under section 450 or 451 shall be submitted to the Government for approval. The Government may approve them with or without amendment.

Regulatory  
power of  
confedera-  
tion

**457.** A confederation may, 60 days after sending a formal notice to a federation affiliated with it requiring it to adopt a by-law under section 365, exercise the regulatory power under that section.

By-law of  
federation

Such a by-law is deemed to be a by-law of the federation, and the federation may amend, replace or repeal it.

Adoption of  
by-laws

**458.** Every confederation shall adopt by-laws applicable to the federations affiliated with it and the credit unions affiliated with such federations, with respect to

- (1) reserves to be maintained for bad debts and contingent losses;
- (2) the requirements relating to accounting operations and to the books, registers and other accounting records which they are required to keep;
- (3) the management, preservation and destruction of documents issued or received by a credit union or a federation.

Classes of  
credit unions

**459.** A confederation may, when adopting by-laws or making decisions by way of resolutions affecting the federations affiliated with it or the credit unions affiliated with such federations, establish classes of credit unions, federations or operations, and prescribe standards appropriate to each class.

Instructions

**460.** A confederation may give to the federations affiliated with it, to the credit unions affiliated with such federations and to the holding companies controlled by it, written instructions to ensure that the investments they make are in compliance with the provisions of this Act. For this purpose, it may require any pertinent information from them.

Copy

The instructions of a confederation are binding on the persons to which they are addressed. The confederation shall send to the Inspector General a copy of such instructions within 10 days of their adoption.

Auditing  
service

**461.** Every confederation must establish and maintain an auditing service to audit the financial statements of the federations affiliated with it and credit unions affiliated with such federations or, if it does not establish such a service, designate an auditor for each federation and credit union.

Inspection  
service

A confederation must also establish and maintain an inspection service for such federations and credit unions.

Annual  
inspection

**462.** Every confederation shall, at least once a year, inspect the internal affairs and activities of the federations affiliated with it and, at least every 18 months, of the credit unions affiliated with such federations.

Purposes

**463.** The periodical inspection shall be carried out, in particular, for the purposes of evaluating the financial policies and practices and the internal control systems of the federation and credit unions affiliated with it, verifying the accuracy of their financial statements and ensuring that they are complying with this Act and the regulations that are applicable to them under this Act.

Inspector

**464.** Every person making an inspection under this chapter may

(1) enter, at any reasonable time, the place of business of any credit union or federation which is the subject of the inspection;

(2) examine and make copies from the books, registers, accounts, records and other documents relating to the activities of the credit union or federation;

(3) require any information or document relating to the carrying out of this Act.

Access to  
documents

Every person having custody, possession or control of the books, registers, accounts, records and other documents shall communicate them to the person, at his request, and facilitate his examination of them.

Inspection  
report

**465.** The confederation shall render an account of its inspection to the Inspector General and to the board of directors, the credit committee and the board of supervision of the federation or credit union concerned. It shall send a copy of its inspection report to the Inspector General.

Inspection  
report

The confederation shall also render an account of its inspection of the affairs of credit unions that are members of the federations

affiliated with it to the security fund corporation incorporated at its request.

Report  
submitted  
and  
explained

**466.** The confederation may convene, separately or jointly, the board of directors, the credit committee or the board of supervision of the inspected credit union or federation to submit and explain its inspection report to them.

Special  
meeting  
for members

**467.** Following the inspection of a credit union or a federation, the confederation may order that a special meeting be called to inform the members of the credit union or federation.

Inspector

**468.** The person making the inspection of a federation or of an affiliated credit union, on behalf of the confederation, shall not be the person responsible for the audit of the federation or credit union.

## DIVISION II

### INVESTMENTS

Acquisition  
of shares  
by confede-  
ration

**469.** A confederation shall not acquire shares issued by a legal person, except in the case of the shares of a holding company incorporated under the laws of Québec, which is or becomes, as a result of that acquisition, a legal person controlled by the confederation.

Disposition  
of shares

A confederation must, within the time fixed by the Inspector General, dispose of all the shares held by it in a holding company, upon ceasing to control that holding company.

Acquisition  
of shares

**470.** A holding company may acquire

(1) shares of a bank or of a legal person whose principal activities consist in carrying on fiduciary business or the business of an insurer, a mutual fund, a securities broker or adviser or a savings company, and which is or becomes, as a result of that acquisition, a legal person controlled by the holding company;

(2) shares issued by an investment bank or a legal person whose principal activities consist in leasing or factoring or in providing the confederation, the federations affiliated with it, a savings and credit union incorporated in Canada or any federation of such savings and credit unions or a legal person belonging to the same group as the confederation, with data processing, management, consultation or supply services or other services that are similar or, in the opinion of the Minister, auxiliary services with respect to the federations affiliated with the confederation or credit unions affiliated with them,

where such legal person is or becomes, as a result of such acquisition, a legal person controlled by the holding company;

(3) shares issued by a legal person whose principal activities consist in holding and managing immovables and which is or becomes, as a result of such acquisition, a legal person controlled by the holding company;

(4) shares issued by a legal person engaging in commercial or industrial activities.

Minority investment      The Minister may authorize, on such conditions as he determines, minority investment under subparagraphs 1, 2 and 3.

Restriction      No holding company acquiring shares in legal persons engaging in activities mentioned in any of the subparagraphs of the first paragraph may acquire or hold shares issued by legal persons engaging in activities mentioned in another subparagraph.

Disposition of shares      Subject to the second paragraph, a holding company must dispose, within the time fixed by the Inspector General, of all the shares it holds in a legal person referred to in paragraph 1, 2 or 3 upon ceasing to control that legal person.

Acquisition of shares      **471.** A holding company which may acquire shares issued by a legal person referred to in subparagraph 1 of the first paragraph of section 470 may, where authorized by the Minister, hold shares issued by another holding company specifically incorporated for the purpose of acquiring shares issued by a legal person referred to in subparagraph 1 or 2 of section 470.

Undivided ownership      **472.** A holding company may also hold interests as an undivided owner or partner in enterprises whose principal activities consist in holding and managing immovable property or whose activities are of a commercial or industrial nature.

Restriction as to investments      **473.** With the exception of the sums deposited with an institution whose deposits are guaranteed by the Régie de l'assurance-dépôts du Québec and the short-term investments it is authorized to make in accordance with the rules respecting the investment of property belonging to others provided in the Civil Code of Lower Canada, no holding company may invest its funds except in enterprises in which it may acquire shares or an interest.

Restriction as to acquisition      **474.** 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, by a resolution of its board of directors a copy of which shall be sent to the Inspector General, makes an undertaking to the confederation and the Inspector General

(1) not to engage in any activity other than those it was exercising at the time of the acquisition as long as it remains controlled by the holding company, unless it has obtained prior authorization in writing from the Inspector General;

(2) to submit annual financial statements to the Inspector General together with any other statement or information he may require and allow the Inspector General to exercise the powers set out in section 491 to verify the accuracy of the information.

Liability

**475.** The directors and officers of a holding company who authorize an investment which is not in compliance with the provisions of this division shall be jointly and severally liable for any resulting losses to the company.

Right of  
action

**476.** Any right of action arising from section 475 may be exercised by

(1) the holding company whose directors or officers authorized the investment;

(2) the confederation which controls the holding company, acting as the mandatary of the holding company, if the latter has neglected to exercise such right of action after having been formally notified to do so by the confederation;

(3) the Inspector General, acting as the mandatary of the holding company, if the latter and the confederation which controls it have both neglected to exercise such right of action after having been formally notified to do so by the Inspector General.

Formal  
notice

Where a formal notice is served by a confederation pursuant to subparagraph 2 of the first paragraph, a copy of the notice must be transmitted, at the same time, to the Inspector General.

Obligations  
of  
directors  
and officers

**477.** The sole fact that the investments of a holding company are in compliance with this Act does not release the directors and officers of the company from the obligations otherwise incumbent upon them.

## CHAPTER VI

## AUDIT

**Annual audit**      **478.** Every confederation shall cause its books and accounts to be audited every year by an auditor appointed for that purpose at the annual meeting.

**Disqualifica-  
tion**              **479.** In no case may the auditor be

- (1) an officer of the confederation or of a legal person belonging to the same group as the confederation or a person who is an associate of such officer;
- (2) an employee of the confederation or of a federation affiliated with it, of a credit union affiliated with such a federation or a legal person belonging to the same group as the confederation.

**Dismissal of  
auditor**          **480.** The Inspector General or any interested person may apply to the Superior Court to obtain the dismissal of an auditor who does not meet the requirements of section 479.

## CHAPTER VII

## FINANCIAL DISCLOSURE

**Consolidated  
financial  
statements**      **481.** A confederation shall, in addition to the other reports it produces pursuant to this Act, transmit, every year, its consolidated financial statements to the Inspector General, accompanied with the annual financial statements of each holding company controlled by it and, every three months, its consolidated and unconsolidated financial statements.

**Publication  
of summary  
of  
statements**      **482.** A confederation shall also publish every year, in two daily newspapers, a summary of its annual consolidated financial statements.

## TITLE V

## SUPERVISION AND CONTROL

## CHAPTER I

## VALUATION OF ASSETS

**Appraisal of  
immovable**      **483.** Where the Inspector General is of the opinion that the value of an immovable property securing a claim of a credit union or

federation is less than the amount of the loan granted, including accrued interest, or where he considers the immovable property to be insufficient security, he may require the credit union or federation, as the case may be, to cause an appraisal of the immovable property to be made by an appraiser approved by him or he may himself cause it to be made.

Reduction of  
book value

Following the appraisal, the Inspector General may reduce the book value of the loan of the credit union or federation.

Appraisal of  
asset

**484.** Where the Inspector General is of the opinion that the market value of any of the assets of a credit union, federation or confederation is less than the book value, he may require the credit union, federation or confederation, as the case may be, to cause an appraisal of the asset to be made by an appraiser approved by him or he may himself cause it to be made.

Reduction of  
book value

Following the appraisal, the Inspector General may reduce the book value of the asset of the credit union, federation or confederation.

Hearing

**485.** Before requiring an appraisal of any immovable property or asset to be made or before making it himself, the Inspector General shall notify the credit union, federation or confederation concerned by such an appraisal of his intention and give it an opportunity to be heard. The Inspector General must do the same before assigning to any asset a value different from that determined by the appraiser.

Notice

The Inspector General shall notify, in writing, the credit union, federation or confederation and its auditor of the reduction made to the book value of one of its assets.

Costs of  
appraisal

**486.** Unless the Inspector General decides otherwise, the appraisal shall be made at the expense of the credit union, federation or confederation concerned.

## CHAPTER II

### INSPECTION, EXAMINATIONS, INVESTIGATIONS AND INQUIRIES BY THE INSPECTOR GENERAL

Audit of  
operations

**487.** The Inspector General shall ensure that the operations of every credit union, of the federation with which it is affiliated and of the confederation with which the federation is affiliated are audited in accordance with the provisions of this Act.

Inspection	<b>488.</b> The Inspector General shall also ensure that the internal affairs and activities of every credit union and of the federation with which it is affiliated are inspected.
Annual inspection	The Inspector General shall, at least once a year, make the inspection of the internal affairs and activities of every confederation or cause such inspection to be made.
Annual inspection	<b>489.</b> The Inspector General shall, at least once a year, make the inspection of the internal affairs and activities of every credit union not affiliated with a federation and of those of every federation not affiliated with a confederation or cause such inspection to be made.
Purposes	<b>490.</b> The annual inspection shall be carried out, in particular, for the purposes of evaluating the financial policies and practices and the internal control systems of a confederation, of the federations and of the credit unions, verifying the accuracy of their financial statements and ensuring that they are complying with this Act and the regulations applicable to them under this Act.
Examination and investigation	<b>491.</b> The Inspector General may, of his own initiative, make or cause to be made any examination and any investigation he considers necessary or expedient for the application of this Act, into the internal affairs and activities of any credit union, federation, confederation, or holding company controlling legal persons exercising any of the activities mentioned in subparagraphs 1 to 3 of the first paragraph of section 470.
Examination and investigation	<b>492.</b> The Inspector General shall, in addition, make, at the request of a credit union's board of directors or board of supervision, of 100 of its members if there are 300 members or more or of one-third of its members if there are fewer than 300, or of the federation with which the credit union is affiliated, any examination and any investigation he considers necessary or expedient into the internal affairs and activities of the credit union or cause such examination or investigation to be made.
Report	The Inspector General shall render an account of any examination and any investigation to any member of the credit union who makes the request and to the credit union's board of supervision, to the federation with which it is affiliated and to the confederation with which the federation is affiliated, where that is the case.
Costs	The expenses incurred for any examination or investigation made under this section by the Inspector General shall be charged to the credit union.



Powers of  
inspector

**493.** For the purposes of this Act, every person making an inspection or examinations and investigations under this chapter may

(1) enter, at any reasonable time, the place of business of any legal person who is the object of the inspection or of examinations and investigations;

(2) examine and make copies from the books, registers, accounts, records and other documents relating to the activities of the legal person;

(3) require any information or document relating to the carrying out of this Act.

Examination  
of documents

Every person having custody, possession or control of the books, registers, accounts, records and other documents shall communicate them to the person making the inspection, or the examinations and investigations, at his request, and facilitate his examination of them.

## Identification

**494.** The person making an inspection or examinations and investigations shall identify himself on request and produce a certificate, signed by the Inspector General, attesting his capacity.

## Interference

**495.** No person may hinder the work of any person making an inspection or examinations and investigations, in particular by misleading him.

## Seizure

**496.** The Inspector General or his representative, in exercising his powers of inspection, may, if he has reasonable grounds to believe an offence has been committed under this Act or another Act under the administration of the Inspector General or a regulation made thereunder or a by-law approved by the Government, seize any relevant document provided he leaves a copy with the person from whom it is seized; the Inspector General shall have the safekeeping of the seized document.

Detention of  
documents

The Inspector General shall not detain the seized document for over 90 days unless proceedings are brought within that time. The chief judge or associate chief judge of the Court of Québec may order the detention period reduced or extended for a further 90 days.

## Inquiry

**497.** The Inspector General may order an inquiry into any matter within his jurisdiction, if he is of the opinion that the public interest requires it.

Powers and  
immunity

The Inspector General and any person authorized by him in writing have the powers and immunity of commissioners appointed

under the Act respecting public inquiry commissions (R.S.Q., chapter C-37), except the power to order imprisonment.

Communica-  
tion of  
information

**498.** Subject to sections 537 and 538, no person employed by the Government or authorized by the Inspector General to make inspections or inquiries shall communicate or allow to be communicated to anyone any information obtained in accordance with the provisions of this Act or a regulation made thereunder by the Government, or allow anyone to examine a document filed thereunder, except to such extent as he may be authorized by the Inspector General.

Access to  
documents

Notwithstanding sections 9, 23, 24 and 59 of the Act respecting Access to documents held by public bodies and the Protection of personal information (R.S.Q., chapter A-2.1), only a person generally or specially authorized by the Inspector General himself may have access to such information or document.

### CHAPTER III

#### ORDERS

Order

**499.** Where, in the opinion of the Inspector General, a credit union, a federation, a confederation, a holding company controlled directly or indirectly by a confederation or a legal person controlled by such a holding company does not adhere to sound financial practices or is not complying with this Act, a government regulation thereunder, a compliance program, an undertaking given under this Act or the rules of ethics on self-dealing and conflict of interest, he may order them to cease such practices and to remedy the situation.

Reasons

**500.** The order of the Inspector General must state the reasons which support it and shall be sent to each director of the legal person contemplated by such order. The order shall become effective on the day it is served or on any later date indicated therein.

Prior  
notice

Before issuing an order, the Inspector General shall give the contravener at least 15 days' notice indicating the grounds purporting to justify the order, the date on which the order is to take effect and the right of the contravener to be heard.

Provisional  
order

**501.** However, the Inspector General may, without prior notice, issue a provisional order valid for a period not exceeding 15 days if he is of the opinion that any delay to allow a hearing may be detrimental.

## Reasons

Such order must state the reasons on which it is based and shall become effective on the day it is served on the person contemplated by it. The latter may, within six days of receipt thereof, apply in writing to the Inspector General for a hearing.

Revocation  
of order

**502.** The Inspector General may revoke an order issued under this chapter.

## CHAPTER IV

## INJUNCTION

Motion for  
injunction

**503.** The Inspector General may, by a motion, apply to a judge of the Superior Court for an injunction in respect of any matter relating to this Act or the regulations made thereunder by the Government.

## Action

The motion for an injunction constitutes an action.

## Procedure

The procedure prescribed in the Code of Civil Procedure applies, except that the Inspector General cannot be required to give security.

## CHAPTER V

## PROVISIONAL ADMINISTRATION

Powers of  
Minister

**504.** The Minister may, after obtaining the advice of the Inspector General, suspend the powers of the board of directors, the credit committee or the board of supervision of a credit union, federation or confederation, as the case may be, and appoint a provisional administrator to exercise the powers thereof for such period as the Minister may determine if he has grounds to believe

(1) that the credit union has failed to maintain a capital base meeting the requirements of the by-laws of the federation with which it is affiliated or, if it is not affiliated, of this Act;

(2) that the federation has failed to maintain a capital base meeting the requirements of this Act;

(3) that the assets of the credit union or the federation are inadequate to ensure efficient protection of the depositors, creditors and members;

(4) that the credit union, the federation or the confederation, as the case may be, does not adhere to sound financial or administrative practices;

(5) that the credit union or the federation has failed to comply with the Inspector General's written instructions concerning a compliance program;

(6) that there has been misappropriation of property;

(7) that there has been gross negligence, in particular, embezzlement or breach of trust by one or more members of the board of directors, of the credit committee or of the board of supervision, or that such members have been seriously remiss in the performance of the obligations imposed on them by this Act or a government regulation thereunder.

Appointment  
of adminis-  
trator

The person appointed by the Minister may authorize any person to exercise the powers set out in the first paragraph.

Hearing

**505.** Before exercising the powers set out in section 501, the Minister shall give the members of the board of directors, of the credit committee or of the board of supervision whose powers are suspended an opportunity to be heard. He shall also give the federation or the confederation with which the credit union or the federation is affiliated, as the case may be, an opportunity to be heard.

Suspension

However, where it is imperative to do so, the Minister may order the suspension, for a period not exceeding 15 days, without giving the members referred to in the first paragraph, and the federation or the confederation, as the case may be, an opportunity to be heard.

Powers of  
adminis-  
trator

**506.** Where the powers of the board of directors are suspended, the provisional administrator shall exercise, in addition to the powers of the board of directors, those of the general meeting.

Continuance  
in office

**507.** The provisional administrator shall remain 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.

Immunity

**508.** The provisional administrator cannot be prosecuted by reason of any act done in good faith in the performance of his duties.

Report

**509.** The provisional administrator shall submit to the Minister, as soon as possible, a detailed report of his findings, together with his recommendations.

Additional  
report

He shall also, at the Minister's request, submit any additional report.

Final report

**510.** The provisional administrator shall, at the end of his term of office, make a complete report of his administration to the Minister.

Powers of  
Minister

**511.** The Minister, after considering the report of the provisional administrator and on the recommendation of the Inspector General, may

(1) rescind, on such conditions as he may determine, the suspension of the powers of the board of directors, of the credit committee or of the board of supervision, or extend such suspension for such period as he may determine;

(2) dismiss from office the members of the board of directors, of the credit committee or of the board of supervision and order the provisional administrator to call a special meeting to elect new members;

(3) order, on such conditions as he may determine, the winding-up of the credit union, federation or confederation and appoint a liquidator.

Disqualifica-  
tion of  
dismissed  
director

Any member of the board of directors, of the credit committee or of the board of supervision who is dismissed from office under this section becomes disqualified from sitting as a member of the board of directors, of the credit committee or of the board of supervision of any credit union, federation or confederation for a period of five years from the date of his dismissal.

Winding-up

**512.** The decision of the Minister ordering the winding-up of the credit union, federation or confederation has the same effect as an order made by a judge of the Superior Court under section 24 of the Winding-up Act. Division IV of the said Act and sections 311 and 313 to 320 of this Act, adapted as required, apply to the winding-up.

"company"  
and  
"share-  
holder"

For the purposes of the Winding-up Act, "company" means a credit union, federation or confederation, as the case may be, and "shareholder" means a member of a credit union, federation or confederation. In addition, where a provision of the said Act requires the vote of shareholders representing a fixed proportion of the capital stock of a company, the provision is considered to require the vote of a number of members of the credit union, federation or confederation, corresponding to the proportion specified in value.

Termination  
of  
winding-up

In the case of such a winding-up, the order is final. However, the Minister may terminate the winding-up where the interest of the members justifies it.

Expenses

**513.** The expenses, fees and outlays entailed by the provisional administration shall be borne by the credit union, federation or confederation concerned, unless the Minister orders otherwise.

## CHAPTER VI

### REPORTS OF THE INSPECTOR GENERAL

Annual  
report

**514.** The Inspector General shall each year submit a report to the Minister on the financial position of the credit unions, federations and confederations. The report shall include any other information considered appropriate by the Inspector General or required by the Minister.

Tabling

**515.** The Minister shall on or before 30 June each year table in the National Assembly a report of the Inspector General on the state of affairs of the credit unions, federations and confederations. If the National Assembly is not sitting at the appointed date, the report shall be tabled within 15 days from the beginning of the next session or resumption.

## TITLE VI

### REGULATIONS OF THE GOVERNMENT

Regulations

**516.** The Government may, by regulation,

(1) prescribe the fees exigible for any formality or procedure under this Act or a government regulation thereunder and for the examination or reproduction of documents and prescribe the terms and conditions of payment of such fees;

(2) prescribe, for the purposes of sections 36, 48 and 60, the documents which must be filed with articles of incorporation;

(3) prescribe standards, conditions and restrictions relating to the credit that an unaffiliated credit union may extend to its members;

(4) determine the assets which, in addition to those provided for in this Act, may be added to or deducted from the capital base of a credit union or federation as well as the proportion of these assets to each other and the conditions and limitations attaching to them;

(5) determine the liabilities which, in addition to those provided for in this Act, constitute a liability of a credit union or federation;

(6) prescribe standards relating to the valuation of the assets and liabilities of a credit union or federation;

- (7) determine the additional information that must be stated by the auditor in a report under section 291 or 299;
- (8) determine the additional information that must appear in the annual report of a credit union, federation or confederation;
- (9) prescribe standards relating to the accounting, on a combined basis, of the assets and liabilities which constitute the capital base and liabilities of a federation, of the credit unions affiliated with the federation and, where applicable, of La Caisse centrale Desjardins du Québec;
- (10) prescribe standards respecting the adequacy of the capital stock, general reserve and liquid assets that are applicable to a federation not affiliated with a confederation;
- (11) prescribe conditions and restrictions governing the flow of information within a credit union or a federation, to and from a credit union and legal persons belonging to the same group as the federation with which the credit union is affiliated or to and from a credit union, or a federation, and a restricted party, with a view to reducing the risks of conflicts of interest;
- (12) prescribe standards designed to ensure the protection of the public and the confidentiality of information where a credit union or a federation offers for sale the products of a financial institution;
- (13) prescribe standards governing arrangements between a credit union and a federation with which it is affiliated and legal persons belonging to the same group as such federation for the sale of their financial products, and conditions permitting such arrangements to be made;
- (14) prescribe the time when and the manner in which the persons who make transactions with a credit union must be informed of the charges on services offered by the credit union;
- (15) prescribe the time when and the manner in which depositors must be informed of the rates and method of computing interest on their deposits, and the other requirements for their valid information;
- (16) limit, in the cases it determines, the total par value of permanent shares that credit unions may issue to each of their members;
- (17) prescribe standards relating to the disclosure of the characteristics of the various shares which credit unions may issue and conditions governing their issue on the market;

(18) determine from among the regulatory provisions made under this section those the contravention of which constitutes an offence.

Regulations

**517.** The Government may adopt regulations on subject matters referred to in section 425 or 451 which are applicable to a federation not affiliated with a confederation and to the credit unions which are affiliated with such a federation.

Regulatory power

**518.** The Government may, 60 days after transmitting a formal notice to a federation not affiliated with a confederation requiring it to adopt a by-law under section 365, exercise the regulatory power under that section.

By-law of federation

Such a regulation is deemed to be a by-law of the federation and the federation may, with the approval of the Government, amend, replace or repeal it.

Regulatory power

**519.** The Government may, 60 days after transmitting a formal notice to a confederation requiring it to adopt by-laws under section 451, 452 or 457 exercise the regulatory powers under that section.

By-law of confederation

Such a regulation is deemed to be a by-law of the confederation and the confederation may with the approval of the Government amend, replace or repeal it.

Establishment of classes

**520.** In exercising its regulatory powers, the Government may establish various classes of credit unions, federations, confederations and holding companies or of transactions and prescribe appropriate rules for each class.

## TITLE VII

### PENAL PROVISIONS

Contravention

**521.** Every person who contravenes any provision of the second paragraph of section 21, of section 23, 26, 71, 72, 78, 82, 87, 261 or 275, of the first paragraph of section 277 or of section 285, 335, 336, 435 or 479 is guilty of an offence.

False representation

**522.** Every legal person who, by means of a name or designation or otherwise, represents himself falsely as an institution governed by this Act, is guilty of an offence.

Omission to furnish information

**523.** Every person who omits or refuses to furnish any information, report or other document that are required to be furnished under this Act, is guilty of an offence.



Misleading  
information

**524.** Every person who knowingly gives the Minister, the Inspector General or any other person false or misleading information, reports or other documents that are required to be furnished under this Act, is guilty of an offence.

Omission to  
make entry

**525.** Every person who omits or refuses to keep a book or a register required under this Act or to make a required entry therein is guilty of an offence.

Misleading  
entry

**526.** Every person who makes an entry required under this Act in a book or register, which he knows to be false or misleading, is guilty of an offence.

Interference

**527.** Every person who hinders a person who, as part of his duties, is making an inspection, an investigation or an audit under this Act, is guilty of an offence.

Non com-  
pliance  
with order

**528.** Every person who fails to comply with an order or written instructions issued or given by the Inspector General under section 24, 231, 238, 264, 373, 374, 398, 429, 450, 499 or 501 is guilty of an offence.

Offence and  
penalty

**529.** Every person found guilty of an offence under any of sections 521 to 528 is liable, in addition to costs, to a fine of not less than \$200 nor more than \$2 000 in the case of a natural person and of not less than \$600 nor more than \$30 000 in the case of a legal person.

Offence and  
penalty

Every person found guilty of an offence under the regulations made under paragraph 18 of section 516 is liable, in addition to costs, to a fine of not less than \$200 nor more than \$2 000 in the case of a natural person and of not less than \$600 nor more than \$30 000 in the case of a legal person.

Determina-  
tion of fines

In determining the fines, the court shall take particular account of the damage involved and the benefits derived as a result of the commission of the offence.

Transaction  
with  
restricted  
party

**530.** Every credit union or federation which, contrary to sections 241 and 250 to 253, engages in a transaction with a person whom it knows to be a restricted party, and every officer who authorized such a transaction, are guilty of an offence.

Offence and  
penalty

Every person found guilty of an offence described in the first paragraph is liable, in addition to costs, to a fine of not less than \$600 nor more than \$30 000.

Subsequent  
offence

**531.** For each subsequent offence within two years of conviction for an offence under the same provision, the minimum and maximum fines provided for in sections 529 and 530 shall be doubled.

Aiding in  
the commis-  
sion of  
offence

**532.** Every person who, by act or omission, aids another in committing an offence may be found guilty of the offence as if he had committed it himself, if he knew or should have known that his act or omission would probably result in aiding in the commission of the offence.

Abetting  
in commis-  
sion of  
offence

**533.** Every person who abets, counsels or commands another to commit an offence may be found guilty of the offence as if he had committed it himself, and of any other offence committed by the other as a result of the abetment, counsel or command, if he knew or should have known that his action would probably result in the commission of the offence.

Institution of  
proceedings

**534.** Proceedings taken under this Act are instituted by the Attorney General or by a person generally or specially authorized by him in writing for that purpose.

## TITLE VIII

### MISCELLANEOUS PROVISIONS

Custody of  
registers

**535.** The Inspector General has the custody of all registers and records required for the administration of this Act.

Registration  
of  
documents

**536.** The Inspector General shall register all documents which must be registered under this Act by depositing them in a register together with a certificate establishing, under his signature, that it is an authentic document, the date of registration and the numbers of the volume and folio of the register in which that document is deposited.

Examination  
of  
registers

**537.** The Inspector General shall preserve and keep open for examination by the public, during office hours, the registers used for registration purposes under this Act.

Copies of  
documents

**538.** The Inspector General shall furnish and deliver copies of the documents he registers pursuant to this Act and of the certificate of their registration and issue, under his signature, attestations relating to those objects to all persons requiring them.

Authentic  
documents

**539.** The certificates issued by the Inspector General, the duplicates of articles attached thereto and all documents issued by the Inspector General under this Act shall be held as authentic.

**Signature** The signature of the Inspector General on copies of documents, registers and records is proof of the fact that these documents exist and are lawfully in his possession.

**Validity of copy** Any copy signed by the Inspector General is equivalent to the original itself in any court of justice, and any document or copy purporting to bear his signature is deemed to do so until proof of the contrary.

**Authentic copy** Every copy of the registration made at full length of articles and other documents which must be registered under this Act, duly certified by the Inspector General, is deemed authentic and is evidence of their registration, and has the same effect as the production in court of the articles or documents.

**Correction of certificate** **540.** The Inspector General may correct an incomplete certificate or a certificate containing an error.

**Date of issue of certificate** The completed or corrected certificate is deemed to have been issued on the date shown on the certificate that it replaces or on the date that should have been shown on it, where such is the case.

**Amendment** **541.** If a completed or corrected certificate materially amends the incomplete certificate or the certificate containing an error, the Inspector General shall give notice thereof in the *Gazette officielle du Québec*.

**Production of original** **542.** It shall not be necessary in any proceedings to produce the original of any book, document, order or register in the possession of the Inspector General; a copy or extract certified true by him shall be sufficient proof of the original.

**Production of affidavit** **543.** The production of the affidavit of a member of the staff of the Inspector General makes proof before the court of the signature and quality of the signatory.

**Intervention in civil action** **544.** The Inspector General may, of his own motion and without notice, intervene in any civil action concerning a provision of this Act or a government regulation thereunder to take part in the proof or hearing as if he were a party.

**Expenses** **545.** The expenses incurred for the administration of this Act, determined each year by the Government, shall be charged to the unaffiliated credit unions and to the federations.

**Exigible amount from unaffiliated credit unions** **546.** The amount exigible from each unaffiliated credit union shall correspond to the sum of the following amounts:

(1) a minimum amount fixed each year by the Government for each credit union;

(2) an amount corresponding to the product obtained by multiplying the sum of the average assets of all the credit unions at the end of the preceding year by the fraction corresponding to the average assets of the credit union at the end of the same year over the said sum.

Exigible  
amount from  
federations

**547.** The amount exigible from each federation shall correspond to the sum of the following amounts:

(1) a minimum amount fixed each year by the Government for each credit union affiliated with the federation;

(2) an amount corresponding to the product obtained by multiplying the sum of the average assets of all the credit unions at the end of the preceding year by the fraction corresponding to the sum of the average assets of all the credit unions affiliated with the federation at the end of the same year over the sum of the average assets of all the credit unions at the end of the same year.

Average  
assets

**548.** For the purposes of sections 546 and 547, the average assets are considered equal to the amount represented by the sum of the assets at the beginning and at the end of the preceding year, divided by two.

Reports and  
information

**549.** To determine the amount exigible for the purposes of this Act, the unaffiliated credit unions and the federations must furnish to the Inspector General such report or information as the latter may require.

Payment

**550.** Every credit union affiliated with a federation must, at the request of the federation, pay to it an amount calculated in accordance with section 546.

## TITLE IX

### AMENDMENTS

c. A-26,  
s. 25, am.

**551.** Section 25 of the Deposit Insurance Act (R.S.Q., chapter A-26) is amended by replacing the words “make loans” in the last line of subparagraph *a* by the words “extend credit”.

c. A-26,  
s. 42, am.

**552.** Section 42 of the said Act is amended by adding, at the end of the second paragraph, the following sentence: “The Inspector General may, in place of an examination of the affairs of an institution governed by the Savings and Credit Unions Act, transmit to the Régie

a report on inspections or examinations and investigations carried out in accordance with the said Act.”

c. A-26,  
s. 44,  
repealed

**553.** Section 44 of the said Act is repealed.

c. A-32,  
s. 245, am.

**554.** Section 245 of the Act respecting insurance (R.S.Q., chapter A-32) is amended by inserting the words “, permanent shares” before the word “or” in the second line of subparagraph *a* of the first paragraph.

c. C-5,  
repealed

**555.** The Act respecting caisses d’établissement (R.S.Q., chapter C-5) is repealed.

c. C-48,  
s. 29, am.

**556.** Section 29 of the Chartered Accountants Act (R.S.Q., chapter C-48) is amended by replacing the figures “43, 82, 89, 93 and 135” in the first line by the figures “112, 280 to 301, 377 to 380, 383 to 385, 461 to 468 and 492”.

c. C-69.1,  
s. 26, am.

**557.** Section 26 of the Act respecting security fund corporations (R.S.Q., chapter C-69.1) is amended by adding, at the end, the following paragraph:

“(7) provide in the place and stead of a federation guarantees for the purposes of section 12 of the Savings and Credit Unions Act.”

c. C-69.1,  
s. 29,  
replaced

**558.** Section 29 of the said Act is replaced by the following section:

Periodic  
inspection

**“29.** The corporation shall conduct the periodic inspection of the affairs of the credit unions affiliated with it as provided for in the Savings and Credit Unions Act, where the founder federation fails to do so in accordance with the said Act.”

c. F-2.1,  
s. 232.1, am

**559.** Section 232.1 of the Act respecting municipal taxation (R.S.Q., chapter F-2.1) is amended by replacing the figure “77” in the first line by the figure “212”.

c. P-40.1,  
s. 3, am

**560.** Section 3 of the Consumer Protection Act (R.S.Q., chapter P-40.1) is amended by replacing the figure “77” in the second line of the first paragraph by the figure “212”.

c. V-1.1,  
s. 3, am.

**561.** Section 3 of the Securities Act (R.S.Q., chapter V-1.1), amended by section 1 of chapter 41 of the statutes of 1984, is again amended

(1) by replacing the word “share” in the first line of paragraph 4 by the words “qualifying share”;

(2) by inserting, in the second line of paragraph 4 and after the word “federation”, the words “or a confederation”.

c. V-1.1,  
s. 154, am

**562.** Section 154 of the said Act is amended

(1) by replacing the word “or” in the seventh line of paragraph 1 by a comma;

(2) by inserting the words “or a confederation” after the word “federation” in the seventh line of paragraph 1.

c. V-1.1,  
s. 156, am.

**563.** Section 156 of the said Act, amended by section 19 of chapter 40 of the statutes of 1987, is again amended

(1) by replacing the word “or” by a comma in the first line of paragraph 6;

(2) by inserting after the word “federation” in the first line of paragraph 6 the words “or a confederation”.

1971, c. 80,  
s. 1,  
replaced

**564.** Section 1 of the Act respecting *La Confédération des caisses populaires et d'économie Desjardins du Québec* (1971, chapter 80), amended by section 2 of chapter 90 of the statutes of 1979 and by section 1 of chapter 60 of the statutes of 1980, is replaced by the following section:

Objects

**“1.** In addition to its objects under section 5 of the *Savings and Credit Unions Act* (1988, chapter 64), *La Confédération des caisses populaires et d'économie Desjardins du Québec* shall also pursue the objects of a savings and credit union.

Applicability

Notwithstanding any contrary provision of the *Savings and Credit Unions Act*, paragraphs 1 to 4, 6 and 10 of section 213, sections 240, 242 to 246, 248, 249, 430 and 431 of the said Act, adapted as required, apply to the Confederation, except where incompatible.”

1971, c. 80,  
s. 2, am.

**565.** Section 2 of the said Act, amended by section 1 of chapter 102 of the statutes of 1978 and by section 2 of chapter 60 of the statutes of 1980, is again amended

(1) by inserting the word “auxiliary” after the word “members” in the second line of the first paragraph;

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

Presumption

“These corporations are deemed to belong to the same group as the Confederation, for the purposes of section 8 of the *Savings and*

Credit Unions Act and section 342 of the said Act, adapted as required, applies to these corporations.”

1971, c. 80,  
ss. 3, 4  
and 5,  
repealed

**566.** Sections 3, 4 and 5 of the said Act are repealed.

1971, c. 80,  
s. 7, am.

**567.** Section 7 of the said Act, amended by section 4 of chapter 60 of the statutes of 1980, is again amended by striking out the second sentence of the third paragraph.

1971, c. 80,  
s. 9, am.

**568.** Section 9 of the said Act, amended by section 2 of chapter 102 of the statutes of 1978 and by section 6 of chapter 60 of the statutes of 1980, is again amended

(1) by replacing, in subsection 1, the lines preceding paragraph *a*, by the following:

Holding of  
shares

“**9.**(1) Notwithstanding section 469 of the Savings and Credit Unions Act, the Confederation may hold the shares of the corporations listed in Schedule A. It may, for that purpose:”;

(2) by striking out paragraphs *c*, *d* and *e* of subsection 1;

(3) by replacing the first paragraph of subsection 2 by the following paragraph:

Assignment  
of shares  
or bonds

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

(4) by replacing subsection 3 by the following subsection:

Guarantee of  
financial  
engagements

“(3) Notwithstanding section 263 of the Savings and Credit Unions Act, the Confederation and the member federations, with the authorization of the Confederation, may guarantee the financial engagements of the corporations listed in Schedule A and in Schedule B.”

1971, c. 80,  
s. 9b,  
repealed

**569.** Section 9b of the said Act, enacted by section 2 of chapter 78 of the statutes of 1975 and amended by section 7 of chapter 60 of the statutes of 1980, is repealed.

1971, c. 80,  
s. 9c,  
repealed

**570.** Section 9c of the said Act, enacted by section 2 of chapter 78 of the statutes of 1975, is repealed.

1971, c. 80,  
s. 9d,  
replaced

**571.** Section 9d of the said Act, enacted by section 1 of chapter 46 of the statutes of 1979, is replaced by the following section:

Acquisition  
of  
securities

**“9d.** Notwithstanding section 469 of the Savings and Credit Unions Act, the confederation may acquire and hold securities or qualifying shares permitting it to adhere to a credit card network, a debit or payment card network and an electronic fund-transfer network.”

1971, c. 80,  
s. 20, am.

**572.** Section 20 of the said Act, amended by section 16 of chapter 60 of the statutes of 1980, is again amended by adding, at the end, the words “, subject to the Savings and Credit Unions Act”.

1971, c. 80,  
s. 21, am.

**573.** Section 21 of the said Act, amended by section 17 of chapter 60 of the statutes of 1980, is again amended by replacing the second paragraph by the following paragraph:

Percentage

“Such percentage must include the investments contemplated by paragraph 3 of section 408 of the Savings and Credit Unions Act.”

1971, c. 80,  
s. 35,  
repealed

**574.** Section 35 of the said Act, enacted by section 2 of chapter 46 of the statutes of 1979, is repealed.

1971, c. 80,  
s. 43, am.

**575.** Section 43 of the said Act, enacted by section 2 of chapter 46 of the statutes of 1979, is amended by striking out the words “for such purposes, they may hypothecate their immoveables and mortgage and pledge their moveable property”.

## TITLE X

### TRANSITIONAL AND FINAL PROVISIONS

Applications  
for incorpo-  
ration and  
amalgama-  
tion

**576.** The Savings and Credit Unions Act (R.S.Q., chapter C-4) in force on (*insert here the date of the day preceding the day of coming into force of this section*) applies to the applications for the incorporation and amalgamation of credit unions, federations and confederations filed, until that date, with the Minister responsible for the administration of the said Act.

Declarations  
of foundation

**577.** Declarations of foundation and deeds of agreement for the amalgamation of credit unions, federations and confederations that have been approved by the Minister responsible before (*insert here the date of coming into force of this section*) are deemed to be the articles of such credit unions, federations and confederations for the purposes of this Act and of section 576.



Certificate of  
incorporation

**578.** A credit union or a federation of credit unions, incorporated under the Savings and Credit Unions Act (R.S.Q., chapter C-4), may request from the Inspector General, upon payment of the fees exigible under Government regulation, that a certificate attesting its incorporation be made.

Continuance  
in office

**579.** A director of a credit union, federation or confederation, elected in accordance with the provisions of the Savings and Credit Unions Act (R.S.Q., chapter C-4), in office at the time of the coming into force of the provisions of this Act which pertain to the capacity of a director and which would apply to him, shall remain in office until the expiration of his term.

Continuance  
in office

The same applies to a member of a credit committee or of a board of supervision elected in accordance with the provisions of the Savings and Credit Unions Act (R.S.Q., chapter C-4), in office at the time of the coming into force of the provisions of this Act which pertain to the capacity of such members and which would apply to him.

Application  
of  
ss. 244-246

**580.** Sections 244, 245 and 246 shall apply only with regard to accounts which become inactive accounts within the meaning of section 243 on 23 December 1995.

Issue of  
shares

**581.** Shares (parts sociales) issued by a credit union, federation or confederation, other than qualifying shares, remain shares to which the provisions of the Savings and Credit Unions Act (R.S.Q., chapter C-4) that pertain to their repayment and to the payment of interest on the amounts paid for these shares shall apply. Interest which has been determined on these shares before (*insert here the date of coming into force of this section*) shall remain payable.

Conversion

However, a federation may, by by-law, convert such shares into preferred shares which, as such, are subject to the provisions of this Act.

Time limit  
for com-  
plying  
with Act

**582.** Where credit or loans inconsistent with this Act has been extended or have been granted by a credit union or federation prior to (*insert here the date of coming into force of this section*), the credit union shall have two years from that date to comply.

Time limit

Where, on (*insert here the date of coming into force of section 408 of this Act*), a federation holds units, shares, bonds or debentures referred to in paragraph 2 of section 408 in a proportion exceeding the percentage prescribed therein, the federation shall have two years from that date to comply with the prescribed percentage.

- Time limit**      However, an unaffiliated credit union or a federation which, on *(insert here the date of coming into force of this section)*, holds shares which, by virtue of the second paragraph of section 260 and section 403, it would not be authorized to acquire or hold shall dispose of such shares within five years from that date. The period shall be extended to 10 years in the case of shares of the corporation mentioned in Schedule B to the Act respecting La Confédération des caisses populaires et d'économie Desjardins du Québec that are held by a federation.
- Extension**      The Inspector General may grant extensions on the conditions he determines.
- Level of capital base**      **583.** An unaffiliated credit union or a federation whose capital base is not at least equal to the level prescribed by this Act on *(insert here the date of coming into force of this section)* shall have two years from that date to comply.
- Extension**      The Inspector General may grant an extension on the conditions he determines.
- Exemption**      **584.** The Inspector General may for the first fiscal year ending after *(insert here the date of coming into force of this section)* exempt a credit union, federation or confederation, on the conditions he determines, from compliance with all or some of the provisions of sections 303 and 438.
- List of investments**      **585.** A federation affiliated with a confederation must, before *(insert here the date occurring three months after the date of coming into force of this section)*, provide the confederation with a list of its own investments in shares, indicating the percentages of voting rights attached to these shares.
- List of investments**      A federation unaffiliated with a confederation and a confederation must, within six months following *(insert here the date of coming into force of this section)*, transmit to the Inspector General a list of their own investments in shares and those of the legal persons belonging to the same group. This list must indicate the percentages of voting rights attached to these shares.
- Duties of federation**      **586.** A federation shall, in the year following the adoption of the by-laws of the confederation with which it is affiliated, where that is the case, or following approval by the Government of a by-law providing for the establishment of its liquidity fund, deposit fund and investment fund:

(1) establish, in conjunction with the confederation with which it is affiliated, where such is the case, a plan for allotting its assets to each of these funds;

(2) carry out, after approval of the allotment plan by the Inspector General and within the time he determines, the allotting of its shares in accordance with the plan and the by-laws which are applicable.

No by-law referred to in the first paragraph may come into force before one year from the date of its adoption or, as the case may be, its approval.

**587.** In any Act, or statutory instrument, or in any contract or other document, unless the context indicates otherwise

(1) a reference to the Savings and Credit Unions Act or to any of its provisions is a reference to this Act or to the corresponding provision of this Act;

(2) the expression "federation within the meaning of the Savings and Credit Unions Act" means "a federation and a confederation" within the meaning of this Act;

(3) the expression "bodies governed by the Savings and Credit Unions Act" means "a credit union, a federation and a confederation" governed by this Act;

(4) the expression "legal person who is not governed by the Savings and Credit Unions Act" includes a holding company referred to in section 469.

However, a reference to the Savings and Credit Unions Act or to any of its provisions in the Act respecting the caisses d'entraide économique (R.S.Q., chapter C-3), the Act respecting certain caisses d'entraide économique (R.S.Q., chapter C-3.1), the Act respecting the sociétés d'entraide économique (R.S.Q., chapter S-25.1), the Cooperative Syndicates Act (R.S.Q., chapter S-38) and Division III of the Act respecting La Confédération des caisses populaires et d'économie Desjardins du Québec (1971, chapter 80) remains a reference to the Savings and Credit Unions Act (R.S.Q., chapter C-4) or to one of its provisions.

**588.** The Minister shall, on or before (*insert here the date of the day occurring five years after the date of coming into force of this section*), make a report to the Government on the implementation of this Act and subsequently, every five years, on the advisability of keeping it in force or of amending it, as the case may be.

**Tabling**            The report shall be tabled before the National Assembly within the ensuing 15 days if it is sitting, or if not, it shall be filed with the President of the National Assembly.

**Sums required**        **589.** The sums required for the carrying out of this Act shall be taken, for the financial year (*insert here the two years covered by the financial year in which this section comes into force*) and to the extent that the Government determines, out of the consolidated revenue fund.

**Inspector General**      **590.** The Inspector General of Financial Institutions is responsible for the carrying out of this Act.

**Minister responsible**    **591.** The Government shall designate the minister responsible for the administration of this Act.

**c. C-4, replaced**        **592.** The Savings and Credit Unions Act (R.S.Q., chapter C-4) is replaced by this Act, to the extent indicated by the orders made pursuant to section 593, except for the purposes of the Act respecting the caisses d'entraide économique (R.S.Q., chapter C-3), the Act respecting certain caisses d'entraide économique (R.S.Q., chapter C-3.1), the Act respecting the sociétés d'entraide économique (R.S.Q., chapter S-25.1) and Division III of the Act respecting La Confédération des caisses populaires et d'économie Desjardins du Québec (1971, chapter 80).

**Coming into force**      **593.** The provisions of this Act come into force on the date or dates fixed by the Government, except those of section 345, of the second paragraph of section 448 and of section 573 which will come into force on 23 December 1990.

**Government order**      Every order made under this section shall indicate which provisions of the Savings and Credit Unions Act (R.S.Q., chapter C-4) are replaced by the provisions of this Act which are put into force by the order.

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