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# NATIONAL ASSEMBLY

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FIRST SESSION

THIRTY-SIXTH LEGISLATURE

**Bill 126**

(2000, chapter 29)

**An Act respecting financial services  
cooperatives**

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**Introduced 10 May 2000**  
**Passage in principle 1 June 2000**  
**Passage 16 June 2000**  
**Assented to 16 June 2000**

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## EXPLANATORY NOTES

*This bill provides for the constitution of financial services cooperatives, which are legal persons consisting of members who associate to form a deposit and financial services institution. The bill also provides for the constitution of networks consisting of a federation and its member credit unions, and gives the federation the power to define standards applicable to the member credit unions to provide for the self-regulation of the network.*

*The bill introduces rules concerning the organization and operation of financial services cooperatives and defines the mission and powers of credit unions and of the federation, specifying, in particular, that they will be able to offer financial products and services to their members and, as an ancillary activity, to any other person or partnership.*

*The bill prescribes the rules governing the allocation of surplus earnings in the form of dividends by a financial services cooperative. It also sets out the standards relating to the capitalization of a financial services cooperative, in particular the requirement to maintain an adequate capital base. The bill introduces provisions relating to capital shares to simplify their issue, and a framework for the power to make investments.*

*The bill contains measures to ensure that financial services cooperatives adhere to sound and prudent management practices, and the Inspector General of Financial Institutions is given the power to issue guidelines and written instructions. The bill establishes the rules on ethics, audits and risk management that are applicable to a financial services cooperative.*

*In addition, the bill provides for the amalgamation of La Confédération des caisses populaires et d'économie Desjardins du Québec and various federations, and contains specific provisions applicable to the Fédération des caisses d'économie Desjardins du Québec.*

*Lastly, the bill contains penal, consequential and transitional provisions.*

**LEGISLATION REPLACED BY THIS BILL :**

- Savings and Credit Unions Act (R.S.Q., chapter C-4.1).

**LEGISLATION AMENDED BY THIS BILL :**

- Act respecting industrial accidents and occupational diseases (R.S.Q., chapter A-3.001);
- Act respecting the Cree Regional Authority (R.S.Q., chapter A-6.1);
- Act respecting assistance for tourist development (R.S.Q., chapter A-13.1);
- Deposit Insurance Act (R.S.Q., chapter A-26);
- Crop Insurance Act (R.S.Q., chapter A-30);
- Act respecting farm income stabilization insurance (R.S.Q., chapter A-31);
- Act respecting insurance (R.S.Q., chapter A-32);
- Cities and Towns Act (R.S.Q., chapter C-19);
- Municipal Code of Québec (R.S.Q., chapter C-27.1);
- Cooperatives Act (R.S.Q., chapter C-67.2);
- Maritime Fisheries Credit Act (R.S.Q., chapter C-76);
- Forestry Credit Act (R.S.Q., chapter C-78);
- Act to promote forest credit by private institutions (R.S.Q., chapter C-78.1);
- Public Curator Act (R.S.Q., chapter C-81);
- Act respecting the distribution of financial products and services (R.S.Q., chapter D-9.2);
- Act respecting elections and referendums in municipalities (R.S.Q., chapter E-2.2);
- Election Act (R.S.Q., chapter E-3.3);

- Pay Equity Act (R.S.Q., chapter E-12.001);
- Act respecting fabriques (R.S.Q., chapter F-1);
- Act respecting municipal taxation (R.S.Q., chapter F-2.1);
- Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (R.S.Q., chapter F-3.1.2);
- Family Housing Act (R.S.Q., chapter H-1);
- Taxation Act (R.S.Q., chapter I-3);
- Act respecting the disclosure of the compensation received by the executive officers of certain legal persons (R.S.Q., chapter I-8.01);
- Act respecting the Institut de la statistique du Québec (R.S.Q., chapter I-13.011);
- Education Act for Cree, Inuit and Naskapi Native Persons (R.S.Q., chapter I-14);
- Act respecting the protection of personal information in the private sector (R.S.Q., chapter P-39.1);
- Consumer Protection Act (R.S.Q., chapter P-40.1);
- Act respecting the collection of certain debts (R.S.Q., chapter R-2.2);
- Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5);
- Act respecting the Régie de l'énergie (R.S.Q., chapter R-6.01);
- Act respecting the Government and Public Employees Retirement Plan (R.S.Q., chapter R-10);
- Act respecting the Naskapi Development Corporation (R.S.Q., chapter S-10.1);
- Act respecting the Société immobilière du Québec (R.S.Q., chapter S-17.1);
- Act respecting the Makivik Corporation (R.S.Q., chapter S-18.1);

- Securities Act (R.S.Q., chapter V-1.1);
- Act respecting Northern villages and the Kativik Regional Government (R.S.Q., chapter V-6.1).

**LEGISLATION REPEALED BY THIS BILL :**

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



## **Bill 126**

### **AN ACT RESPECTING FINANCIAL SERVICES COOPERATIVES**

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS :

#### **CHAPTER I**

##### **INTERPRETATION AND MISSION**

1. Credit unions and federations of credit unions are financial services cooperatives.

A financial services cooperative is a legal person in which persons having economic and social needs in common unite to form a deposit and financial services institution whose objects and rules of cooperative action are set out in this chapter.

2. A federation and the credit unions that are members of the federation form a network of financial services cooperatives.

The provisions of this Act imposing a requirement to comply with a by-law or standard of a federation do not apply to a credit union that is not a member of a federation.

3. A federation and its member credit unions, together with the security fund established at the request of the federation and any other legal person or partnership controlled by one of the credit unions or by the federation, form a group.

4. Credit unions operate 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;
- (3) no member may vote by proxy;
- (4) a general reserve must be set up;
- (5) surplus earnings are allocated in accordance with this Act.

5. The mission of a financial services cooperative is

- (1) to receive deposits from its members and invest them for profit;
- (2) to extend, according to law, credit and supply other financial products and services to its members and, as an ancillary activity, to any other person or partnership, for the benefit of its members;
- (3) to promote cooperation between its members, between the members and the cooperative, and between the cooperative and other cooperative bodies;
- (4) to promote education in the economic, social and cooperative sectors.

The mission of a cooperative that is a credit union is also to support community development.

6. The mission of a financial services cooperative that is a federation is, in addition,

- (1) to protect the interests of credit unions, foster the fulfilment of their mission and promote their development;
- (2) to act as a control and supervisory body over credit unions and over partnerships and legal persons controlled by credit unions, to the extent provided for in this Act;
- (3) to provide services to credit unions, credit union members, group members and, as an ancillary activity, to any other person or partnership;
- (4) to see to the orderly development of the network while preserving the common characteristic shared by the members of a credit union, whether the common characteristic is determined on the basis of such a criterion as territory, employment or occupation;
- (5) to define common objectives for the group and to coordinate its activities.

## **CHAPTER II**

### **CONSTITUTION**

#### **DIVISION I**

##### **ARTICLES**

7. A minimum of 12 founders is required for the establishment of a financial services cooperative.

8. Any natural person may be a founder of a credit union, except



(1) a minor;

(2) a person of full age under protective supervision or a person totally or partially deprived of the exercise of civil rights;

(3) a person convicted, in the past five years, of an offence or an indictable offence involving fraud or dishonesty, unless the person has obtained a pardon;

(4) a person who does not meet the conditions relating to common characteristic set out in the articles of the credit union in accordance with the second paragraph of section 10.

9. To become a founder of a federation, a credit union must be so authorized in a resolution of its board of directors, which must contain the name of the representative of the credit union for the purposes of the establishment 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.

10. The articles of a financial services cooperative shall set out

(1) its name;

(2) the judicial district in which its head office in Québec is situated;

(3) the name and address of each founder;

(4) the name of the federation of which it will be a member;

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

The articles may indicate, in accordance with the standards of the federation, the common characteristic shared by the members, other than auxiliary members, that may be recruited by the cooperative. The common characteristic may be determined on the basis of one or more criteria applicable to the members, and in particular on the basis of territory, employment status or occupation.

The articles may also contain any other provision that may be adopted, under this Act, by a financial services cooperative by by-law.

11. The articles of the financial services cooperative, signed by each founder, shall be transmitted in duplicate to the Inspector General of Financial Institutions.

12. The articles of the financial services cooperative must be accompanied with

(1) an application, signed by two founders, requesting the Minister to authorize the constitution of the financial services cooperative together with, in the case of a federation, a certified copy of the resolution of each of the founding credit unions;

(2) a notice of the name and address of the person designated as the provisional secretary;

(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 of the federation which has undertaken to admit the credit union as a member;

(6) a certified copy of the resolution of the federation stating that it has given its consent to the use of the proposed name, in accordance with section 19;

(7) the documents constituting the guarantees referred to in section 187, 188 or 189;

(8) the budgeted statements of the assets, liabilities and results for the first year of operation of the cooperative;

(9) a report assessing the needs to be met by the establishment of a financial services cooperative.

13. The Inspector General may require such additional documents or information as the Inspector General indicates for the examination of the application.

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

15. The Minister may, if the Minister considers it advisable and after obtaining the advice of the Inspector General, authorize the Inspector General to establish the financial services cooperative.

For that purpose, the Inspector General shall

(1) endorse on each duplicate of the articles the words “credit union established” or “federation established”;

(2) prepare in duplicate a certificate attesting the constitution of the financial services cooperative and stating the date of establishment;

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

(4) deposit in the register instituted under the Act respecting the legal publicity of sole proprietorships, partnerships and legal persons (R.S.Q., chapter P-45), a duplicate of the certificate and of the articles and a duplicate of the documents referred to in paragraphs 2 and 4 of section 12;

(5) send the other duplicate of the certificate and of the articles to the financial services cooperative;

(6) send a certified copy of the certificate and of the articles to the federation which has undertaken to admit a credit union as a member.

16. The financial services cooperative is established on the date appearing on the certificate, which may be subsequent to the date on which the certificate is issued.

17. The name of a financial services cooperative shall not

(1) contravene the Charter of the French language (R.S.Q., chapter C-11);

(2) include an expression which the law or the regulations reserve for another person or prohibit financial services cooperatives from using;

(3) include an expression that evokes an immoral, obscene or offensive notion;

(4) incorrectly indicate the juridical form of the financial services cooperative or fail to indicate such form where so required by law;

(5) falsely suggest that the financial services cooperative is a non-profit group;

(6) falsely suggest that the financial services cooperative is, or is related to, a public authority determined by regulation of the Government;

(7) falsely suggest that the financial services cooperative is related to another person, partnership or group, in particular having regard to the cases and criteria determined by regulation of the Government;

(8) lead to confusion with a name used by another person, partnership or group in Québec, in particular having regard to the criteria determined by regulation of the Government; or

(9) be misleading, in any manner, for third persons.

The name of a financial services cooperative shall not contain the term “association” or “partnership”.

18. The name of a financial services cooperative shall contain one or a combination of the following expressions: “caisse”, “caisse populaire”, “caisse

de financement”, “caisse d’épargne”, “caisse d’économie”, “caisse de crédit”, “credit union”, “savings union” and “financial services cooperative”.

The name of a federation must include the word “federation”.

A credit union whose members share a common characteristic determined on the basis of territory cannot include the expression “caisse d’économie”.

In no case may a person or partnership other than a financial services cooperative governed by this Act include in the name or use in the activities of the person or partnership any expression or combination of expressions mentioned in the first paragraph. The same applies to the English version of a name with respect to the expressions “credit union” and “savings union”. A legal person or partnership may, however, include the words “credit union” or “caisse” in its name.

19. The name of a credit union may not include a word or expression determined by regulation of the Government unless the federation referred to in the regulation that has undertaken to admit the credit union as a member has consented to the use of that name.

20. The Inspector General shall refuse to deposit articles in the register if they contain a name that is not consistent with subparagraphs 1 to 6 of the first paragraph, the second paragraph of section 17 or sections 18 and 19.

21. Every credit union whose name contains one of the expressions mentioned in a regulation made under section 19 and which ceases to be a member of the federation that authorized it to use its name must, within 60 days from the date on which it ceases to be a member, submit articles of replacement or amendment to the Inspector General for the purpose of changing its name.

22. The Inspector General may assign another name to a credit union which ceases to be a member of a federation that authorized it to use its name if, 60 days after the date on which it ceased to be a member of the federation, it has failed to submit articles of replacement or amendment for the purpose of changing its name.

23. Any interested party may, on payment of the fee prescribed by regulation, apply to the Inspector General for the issue of an order directing a financial services cooperative to change its name if it is inconsistent with any provision of this Act.

24. Before issuing an order under section 23, the Inspector General shall give all interested parties an opportunity to present observations.

25. The decision of the Inspector General must be in writing and signed, must give reasons and shall be deposited in the register. A duplicate of the decision shall be sent without delay to each party.

The decision is executory on the expiry of the time for appeal provided for in section 123.146 of the Companies Act (R.S.Q., chapter C-38).

Any person who feels aggrieved by a decision of the Inspector General may bring an appeal in accordance with sections 123.145 to 123.157 of the Companies Act.

26. The Inspector General may change the name of the financial services cooperative if the financial services cooperative fails to comply with the order, or on the grounds that the name of the financial services cooperative is inconsistent with any of subparagraphs 1 to 6 of the first paragraph and the second paragraph of section 17 or with section 18 or 19.

27. When assigning a name to a financial services cooperative, the Inspector General shall issue, in duplicate, a certificate attesting the change of name, deposit one duplicate in the register and send the other duplicate to the cooperative.

The Inspector General shall, in the case of a credit union, send a certified copy to the federation.

The change of name becomes effective on the date appearing on the certificate.

28. A financial services cooperative must identify itself under its own name.

The name of a financial services cooperative must be indicated legibly on all its instruments, contracts, invoices and goods or services purchase orders.

Subject to the second paragraph, a cooperative may identify itself under other names. However, a credit union that is a member of a federation must first obtain the authorization of the federation.

29. No change of name shall affect the rights and obligations of a financial services cooperative, and proceedings pending by or against the financial services cooperative may be continued under its new name without continuance of suit.

30. The head office of a financial services cooperative must be located in the judicial district specified in its articles.

31. A financial services cooperative 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.

The cooperative must give notice of the change, within 10 days of the passing of the resolution, by filing a declaration to that effect in accordance with the Act respecting the legal publicity of sole proprietorships, partnerships and legal persons.

32. A financial services cooperative may transfer its head office to another judicial district provided its articles are amended accordingly.

A notice of the change of address of the head office of a financial services cooperative must accompany any amendment to the articles providing for the transfer.

## **DIVISION II**

### **ORGANIZATION MEETING**

33. The founders shall hold an organization meeting in the year following the date of constitution of the financial services cooperative.

34. 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.

35. Every natural person who transmitted an application for membership to the provisional secretary before the notice calling the meeting was sent and who is accepted at the beginning of the meeting by the founders named in the articles is deemed to be a founder of the credit union for the purposes of the meeting.

36. At the meeting, the founders of a financial services cooperative must

- (1) adopt internal management by-laws ;
- (2) subscribe for the number of qualifying shares prescribed by by-law of the financial services cooperative or, in the absence of such a by-law, one qualifying share ;
- (3) elect the members of the board of directors and, where applicable, the members of the board of audit and ethics or of the board of ethics ;
- (4) appoint an auditor, where this Act so requires ;
- (5) adopt the standards referred to in sections 369 and 371.

The founders of a financial services cooperative may, in addition, adopt any other by-law or take any other measure concerning its affairs.

The founders of a credit union must pass a resolution to ratify the membership of the credit union in the federation that has undertaken to admit it as a member.

37. Within 30 days after the meeting, the financial services cooperative shall transmit to the Inspector General

- (1) a list containing the name and address of each member of the board of directors and of the board of audit and ethics or the board of ethics, as the case may be;
- (2) a notice defining the fiscal year of the financial services cooperative;
- (3) a certified copy of the resolution of the meeting of the founders of the credit union ratifying the membership of the credit union in the federation that has undertaken to admit it as a member;
- (4) a notice stating the name of the auditor appointed by the assembly.

### **DIVISION III**

#### **REPLACEMENT AND AMENDMENT OF ARTICLES**

38. Articles of replacement or amendment for a financial services cooperative cannot be authorized except by a by-law of the cooperative.

The by-law must designate the person authorized to sign the request and must be submitted for approval to the federation, unless the object of the by-law is to terminate the membership of a credit union in a federation.

39. The financial services cooperative shall transmit the articles of amendment or replacement to the Inspector General in duplicate.

40. The articles of amendment or replacement must be accompanied with

- (1) an application for the amendment or replacement of the articles signed by the person authorized for that purpose;
- (2) a certified copy of the financial services cooperative's by-law approving the amendment to or replacement of the articles;
- (3) a certified copy of the resolution of the federation approving the amendment to or replacement of the articles of a credit union.

41. Where the object of the articles of amendment or replacement is to change the name of a credit union that includes one of the expressions mentioned in a regulation made under section 19, the articles must be accompanied with a certified copy of the resolution of the federation which states its consent to the use of the proposed name.

42. The Inspector General may require such additional document or information as the Inspector General indicates for the examination of the request.

43. Upon receipt of the articles of amendment or replacement and the accompanying documents, the fees prescribed by regulation of the Government

and any additional document or information required by the Inspector General, the Inspector General may amend or replace the articles if the Inspector General considers it advisable.

For that purpose, the Inspector General, in addition to the procedure set out in subparagraphs 3 to 6 of the second paragraph of section 15, shall endorse the words “articles of amendment” on each copy of the articles of amendment or “articles of replacement” on each copy of the articles of replacement. The Inspector General shall prepare a certificate, in duplicate, attesting the amendment or replacement and stating its date of effect, which may be subsequent to the date on which the certificate is made.

### **CHAPTER III**

#### **SHARE CAPITAL**

##### **DIVISION I**

##### **GENERAL PROVISIONS**

44. The share capital of a financial services cooperative consists of qualifying shares. It may include other classes of shares, where the by-laws of the cooperative so allow.

45. The shares shall be in registered form and may be issued only to members.

46. Notwithstanding section 45, shares other than qualifying shares may be issued

(1) to a fund established by by-law of the cooperative for the purpose of holding shares for the benefit of its members;

(2) to a security fund belonging to the group;

(3) to a legal person referred to in section 480.

47. Shares may be paid for in full or in instalments, in accordance with the terms and conditions and in the cases determined by a resolution of the board of directors of the financial services cooperative.

A credit union must submit such a resolution to the federation for approval.

48. Shares must be paid for in cash, except shares issued

(1) as a dividend;

(2) on the redemption or conversion of other shares;

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



49. The financial services cooperative shall attest the issue of shares by issuing a certificate or making an entry in a computerized register established by by-law.

The certificate or register shall indicate, where applicable, the par value of the shares, the rights, preferences and restrictions attached to them and any special condition applicable to the redemption, repurchase, conversion or transfer of the shares.

The registration of a share in a book based system constitutes proof of ownership of the share.

## **DIVISION II**

### **QUALIFYING SHARES**

50. The price of qualifying shares is determined by by-law of the financial services cooperative or, if the cooperative is a credit union that is a member of a federation, by by-law of the federation.

51. No interest may be paid on qualifying shares.

52. 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.

53. No federation may redeem the qualifying shares it has issued except where a credit union withdraws or is expelled from the federation, where credit unions amalgamate or where the credit union or federation is wound up, becomes insolvent or is dissolved.

## **DIVISION III**

### **CAPITAL SHARES AND INVESTMENT SHARES**

54. In this division, unless otherwise indicated by context,

(1) “capital share” means a share on which interest is payable at the discretion of the financial services cooperative;

(2) “investment share” means a share on which such interest as is determined by the board of directors is payable.

55. Where authorized by its by-laws, a financial services cooperative may issue capital shares and investment shares. The cooperative shall determine, by by-law, the rights, preferences, conditions and restrictions attaching to each class of shares.

The value and number of capital or investment shares issued to auxiliary members may not exceed the value and number that may be determined by regulation of the Government.

56. The board of directors of a financial services cooperative shall state, by resolution, for each series in a class of shares, the designation and number of capital shares or investment shares the cooperative is authorized to issue, the amount of the issue, the par value of each share, the rights, preferences and restrictions attached to each share and any special condition applicable to any purchase at the option of the cooperative and the holder, redemption, repurchase, conversion or transfer of the share.

The resolution may specify that a share may be purchased by agreement or redeemed, at the option of the cooperative or on the dates set out in the resolution, or that a share may be repurchased at the option of the holder or on the dates set out in the resolution.

A resolution adopted under the first paragraph by a credit union must be approved by the federation.

57. The rights, preferences, conditions and restrictions attached to a series of shares may not, as regards repurchase, result in preferential treatment with respect to any previously issued series of capital shares and investment shares.

58. The interest payable on capital shares and investment shares issued by a credit union may not exceed the maximum rate of interest determined by by-law by the federation.

59. The capital shares and investment shares of a financial services cooperative may be transferred between members. In the case of a credit union, the shares may also be transferred between the members of the credit union and the federation.

The capital or investment shares may also be transferred to third persons if they have been given as security by a member.

Shares transferred to the federation or to third persons may be re-transferred only to the members of the financial services cooperative. In addition, the shares transferred to the federation may be re-transferred to the fund referred to in paragraph 1 of section 46.

60. No capital share or investment share shall entitle its holder, in the event of the winding-up, insolvency or dissolution of the financial services cooperative, to be reimbursed before the deposits and the other debts of the cooperative have been repaid. However, such shares have priority over qualifying shares.

61. The purchase at the option of the credit union and the holder, repurchase or redemption of the shares issued by a credit union must be consistent with the standards of the federation, or be authorized by the Inspector General where the credit union concerned is not a member of a federation.

The repurchase or redemption of the shares issued by a federation must be authorized by the Inspector General.

62. The general meeting of a financial services cooperative may, at the annual meeting, determine the additional interest payable on capital shares out of its surplus earnings.

During the fiscal year, the board of directors may determine the interest payable on capital shares out of the amounts allocated to the stabilization reserve. The general meeting, at the annual meeting, may also determine the additional interest to be paid on those shares out of the stabilization reserve.

63. The amounts taken out of the surplus earnings of the federation and paid into its stabilization reserve may be allocated by the federation to the payment of interest on the capital shares issued by a credit union.

## **CHAPTER IV**

### **ACTIVITIES AND POWERS**

#### **DIVISION I**

##### **GENERAL PROVISIONS**

64. The activities of a financial services cooperative shall be exercised for the benefit of its members.

65. A financial services cooperative is empowered to pursue its activities outside Québec.

66. A financial services cooperative must apply sound and prudent management practices. In addition, a credit union must comply with the standards adopted by the federation.

67. The Government may authorize a financial services cooperative to carry on any activity that the cooperative is not prohibited by law from carrying on and that the Government considers in the interest of the public and of the members, where the activity is not related to the pursuit of its mission.

The Government may prohibit a cooperative from carrying on an activity relating to the pursuit of its mission but that is not expressly authorized by law.

In exercising its powers under this section, the Government may establish various groups or categories of cooperatives.

68. A financial services cooperative may carry on the activities that a trust company may carry on under the Act respecting trust companies and savings companies (R.S.Q., chapter S-29.01) that are authorized by a government regulation.

The regulation may also prescribe the cases and conditions in which the cooperative may carry on such activities.

69. A financial services cooperative 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 the member or depositor and use it to compensate its claim, except in the case of the redemption of qualifying shares issued by it.

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

71. Persons doing business with a financial services cooperative may presume that

(1) the cooperative is pursuing its mission 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 cooperative are validly holding office and lawfully exercising the powers arising therefrom;

(4) the documents of the cooperative which emanate from an officer are valid and binding.

72. Sections 70 and 71 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 financial services cooperative.

73. For the purposes of the communication among themselves and the use of information concerning a partnership or a legal person that pertains to the supply of goods or services, except personal information, the credit unions and the federation forming a network and La Caisse centrale Desjardins du Québec, where the federation and the credit unions are members thereof, are not considered to be third persons in relation to each other.

For the purposes of the mutual communication and use of information concerning a partnership or a legal person, except personal information, that pertains to the management of financial risk, credit unions, the federation of which they are members and the other members of the group are not considered to be third persons in relation to each other.

**DIVISION II****DEPOSITS, CREDIT AND SECURITY**

74. A financial services cooperative may, without the authorization or intervention of any other person, receive deposits of money from a minor or from a person who does not have the legal capacity to contract.

75. Notwithstanding paragraph 1 of section 5, a financial services cooperative may receive deposits from

- (1) a federation or La Caisse centrale Desjardins du Québec;
- (2) another credit union belonging to its network, with the authorization of the federation;
- (3) the Government of Québec, the Government of Canada, a municipality or a school board in Québec, and their mandataries;
- (4) any depositor designated by regulation by the Government.

76. A financial services cooperative is not bound to take account of the fact that a deposit is subject to a trust.

77. In this Act, credit includes all forms of financing or suretyship.

78. Notwithstanding paragraph 2 of section 5, the extending of credit to the Government of Québec, the Government of Canada, a municipality, a school board in Québec or one of their mandataries may constitute one of the main activities of a financial services cooperative.

79. No credit union may extend credit to another credit union belonging to its network without the authorization of the federation.

80. No financial services cooperative may extend credit on the security of the shares issued by it or by another financial services cooperative belonging to its network.

81. No financial services cooperative may hypothecate property or otherwise give property as security, except

- (1) to secure a loan contracted to meet short term requirements for liquid funds;
- (2) to acquire or improve an immovable intended mainly for its own use, in which case the security shall apply only to that immovable;
- (3) to obtain an advance of money under section 40 of the Deposit Insurance Act (R.S.Q., chapter A-26);

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

(5) to become a member of a securities clearing-house recognized by the Commission des valeurs mobilières du Québec as a self-regulatory organization or of any association the object of which is to organize a clearing and settlement system for instruments of payment or securities transactions, and to provide the necessary guarantees;

(6) to act in the stead of La Caisse centrale Desjardins du Québec, if the latter is in default, on behalf of the members of La Caisse centrale Desjardins du Québec and any other person for the clearing and settlement of instruments of payment or securities transactions;

(7) to secure solidarily the obligations of La Caisse centrale Desjardins du Québec and those of any other person, where La Caisse centrale Desjardins du Québec acts on behalf of its members and any other person for the clearing and settlement of instruments of payment or securities transactions;

(8) for any other purpose authorized by the Inspector General or, in the case of a credit union, by the federation and the Inspector General.

82. Before hypothecating or giving property as security for the purposes set out in section 81, a credit union must obtain the authorization of the federation. A credit union that is not a member of a federation must obtain the authorization of the Inspector General.

Before hypothecating or giving property as security for the purposes set out in paragraphs 5 to 8 of section 81, a federation must obtain the authorization of the Inspector General. Before hypothecating or giving property as security for the purposes set out in paragraphs 1 to 4 of the said section, it must give notice to the Inspector General.

The authorization given by the Inspector General under paragraphs 5 to 8 of the said section may include conditions and restrictions and may apply to a category or group of financial services cooperatives.

83. Notwithstanding sections 81 and 82, a federation may hypothecate or otherwise give property as security to guarantee the obligations of a credit union.

### **DIVISION III**

#### **SURPLUS EARNINGS**

84. The annual surplus earnings of a financial services cooperative shall be allocated to the following purposes:

(1) establishing and maintaining the reserve established under section 87;

- (2) establishing and maintaining the general reserve ;
- (3) paying additional interest on capital shares ;
- (4) establishing and maintaining a stabilization reserve ;
- (5) allotting dividends to members ;

(6) where the cooperative is a credit union, establishing and maintaining a community development fund in accordance with the terms and conditions, if any, established by the credit union.

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

The allocation of the surplus earnings of a credit union must also be consistent with the standards adopted by the federation.

A cooperative may call its surplus earnings “surpluses”.

85. In no case may the general reserve of a financial services cooperative be drawn upon for the payment of dividends, or be shared between the members.

86. The by-laws of the financial services cooperative and the standards of the federation may provide for the allocation of an amount from the surplus earnings to the general reserve, and determine the manner of computing the amount.

87. The portion of the surplus earning representing the increase in value of the investment deposits of a credit union in an investment fund established pursuant to section 414, of the capital shares in relation to an investment fund that are held by a credit union, or of any security determined by by-law of the federation, shall be allocated to a reserve established for that purpose in accordance with the standards of the federation.

The reserve may, in accordance with the standards of the federation, be drawn upon to increase the surplus earnings that the credit union may allocate following

- (1) the cashing of some or all of the investment deposits or capital shares in relation to an investment fund ;
- (2) the realization of any investment.

88. The board of directors of a credit union must pay into the general reserve, out of the stabilization reserve, such sums as are necessary to ensure that the capital base of the credit union meets the standards of the federation or that the capital base of the credit union, if it is not a member of a federation, is sufficient to ensure sound and prudent management. A credit union that is not a member of a federation is required to comply with the relevant government regulations.

89. The board of directors of a credit union must pay out of the community development fund any sum that must be paid into the general reserve to ensure that the capital base of the credit union is in conformity with the provisions of this Act, where the sums allocated to the stabilization reserve are not sufficient to meet the obligations prescribed by section 88.

90. The amounts allocated to the stabilization reserve may, in accordance with the second paragraph of section 62, serve for the payment of interest on capital shares where the amounts are not paid into the general reserve.

91. Dividends may be paid in any form provided for in the by-laws of the financial services cooperative. They may vary, in particular, according to the nature of the transactions made with the cooperative, the nature of the products or services provided to the members, or the amount of the fees paid by the members.

The by-laws may also determine the products and services giving entitlement to dividends and those that give no entitlement thereto.

The allocation and type of dividends paid by a credit union must be in compliance with the standards adopted by the federation.

## **CHAPTER V**

### **OFFICERS AND ETHICS**

#### **DIVISION I**

##### **OFFICERS**

92. The president, the vice-president, the secretary, the other members of the board of directors, the director general and the assistant-secretary of a financial services cooperative are the officers of that cooperative, as is any other person appointed as an officer by the board of directors.

The members of the board of audit and ethics of a credit union are officers of the credit union, and the members of the board of ethics of a federation are officers of the federation.

93. The board of directors of a federation may name the positions of its officers differently.



94. The board of directors may appoint an assistant-secretary to exercise the powers of the secretary whenever the latter is absent or is unable or refuses to act.

95. The board of directors shall appoint a director general for an indefinite term.

96. The director general of a financial services cooperative must resign from that position on becoming the president or vice-president of the cooperative or of its board of directors.

97. The functions of the director general shall be exercised under the direction of the board of directors.

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

98. 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; the director general must, however, withdraw from a meeting when the opportuneness of the director general's presence to debate a given matter is being discussed.

The director general, whether or not a member of the board of directors, must withdraw from a meeting at the request of the board and from any meeting at which the conditions of employment of the director general are being discussed.

99. The members of the board of directors of a financial services cooperative are presumed to be the mandataries of the cooperative.

100. The board of directors shall furnish to the Inspector General the name and address of each of the officers of the financial services cooperative within 30 days following their election or appointment.

101. The powers and duties of the officers shall be determined in a by-law of the financial services cooperative. The officers of a cooperative must, in exercising their functions, act within the limits of the powers conferred on them.

The officers must comply with this Act, the regulations made under this Act by the Government, the articles and by-laws of the financial services cooperative, and the rules of ethics, standards, orders and written instructions issued under this Act, and where the cooperative is a credit union, the by-laws of the federation.

102. Officers must act with prudence and diligence.

They must also act with honesty and fairness in the best interest of the financial services cooperative.

103. An officer of a financial services cooperative is presumed to have acted with prudence and diligence where the officer acted in good faith on the basis of an expert's opinion or report.

104. The mere fact that an investment or credit has been made or extended in compliance with this Act does not release any officer of the financial services cooperative from the obligation to act in accordance with section 102.

105. A financial services cooperative must purchase, according to market conditions, liability insurance for the benefit of an officer of the cooperative or a person acting at its request as a director or officer of a legal person of which the cooperative is a shareholder or creditor, to cover any liability that may be incurred by such persons when acting as such, except liability resulting from a failure to act with honesty and fairness.

106. No officer may communicate information concerning the financial services cooperative or one of its members except to the extent determined by the rules adopted by the board of ethics of the federation or by the board of audit and ethics of the credit union, if it is not a member of a federation.

107. A financial services cooperative shall assume the defence of any officer or any person who has acted in that capacity for the cooperative and who is prosecuted by a third person for an act done in the performance of the officer's or person's duties and shall pay any damage resulting from that act, unless the officer or person has committed a gross negligence or a personal fault separable from the performance of the officer's or person's duties.

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

108. A financial services cooperative shall assume the expenses of an officer or of a person who has acted in that capacity for the cooperative and whom it prosecutes for an act done in the performance of the officer's or person's duties if it loses its case and the court so decides.

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

109. Every financial services cooperative shall assume its obligations under sections 107 and 108 in respect of any person who has acted at its request as a director or officer of a legal person of which it is a shareholder or creditor.

110. The officers of a financial services cooperative who authorize the repurchase or redemption of shares in contravention of this Act are solidarily liable for the payment to the cooperative of any sum disbursed by it for the repurchase or redemption.

111. Officers of a financial services cooperative who authorize an investment or an extension of credit in contravention of this Act, of the regulations or by-laws or of the standards applicable under this Act are solidarily liable for any resulting losses to the cooperative.

112. Any right of action arising from section 110 or 111 is prescribed three years after the date on which the board of audit and ethics, in the case of a credit union, or the board of ethics, in the case of a federation, becomes aware of the alleged act.

113. Any right of action arising from section 110 or 111 may be exercised by

- (1) the financial services cooperative ;
- (2) the federation, if a 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 has neglected to exercise such right after having been formally notified to do so pursuant to subparagraph 2 ;
- (4) the Inspector General, if the credit union is not a member of a federation and has neglected to exercise such right of action after having been formally notified to do so by the Inspector General.

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.

Before exercising a right of action under this section, a federation or the Inspector General must give the cooperative an opportunity to present observations.

114. An officer who is suspended loses the right to be convened to, attend and vote at meetings of the board of which the officer is a member.

The officer also loses, for as long as the suspension is in effect, the right to act in the capacity of officer of the financial services cooperative or of officer of any legal person belonging to the same group.

The suspension of an officer does not affect the date of termination of the officer's term of office.

**DIVISION II****ETHICS**

115. A person is an associate of an officer of a financial services cooperative where that person is

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

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

(3) a legal person controlled by the officer or by the spouse, minor child or minor child of the spouse of the officer, 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.

For the purposes of this section, a child of the spouse means a child cohabiting with the officer.

116. In this Act, “spouse” means a person who

(1) is married to and cohabits with another person;

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

117. Officers must act in the interest of the members and avoid placing themselves in situations where their personal interest, or the interest of their associates, is in conflict with their obligations.

118. Every officer who is in a situation of conflict of interest must, on pain of dismissal, disclose the situation, abstain from voting on any matter concerning the situation and avoid influencing any decision relating thereto. The officer must also withdraw from a meeting while the situation is being discussed or voted on. The disclosure of the situation of conflict of interest must be mentioned in the minutes of the meeting.

119. An officer who is dismissed for having contravened section 118 also ceases to be qualified to sit as a member of a board of directors, a board of audit and ethics of a credit union, or a board of ethics of a federation, for a period of five years from the dismissal.

120. A financial services cooperative may give written instructions to the legal persons and partnerships it controls to ensure that situations of conflict of interest are brought to an end.

For the purposes of the first paragraph, a cooperative may require any relevant information.

The instructions of a cooperative are binding on the persons to whom they are addressed. The cooperative shall send a copy of the instructions to the Inspector General within 10 days of their adoption.

121. A financial services cooperative must, in respect of restricted parties with whom it does business, act in the same manner as when dealing at arm's length.

122. A person is a restricted party with respect to a financial services cooperative where that person is

(1) an officer of the cooperative, and in the case of a credit union, an officer of the federation and any person associated with such an officer;

(2) a legal person or partnership, other than the legal person or partnership belonging to the group, a majority of the directors or officers of which are officers referred to in paragraph 1;

(3) any other person whose interests or dealings with a cooperative might, in the opinion of the Inspector General, influence in that person's favour the investments, credit or transactions that may be made or extended by that cooperative.

123. The Inspector General shall, when designating a person as being a restricted party, notify the person designated and the financial services cooperative concerned of the decision.

The decision may be revised by the Inspector General at the request of the person so designated or of the cooperative concerned.

Before rendering or refusing to revise a decision, the Inspector General must give the person and the cooperative concerned an opportunity to present observations.

124. All contracts and transactions of a credit union with restricted parties must be consistent with the provisions of this Act and with the rules adopted by the board of ethics of the federation or, if the credit union is not a member of a federation, by the board of audit and ethics of the credit union.

All contracts and transactions of a federation with restricted parties must be consistent with the rules adopted by the board of ethics and with the provisions of this Act.

125. Every transaction by a financial services cooperative to acquire securities issued by a restricted party or to transfer assets between them must

be approved by the board of directors of the cooperative after it has obtained the advice of the board of audit and ethics or of the board of ethics.

126. Every service contract between a financial services cooperative and a restricted party must be made on favourable terms for the credit union or at least on competitive terms.

Every such contract must be approved by the board of directors of the cooperative after it has obtained the advice of the board of audit and ethics or the board of ethics, unless it involves only minimal amounts.

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

127. The Inspector General or any person having a sufficient interest may apply to the court for the cancellation of a transaction made with a restricted party in contravention of the provisions of this Act which might seriously prejudice the interests of the financial services cooperative.

128. No financial services cooperative may accept deposits from its employees or from a restricted party on more favourable terms than those applicable in the ordinary course of its business.

129. No financial services cooperative may extend credit to its employees or to a restricted party on more favourable terms than those applicable in the ordinary course of its business.

130. No financial services cooperative may extend credit to any of its officers or to any person who is an associate of any of its officers except to the extent determined by the rules of ethics and in accordance with the credit standards applicable to the cooperative.

No financial services cooperative may extend credit to any of the officers of a legal person belonging to its group except to the extent determined by the rules of ethics and in accordance with the credit standards applicable to the cooperative.

131. The provisions of section 130 do not apply

(1) to credit extended by way of a credit card or involving amounts within the limits usually granted to credit card holders ;

(2) to credit extended to an officer or an associate of an officer where the officer has no authority over the person extending credit on behalf of the financial services cooperative.

**CHAPTER VI****BOOKS, REGISTERS AND AUDITS**

132. A financial services cooperative shall keep a register containing

(1) its articles 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 its meetings ;

(3) the minutes of the meetings of and the resolutions passed by its board of directors, its executive committee and its special committees and its board of audit and ethics or board of ethics ;

(4) a list containing the name of each officer of the cooperative, 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 name and last recorded address of each member or other shareholder of the credit union ;

(6) the number of capital shares and investment shares held by each shareholder ;

(7) the particulars of the subscription of each share ;

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

(9) the management agreements entered into by the credit union and the federation or the security fund belonging to the group ;

(10) the compliance programs of the cooperative ;

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

(12) the written instructions issued under this Act.

133. A financial services cooperative shall, in addition, keep

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

(2) statements of account indicating, on a daily basis and for each depositor, the transactions between the cooperative and that depositor as well as the depositor's credit balance or debit balance.

134. The books, registers and other documents of the financial services cooperative may be kept on any electronic information storage device capable of reproducing information in intelligible written form.

135. A financial services cooperative shall keep its books and registers at its head office or at any other place in Québec, in accordance with the standards of the federation.

Where the books and registers are not kept at the head office of the cooperative, it must send a notice to the Inspector General stating where the books and register are kept.

136. A financial services cooperative must keep every cheque accepted or paid within less than five years and the books, registers and other accounting records dating back less than 10 years, or a copy that is admissible as evidence.

A credit union must comply with the standards of the federation concerning the destruction of cheques, books, registers and other accounting records, and of the copies admissible as evidence. A credit union that is not a member of a federation must comply with the instructions of the Inspector General.

137. Any member may examine during usual business hours, on the premises of a financial services cooperative, the documents described in paragraphs 1, 2, 4 and 8 of section 132.

The member may also obtain copies of the documents described in paragraphs 1, 2, 4 and 8 of the said section. The cooperative may, in the case of the documents described in paragraphs 1, 2 and 4 of the said section, require payment of the cost of reproduction and transmission of such documents.

The cooperative may require a member to declare under oath that the information obtained by the member under this section will be used solely for the exercise of the member's rights under this Act.

138. The Inspector General may use any appropriate means to publicize the list mentioned in paragraph 8 of section 132.

139. A financial services cooperative shall cause its books and accounts to be audited every year by an auditor.

The audit of a credit union shall be conducted by an auditor of the federation's audit service.

140. A federation has, in exercising its functions as auditor, the powers and obligations of an auditor set out in sections 151 to 155 and 157 to 159.



141. The auditor of a federation and the auditor of a credit union that is not a member of a federation are appointed by the general meeting at the annual meeting. Their appointment expires at the following annual meeting.

If the office of auditor becomes vacant, the directors shall appoint a replacement. They may, in addition, appoint a person to exercise the functions of the auditor when the auditor is absent or unable to act.

142. If a financial services cooperative fails to cause its books and accounts to be 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 cooperative.

143. The auditor of a financial services cooperative must be a member in good standing of a professional order of accountants recognized by the Professional Code (R.S.Q., chapter C-26).

144. In no case may the auditor be an officer, an employee or a member of the financial services cooperative the auditor is to audit, or an associate of an officer of the cooperative.

145. The appointment of an auditor is terminated if the auditor ceases to be qualified to act as auditor.

146. 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 143 or 144.

147. A federation and every credit union that is not a member of a federation must inform the Inspector General, within 10 days, of the resignation of the auditor or of the decision to propose the auditor's dismissal before the expiry of the auditor's appointment.

148. The auditor shall have access to all the books, registers, accounts, other accounting records and vouchers of the financial services cooperative. Every person having custody of those documents must facilitate their examination by the auditor.

149. The auditor may require the holding of a meeting of the board of directors and address the meeting on any question related to the auditor's duties.

The auditor may require from the officers, mandataries and employees of the financial services cooperative the information and documents useful for the performance of the auditor's duties.

150. The auditor shall submit a report on the audit to the board of directors of the financial services cooperative.

151. The auditor shall indicate, in the report,

(1) whether the audit has been carried out in accordance with generally accepted auditing standards;

(2) whether, in the auditor's opinion, the financial statements of the financial services cooperative included in the report submitted to the annual meeting present fairly the financial position of the cooperative and the results of its operations, in accordance with generally accepted accounting principles, and with the accounting rules prescribed by the Inspector General under section 163;

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

The auditor shall include in the report sufficient explanations in respect of any reservations expressed.

152. The auditor shall report to the board of directors in writing any operation, transaction or situation concerning the financial services cooperative that, in the auditor's opinion, is not satisfactory and requires rectification.

In particular, the auditor shall submit a report on the activities and operations of the cooperative and transactions between the cooperative and restricted parties which have come to the auditor's notice in the course of the audit and which lead the auditor to believe that the cooperative is in contravention of this Act or the regulations thereunder.

Where the report referred to in the second paragraph concerns a credit union, the auditor must forward it to the board of audit and ethics, to the federation and to the Inspector General.

Where the report referred to in the second paragraph concerns a federation, the auditor must forward it to the board of ethics and to the Inspector General.

153. An auditor who makes a report in good faith under section 152 shall not thereby incur any civil liability.

154. The auditor is entitled to attend any meeting of the financial services cooperative and address the meeting on any matter relating to the duties of an auditor.

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

155. Two directors or 10 members may, by means of a notice of at least five days, require the presence of the auditor at a meeting of the financial services cooperative, and the auditor is bound to attend.

156. 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, they must immediately notify the auditor and, if necessary, send the auditor revised financial statements.

157. If the auditor becomes aware of an error or misstatement in the financial statements on which the auditor reported, and if in the auditor's opinion the error or misstatement is material, the auditor shall inform each director of the error or misstatement.

The directors must, within 60 days, prepare and publish amended financial statements or advise the members, the federation and the Inspector General of the error or misstatement.

158. The auditor shall, in addition, audit the financial statements of a financial services cooperative that are included in the annual report. The auditor shall transmit the auditor's report to the Inspector General and to the federation.

159. The auditor shall indicate in the report required under section 158

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

(2) whether, in the auditor's opinion and on the basis of generally accepted accounting principles, applied in the same manner as in the preceding fiscal year, subject to section 163, the financial statements included in the annual report present fairly the financial position of the financial services cooperative and the results of its operations;

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

(4) whether, in the normal course of the audit, the auditor has become aware of operations, situations or transactions which may lead the auditor to believe that the cooperative has not adhered to sound and prudent management practices;

(5) whether, in the auditor's opinion, the management practices adopted by the cooperative as regards insider trading and conflicts of interest are adequate and whether the cooperative is complying therewith;

(6) any other information prescribed by government regulation.

160. The Inspector General may order that the annual audit of the activities of a financial services cooperative be repeated or extended or that a special audit be made.

The Inspector General may, for that purpose, appoint an auditor whose remuneration shall be charged to the cooperative.

161. Unless otherwise prescribed in its by-laws, the fiscal year of a financial services cooperative ends on 31 December each year.

162. At the end of its fiscal year, the financial services cooperative shall prepare an annual report containing

- (1) the name of the cooperative and the address of its head office;
- (2) the name of each of its officers;
- (3) the number of its members;
- (4) a statement of assets and liabilities, an operating statement, a statement of the stabilization reserve and of the community development fund, a statement of the surplus earnings, a statement of the general reserve, a statement of the reserve referred to in section 87 and a statement of provisions to cover credit losses and investment losses, 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;
- (6) a statement showing the credit union's participating interest in the investment fund of the federation referred to in section 414, where applicable, and the return on such interest;
- (7) the auditor's report referred to in section 159;
- (8) the report of any special committee formed at the request of the general meeting;
- (9) the other statements and information required by by-law of the cooperative;
- (10) any other information required by the Inspector General.

163. The financial statements referred to in paragraph 4 of section 162 shall be prepared according to generally accepted accounting principles.

However, the Inspector General may, in respect of the financial statements indicated and where considered expedient by the Inspector General, prescribe accounting standards that include particular requirements or requirements different from those applicable according to generally accepted accounting principles. The requirements of such accounting standards may be discretionary.

The Regulations Act (R.S.Q., chapter R-18.1) does not apply to accounting standards or draft accounting standards.

164. 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.

165. Every member is entitled to receive a copy of the most recent annual report free of charge. The member may also consult any other annual report kept by the financial services cooperative.

166. The financial services cooperative shall, within four months after the end of the fiscal year, transmit a copy of the annual report to the Inspector General.

A credit union shall also transmit a copy of the annual report to the federation within four months after the end of the fiscal year.

167. Every financial services cooperative shall furnish to the Inspector General, at the request of, on the dates and in the form determined by the Inspector General, the statements, statistics, reports and other information the Inspector General considers appropriate for the application of this Act.

The Inspector General may transmit to the federation a copy of the documents and information transmitted by a credit union under the first paragraph.

## **CHAPTER VII**

### **WINDING-UP AND DISSOLUTION**

#### **DIVISION I**

##### **WINDING-UP**

168. Divisions II and III of the Winding-up Act (R.S.Q., chapter L-4) apply to the winding-up of a financial services cooperative, subject to the provisions of this Division.

For the purposes of the application of the said Act to a financial services cooperative, the word “company” means a financial services cooperative, the word “shareholder” means a member of the cooperative. In addition, 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 considered to require the number of votes cast by the members corresponding to the specified proportion in value.

169. The winding-up of a financial services cooperative may be decided by a resolution adopted by the vote of three-fourths of the members present at a special meeting.

The general meeting shall appoint, by the vote of a majority of the votes cast, a liquidator who is entitled to immediate possession of the property of the financial services cooperative.

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

170. In order to guarantee the performance of his or her duties before taking possession of the property of the financial services cooperative, 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.

This section does not apply to a federation or to a security fund acting as a liquidator for a credit union belonging to the group.

171. Every financial services cooperative that has decided to effect the winding-up of its business shall give notice to the Inspector General, by filing a declaration to that effect in accordance with the Act respecting the legal publicity of sole proprietorships, partnerships and legal persons within 10 days after the passing of a resolution to that effect and forward to the Inspector General, within the same time, a certified copy of the resolution.

The cooperative shall cause a notice to that effect to be published.

Every credit union that has decided to effect the winding-up of its business must also give notice to the federation within 10 days after the passing of a resolution to that effect and forward to the federation, within the same time, a certified copy of the resolution.

The notice shall indicate the name and address of the liquidator and the address to which claims may be sent by interested persons.

172. From the date of deposit of the declaration in the register, all proceedings against the property of the financial services cooperative, whether by seizure before judgment, seizure in execution or otherwise, shall be suspended.

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

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

173. The liquidator shall first pay the debts of the financial services cooperative, the costs of winding-up and the shares referred to in section 713. The liquidator shall then redeem the shares according to their respective ranks.

The balance of the assets of a credit union devolves upon the federation or, if the credit union does not belong to a federation, upon a legal person designated by the Government.

The amounts representing the deposits or shares that could not be redeemed shall be remitted to the Public Curator, together with a statement setting out the amounts and the name and last known address of the persons entitled thereto and the date of their remittance to the Public Curator.

The provisions of the Public Curator Act apply to the amounts remitted to the Public Curator under the third paragraph.

174. In the event of the winding-up or dissolution of a federation, the liquidator or Public Curator, as the case may be, shall, after the payments referred to in the first paragraph of section 173 are made, divide the remaining assets among the credit unions in proportion to the number that their members, except their auxiliary members, are of the total number of the members of all the credit unions belonging to the network. Where there remains no credit union that is a member of the federation, the liquidator shall remit the remaining assets to a legal person designated by the Government.

175. If the members of a credit union fail to confirm the account referred to in section 16 of the Winding-up Act, the account shall be submitted for approval to the federation or, if the credit union is not a member of a federation, to the Inspector General.

If the members of a federation fail to confirm the account referred to in section 16 of the Winding-up Act, the account shall be submitted for approval to the Inspector General.

176. The liquidator shall, within the time and in respect of the period determined by the Inspector General, transmit, at the request of the Inspector General, a summary report of the liquidator's activities or any document or information required by the Inspector General concerning the conduct of the winding-up.

177. The liquidator shall transmit to the Inspector General a copy of the summary report submitted by the liquidator to the general meeting pursuant to section 15 of the Winding-up Act.

178. When the winding-up of the financial services cooperative is completed, the liquidator shall transmit a final report on the liquidator's activities to the Inspector General.

The liquidator of a credit union shall forward to the federation the documents of which the liquidator took possession for the purposes of the winding-up. If the credit union was not a member of a federation, the documents must be forwarded to the Inspector General.

The liquidator of a federation shall forward such documents to the Inspector General.

179. The Inspector General may act before the courts in all matters respecting the winding-up and exercise, on behalf of the members or creditors of the financial services cooperative, any right they may have against the cooperative.

## **DIVISION II**

### **DISSOLUTION**

180. The Minister may, if the Minister considers it advisable and after obtaining the advice of the Inspector General, request the latter to dissolve a financial services cooperative if

- (1) the number of members is reduced to less than 12;
- (2) the organization meeting has not been held in the year following the date of establishment;
- (3) the cooperative has failed, for three consecutive years, to hold an annual meeting 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 176 to 178.

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

- (1) it fails to comply with the provisions of section 191;
- (2) it has been unable, within 30 days after the expiry of the period of time fixed in section 191, to become a member of another federation, to establish a new federation, or to submit to the Inspector General an agreement of amalgamation with another credit union that is a member of another federation or, failing the above, has not passed a resolution for its winding-up or has not obtained authorization from the Minister to be exempted from compliance with section 186;
- (3) it fails to comply with the provisions of section 192;
- (4) it has been unable, within 30 days after the expiry of the period of time fixed in section 192, to become a member of another federation or to submit to the Inspector General an agreement of amalgamation with another credit union that is a member of another federation or, failing the above, has not passed a resolution for its winding-up or has not obtained authorization from the Minister to be exempted from compliance with section 186.



182. Before requesting the Inspector General to dissolve a financial services cooperative, the Minister shall give the cooperative or the liquidator, as the case may be, notice of the alleged default and of the penalty that applies and give them an opportunity to present observations within 30 days from the date of the notice. In the case of a credit union, the Minister must transmit a copy of the notice to the federation.

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 financial services cooperative.

183. The Inspector General shall dissolve the financial services cooperative by drawing up an act of dissolution to that effect and depositing it in the register. The cooperative is dissolved from the date of the deposit.

184. The Public Curator shall have the seizin of the property of any dissolved financial services cooperative. The Public Curator shall act as the liquidator of the property and be accountable to the Inspector General. The rules of section 173 apply, with the necessary modifications, to a winding-up conducted by the Public Curator under this section.

185. The balance of the assets of a credit union devolves upon the federation of which it was a member or, if the credit union was not a member of a federation, upon the legal person designated by the Government, and the balance of the assets of a federation devolves in accordance with section 174.

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

When the liquidation of the property of the dissolved federation is completed, the Public Curator shall deliver to the Inspector General the documents of the federation of which the Public Curator took possession.

## **CHAPTER VIII**

### **CREDIT UNIONS**

#### **DIVISION I**

##### **ADMISSION OF CREDIT UNION TO A FEDERATION, WITHDRAWAL AND EXPULSION**

186. Subject to sections 188 and 189, every credit union must be a member of a federation.

187. No credit union may be established unless a federation has undertaken to admit it as a member and to furnish, at the request of the Inspector General, such guarantees as the latter may consider sufficient to ensure the protection of the members of the credit union.

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

188. The Minister may, if the Minister considers it advisable and after obtaining the advice of the Inspector General, authorize, on the conditions determined by the Minister, the establishment 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 186 if the founders have furnished guarantees considered sufficient by the Inspector General to ensure the protection of the members of the credit union.

189. The Minister may, if the Minister considers it advisable and after obtaining the advice of the Inspector General, exempt, on the conditions determined by the Minister, a credit union that is a member of a federation from compliance with section 186 if, in the opinion of the Minister, the credit union has fulfilled all its obligations toward the federation or has made an agreement with the federation establishing the terms and conditions of performance of those obligations and if it has furnished guarantees considered sufficient by the Inspector General to ensure the protection of its members.

190. Every application by a credit union for admission to a federation, other than an application made prior to its establishment, and every application for withdrawal from the federation must be authorized by a resolution of its board of directors setting out 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.

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.

191. A credit union which decides to withdraw from a federation or which is expelled following a decision of the federation must, within 90 days of the ratification of the resolution or decision, pass a by-law or resolution, as the case may be, to apply for admission to another federation, apply for the constitution of a new federation, amalgamate with a credit union that is a member of another federation, be wound up or apply to the Minister for an exemption from compliance with section 186.

The Inspector General may extend the period of time mentioned in the first paragraph, even if it has expired.

192. A credit union that is a member of a federation that is wound up or dissolved must, within 90 days of the deposit of the notice of dissolution or winding-up in the register instituted under the Act respecting the legal publicity of sole proprietorships, partnerships and legal persons, pass a by-law or resolution, as the case may be, to apply for admission to another federation, apply for the constitution of a new federation, amalgamate with a credit union that is a member of another federation, be wound up or apply to the Minister for an exemption from compliance with section 186.

The Inspector General may extend the period of time mentioned in the first paragraph, even if it has expired.

193. A credit union remains a member of a federation

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

(2) until it has amalgamated with a credit union that is a member of another federation;

(3) until it is dissolved;

(4) until it is exempted from compliance with section 186 by the Minister.

194. The Inspector General may not accept the admission of a credit union into another federation unless the Inspector General considers that the credit union has fulfilled all its obligations toward the federation of which it is a member or if the credit union has made an agreement with that federation establishing the conditions of performance of those obligations.

## **DIVISION II**

### **MEMBERS**

195. To be a member of a credit union, a person or partnership must

(1) apply for membership, except in the case of a founder mentioned in section 7;

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

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

196. A credit union may not be a member of another credit union belonging to the same network.

A federation may not be a member of a credit union belonging to the same network.

197. A person or partnership that does not meet the conditions relating to common characteristic set out in the articles of the cooperative in accordance with the second paragraph of section 10 may only be admitted as an auxiliary member.

A group of persons may only be admitted as an auxiliary member.

198. 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.

199. Subject to section 198, auxiliary members have the same rights and obligations as members. However, they are neither entitled to vote nor eligible to hold any office within the credit union.

200. The by-laws of the credit union may provide, in accordance with the standards of the federation, that a member who ceases to meet the conditions relating to common characteristic set out in the articles of the cooperative in accordance with the second paragraph of section 10 becomes an auxiliary member. A member of the board of directors or board of audit and ethics who becomes an auxiliary member may continue to hold such a position until the expiry of the member's term.

201. The rights and obligations of a member who ceases to meet the conditions relating to common characteristic set out in the articles of the cooperative in accordance with the second paragraph of section 10 following an amalgamation of credit unions or following a change in the articles of the credit union are maintained.

202. Minors and persons without the legal capacity to contract may be admitted only as auxiliary members. They may, without the authorization or intervention of anyone, subscribe for qualifying shares in a credit union.

203. A member may withdraw from membership by requesting the repayment of the member's qualifying shares and the withdrawal of the member's deposits.

The member's withdrawal takes effect upon the full repayment of the member's qualifying shares and deposits.

204. The board of directors, after informing a member in writing of the grounds invoked for the member's suspension or expulsion and giving the member an opportunity to present observations, may suspend or expel the member if the member

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

205. 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.

Within 15 days after the decision, the credit union shall transmit to the member, by any means enabling proof of receipt, a notice of the member's suspension or expulsion, giving the reasons therefor.

206. No member may be suspended for more than six months.

207. The suspension or expulsion of a member takes effect upon the passing of the resolution of the board of directors.

208. A member who has been suspended 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, for the duration of the suspension.

### **DIVISION III**

#### **GENERAL MEETING**

209. The members of a credit union, except the auxiliary members, constitute the general meeting of the credit union.

210. A natural person who is a member of a credit union may not be represented.

A legal person, a partnership or a group may be represented only by a natural person. No representative may act for more than one member.

211. A credit union may determine the cases in which meetings may be held by groups, on different dates and at different locations, and the telephone and other communications equipment enabling participants to hear each other that may be used.

212. Unless otherwise prescribed by by-law, notice of a meeting must be sent 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. The notice must also be sent to the federation within the same time.

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.

A representative of the federation may attend and address the meeting.

213. A member may waive notice of a meeting. The member's mere attendance at a meeting is a waiver except where the member 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.

214. Unless otherwise prescribed in the by-laws of the credit union, the members attending a meeting, except the auxiliary members, constitute a 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.

215. No member is entitled to more than one vote, regardless of the number of shares held.

216. A person who has been a member for less than 90 days is not entitled to vote at a meeting.

217. Decisions are taken by a majority of the votes cast. In the event of a tie, the person chairing the meeting has a casting vote. However, at the election of a member of the board of directors or of the board of audit and ethics, decisions are taken in accordance with the by-laws of the credit union.

218. By-laws of the credit union are passed by the general meeting by a two-third majority of the votes cast.

The general meeting may delegate to the board of directors the power to pass by-laws on the subjects it determines, in accordance with the standards of the federation.

219. A resolution signed by all the members entitled to vote on such resolutions has the same force as if it had been passed at a meeting.

Such a resolution shall be kept with the minutes of the meetings.

220. At any meeting, unless a ballot is demanded, a declaration by the chair that a resolution has been carried, and an entry to that effect in the minutes, shall be prima facie evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against the resolution.

However, members are elected to the board of directors or to the board of audit and ethics by secret ballot.

221. 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) examine the report on the activities of the board of audit and ethics ;
- (3) decide upon the allocation of the annual surplus earnings ;
- (4) determine, where applicable, the additional interest payable on capital shares out of the stabilization reserve and the surplus earnings ;
- (5) elect the members of the board of directors and of the board of audit and ethics ;
- (6) appoint an auditor, in the case of a credit union that is not a member of a federation ;
- (7) make any decision reserved for the general meeting by this Act ;
- (8) address oral questions to the members of the board of directors for a minimum period of time determined in the by-laws of the credit union ;
- (9) address oral questions to the members of the board of audit and ethics concerning the report on its activities, for a minimum period of time determined in the by-laws of the credit union.

222. The board of directors, the board of audit and ethics, the president or the vice-president of the credit union or the board of directors of the federation may order that a special meeting be held whenever they consider it advisable.

223. The credit union must hold a special meeting upon the requisition of 100 members, of one-third of the members or of the number of members required to constitute a quorum where a quorum is specified in the by-laws of the credit union.

The requisition must specify the matters in respect of which a special meeting is required.

224. 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 132, notwithstanding the second paragraph of section 137.

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.

225. Only the matters specified in the notice of meeting may be considered at a special meeting. The matters specified in the requisition must also be stated in the notice, with an indication of those which may be decided by the general meeting.

#### **DIVISION IV**

##### **MANAGEMENT AND ADMINISTRATION**

###### §1. — *General provisions*

226. Apart from the general meeting, the organs of a credit union are the board of directors and the board of audit and ethics.

227. Every natural person who is a member of the credit union may be a member of the board of directors or the board of audit and ethics, except

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

(2) an auxiliary member;

(3) an employee of the credit union, the federation or another legal person or partnership belonging to the group, save that the director general of the credit union can be a member of the board of directors;

(4) a member of another board of the credit union;

(5) an officer or employee of another credit union;

(6) a person of full age under protective supervision or a person totally or partially deprived of the exercise of civil rights;

(7) an undischarged bankrupt;

(8) a person convicted, in the past five years, of an offence or an indictable offence involving fraud or dishonesty, unless the person has obtained a pardon;

(9) a person dismissed as an officer, in the past five years, under section 118 or paragraph 2 of section 581.

228. The term of office of a member of the board of directors or of the board of audit and ethics is three years.

The credit union determines, 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.



The credit union may, for the purposes of this section, shorten or lengthen the term of office of the members of a board.

At the end of a term of office, a member shall remain in office until re-elected or replaced.

229. A decrease in the number of members of a board does not end the term of those who remain in office.

230. A member of a board may resign from office by giving notice to that effect.

231. A member of a board who resigns for reasons relating to the conduct of the affairs of the credit union shall declare the member's reasons in writing to the credit union, sending a copy of the declaration to the federation or, if the credit union is not a member of a federation, to the Inspector General,

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

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

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

232. A member of a board may be dismissed by the general meeting, at an annual or special meeting, if the member has been informed in writing, within the same advance time as that prescribed for calling the meeting, of the grounds invoked for the dismissal and of the place, date and time of the meeting.

The member may give, in a written statement read by the person chairing the meeting, the grounds for the member's opposition to the dismissal. The member may also address the meeting.

233. The minutes of the meeting at which a member of a board is dismissed must set out the facts which justify the decision.

The credit union, within 15 days of the decision, shall send to the member, by any means enabling proof of receipt, a notice of dismissal setting out the reasons for the dismissal. The credit union shall also send, within the same time limit, a copy of such notice to the federation.

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

235. In the event of a vacancy, the members of a board may appoint a replacement for the unexpired portion of the term of office. If they fail to do so, the general meeting shall fill the vacancy.

If, due to vacancies, a quorum cannot be reached, a member of the board, two members of the credit union or the board of directors of the federation may order the secretary of the credit union to call a special meeting within 10 days to fill the vacancies.

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

236. The members of a board are not remunerated, but are entitled to reimbursement of reasonable expenses incurred by them in the exercise of their functions.

However, the members of a board may be remunerated by the federation or by another legal person belonging to the group for the exercise of other functions within the federation or a legal person controlled by the federation. For the purposes of this Act, such members are deemed not to be employees on the ground that they have entered into a contract of employment in connection therewith.

237. The members of a board may, if they all consent, participate in a meeting by means of telephone or other communications equipment enabling all participants to hear each other. The members are deemed in that case to have attended the meeting.

238. A resolution in writing signed by all the members of a board who are entitled to vote has the same force as if it had been passed at a meeting of the board.

Such a resolution shall be kept with the minutes of the proceedings.

239. Any member of a board may waive, in writing, the notice of a meeting. The member's mere attendance at the meeting is a waiver, except where the member attends for the express purpose of objecting to the holding of the meeting on the ground that notice of the meeting was given irregularly.

240. The decisions of a board are taken by a majority of the votes cast. In the event of a tie, the person chairing the meeting has a casting vote.

241. A member of a board present at a meeting is deemed to have consented to any resolution passed or action taken at the meeting, except if the member requests that the member's dissent be recorded in the minutes before the meeting is adjourned or closed.

§2. — *Board of directors*

242. 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.

The by-laws of a credit union may specify those powers that the board of directors may exercise only if so authorized by the general meeting. The management of routine business cannot, however, be made subject to such authorization.

243. The board of directors shall

(1) observe and enforce the regulations made by the Government for the purposes of this Act, the by-laws of the credit union, the by-laws of the federation, and the rules of ethics, standards, orders and written instructions issued under this Act;

(2) where the credit union is not a member of a federation, establish a policy for sound and prudent management practices;

(3) provide the board of audit and ethics with any personnel it requires to carry out its functions;

(4) furnish to the Inspector General, on request, a certified copy of any document of the credit union;

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

(6) determine the rate of interest on investment shares and, where applicable, on capital shares, a policy for determining interest rates on savings deposits, and a tariff for the products and services provided by the credit union;

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

(8) insure the credit union against the risks of fire, theft and embezzlement by its officers or employees, and provide the credit union with civil liability insurance and directors' and officers' liability insurance;

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

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

(11) 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.

244. The credit union shall determine, by by-law, the number of directors, which shall not be less than five nor more than 15.

245. The credit union may, by by-law, divide its members into groups and grant each group the right to elect a specified number of directors.

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 that member.

The by-laws of the credit union may also prescribe the number of directors elected by the members of such a group.

246. During or following the organization meeting and, subsequently, during or following the annual meeting, the board of directors shall choose from among its members a president, a vice-president and a secretary who shall be the president, vice-president and secretary of the credit union.

247. The vice-president shall replace the president if the latter is absent or unable to act.

248. The board of directors shall meet when a meeting is called by the president or by two members in accordance with the by-laws of the credit union.

The federation may also call a meeting of the board of directors of the credit union. A representative of the federation may attend and address the meeting.

249. Unless otherwise provided in the by-laws of the credit union, the quorum at meetings of the board of directors is a majority of its members.

250. If authorized in the by-laws of the credit union, the board of directors may form an executive committee composed of directors, including the president, vice-president or secretary of the credit union.

The number of members of the executive committee may not exceed half the number of directors and may not be less than three.

251. The executive committee shall exercise the powers delegated to it by the board of directors.

252. In the event of a vacancy on the executive committee, the directors may appoint a substitute for the remainder of the term of office.

253. Sections 236 to 241 and 249 apply, with the necessary modifications, to the executive committee.

254. The board of directors may set up special committees to examine particular matters or to facilitate the proper operation of the credit union.

The board of directors must set up a special committee at the request of the general meeting.

A special committee shall be composed of not fewer than three persons. It may comprise officers, employees and members of the credit union.

255. The board of directors shall determine the functions and powers of special committees. In addition, it may authorize committees to use any information relevant to their terms of reference.

The members of special committees are bound by the same rules of ethics as those applicable to the officers.

256. Special committees shall exercise their powers and functions under the direction of the board of directors and shall report their findings and submit their recommendations to the board. A special committee formed at the request of the general meeting must report to the general meeting.

§3. — *Board of audit and ethics*

257. The function of the board of audit and ethics is to supervise the operations of the credit union.

The board of audit and ethics shall, in particular,

(1) ensure that the operations of the credit union are in compliance with the Acts, regulations, standards, orders and written instructions applicable to it, and see that the credit union complies with them ;

(2) ensure that the credit union adheres to sound and prudent management practices ;

(3) ensure that the rules adopted by the board of ethics of the federation or, where the credit union is not a member of a federation, by the board of audit and ethics, are observed ;

(4) ensure that the internal affairs and activities of the credit union are inspected in accordance with the provisions of this Act ;

(5) ensure that the admission of members and the suspension and expulsion of members are in compliance with the applicable legislative provisions and the by-laws of the credit union ;

(6) ensure that the executive committee and the special committees of the credit union act in accordance with their powers and duties, and with the Acts, regulations, standards and rules of ethics applicable to them ;

(7) recommend that the board of directors take any decision in order to implement, apply and periodically revise the policies and orientations of the

credit union, and in particular any provision relating to the protection of the interests of the credit union and its members.

258. The board of audit and ethics shall, as a further function, receive complaints from members, inform the other organs if need be and reply to the complainant.

A complainant who is not satisfied with the board's reply may file the complaint with the federation.

The federation may make recommendations to the credit union in connection with a complaint filed with it.

259. The board of audit and ethics of a credit union that is not a member of a federation shall also assume the functions and powers of the board of ethics of a federation as provided for in sections 346 and 347, with the necessary modifications.

The rules adopted by the board of audit and ethics 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.

260. The board of audit and ethics shall consist of three or five members, as determined by by-law of the credit union.

261. At its first meeting after the organization meeting and, subsequently, during or following the annual meeting, the board of audit and ethics shall choose a president and a secretary from among its members.

262. The majority of the members constitutes a quorum at meetings of the board of audit and ethics.

263. The board of audit and ethics 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 produce any document or information useful for the carrying out of its functions.

264. The board of audit and ethics may, where it considers it necessary, require that a special inspection be carried out.

265. The board of audit and ethics may suspend any employee or officer of the credit union or request that the federation intervene to that effect. Before rendering its decision, the board shall serve on the person concerned advance 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 presenting observations.

Where the board 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 present observations. Such a decision is effective for no more than 10 days.

Within five days following the suspension, the board shall notify, in writing, the board of directors, the federation and the Inspector General in the case of the suspension of an officer.

266. The board of audit and ethics shall report its observations to the board of directors and may, if it considers it appropriate, submit recommendations.

The board shall also report its observations to the board of ethics of the federation. The observations may pertain to the measures taken by the credit union to ensure that the standards applicable to it are complied with.

The board of ethics of the federation must also be notified, as soon as practicable, of any cases where the rules of ethics were not observed. In the case of a credit union that is not a member of a federation, the Inspector General must be notified.

267. If the board of directors of a credit union fails to resolve a conflict of interest or to enforce a rule of ethics, the board of audit and ethics may act in its stead or request that the federation intervene to that effect, in accordance with the intervention procedure provided for in the rules of ethics applicable to it.

268. The board of audit and ethics shall notify, in writing, the board of directors and the federation if

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

(2) it discovers management practices that may have an adverse effect on the financial position of the credit union ;

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

The board of audit and ethics 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.

269. Upon receipt of the periodical inspection report, the board of audit and ethics shall submit its recommendations to the board of directors. It may also call a special meeting to lay any matter brought up in the report before the members.

270. The board of audit and ethics shall submit a general report on 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.

The report shall make particular mention of the measures implemented by the credit union to prevent or resolve conflicts of interest, and where credit is extended to restricted parties, to comply with the applicable rules of ethics and standards.

#### **DIVISION IV**

#### **AMALGAMATION**

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

(1) the name of the amalgamated credit union, the judicial district of its head office and, if applicable, the name of the federation of which it will be a member ;

(2) the name and address of each of the first members of the board of directors and of the board of audit and ethics ;

(3) the mode of election of subsequent members of the board of directors and of the board of audit and ethics ;

(4) the number of shares issued by each of the amalgamating credit unions or a statement that all such shares will be converted into shares of the amalgamated credit union, the price of each share and the manner of converting them into shares of the amalgamated credit union ;

(5) the conditions and restrictions 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 ;

(7) the consent to the use of the proposed name, where a regulation made under section 19 applies to the name.

272. A credit union that is not a member of a federation may only amalgamate with a credit union that is a member of a federation with the consent of the federation.

273. The amalgamating credit unions may determine, in the amalgamation agreement,



(1) the common characteristic shared by the members that the amalgamated credit union may recruit, other than auxiliary members ;

(2) the allocation of the surplus earnings accumulated up to the date of amalgamation ;

(3) any other measure to complete the amalgamation or relating to the organization and management of the amalgamated credit union.

274. Each credit union shall adopt the amalgamation agreement, by by-law, at a special meeting. The by-law must designate the person authorized to sign the articles of amalgamation and the accompanying application. The vote of the members shall be attested by the secretary.

275. The notice calling the special meeting must state that the member may receive, free of charge, a copy of the amalgamation agreement.

A copy of the notice and the amalgamation agreement shall be transmitted, within the time prescribed for calling the meeting, to the federation. A representative of the federation may attend and address the meeting.

276. 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 constituting instruments pursuant to this Act, those set out in paragraph 1 of section 271.

277. The articles of amalgamation, prepared in duplicate and signed by the person authorized for that purpose by each of the amalgamating credit unions shall be transmitted to the Inspector General within nine months of the adoption of the first amalgamation by-law by one of the amalgamating credit unions.

278. 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 persons authorized for that purpose ;

(2) a copy of the amalgamation agreement ;

(3) a certified copy of each by-law approving the amalgamation and of the attestation provided for in section 274 ;

(4) a memorandum signed by the person authorized by each amalgamating credit union 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 determining the date of the fiscal year of the amalgamated credit union and stating the name of the auditor, if any;

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

(8) where applicable, a certified copy of the resolution of the federation setting out its consent to the amalgamation and to the use of the proposed name;

(9) the budgeted statements of the assets, liabilities and results for the first year of operation of the amalgamated credit union.

279. The Inspector General may require such additional documents or information as the Inspector General indicates for the examination of the application.

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

For that purpose, the Inspector General, in addition to the procedure set out in subparagraphs 3 to 6 of the second paragraph of section 15, shall endorse the words “amalgamated credit union” on each copy 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.

281. The amalgamating credit unions are continued as one and the same credit union from the date stated in the certificate.

The amalgamated credit union 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.

282. 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 the equivalent liabilities of the absorbing credit union.

283. Sections 271 to 280 apply, with the necessary modifications, to an amalgamation by absorption.

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

A certified copy of the resolution must be transmitted to the Inspector General and to the federation.

284. From the date of amalgamation, the absorbing credit union acquires the rights and assumes the obligations of the 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 IX**

### **FEDERATION**

#### **DIVISION I**

##### **MEMBERS**

285. In addition to the auxiliary members, only credit unions may be members of a federation.

286. A cooperative established outside Québec having a similar mission to that of a financial services cooperative within the meaning of this Act may be admitted by a federation, but only as an auxiliary member.

Any other legal person, except a credit union established under this Act, any partnership, any group of persons and any natural person recommended by a credit union may also be admitted as an auxiliary member.

287. 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 withdrawal, suspension or expulsion of auxiliary members.

288. Subject to section 287, the auxiliary members have the same rights and obligations as the members. They are not, however, entitled to vote and their representatives are not eligible for office.

289. To become a member of a federation, a credit union must

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

290. A federation may accept an application for admission submitted by the founders of a credit union. The admission becomes effective upon the constitution of the credit union.

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

292. Every decision of a federation concerning the admission or expulsion of a credit union shall be immediately transmitted to the credit union and to the Inspector General.

The decision of a federation to expel a credit union shall become effective only once

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

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

(3) the credit union is dissolved ; or

(4) the credit union is exempted from compliance with section 186 by the Minister.

## **DIVISION II**

### **GENERAL MEETING**

293. The general meeting of a federation shall consist of the persons designated by the credit unions and of the other persons determined in a by-law of the federation.

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

294. A federation shall determine, by by-law,

(1) the manner in which credit unions are to be represented at meetings ;

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

(3) rules for the calling of members to meetings ;

(4) procedural rules for the annual meeting and for special meetings ;

(5) the cases in which meetings may be held by groups, on different dates and at different locations, and the telephone and other communications equipment enabling all participants to hear each other that may be used.

295. The federation may divide the credit unions into groups and establish a council of representatives for each group.

296. Notwithstanding sections 293 and 294, where a federation establishes councils of representatives, the members of the councils, the president of the federation and any other person determined by by-law constitute the general meeting of the federation.

The members of a council of representatives represent all the credit unions belonging to the group at the general meeting.

297. Where it establishes councils of representatives, the federation shall determine, by by-law,

(1) the groups to which the credit unions belong, for the purpose of electing the members of the council of representatives ;

(2) the number of councils of representatives and their functions and operating rules ;

(3) the criteria to be used in determining the number of representatives and votes to which each credit union is entitled for the purpose of electing the members of a council of representatives ;

(4) the manner in which the representatives referred to in paragraph 3 are to be appointed by the credit unions and convened to meetings to elect the members of the councils of representatives ;

(5) the rules governing the terms of office of the members of the councils of representatives ;

(6) the rules governing the convening of the members of the councils of representatives to the general meeting ;

(7) the rules of procedure for the annual meeting, for special meetings, for meetings of the representatives of credit unions convened to elect the members of the councils of representatives, and for meetings of the councils of representatives ;

(8) the cases in which the meetings referred to in paragraph 7 may be held by groups, on different dates and at different locations, and the telephone and other communications equipment enabling participants to hear each other that may be used ;

(9) any other measures or rules relating to the organization of the councils of representatives.

298. A natural person who is an auxiliary member of a federation may not be represented at a meeting.

A legal person, a partnership or a group of persons that is an auxiliary member may be represented only by a natural person. No representative may act for more than one auxiliary member.

299. Subject to paragraph 2 of section 294, a member of the general meeting is entitled to one vote.

300. The by-laws of the federation are adopted by the general meeting by a two-third majority of the votes cast.

The general meeting may delegate the power to adopt by-laws on the subjects it determines to the board of directors, in accordance with the standards of the federation.

301. A resolution signed by all the persons entitled to vote has the same force as if it had been passed at a meeting.

Such a resolution shall be kept with the minutes of the meetings.

302. At any meeting, unless a vote by ballot is demanded, a declaration by the chair that a resolution has been carried, and an entry to that effect in the minutes, shall be prima facie evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

However, members are elected to the board of directors or to the board of ethics by secret ballot.

303. The annual meeting of a federation 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) examine the report on activities of the board of ethics;
- (3) decide upon the allocation of the annual surplus earnings;
- (4) determine, where applicable, the additional interest payable on capital shares out of the stabilization reserve and the surplus earnings;
- (5) elect the members of the board of ethics and, subject to the by-laws of the federation referred to in section 309, the members of the board of directors;
- (6) appoint an auditor;

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

(8) address oral questions to the members of the board of directors during a minimum period of time determined by the by-laws of the federation;

(9) address oral questions to the members of the board of ethics and concerning the report on its activities during a minimum period of time determined by the by-laws.

304. The board of directors, the board of ethics, and the president or the vice-president of the federation may order that a special meeting be held whenever considered advisable.

305. The federation must hold a special meeting upon the requisition of 100 members of the general meeting, of one-third of its members or of the number of members necessary to constitute the quorum where so provided in the by-laws.

The requisition must specify the matters in respect of which a special meeting is required.

306. If the meeting is not called within 30 days of the requisition made by the members, two members who have signed the requisition may call the meeting. In the latter case, the members may obtain a copy of the list of members of the general meeting and their addresses.

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

307. Only the matters specified in the notice of meeting may be considered at a special meeting. The matters specified in the requisition must also be stated in the notice, with an indication of those which may be decided by the meeting.

### **DIVISION III**

#### **MANAGEMENT AND ADMINISTRATION**

§1. — *Provisions applicable to the board of directors and board of ethics*

308. Apart from the general meeting, the organs of a federation are the board of directors and the board of ethics.

309. The members of the board of directors or the board of ethics are elected or appointed from among the persons determined in a by-law of the federation. If there is no such by-law, the members of a board, except the president of the federation, are elected or appointed from among members of the general meeting.

310. The term of office of the members of a board is three years, except for the term of office of the president of the federation.

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

The federation may, for the purposes of this section, shorten or lengthen the term of office of the members of a board.

On the expiry of a member's term of office, the member shall remain in office until re-elected or replaced.

311. A decrease in the number of members of a board does not end the term of those who remain in office.

312. In the event of a vacancy, the members of a board may appoint a replacement for the unexpired portion of the term of office. If they fail to do so, the general meeting shall fill the vacancy.

If, due to vacancies, a quorum cannot be reached, two members of the federation or a member of a board may order the secretary of the federation to call a special meeting within 10 days to fill the vacancies.

If the secretary fails to act, the meeting may be called by the persons who ordered the holding of the meeting. The federation shall reimburse those who called the meeting for reasonable expenses incurred by them to hold the meeting.

313. A member of a board may resign from office by giving notice to that effect.

314. Every member of a board who resigns for reasons relating to the conduct of the affairs of the federation shall declare the reasons in writing to the federation, sending a copy of the declaration to the Inspector General,

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

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

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

315. No member of a board may be dismissed by the general meeting, at an annual or special meeting, unless the member has been informed in writing,



within the same advance time as that prescribed for calling the meeting, of the grounds for dismissal and of the place, date and time of the meeting.

The member may give, in a written statement read by the person chairing the meeting, the grounds for the member's opposition to the dismissal. The member may also address the meeting.

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

The federation, within 15 days of the decision, shall send to the member, by any means enabling proof of receipt, a notice of dismissal setting out the reasons for the dismissal. The federation shall also send, within the same time limit, a copy of such notice to the Inspector General.

317. A vacancy resulting from the dismissal of a member of a board may be filled during the meeting at which the dismissal takes place provided that the notice of the meeting mentions that such an election or designation may take place.

318. The members of a board may, if they all consent, participate in a meeting by means of telephone or other communications equipment enabling all participants to hear each other. The participants are deemed in that case to have attended the meeting.

319. A resolution signed by all the members entitled to vote has the same force as if it had been passed at a meeting.

A copy of such a resolution shall be kept with the minutes of the proceedings.

320. Any member of a board may waive, in writing, the notice of a meeting of the board. Mere attendance by the member at the meeting is a waiver, except where the member attends for the express purpose of objecting to the holding of the meeting on the ground that notice of the meeting was given irregularly.

321. The decisions of a board are taken by a majority of the votes cast. In the event of a tie, the person presiding the meeting has a casting vote.

322. A member of a board present at a meeting is deemed to have approved any resolution passed or measure taken at the meeting except if the member requests that the member's dissent be entered in the minutes before the meeting is adjourned or closed.

323. The members of a board shall receive, in addition to the reimbursement of reasonable expenses they incur in the exercise of their functions, an attendance allowance in an amount fixed by the board of directors. The aggregate amount paid in that respect may not, however, exceed the amount

fixed by the general meeting for each board. No allowance shall be paid before the maximum amount has been fixed by the general meeting.

The directors may be remunerated in accordance with the by-laws of the federation. The board of directors shall, however, determine the remuneration to be paid to the president of the federation.

For the purposes of this Act, the directors, other than the president, vice-president and secretary of the federation, are deemed to not be employees of the federation.

§2. — *Board of directors*

324. The affairs of the federation are managed by the board of directors, subject to any functions devolved upon another organ of the federation.

The federation may determine by by-law those powers that the board of directors may exercise only if so authorized by the general meeting. The management of the routine business of the federation cannot, however, be made subject to such authorization.

325. 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 federation, and the rules of ethics, standards, orders and written instructions issued under this Act;

(2) establish a policy applicable to the federation regarding sound and prudent management practices;

(3) provide the board of ethics with any personnel it requires to carry out its functions;

(4) furnish to the Inspector General, on request, a certified copy of any document of the federation;

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

(6) determine the rate of interest on the shares issued by the federation, other than qualifying shares, and a policy for fixing interest rates on savings and credit;

(7) make or control the investments of the federation;

(8) insure the federation against the risks of fire, theft or embezzlement by its officers or employees, and provide the federation with civil liability insurance and directors' and officers' liability insurance;

(9) designate the persons authorized to sign contracts or other documents on behalf of the federation;

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

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

326. The federation shall determine, by by-law, the number of directors, which shall not be less than five.

In no case may a majority of the members of the board of directors consist of director generals of the federation or of the credit unions, or persons determined by by-law of the federation.

327. The federation may, by by-law, establish the procedure for electing or appointing directors, and the manner in which the board of directors is to be formed.

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

(1) an employee of a credit union or of the federation, other than a director general ;

(2) a member of the board of ethics ;

(3) an officer or employee of another federation ;

(4) a person of full age under protective supervision or a person totally or partially deprived of the exercise of civil rights ;

(5) an undischarged bankrupt ;

(6) a person convicted, in the past five years, of an offence or an indictable offence involving fraud or dishonesty, unless the person has obtained a pardon ;

(7) a person removed from office under section 118 or paragraph 2 of section 581 in the past five years.

329. During or after the organization meeting and during or after each ensuing annual meeting, the board of directors shall elect the president, vice-president and secretary of the board of directors from among its members, in accordance with the by-laws of the federation.

330. The federation shall determine, by by-law, the mode of appointment of the president, vice-president and secretary of the federation.

The by-law may provide that the president and secretary are selected from among the members of the board of directors.

The vice-president shall be selected from among the members of the board of directors.

331. The term of office of the president of the federation is determined by a by-law of the federation.

The president is, for the duration of the term, a director. If the president is already a director, the directorship left vacant shall be filled by the board of directors in accordance with the by-laws of the federation.

332. If the president of the federation is absent or unable to act, the vice-president shall act as president.

If the president of the board of directors is absent or unable to act, the vice-president shall act as president.

333. Within 30 days after a change is made among the directors of the board of directors, the federation shall give notice of the change to the Inspector General, together with a list containing the name and address of each director.

334. Unless otherwise provided in the by-laws of the federation, a majority of the members constitutes a quorum at meetings of the board of directors.

335. The board of directors of the federation may, at the request of the board of audit and ethics of a credit union, suspend any employee or officer of the credit union, in accordance with the provisions of section 265. It may, on its own initiative and according to the same procedure, suspend an officer who does not fulfil the officer's obligations.

Where the suspended officer holds the office of director general, the federation may designate a replacement for the duration of the suspension.

336. The board of directors of the federation may in addition, at the request of the board of audit and ethics of a credit union, intervene in respect of that credit union to resolve a conflict of interest or to apply a rule of ethics, in accordance with the intervention procedure established in the rules of ethics.

337. 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 directors, including the president of the board of directors.

Moreover, in no case may the majority of the members of the executive committee be employees of the federation or of credit unions, and the number of members of the executive committee shall neither exceed one-half of the number of directors nor be fewer than three.

338. The executive committee shall exercise the powers delegated to it by the board of directors.

339. In the event of a vacancy, the directors may appoint a replacement for the unexpired portion of the term of office.

340. Sections 318 to 332 and 334 apply to the executive committee, with the necessary modifications.

341. The board of directors may form special committees to examine particular matters or to facilitate the proper operation of the federation.

The board of directors shall form a committee at the request of the general meeting.

342. A special committee shall be composed of not fewer than three persons. It may comprise officers, employees and members of the federation and the credit unions.

343. The board of directors shall determine the functions and powers of special committees. In addition, it may authorize the committees to use any information relevant to the fulfilment of their mandate.

The members of special committees are bound by the same rules of ethics as those applicable to officers.

344. Special committees shall exercise their powers under the direction of the board of directors and shall report their findings and recommendations to the board of directors. Any special committee formed at the request of the general meeting shall report to the general meeting.

### §3. — *Board of ethics*

345. The function of the board of ethics is to

(1) see to the independence and impartiality of the inspection and audit services;

(2) ensure that the rules it adopts are observed;

(3) intervene at the request of the board of directors or the board of audit and ethics of a credit union to resolve a situation of conflict of interest;

(4) perform any mandate concerning ethics entrusted to it by the board of directors;

(5) advise the board of directors to take any decision to implement, apply and review the policies and orientations of the federation, particularly the arrangements made for protecting the interests of the federation and its members.

346. The board of ethics of the federation shall adopt rules relating to the protection of the interests of the federation, the credit unions and their members.

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

The rules shall also set out the procedure which the board of audit and ethics of a credit union or the board of ethics or the board of directors of the federation must follow when intervening to resolve a conflict of interest or applying rules of ethics in respect of the credit union or the federation.

The board of ethics may adopt rules of ethics concerning officers and employees of the federation and credit unions and of officers of other legal persons belonging to the group.

347. The board of ethics shall adopt rules setting out the cases in which the auditor of a credit union, a partner of the auditor or a personnel member who is assigned to audit functions in the credit union may contract with the credit unions, and the conditions applying to such contracts.

The board of ethics shall adopt rules of ethics applicable to the persons in charge of the inspection of the credit unions.

348. The rules of ethics adopted by the board of ethics must be submitted for approval to the board of directors of the federation, which may not amend them.

Within 30 days of the approval of such rules, the federation shall transmit a copy to the Inspector General.

349. The board of ethics shall, in addition to its main function, receive any complaints from the members of the federation, including auxiliary members where permitted by the by-laws of the federation, inform the other organs of the federation if need be, reply to the complainants and verify whether corrective measures are required and if they are applied.

350. The board of ethics shall notify the board of directors promptly, if

- (1) the rules of ethics are not observed;

(2) in its opinion, the federation is contravening a provision of this Act or the regulations or by-laws in connection with insider trading and the rules on conflict of interest.

The board of ethics shall notify the Inspector General where it considers that the federation is neglecting to take the necessary measures in a timely manner, having regard to the circumstances, to remedy the situation identified in the notice.

351. The board of ethics has access to the books, records, accounts and other documents of the federation, and every person having custody of them must facilitate its examination of them. It may require the officers and employees of the federation to furnish any document or information useful for the carrying out of its functions.

352. The board of ethics shall report its observations to the board of directors and, if it considers it appropriate, make recommendations to the board of directors.

353. The board of ethics shall each year transmit to the Inspector General, within four months of the closing date of the fiscal year of the federation, a report of its activities in matters of ethics.

The report shall indicate the cases where the rules of ethics were not observed.

354. The board of ethics may make observations and recommendations respecting the application of the rules of ethics to the federation and credit unions.

The board of ethics shall also give its opinion on any question submitted to it by an officer, the board of directors or the board of audit and ethics of a credit union or by an officer or the board of directors of the federation.

355. The board of ethics may suspend any employee or officer of the federation. 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 presenting observations.

Where the board is of the opinion that any delay could prejudice the interests of the members of the federation, it may render an interim decision without giving the person advance notice or an opportunity to present observations. Such a decision shall be effective for not more than 10 days.

Within five days after the decision, the board shall notify, in writing, the board of directors of the federation and, in the case of the suspension of an officer, the Inspector General.

356. Upon receipt of the periodical inspection report, the board of ethics 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.

357. The board of ethics shall submit a general report on its activities to the board of directors at the end of the fiscal year of the federation and shall present it at the annual meeting.

The report shall make particular mention of the measures taken by the federation to prevent or resolve conflicts of interest and, where credit has been extended to restricted parties, the report shall demonstrate compliance with the applicable rules of ethics and standards.

358. Where the board of directors fails to resolve a conflict of interest or to apply a rule of ethics, the board of ethics may act in its stead.

359. The federation shall, by by-law, determine the number of members of the board of ethics, which must not be fewer than five.

360. The federation may, by by-law, establish the procedure for electing the members of the board of ethics and the manner in which the board is to be formed.

361. The following persons are disqualified from holding office as a member of the board of ethics :

- (1) an employee of a credit union or an employee of the federation ;
- (2) a director of the federation ;
- (3) an officer or employee of another federation ;
- (4) a person of full age under protective supervision or a person totally or partially deprived of the exercise of civil rights ;
- (5) an undischarged bankrupt ;
- (6) a person convicted, in the last five years, of an offence or an indictable offence involving fraud or dishonesty, unless the person has obtained a pardon ;
- (7) a person removed from office, in the past five years, under section 118 or paragraph 2 of section 581.

The directors, officers or employees of a legal person belonging to the group, other than a credit union or a federation, and the shareholders holding 10% or more of the voting rights attached to the shares of the legal persons belonging to the group may not be members of the board of ethics.



362. At its first meeting after the organization meeting and, subsequently, during or after the annual meeting, the board of ethics shall choose a president and a secretary from among its members.

363. The majority of the members constitutes a quorum at meetings of the board of ethics.

#### **DIVISION IV**

##### **ACTIVITIES AND POWERS**

###### *§1. — General provisions*

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

- (1) examine the books and accounts of any credit union ;
- (2) enter into an agreement with the board of directors of a credit union entrusting the federation with the supervision, direction or administration of the affairs of the credit union for a specified period ;
- (3) develop and provide any service for the benefit of the members of a credit union ;
- (4) participate with a credit union in the establishment and administration of the services that the credit union may provide ;
- (5) act, for the purposes of this Act, as the temporary or provisional administrator or as the liquidator of a credit union ;
- (6) act as the liquidator or sequestrator for the performance of an obligation secured by hypothec of which a credit union is a creditor ;
- (7) make gifts in its name and in that of the credit unions.

365. A credit union is deemed to be a party to an agreement in order to benefit from the advantages resulting from a service referred to in paragraph 3 of section 364 if notice of a resolution of the federation to that effect, passed by a two-thirds majority of the votes cast by the members of its board of directors, has been sent to the credit union. However, a credit union may withdraw from the agreement by forwarding to the federation a copy of the resolution to that effect passed by its board of directors.

366. Where the members of a credit union benefit from a service referred to in section 365, the federation may act as the mandatary of the credit union and, as mandatary, the federation shall have all the powers that may be exercised by the credit union.

367. The federation may enter into a contract with a third party that binds the credit unions where the credit unions avail themselves of the benefit stipulated in the contract.

368. The federation may, as an ancillary activity, offer or provide to any person or partnership the services it uses for its own benefit, the benefit of its members or the benefit of partnerships or legal persons belonging to the group.

369. The federation shall adopt standards applicable to the credit unions, with respect to

(1) the requirements relating to accounting operations and to the books, registers and other accounting records which the credit unions are required to keep;

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

(3) the place and manner in which books, registers and other documents are to be preserved;

(4) the book base system in a computerized register for the registration of the shares issued by the credit unions;

(5) the management of the fund referred to in paragraph 6 of section 84, the conditions under which dividends may be paid into the fund, and the making of gifts out of that fund;

(6) the making of gifts, other than gifts made out of the fund under paragraph 5;

(7) the reports a credit union is required to submit for the purpose of determining the amount of the assessments the federation may charge, and the form and content thereof;

(8) the establishment and administration of the fund referred to in paragraph 1 of section 46;

(9) the reserve referred to in section 87 and investments the total or partial receipt of which allows it to draw on the reserve;

(10) the keeping of books, registers and any other document on any electronic information storage device capable of reproducing information in intelligible written form.

370. The federation may adopt standards applicable to the credit unions, with respect to

- (1) the persons that a credit union may recruit as members, other than auxiliary members;
- (2) the cases in which a credit union may adopt a by-law under section 200;
- (3) the matters regarding which the power to adopt by-laws may be delegated to the board of directors of a credit union;
- (4) any other administrative practice.

371. The federation shall also adopt standards applicable to the credit unions, with respect to

- (1) the reserves to be maintained for doubtful debts and contingent losses;
- (2) the allocation of surplus earnings;
- (3) the classes and series of shares that may be issued and the terms and conditions for the issue of those shares;
- (4) the voluntary purchase, the repurchase or the redemption of capital shares and investment shares.

372. The federation may also adopt standards applicable to the credit unions, with respect to

- (1) the allocation and form of dividends;
- (2) the allocation of any amount to the general reserve;
- (3) risk management, including credit risk management;
- (4) sound and prudent management practices.

373. The federation may adopt standards applicable to the credit unions in connection with the offer and provision of financial products and services, including

- (1) the issue, endorsement, accepting and discounting of promissory notes, bills of exchange, drafts and other negotiable instruments, and the accepting of deposits transferable by order to third persons;
- (2) cash management, electronic cash command and factoring services;
- (3) travellers' cheques;
- (4) debit cards and credit cards;

(5) the administration of savings plans registered under the Taxation Act (R.S.Q., chapter I-3) or the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);

(6) the distribution of the shares it issues;

(7) the distribution of the securities of a member of the group;

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

(9) the exercise of activities and commercial practices connected with the distribution of financial products and services where the credit unions exercise the activities of a firm, a distributor or the holder of a restricted certificate in accordance with the Act respecting the distribution of financial products and services (R.S.Q., chapter D-9.2).

The standards adopted under subparagraph 9 of the first paragraph are also applicable to any legal person or partnership through which the credit union carries on the activities referred to in that subparagraph.

Moreover, the federation may adopt standards applicable to the credit unions in connection with the offer or provision of other products and services ancillary or related to the pursuit of their mission.

374. The federation may, by the adoption of standards applicable to the credit unions, determine the conditions and restrictions respecting the carrying on of any activity, in particular

(1) in matters of credit;

(2) the acquisition or assignment of claims;

(3) the investments that a credit union may make.

375. The federation may, when adopting by-laws or standards concerning credit unions, establish various classes of persons and partnerships and various classes of activities and operations, and prescribe conditions, restrictions and terms applicable to each class.

Such by-laws or standards may in addition determine, according to the provisions contained therein, the measures that may be taken following a failure to apply them.

376. The by-laws and standards of the federation shall be transmitted to the Inspector General.

377. Where the federation considers that a credit union does not practise sound and prudent management, that it has contravened this Act or a normative instrument adopted under this Act, that it has failed to resolve a conflict of interest, that its financial position 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 the federation, to adopt and implement a compliance program in accordance with its directives; or

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

The federation may in addition give written instructions to a credit union at the request of the board of audit and ethics of the credit union.

The federation shall, within 10 days, transmit to the Inspector General a copy of the instructions or orders given or issued under this section.

378. The written instructions given by a federation under a provision of this Act are binding on the persons to whom they are addressed.

379. The federation shall notify the Inspector General of any failure of a credit union to comply with the written instructions or the order it has given or issued concerning the credit union.

380. The Inspector General may, after giving the federation and the credit union an opportunity to present their observations in writing within the time fixed by the Inspector General, approve the written instructions or the order of the federation with or without amendment.

Once approved, the written instructions or the order of the federation are deemed to be written instructions of the Inspector General.

381. If, in the opinion of the Inspector General, the federation neglects to exercise the powers conferred on it by subparagraphs 1 and 2 of the first paragraph of section 377, the Inspector General may, after giving the federation an opportunity to present its observations in writing within the time fixed, give the credit union concerned the instructions deemed expedient by the Inspector General.

382. The federation has all the powers necessary to make up any operating deficit of a credit union in case of a deficiency in the general reserve of the credit union, where the security fund of which it is a member does not do so.

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

§2. — *Assessments*

383. The federation may, by by-law, fix for each fiscal year a regular assessment and any other assessment it considers necessary.

A credit union is bound to pay the assessments.

384. A federation may also, by resolution of its board of directors, fix an assessment in respect of a credit union which agrees to avail itself of special services offered by the federation.

385. Credit unions shall furnish to the federation any report that it may require pursuant to its standards to determine the amount of assessments.

## **DIVISION V**

### **AUDITS, INSPECTIONS, EXAMINATIONS AND INVESTIGATIONS**

386. The federation must establish and maintain a service to audit the financial statements of credit unions as well as an inspection service for credit unions.

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

The president shall appoint a substitute in case a person in charge is absent or unable to act.

388. The board of directors of a federation must form an audit and inspection commission composed of members of the board of directors. In no case may a majority of the members of the commission be director generals of credit unions or of the federation. The commission must be composed of not fewer than three members.

389. The audit and inspection commission must examine the following before they are approved by the board of directors :

(1) every financial statement referred to in section 424 and every report transmitted to the Inspector General under section 426;

- (2) every auditor's report under section 158;
- (3) every matter prescribed by by-law of the federation; and
- (4) every matter prescribed by government regulation.

390. The audit and inspection commission must transmit to the Inspector General, each year, a report on its activities up to the balance sheet date of the last fiscal year of the federation.

The report must be transmitted within four months from that date. The report must indicate, in particular, the membership of the commission, the changes in its membership, and the terms of reference of any mandate entrusted to the commission.

391. The federation shall periodically inspect the internal affairs and the activities of a credit union. Inspections shall be conducted at least once every 18 months. However, the Inspector General may determine an interval of less than 18 months.

392. The purpose of periodic inspections is to evaluate the policies and practices and the internal control systems of a credit union, to verify the accuracy of its financial statements and to ensure that it is complying with the laws, regulations, by-laws, standards and written instructions that are applicable to it.

393. The federation must inspect the internal affairs and the activities of a credit union at the request of the board of audit and ethics of the credit union.

394. Where the person in charge of inspections considers it advisable, the federation may inspect all or part of the internal affairs and the activities of a credit union, an association of credit unions or a partnership or legal person controlled by a credit union.

395. The federation shall conduct examinations and investigations into the internal affairs and the activities of credit unions to assess the quality of their management and ensure that the standards applicable to them are observed.

396. Any person making an inspection or examinations and investigations under this division may

- (1) enter, at any reasonable time, the establishment of a person, association or partnership referred to in section 394 under inspection or examination and investigation;
- (2) examine and make copies of the books, registers, accounts, records and other documents relating to the activities of the credit union or to conflicts of interest involving its officers;

(3) require any information or document relating to the administration of this Act;

(4) require any information or document concerning the credit union or conflicts of interest involving its officers or concerning partnerships or legal persons belonging to the group.

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 or the examinations and investigations, permit access to and facilitate the examination of the documents.

397. The person making an inspection or examinations and investigations shall, on request, identify himself or herself and produce a certificate of the federation attesting the person's capacity.

398. No one may hinder the work of any person making an inspection or examinations and investigations, in particular by misleading the person.

399. The federation shall inform the Inspector General, the board of directors and the board of audit and ethics of the credit union of the results of the inspection. It shall, in addition, transmit a copy of its inspection report to the Inspector General.

The information and inspection report transmitted to the Inspector General under the first paragraph shall only concern matters within the Inspector General's jurisdiction.

The federation shall also inform the security fund belonging to the group of the results of the inspection of the affairs of the credit unions.

400. The federation may convene the board of directors and the board of audit and ethics of the credit union that was inspected or that controls the legal person or partnership that was inspected to present the inspection report to them.

401. The federation may order that a special meeting of the credit union be called to inform the members of the credit union of the results of the inspection or examinations and investigations.

Alternatively, the federation may inform the members of the credit union at the annual meeting.

402. The person making the inspection of a credit union on behalf of a federation shall in no case be the person conducting the audit of the credit union.



**DIVISION VI****PROVISIONAL ADMINISTRATION**

403. A federation may, with the authorization of the Inspector General, suspend the powers of the board of directors or the board of audit and ethics of a credit union for a maximum period of 30 days and appoint a provisional administrator to exercise the responsibilities of the board temporarily, as soon as the federation has reason to believe

(1) that there has been misappropriation or embezzlement ;

(2) that there has been a grievous offence or serious lapse in the performance of obligations on the part of an officer of the credit union or on the part of its board of directors ;

(3) that control over the property of the credit union is insufficient to adequately protect the rights of its members.

The Inspector General may designate the administrator and, on request, may extend the period specified in the first paragraph.

404. Before granting authorization under section 403, the Inspector General shall inform the members of the board of directors or the board of audit and ethics whose powers are to be suspended of the reasons advanced by the federation and give them an opportunity to present observations.

However, where warranted by the urgency of the situation, the Inspector General may grant authorization even if the board members have not been informed or have not had an opportunity to present observations.

405. The provisional administrator cannot be prosecuted by reason of any act done in good faith in the exercise of the provisional administrator's functions.

406. The provisional administrator shall, as soon as practicable, submit to the federation and to the Inspector General, a detailed report of the provisional administrator's findings together with recommendations.

407. The costs, fees and expenses of the provisional administration are chargeable to the administered credit union.

**DIVISION VII****FUNDS OF A FEDERATION**

§1. — *General provisions*

408. The federation may make by-laws to establish funds.

409. The federation shall pass by-laws concerning the administration of the funds it establishes, the amounts that may be deposited in the funds and the assets that may be paid into them.

The sums deposited in a fund and the assets paid into it shall be used and managed in accordance with the powers of the federation.

410. Any deposit made into a fund constitutes a claim against the federation.

411. The deposits made into a fund become payable upon the winding-up of the federation. Any deposit made by a credit union becomes payable upon the winding-up of the credit union or upon its ceasing to be a member of the federation.

412. The assets of the funds are not separate from those of the federation. However, the federation may, by by-law, establish a fund whose assets are separate from those of the federation and shall alone serve to guarantee the obligations contracted for the purposes of the fund.

Where the by-laws of the federation so provide, the assets of a fund may constitute a trust patrimony appropriated to a specified purpose. The federation may acquire the assets of such a fund.

413. A federation may, with the authorization of and on the conditions determined by the Inspector General, entrust all or part of the management of the funds it has established to any other person.

The person must undertake, in writing, to transmit annual statements to the Inspector General along with any other statement or information the Inspector General requires and allow the Inspector General to exercise the powers set out in section 556 for the purpose of verifying the accuracy of the statements and information.

## §2. — *Investment fund*

414. An investment fund of the federation shall consist of the sums entrusted to the fund as deposits or as capital shares in an investment fund, and of the revenue derived from the operations of the fund.

415. The federation may issue capital shares in relation to an investment fund. The shares shall have no par value and shall not bear interest. They may be paid in cash or by way of a conversion or exchange of all or part of the deposits in the investment fund.

416. The deposits constitute the participating interest of the depositors in the net assets of the fund and shall not bear interest. The net revenue from the fund shall be shared between the depositors in accordance with the by-laws of the federation.

417. The capital shares in relation to an investment fund give entitlement to a share of the net assets of the fund and the holders of the shares shall share the net revenue therefrom in accordance with the by-laws of the federation.

418. Only the net value of deposits made into an investment fund constitutes a claim.

419. The criteria used to establish a depositor's interest in an investment fund of the federation are determined in the by-laws.

§3. — *Share purchase fund*

420. A federation may, by by-law, establish a separate fund to purchase capital shares or investment shares issued by credit unions.

The by-law may in addition

- (1) prescribe the conditions and method of operation of such a fund;
- (2) 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.

Dividends allotted by a credit union and paid into the fund established by the credit union pursuant to paragraph 1 of section 46 may be used by that fund for the acquisition, for the benefit of credit union members participating in the fund, of shares held by the fund established under the first paragraph.

421. A fund established under section 420 shall receive the sums borrowed for its funding and the proceeds of the sale by the federation of shares held by the fund.

422. The assets of a fund established under section 420 shall be separate from those of the federation 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 the fund.

Notwithstanding the first paragraph, in the event of the winding-up of the network, any balance remaining in the fund, after all its debts have been paid, shall serve for the payment of the other debts of the federation.

423. The provisions of subdivision 1 do not apply to the fund as regards the purchase of shares.

## **DIVISION VIII**

### **FINANCIAL DISCLOSURE**

424. The annual report of the federation must include, in addition to the information required under sections 161 to 167,

(1) a statement of the sums deposited by the credit unions or administered on their behalf, 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, 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 an 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) a statement of the assets and liabilities and an operating statement of the federation, the credit unions and any legal person or partnership determined by the federation, presented in consolidated form, according to generally accepted accounting principles.

However, the Inspector General may, in respect of specified financial statements and where the Inspector General considers it expedient, prescribe accounting standards that include particular requirements or requirements different from those applicable according to generally accepted accounting principles. The standards may include discretionary requirements.

The Regulations Act (R.S.Q., chapter R-18.1) does not apply to such standards or draft standards.

425. At least 10 days before the date of the annual meeting, the board of directors shall send to each of its members a copy of the annual report.

426. The federation shall transmit to the Inspector General, every three months, a report on the adequacy of the capital base of its network, a report on the adequacy of its liquid assets and any other report required by the Inspector General.

Every credit union that is not a member of a federation shall also transmit to the Inspector General, every three months, a report on the adequacy of its capital base, a report on the adequacy of its liquid assets and any other report required by the Inspector General.

427. The federation 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.

**DIVISION IX****AMALGAMATION**

428. Two or more federations may amalgamate. The amalgamating federations shall prepare an amalgamation agreement, in duplicate, setting out

(1) the name of the amalgamated federation and the judicial district of its head office;

(2) the name and address of each of the first members of the board of directors and of the board of ethics;

(3) the mode of election or appointment of subsequent members of the board of directors and of the board of ethics;

(4) the number of shares issued by each of the amalgamating federations or a statement that all such shares will be converted into shares of the amalgamated federation, the price of each share and the manner of converting them into shares of the amalgamated federation;

(5) the conditions and restrictions concerning the exercise of certain powers or the pursuit of certain activities.

429. The amalgamating federations may determine, in the amalgamation agreement,

(1) the common characteristic shared by the members that may be recruited by the amalgamated federation, other than auxiliary members;

(2) the allocation of the surplus earnings accumulated up to the date of amalgamation;

(3) any provision relating to the application of sections 294 to 297;

(4) any other measure to complete the amalgamation or relating to the organization and management of the amalgamated federation.

430. Each federation shall adopt the agreement, by by-law, at a special meeting. The by-law must designate the person authorized to sign the articles of amalgamation and the accompanying application. The vote of the members shall be attested by the secretary of the federation.

431. The notice calling the special meeting shall state that the member may receive, free of charge, a copy of the amalgamation agreement.

432. Once the amalgamation by-laws are adopted, the amalgamating federations shall jointly prepare articles of amalgamation which must contain, in addition to the provisions that may be included in articles of constitution pursuant to this Act, those set out in paragraph 1 of section 428.

433. The articles of amalgamation, prepared in duplicate and signed by the person authorized for that purpose by each of the amalgamating federations, shall be transmitted to the Inspector General within nine months of the adoption of the first amalgamation by-law by one of the amalgamating federations.

434. The articles of amalgamation must be accompanied with

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

(2) a copy of the amalgamation agreement;

(3) a certified copy of each by-law approving the amalgamation and of the attestation provided for in section 430;

(4) a memorandum signed by the person authorized by each amalgamating federation setting forth the reasons for and objectives of the amalgamation;

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

(6) a notice determining the fiscal year of the amalgamated federation and stating the name of the auditor;

(7) the budgeted statements of the assets and liabilities and of the results for the first year of operation of the amalgamated federation.

435. The Inspector General may require such additional documents or information as the Inspector General indicates for the examination of the application.

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

For that purpose, the Inspector General, in addition to the procedure set out in subparagraphs 3 to 5 of the second paragraph of section 15, shall endorse the words “amalgamated federation” on each copy 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.

437. The amalgamating federations are continued as one and the same federation from the date stated in the certificate.

The amalgamated federation shall acquire all the rights and assume all the obligations of each of the amalgamating federations. Proceedings to which the amalgamating federations are a party may be continued without continuance of suit.

438. Two or more federations may also amalgamate by absorption. A federation may absorb another federation provided the liabilities of the absorbed federation, consisting of the deposits of its members, do not exceed 25% of its own such liabilities.

439. Sections 428 to 437 apply, with the necessary modifications, to an amalgamation by absorption.

440. From the date of amalgamation, the absorbing federation shall acquire the rights and assume the obligations of the absorbed federation.

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

## **CHAPTER X**

### **CAPITAL BASE**

#### **DIVISION I**

##### **FEDERATION AND CREDIT UNIONS NETWORK**

441. A federation shall ensure that its network maintains an adequate capital base consistent with sound and prudent management.

The federation shall adopt standards applicable to credit unions respecting the adequacy of their capital base, the elements which compose their capital base and the proportion represented by each element. The standards must be consistent with government regulations.

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

Before exercising the power set out in the first paragraph, the Inspector General shall notify the federation and give it an opportunity to present observations.

443. Where the Inspector General considers that the capital base of a network is inadequate, the Inspector General may order the federation to adopt to the Inspector General's satisfaction, within the time prescribed and for the reasons indicated by the Inspector General, a compliance program for the federation and the credit unions.

Before exercising the powers set out in the first paragraph, the Inspector General shall notify the federation and give it an opportunity to present observations.

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

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

446. The federation and the credit unions 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.

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 the Inspector General deems appropriate.

Before exercising the power set out in the second paragraph, the Inspector General shall notify the credit union and the federation and give them an opportunity to present observations.

447. The federation and the credit unions must furnish to the Inspector General any report the Inspector General may require on the implementation of the compliance program, at such intervals, in such form and of such tenor as may be determined by the Inspector General.

448. Where, following an order of the Inspector General under section 443, the federation is required to implement a compliance program, the powers set out in section 377 shall, while the program is in effect, be exercised by the Inspector General, after obtaining the advice of the federation.

449. The Inspector General may implement a compliance program that the federation has neglected to implement.

## **DIVISION II**

### **CREDIT UNIONS THAT ARE NOT MEMBERS OF A FEDERATION**

450. The provisions of this division apply only to credit unions that are not members of a federation.

451. Every credit union must maintain, for its operations, an adequate capital base consistent with sound and prudent management. The credit union is bound to comply with government regulations in this regard.



452. The Inspector General may, where the Inspector General considers it advisable, give the credit union written instructions concerning the adequacy of its capital base.

Before exercising the powers set out in the first paragraph, the Inspector General shall notify the credit union and give it an opportunity to present observations.

453. Where the Inspector General considers that the capital base of the credit union is inadequate, the Inspector General may order the credit union to adopt a compliance program within the time prescribed and for the reasons indicated by the Inspector General.

Before exercising the power set out in the first paragraph, the Inspector General shall notify the credit union and give it an opportunity to present observations.

454. The compliance program shall describe the appropriate measures to be implemented by the credit union to ensure the adequacy of its capital base, within the time limits indicated therein.

455. The compliance program adopted by the credit union must be submitted for approval to the Inspector General, who may approve it with or without amendment.

456. If a credit union fails to comply with the order of the Inspector General, the Inspector General may establish such compliance program as the Inspector General considers appropriate.

457. The credit union is bound to implement the compliance program approved or established by the Inspector General.

458. Where the credit union is required to implement a compliance program, it must furnish to the Inspector General any report the Inspector General may require on the implementation of the program at such intervals, in such form and of such tenor as the Inspector General may determine.

459. The credit union shall cease to solicit or receive deposits until it has

(1) adopted a compliance program ;

(2) implemented a compliance program ;

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

460. The Inspector General may, while a compliance program is in effect, give the credit union concerned any written instructions the Inspector General considers appropriate.

Before exercising the power set out in the first paragraph, the Inspector General shall notify the credit union and give it an opportunity to present observations.

## **CHAPTER XI**

### **LIQUID ASSETS**

#### **DIVISION I**

##### **CREDIT UNIONS**

461. Every credit union that is a member of a federation must at all times maintain such liquid assets as are adequate to ensure sound and prudent management, in accordance with federation standards.

The federation must adopt standards concerning the liquid assets to be maintained by credit unions.

462. The federation shall administer the liquid assets maintained by the credit unions, in accordance with the by-law that the federation must pass in that regard.

463. Some or all of the liquid assets maintained by the credit unions and administered by the federation may be paid into any fund established by the federation. The provisions of sections 408 to 413 apply to such a fund, in accordance with any applicable by-law of the federation.

Where the assets of such a fund are separate from the assets of the federation, the federation must submit its annual financial statements to the Inspector General together with any other financial statement or information required by the Inspector General.

464. Every credit union that is not a member of a federation must at all times maintain such liquid assets as are adequate to ensure sound and prudent management.

465. The Inspector General may, where the Inspector General considers it advisable, give written instructions to a credit union that is not a member of a federation as to the adequacy and nature of its liquid assets.

Before exercising the power set out in the first paragraph, the Inspector General shall notify the credit union and give it an opportunity to present observations.

## **DIVISION II**

### **FEDERATIONS**

466. Every federation shall, for its operations, maintain such liquid assets as are adequate to meet its requirements and obligations.

467. The Inspector General may, where the Inspector General considers it advisable, give written instructions to a federation as to the adequacy of its liquid assets.

Before exercising the power set out in the first paragraph, the Inspector General shall notify the federation and give it an opportunity to present observations.

## **CHAPTER XII**

### **INVESTMENTS**

468. Every financial services cooperative shall exercise its powers to make investments with prudence and care in accordance with any applicable regulation of the Government.

Every financial services cooperative shall also practise sound and prudent management in respect of its investments.

469. The federation shall adopt standards concerning the investments that may be made by credit unions.

470. Where a financial services cooperative is a credit union that is not a member of a federation, the cooperative shall establish sound and prudent management policies in relation to its investments.

471. The Inspector General may, where the Inspector General considers it advisable, give written instructions to a financial services cooperative concerning the investments that may be made by the cooperative.

Before giving written instructions to the financial services cooperative, the Inspector General shall notify the cooperative and give it an opportunity to present observations.

In addition, before giving written instructions to a credit union, the Inspector General shall notify the federation and give it an opportunity to present observations.

472. For the purposes of this Act, a legal person is controlled by a person where the latter holds, directly or through legal persons controlled by the person, more than 50% of the voting rights attached to the shares of the former or can elect a majority of its directors.

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

A legal person is controlled by a federation where the federation and the credit unions that are members of the federation jointly hold, directly or through legal persons controlled by them, more than 50% of the voting rights attached to the shares of the legal person or can elect a majority of its directors.

A legal person is controlled by a credit union where the credit union and other credit unions belonging to the network jointly hold, directly or through legal persons controlled by them, more than 50% of the voting rights attached to the shares or can elect a majority of its directors.

473. A financial services cooperative may not acquire, by itself or jointly with a credit union or a federation belonging to its network, directly or through a partnership or legal person it controls, more than 30% of the assets or the voting rights attached to the shares of a legal person. The voting rights may not enable the cooperative to elect more than one-third of the directors of the legal person.

However, a financial services cooperative may acquire all or part of the shares of a legal person in the cases determined by regulation of the Government.

474. Notwithstanding the first paragraph of section 473, a financial services cooperative may acquire directly, by itself or jointly with a credit union or a federation belonging to its network, all or part of the shares of a legal person carrying on activities that are similar to those of the cooperative. The cooperative may also acquire such shares through a holding company established under the laws of Québec for the sole purpose of holding those shares.

475. The provisions of a regulation referred to in the second paragraph of section 473 and the provisions of section 474 allow the acquisition of shares of a legal person only where the legal person is or becomes, as a result of that acquisition, a legal person controlled by the acquirer.

The first paragraph does not apply in the cases determined by regulation of the Government.

476. No provision of this Act shall be construed as limiting the powers of a financial services cooperative to realize a security by acquiring property or otherwise. However, the cooperative shall, subject to market conditions, take the measures required, within a reasonable time, to comply with the provisions applicable to the cooperative in relation to the investments it may make.

477. Where, following an amalgamation, the replacement of securities held by a financial services cooperative causes it to cease to comply with the provisions applicable to the cooperative in relation to investments that may be made by it, the cooperative must take such action as is necessary to ensure its compliance with the said requirements within five years from the amalgamation.

478. No financial services cooperative may, by itself or jointly with a credit union or a federation belonging to its network, directly or through a holding company it controls, acquire shares of a legal person referred to in the second paragraph of section 473 or in section 474 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 cooperative and the Inspector General, within 60 days after the acquisition,

(1) not to engage in any activity other than those it was carrying on at the time of the acquisition, unless it has obtained authorization in writing from the Inspector General;

(2) to submit its annual financial statements to the Inspector General together with any other statement or information the Inspector General may require and to allow the Inspector General to exercise the powers set out in section 556 to verify the accuracy of the statements or information.

479. A federation may give written instructions to the credit unions and other legal persons belonging to the group to ensure that the investments they make are in compliance with the provisions of this Act.

480. Notwithstanding the first paragraph of section 473, a federation may acquire shares issued by a legal person constituted under Part IA of the Companies Act, if the sole objects of the legal person are to make public issues of securities and to acquire as consideration therefor securities issued by a credit union.

A federation must, at all times, hold directly all the voting rights attached to the shares of the legal person referred to in the first paragraph.

Notwithstanding sections 123.15, 123.105, 123.119, 123.136 and 123.160 of the Companies Act, any provision relating to the objects of a legal person constituted under Part IA of the Companies Act and referred to in the first paragraph must be approved by the Inspector General. The Inspector General shall, after giving his or her approval, issue a certificate in accordance with the procedure set out in section 123.15 of that Act.

481. Every public issue of securities by a legal person referred to in the first paragraph of section 480 and the amount and terms and conditions of such issue must receive the prior approval of the federation controlling the legal person, by way of resolution.

The federation shall also determine, by resolution, the apportionment of the proceeds of the issue among the credit unions it determines and shall specify, where applicable, the sums to be used to subscribe securities of a security fund.

The resolution of the federation is binding on the credit unions. Each such credit union is bound to issue the securities for the amount resulting from the apportionment made by the federation.

The resolution of the federation shall, for each credit union, stand in lieu of a resolution authorizing borrowings or an issue of securities, as the case may be. The federation is authorized to perform any acts that are expedient for the purposes of such a resolution, and such acts are deemed to be acts performed by a credit union.

482. Upon each public issue of securities, a legal person referred to in the first paragraph of section 480 shall, if expedient, issue securities to a security fund.

The security fund is bound to acquire the securities so issued.

483. A legal person referred to in the first paragraph of section 480 shall invest the sums received in accordance with the investment policy approved beforehand by the Inspector General.

484. The directors and officers of a legal person referred to in the first paragraph of section 480 or of a holding company who authorize an investment which is not in compliance with the provisions of this chapter shall be solidarily liable for any resulting losses to the legal person or holding company.

485. Any right of action arising from section 484 may be exercised by

(1) the legal person referred to in the first paragraph of section 480 or holding company whose directors or officers authorized the investment;

(2) the financial services cooperative which controls the legal person or the holding company, acting as the mandatary of the legal person or the holding company, if the legal person or the holding company has neglected to exercise such right of action after having been formally notified to do so by the cooperative;

(3) the Inspector General, acting as the mandatary of the legal person or the holding company, if the legal person or the holding company and the cooperative which controls it have both neglected to exercise such right of action after having been formally notified to do so by the Inspector General.

Where formal notice is given by a cooperative pursuant to subparagraph 2 of the first paragraph, a copy of the notice must be transmitted to the Inspector General.

486. The sole fact that the investments of a legal person referred to in the first paragraph of section 480 or of a holding company are in compliance with this Act does not release the directors and officers from the obligations incumbent upon them.

## **CHAPTER XIII**

### **SECURITY FUND**

#### **DIVISION I**

#### **CONSTITUTION**

487. The Government may, upon the application of a federation, constitute a security fund, the mission of the fund being

(1) to assist in the payment of losses sustained by the members of a credit union that is a member of the fund, in the event of a winding-up;

(2) to establish and administer a security fund, liquid assets fund or assistance fund for the benefit of the credit unions that are members of the fund;

(3) to take part in the funding operations of the network.

Before recommending the constitution of a security fund, the Government shall obtain the opinion of the Inspector General.

488. A federation wishing to obtain the establishment of a security fund shall send to the Inspector General an application accompanied with a certified copy of the resolution authorizing the application and indicating the name and the location of the head office of the proposed fund.

Every credit union which is a member of the founder federation is a member of the security fund.

489. The name of a security fund must be consistent with section 17.

490. The name of a security fund shall include the expression “security fund”. It shall, in addition, include the name of the federation or an indication identifying that federation.

491. The name of a legal person shall not include the expression “security fund” unless the legal person has been constituted under this division.

492. The remedy provided for in section 23 may be exercised, with the necessary modifications, in respect of the name of a security fund.

493. The head office of the fund must be situated in Québec.

494. The Government shall refuse to constitute a security fund where its application contains a name not in conformity with section 490 or with any of paragraphs 1 to 6 of section 17.

495. The Government shall send a notice of the constitution of the fund to the Inspector General, who shall deposit the notice in the register.

496. The fund is a legal person.

## **DIVISION II**

### **ADMINISTRATION**

497. The affairs of the fund are administered by a board of directors composed of

(1) the persons holding the offices, within the federation, of president, director general and person in charge of inspections;

(2) three persons appointed by the federation; and

(3) the other persons appointed in accordance with the by-laws of the founding federation.

498. The members of the board of directors of the fund shall, within three months after publication of the notice provided for in section 495, elect a president and a vice-president of the fund and every other officer whose election is provided for by by-law of the fund.

499. The board of directors of the fund may establish an executive committee from among its members. This committee shall include the president of the fund.

The executive committee exercises the powers delegated to it by the board of directors.

500. A member of the board of directors of the fund appointed under paragraph 2 of section 497 remains in office for two years unless the member is replaced before the expiry of that period by the federation.

501. A member of the board of directors of the fund appointed under paragraph 2 of section 497 remains in office, notwithstanding the expiry of the member's term, until the member is reappointed or replaced by the federation.

502. Any vacancy occurring during the course of the term of a member of the board of directors of the fund appointed under paragraph 2 of section 497 is filled by the federation.



503. The board of directors of the fund may determine the remuneration and allowances of its members.

504. A majority of the members of the board of directors of the fund constitutes a quorum at meetings. Decisions shall be made by a majority of the votes cast.

505. The board of directors of the fund may, by by-law, change the name of the fund and the location of its head office.

Every such by-law must be approved by the Inspector General. If the Inspector General approves the by-law, the Inspector General shall deposit a notice to that effect in the register and the by-law comes into force on the date of such deposit.

506. The president of the fund shall see to the carrying out of the decisions of the board of directors.

If the president is absent or unable to act, the president shall be replaced by the vice-president.

507. The president of the federation shall call the first meeting of the board of directors.

508. Any member of the board of directors of the fund having any direct or indirect interest in an undertaking or a credit union with which the fund has or intends to have business relations, must, under pain of forfeiture of office, disclose the interest and refrain from voting on any matter concerning that undertaking or credit union.

509. The minutes of the meetings approved by the fund are authentic. The same rule applies to copies or extracts emanating from the fund or forming part of its records if they are certified by the president, the vice-president or by any other authorized person.

510. The fund may, in the pursuit of its mission,

- (1) make loans and grants to the credit unions that are members of the fund ;
- (2) guarantee the commitments of a credit union that is a member of the fund ;
- (3) guarantee the repayment of an advance or of a loan made to a credit union that is a member of the fund ;
- (4) make an agreement with a credit union that is a member of the fund under which the affairs of the credit union will be managed by the fund for a fixed period ;

(5) acquire some or all of the assets of a credit union that is a member of the fund;

(6) act as the liquidator or sequestrator of a credit union that is a member of the fund;

(7) act as the provisional administrator of a credit union that is a member of the fund for the purposes of this Act;

(8) provide in the place and stead of a federation guarantees for the purposes of section 187;

(9) sell to a credit union that is a member of the fund the securities referred to in the second paragraph of section 481.

511. The fund may, when making a loan or a grant to a credit union that is a member of the fund, determine the measures to be implemented by the credit union in order to correct certain of its management practices.

512. The fund may, for each of its fiscal years, fix the assessment payable by the credit unions that are members of the fund and require payment thereof.

513. Where the fund finds or is informed by the federation that a credit union is not practising sound and prudent management, the fund may fix and require from the credit union a special assessment for each of the fiscal years determined by the fund.

514. The amount of the assessment is established for each credit union from reports that it must submit to the fund in such form, of such tenor and at such time as the fund may determine by by-law.

The fund may also specify by by-law the terms and conditions of payment of the assessment.

515. The fund and the federation may enter into an agreement under which the federation is authorized to collect the assessment for the fund.

516. No person may make any advertisement in connection with a security fund except in such cases and in such manner and form as the Government may prescribe by regulation.

517. The fund may only make the investments authorized by government regulation. The regulation may prescribe cases, conditions and restrictions concerning such investments.

518. The fund shall, for the purposes of section 482, acquire and hold securities issued by a legal person referred to in the first paragraph of section 480.

519. The fund may, to obtain payment in whole or in part of any sum owed to it, acquire the immovables securing the payment thereof. However, the fund must dispose of the immovables so acquired within seven years unless the Inspector General grants it an extension.

### **DIVISION III**

#### **BOOKS, AUDIT AND ANNUAL REPORT**

520. The fund shall keep and preserve at its head office a register of the names and addresses of the members of the board of directors, and the books in which are entered the by-laws of the fund and the minutes of the sittings of the board of directors and of the executive committee.

521. The fund shall keep its books in accordance with generally accepted accounting principles.

Furthermore, the fund shall keep a separate register and separate accounting for transactions under paragraph 9 of section 510.

522. The fiscal year of the fund is the same as that of the federation.

523. The fund shall have its books and accounts audited each year.

If the fund does not do so, the Inspector General may appoint an auditor and fix the remuneration that the fund must pay to that auditor.

524. The auditor has, in carrying out auditing duties, access to all the books, registers, accounts and other records of the fund, and every person having custody of them must facilitate the auditor's examination of them.

The auditor may also require from the members of the board of directors and the officers of the fund the information and explanations useful for the carrying out of the auditor's duties.

525. The accounts of the fund are closed at the end of the fiscal year and, during the ensuing three months, the board of directors shall prepare an annual report which must set forth, in particular,

- (1) the names and addresses of the members of the board of directors;
- (2) the number of credit unions that are members of the fund;
- (3) the balance sheet, the operating statement, the statement of changes in financial position and the surplus statement; and
- (4) the report of the auditor.

526. The balance sheet and the operating statement must be approved by the board of directors, which shall designate two of its members to sign the balance sheet.

527. The fund must, as soon as practicable, send a copy of the annual report to the federation.

#### **DIVISION IV**

##### **PROVISIONAL ADMINISTRATION**

528. The fund shall, within three months following the end of the fiscal year, prepare and send to the Inspector General, who shall send a copy of it to the Régie de l'assurance-dépôts du Québec, a statement of operations for the fiscal year just ended, prepared in the form prescribed by the Inspector General.

529. The statement must show the financial position of the fund and set out the information and documents required by section 525 and the information required by the Inspector General.

530. The statement must be signed by at least two members of the board of directors of the fund and be accompanied with the auditor's report to the Inspector General attesting the scope of the auditor's audit and the auditor's opinion on the financial position of the fund.

531. The affairs of the fund must be inspected once each year or whenever the Inspector General considers it advisable. The inspection must be carried out by a person appointed by the Inspector General.

532. The person carrying out the inspection has access at any reasonable time to the books, registers, accounts and other records of the fund, and every person having custody of them must facilitate their examination by the person carrying out the inspection. The person carrying out the inspection may also require from the members of the board of directors and the officers of the fund the information and explanations useful for the carrying out of the person's duties.

The person carrying out the inspection shall, on request, identify himself or herself and produce a certificate of capacity signed by the Inspector General.

533. The Inspector General shall send a copy of the inspection report to the Régie de l'assurance-dépôts du Québec.

534. If, following an inspection made under section 531 or the production of the statement referred to in section 528, the Inspector General is of opinion that a serious fault has been committed, particularly embezzlement or breach of trust by one or more members of the board of directors, or that the board of directors engages in management practices that are not sound and prudent, the

Inspector General may appoint a provisional administrator to assume the powers of the board of directors, temporarily, for a period of seven working days.

535. Where the provisional administrator assumes the administration of the fund in accordance with this division, the powers of the board of directors are suspended.

536. The Minister may extend the period provided for in section 534.

537. The provisional administrator must present to the Minister and to the Inspector General, as soon as practicable, a detailed report of the provisional administrator's findings, together with recommendations.

538. If the report of the provisional administrator confirms the existence of any situation referred to in section 534, the Minister shall forward it to the Government after having obtained the opinion of the Inspector General.

539. Before submitting the report to the Government, the Minister shall give the fund an opportunity to be heard.

540. The Minister shall attach to the report of the provisional administrator a summary of the representations the fund has made to the Minister and the Minister's own recommendations.

541. The Government may, as soon as the documents referred to in section 540 have been submitted to it,

(1) order the fund to remedy any situation referred to in section 534 within the time it determines;

(2) order the provisional administrator to prolong the administration of the fund for a determined period or to terminate it unless the fund fails to comply with the order referred to in paragraph 1.

542. The provisional administrator cannot be prosecuted for acts done in good faith in the performance of the provisional administrator's duties.

543. The provisional administrator must inform the Minister and the Inspector General as soon as the provisional administrator ascertains that the situation referred to in section 534 has been corrected or cannot be corrected. The Minister must, after having obtained the opinion of the Inspector General, report to the Government as soon as practicable.

544. After receiving the report provided for in section 543, the Government may

(1) lift the suspension of the members of the board of directors of the fund, or

(2) order, on the conditions it determines, the winding-up of the fund and appoint a liquidator.

545. The provisional administrator must, as soon as his or her mandate has expired, make a complete report of the provisional administration to the Minister and to the Inspector General.

The expenses, fees and expenditures of the provisional administration shall be charged to the fund unless the Minister decides otherwise.

546. The decision of the Government ordering the winding-up of the fund has the same effect as an order made by a judge of the Superior Court under section 25 of the Winding-up Act. With regard to any surplus, the provisions of Division IV of that Act apply, with the necessary modifications, to the extent that they are not inconsistent with the provisions of this division.

547. The liquidator first pays the debts of the fund and the costs of winding it up, and the balance from the winding-up devolves to the federation.

## **CHAPTER XIV**

### **SUPERVISION AND CONTROL**

#### **DIVISION I**

##### **SUPERVISION**

548. Where the Inspector General is of the opinion that the value of an immovable securing a claim of a financial services cooperative is less than the amount of the loan granted, including accrued interest, or where the Inspector General considers the immovable to be insufficient security, the Inspector General may require the cooperative to cause an appraisal of the immovable to be made by an appraiser, who must receive the approval of the Inspector General, or the Inspector General may cause the appraisal to be made.

Following the appraisal, the Inspector General may reduce the book value of the loan of the cooperative.

549. Where the Inspector General is of the opinion that the market value of any of the assets of a financial services cooperative is less than the book value, the Inspector General may require the cooperative to cause an appraisal of the asset to be made by an appraiser, who must receive the approval of the Inspector General, or the Inspector General may cause the appraisal to be made.

Following the appraisal, the Inspector General may reduce the book value of the asset of the cooperative.

550. Before requiring an appraisal of any immovable or asset to be made or before causing such appraisal to be made, the Inspector General shall notify

the financial services cooperative concerned and, in the case of a credit union, the federation, and give them an opportunity to present observations. The Inspector General must do the same before assigning to any asset a value different from that determined by the appraiser.

The Inspector General shall notify, in writing, the cooperative and its auditor of the reduction made to the book value of one of its assets.

551. Unless the Inspector General decides otherwise, the appraisal shall be charged to the financial services cooperative concerned.

552. The Inspector General shall ensure that the activities and operations of a financial services cooperative are audited in accordance with the provisions of this Act.

553. The Inspector General shall also ensure that the internal affairs and the activities of a credit union are inspected.

The Inspector General shall, at least once a year, inspect or commission the inspection of the internal affairs and the activities of a federation.

554. The Inspector General shall, at least once a year, inspect or commission the inspection of the internal affairs and the activities of every credit union that is not a member of a federation.

555. The purpose of the annual inspection is to evaluate the financial policies and practices and the internal control systems of a financial services cooperative, to verify the accuracy of its financial statements and to ensure that it is complying with this Act, the regulations, the by-laws, the standards and the written instructions applicable to it under this Act.

556. The Inspector General may, on his or her own initiative, conduct or commission any examination and any investigation the Inspector General considers expedient for the purposes of this Act, into the internal affairs and the activities of any financial services cooperative, legal person referred to in the first paragraph of section 480 or holding company controlled by the cooperative.

In addition, the Inspector General may order the person in charge of audits or the person in charge of inspections in a federation to conduct such examinations and investigations into the internal affairs and the activities of credit unions as the Inspector General considers expedient.

557. The Inspector General shall, in addition, at the request of a credit union's board of directors or board of audit and ethics, of 100 of its members or of one-third of its members, or at the request of the federation, conduct or commission any examination and any investigation the Inspector General considers expedient into the internal affairs and the activities of the credit union.

The Inspector General shall render an account of any examination and any investigation to any member of the credit union who so requests, to the board of audit and ethics of the credit union and to the federation.

The expenses incurred for any examination or investigation conducted under this section by the Inspector General shall be charged to the credit union.

558. For the purposes of this Act, any person conducting an inspection or examinations and investigations under this division may

(1) enter, at any reasonable time, the establishment of any legal person under inspection or examination and investigation ;

(2) examine and make copies of 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.

Every person having custody, possession or control of the books, registers, accounts, records and other documents shall grant access to them to the person conducting the inspection, or the examinations and investigations, at that person's request, and facilitate their examination by that person.

559. The documents, books, registers, accounts and records that the Inspector General may require must be provided to the Inspector General, whatever the medium in which they are stored and whatever the means of accessing them.

560. The person making an inspection or examinations and investigations shall, on request, identify himself or herself and produce a certificate of capacity signed by the Inspector General.

561. No person may hinder the work of any person conducting an inspection or examinations and investigations, in particular by misleading that person.

562. The Inspector General or the Inspector General's representative, in exercising the Inspector General's powers of inspection, may, if the Inspector General or the representative 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 the Inspector General or the representative leaves a copy with the person from whom it is seized ; the Inspector General shall have custody of the seized document.

563. The Inspector General shall not keep the document seized under section 562 for over 90 days unless proceedings are brought within that time. A judge of the Court of Québec may order the period during which the seized documents are kept reduced or extended for a further 90 days.



564. The Inspector General may order an inquiry into any matter within the Inspector General's jurisdiction, if the Inspector General is of the opinion that the public interest requires it.

## **DIVISION II**

### **CONTROL**

565. The Inspector General may, after consulting the Minister and the federations, issue guidelines for financial services cooperatives concerning

- (1) the adequacy of their capital base ;
- (2) the adequacy of their liquid assets ;
- (3) any other practice of sound and prudent management, in particular relating to investments.

The guidelines are not regulations.

566. A financial services cooperative that fails to comply with the guidelines issued under section 565 is, for the purposes of sections 573 to 583, deemed to have failed to adhere to sound and prudent management practices.

567. The Inspector General may order a financial services cooperative to cease a course of action or to implement specified measures if the Inspector General is of the opinion that the credit union is not adhering to sound and prudent management practices or is not complying with

- (1) a provision of this Act, a normative instrument adopted by the Government or a federation under this Act, an order of the Government under the second paragraph of section 67 or a written instruction ;
- (2) a compliance program ; or
- (3) an undertaking under this Act.

The Inspector General may also order a legal person or a partnership controlled by a financial services cooperative to cease a course of action or to implement specified measures if the Inspector General is of the opinion that the legal person or partnership is not complying with a provision of this Act, a normative instrument adopted under this Act, a written instruction or an undertaking under this Act.

568. The Inspector General may make an order pursuant to section 567 where, in the opinion of the Inspector General, the conduct of a financial services cooperative is contrary to sound and prudent management practices, even if the cooperative complies with the guidelines.

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

Before exercising the power set out in the first paragraph, the Inspector General shall, pursuant to section 5 of the Act respecting administrative justice (R.S.Q., chapter J-3), notify the financial services cooperative and, if the cooperative is a credit union, the federation, and give it or them an opportunity to present observations.

570. The order of the Inspector General must state the reasons on which the order is based. The Inspector General shall send the order to each director of the legal person concerned or, as the case may be, to each member of the board of audit and ethics of the credit union or, as the case may be, of the board of ethics of the federation. The order shall become effective on the day it is served or on any later date indicated therein.

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 present observations.

571. However, the Inspector General may, without prior notice, issue a provisional order, valid for a period not exceeding 15 days, if the Inspector General is of the opinion that the granting of time to the person concerned to present observations could be prejudicial.

The order must state the reasons on which it is based and shall become effective on the day it is served on the person concerned. The latter may, upon receiving such order, present observations to the Inspector General.

572. The Inspector General may revoke an order issued under sections 567 to 571.

573. 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 a government regulation thereunder.

The motion for an injunction constitutes an action.

The procedure prescribed in the Code of Civil Procedure (R.S.Q., chapter C-25) applies, except that the Inspector General cannot be required to give security.

574. The Minister may, after obtaining the advice of the Inspector General, suspend the powers of the board of a financial services cooperative and appoint a provisional administrator to exercise the powers of the cooperative for such period as the Minister may determine, if the Minister has grounds to believe

(1) that the credit union or network has failed to maintain a capital base meeting the requirements of this Act;

(2) that the assets of the financial services cooperative are inadequate to ensure effective protection of the depositors, creditors and members;

(3) that the financial services cooperative does not adhere to sound and prudent management practices;

(4) that the financial services cooperative has failed to comply with the Inspector General's written instructions concerning a compliance program;

(5) that there has been misappropriation of property;

(6) that a serious fault has been committed, in particular, embezzlement or breach of trust by members of the board of a financial services cooperative, 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.

The provisional administrator may authorize any person to exercise the powers set out in the first paragraph.

575. Before exercising the powers set out in section 574, the Minister shall give the members of the board of a financial services cooperative whose powers are suspended an opportunity to present observations. The Minister shall also give the cooperative and, if the cooperative is a credit union, the federation an opportunity to present observations.

However, if warranted by the urgency of the situation, the Minister may order the suspension, for a period not exceeding 15 days, without giving the members referred to in the first paragraph or the financial services cooperative or, if the cooperative is a credit union, the federation an opportunity to present observations.

576. 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.

577. The provisional administrator shall remain in office until the expiry of his or her appointment, unless the Minister prolongs or terminates the administrator's appointment.

578. The provisional administrator cannot be prosecuted by reason of any act done in good faith in the performance of the provisional administrator's duties.

579. The provisional administrator shall submit to the Minister, as soon as practicable, a detailed report of his or her findings, together with recommendations.

The provisional administrator shall also, at the Minister's request, submit any additional report.

580. The provisional administrator shall, at the end of his or her appointment, make a complete report of the provisional administration to the Minister.

581. The Minister, after considering the report of the provisional administrator and on the recommendation of the Inspector General, may

(1) lift, on such conditions as the Minister may determine, the suspension of the powers of the board of the financial services cooperative, or prolong such suspension for such period as the Minister may determine;

(2) remove from office the members of the board of the financial services cooperative and order the provisional administrator to call a special meeting to elect new members;

(3) order, on such conditions as the Minister may determine, the winding-up of the financial services cooperative and appoint a liquidator.

Any member who is removed from office under this section becomes disqualified from sitting as a member of the board of any financial services cooperative and of any legal person belonging to the group for a period of five years from the date of the member's removal from office.

582. The decision of the Minister ordering the winding-up of the financial services cooperative has the same effect as an order made by a judge of the Superior Court under section 24 of the Winding-up Act (R.S.Q., chapter L-4). Division IV of that Act and sections 170 and 172 to 179 of this Act apply, with the necessary modifications, to the winding-up.

For the purposes of the Winding-up Act where it applies to a financial services cooperative, "company" means a financial services cooperative, and "shareholder" means a member of the cooperative. In addition, where a provision of that Act requires the vote of the shareholders representing a specified proportion of the capital stock of a company, the provision is considered to require the number of votes cast by the members present at a general meeting of the cooperative corresponding to the specified proportion in value.

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.

583. The expenses, fees and outlays entailed by the provisional administration shall be charged to the financial services cooperative concerned, unless the Minister orders otherwise.

### **DIVISION III**

#### **MISCELLANEOUS PROVISIONS AND REPORTS**

584. The Inspector General has the custody of all registers and records required for the administration of this Act.

585. The certificates issued by the Inspector General, the copies of articles attached thereto and all documents issued by the Inspector General under this Act are authentic.

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 the Inspector General's possession.

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 the signature of the Inspector General is presumed to do so until proof to the contrary.

586. The Inspector General may correct an incomplete certificate or a certificate containing an error.

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.

The Inspector General shall deposit the completed or corrected certificate in the register.

587. If a completed or corrected certificate materially amends the incomplete certificate or the certificate containing an error, the Inspector General shall give a copy thereof to the financial services cooperative.

588. 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 by the Inspector General shall be sufficient proof of the original.

589. The production of the affidavit of a member of the staff of the Inspector General constitutes proof before the court of the signature and quality of the signatory.

590. The Inspector General may, on his or her 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 and hearing as if the Inspector General were a party.

591. The expenses incurred for the administration of this Act, determined each year by the Government, shall be charged to the federations and to credit unions that are not members of a federation.

592. The amount exigible from each credit union that is not a member of a federation 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.

593. The amount exigible from a federation shall correspond to the sum of the following amounts :

(1) a minimum amount fixed each year by the Government for each member 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 sum of the average assets of all the member credit unions 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.

594. For the purposes of sections 592 and 593, 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.

595. To determine the amount exigible for the purposes of this Act, the federations and the credit unions that are not members of a federation must furnish to the Inspector General such report or information as the latter may require.

596. Every credit union that is a member of a federation must, at the request of the federation, pay to it an amount calculated in accordance with section 592.

597. The Inspector General shall each year submit a report to the Minister on the financial position of the financial services cooperatives. The report shall include any other information considered appropriate by the Inspector General or required by the Minister.

598. The Minister shall table the report of the Inspector General in the National Assembly within 30 days of receiving it or, if the Assembly is not in session, within 15 days of resumption.

## **CHAPTER XV**

### **REGULATIONS**

599. The Government may, by regulation,

(1) prescribe the fees exigible for any formality or measure provided for in this Act or a government regulation thereunder or for the examination or reproduction of documents, and prescribe the terms and conditions applicable to the payment of such fees ;

(2) identify the public authorities referred to in subparagraph 6 of the first paragraph of section 17 ;

(3) determine, for the purposes of subparagraph 7 of the first paragraph of section 17, the cases where the name of a credit union may falsely suggest that it is related to another person, partnership or group ;

(4) determine the criteria to be taken into account for the purposes of subparagraphs 7 and 8 of the first paragraph of section 17 ;

(5) determine, for the purposes of section 19, any word or expression that may not be included in the name of a credit union unless the federation determined by the Government in the regulation consents by resolution to the use of the name and undertakes by resolution to admit the credit union as a member ;

(6) designate the persons from whom a financial services cooperative may receive deposits for the purposes of paragraph 4 of section 75 ;

(7) determine the activities of a trust company which may be exercised by a financial services cooperative and specify the cases and conditions in and on which the cooperative may exercise them ;

(8) determine the additional information that must be stated by the auditor in a report under section 151 or 159 ;

(9) determine the subjects that must be examined by the audit commission in accordance with section 389 ;

(10) prescribe standards respecting the adequacy of the capital base of a credit union that is not a member of a federation and of the capital base of a network, the assets that make up such a capital base as well as the proportion of those assets to each other ;

(11) prescribe standards respecting the adequacy of the liquid assets of a financial services cooperative;

(12) determine the limits applicable to the investments which a financial services cooperative may make;

(13) determine the cases in which a financial services cooperative may, notwithstanding the first paragraph of section 473, acquire some or all of the shares of any legal person;

(14) determine the cases in which the first paragraph of section 475 does not apply;

(15) determine from among the regulatory provisions made under this section those the violation of which constitutes an offence;

(16) prescribe the cases in which an advertisement may be made with respect to a security fund and the manner and form of the advertisement, for the purposes of section 516;

(17) determine the cases, conditions and restrictions applicable to the investments of a security fund;

(18) determine the maximum value or maximum number of the shares, other than qualifying shares, which auxiliary members of a financial services cooperative may hold and the maximum proportion of such shares in relation to the total number of shares held by all members.

The standards prescribed under subparagraphs 10 and 11 of the first paragraph may indicate expectations with regard to the cooperatives to which the standards apply and provide a framework for their management. The Regulations Act does not apply to regulations or draft regulations made under those provisions.

The value, number and proportion of shares prescribed in a regulation adopted under subparagraph 18 of the first paragraph may vary according to the rights, privileges or restrictions attaching to them.

600. The Government may, 60 days after transmitting a formal notice to a federation requiring it to adopt standards under sections 369 and 371, exercise that power itself, by regulation.

Any government regulation made pursuant to the first paragraph is deemed to be a standard of the federation, and the federation may, with the authorization of the Government, amend, replace or repeal it.

601. In exercising its regulatory powers, the Government may establish various classes of persons, partnerships, activities or operations and prescribe appropriate rules for each class.



**CHAPTER XVI****PENAL PROVISIONS**

602. Every person who contravenes a provision of the third paragraph of section 18, section 21, the first or second paragraph of section 28, or section 51, 52, 133, 136 or 144 is guilty of an offence.

603. Every legal person which, by means of a name or designation or otherwise, falsely represents itself as an institution governed by this Act is guilty of an offence.

604. Every person who omits or refuses to furnish any information, report or other document that is required to be furnished under this Act is guilty of an offence.

605. Every person who furnishes to the Minister, the Inspector General or any other person information, reports or other documents that are required under this Act, which the person knows to be false or misleading, is guilty of an offence.

606. Every person who omits or refuses to keep a book or register required under this Act or to make a required entry therein is guilty of an offence.

607. Every person who makes an entry required under this Act in a book or register, which the person knows to be false or misleading, is guilty of an offence.

608. Every person who hinders a person who, as part of the person's duties, is making an inspection, an audit, an examination or an investigation under this Act is guilty of an offence.

609. Every person who fails to comply with an order or written instructions issued or given by the Inspector General under section 23, 443, 446, 452, 453, 460, 465, 467, 471, 567, 569 or 571 is guilty of an offence.

610. Every financial services cooperative which, contrary to sections 128, 129 and 130, engages in a transaction with a person it knows to be a restricted party is guilty of an offence.

611. Every person who aids, abets, counsels, allows, authorizes or commands another person to commit an offence under this Act is guilty of an offence.

612. Every person found guilty of an offence under any of sections 602 to 611, or of an offence under a provision of a regulation the violation of which constitutes an offence pursuant to subparagraph 15 of the first paragraph of section 599, is liable 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.

In determining the fine, the court shall take particular account of the damage caused and the benefits derived as a result of the commission of the offence.

613. In the case of a second or subsequent conviction, the minimum and maximum fines provided for in section 612 shall be doubled.

## **CHAPTER XVII**

### **AMENDING PROVISIONS**

614. Section 130 of the Act respecting industrial accidents and occupational diseases (R.S.Q., chapter A-3.001) is amended by replacing “savings and credit union contemplated in the Savings and Credit Unions Act (chapter C-4.1)” by “financial services cooperative governed by the Act respecting financial services cooperatives (2000, chapter 29)”.

615. Section 287 of the said Act is amended by replacing “savings and credit union governed by the Savings and Credit Unions Act (chapter C-4.1)” by “financial services cooperative governed by the Act respecting financial services cooperatives”.

616. The Schedule to the Act respecting the Cree Regional Authority (R.S.Q., chapter A-6.1), amended by section 8 of chapter 40 of the statutes of 1999, is again amended by replacing “savings and credit union” in paragraph 7 by “financial services cooperative”.

617. Section 1 of the Act respecting assistance for tourist development (R.S.Q., chapter A-13.1), amended by section 14 of chapter 40 of the statutes of 1999, is again amended by replacing “savings and credit union governed by the Savings and Credit Unions Act (chapter C-4.1)” in the definition of “lender” by “financial services cooperative governed by the Act respecting financial services cooperatives (2000, chapter 29)”.

618. Section 1 of the Deposit Insurance Act (R.S.Q., chapter A-26), amended by section 27 of chapter 40 of the statutes of 1999, is again amended by replacing paragraph g by the following paragraph:

“(g) “financial services cooperative”: a financial services cooperative within the meaning of the Act respecting financial services cooperatives (2000, chapter 29);”.

619. Section 40.3.1 of the said Act, amended by section 27 of chapter 40 of the statutes of 1999, is again amended:

(1) by replacing “savings and credit union affiliated, within the meaning of the Act respecting security fund corporations (chapter C-69.1), with a” by “financial services cooperative which is a member, within the meaning of the Act respecting financial services cooperatives, of a”;

(2) by replacing “unions or members of unions affiliated with” in paragraph 2 by “financial services cooperatives or members of financial services cooperatives which are members of”.

620. Section 40.3.3 of the said Act, amended by section 27 of chapter 40 of the statutes of 1999, is again amended by replacing “savings and credit unions affiliated with” by “financial services cooperatives which are members of”.

621. Section 43 of the said Act, amended by section 27 of chapter 40 of the statutes of 1999, is again amended

(1) by replacing “savings and credit unions” in paragraph *b* by “financial services cooperatives”;

(2) by replacing paragraph *e.3* by the following paragraph:

“(e.3) determining, with regard to a financial services cooperative that becomes or ceases to be, during an accounting period for premiums, a member of a security fund whose member financial services cooperatives benefit from a reduction of premium if it is advisable to grant, maintain or withdraw the reduction of premium for the unexpired portion of that accounting period;”.

622. Section 56 of the said Act is amended by replacing “savings and credit union governed by the Savings and Credit Unions Act (chapter C-4.1)” in the first paragraph by “financial services cooperative within the meaning of the Act respecting financial services cooperatives”.

623. Section 72 of the Crop Insurance Act (R.S.Q., chapter A-30) is amended by replacing “savings and credit union governed by the Savings and Credit Unions Act (chapter C-4.1)” in the first paragraph by “financial services cooperative governed by the Act respecting financial services cooperatives (2000, chapter 29)”.

624. Section 11 of the Act respecting farm income stabilization insurance (R.S.Q., chapter A-31) is amended by replacing “savings and credit union governed by the Savings and Credit Unions Act (chapter C-4.1)” in the first paragraph by “financial services cooperative governed by the Act respecting financial services cooperatives (2000, chapter 29)”.

625. Section 29 of the Act respecting insurance (R.S.Q., chapter A-32) is amended by replacing “savings and credit union” in the second paragraph by “financial services cooperative”.

626. Section 99 of the Cities and Towns Act (R.S.Q., chapter C-19) is amended by replacing “savings and credit union” in the first and second paragraphs by “financial services cooperative”.

627. Section 203 of the Municipal Code of Québec (R.S.Q., chapter C-27.1) is amended by replacing “savings and credit union” whenever it appears in the first paragraph by “financial services cooperative”.

628. Section 81 of the Cooperatives Act (R.S.Q., chapter C-67.2) is amended by replacing the second paragraph by the following paragraph:

“In addition, the representative of a financial services cooperative within the meaning of the Act respecting financial services cooperatives (2000, chapter 29) and the representative of the federation with which the cooperative is affiliated may be a director, provided the financial services cooperative or the federation is a group within the meaning of section 83.”

629. Section 83 of the said Act is amended

(1) by replacing “credit union, a federation” in the third paragraph by “financial services cooperative”;

(2) by replacing “Savings and Credit Unions Act (chapter C-4.1)” in the third paragraph by “Act respecting financial services cooperatives (2000, chapter 29)”.

630. Section 239 of the said Act is amended by replacing the first paragraph by the following paragraph:

“239. The directors of a federation must be chosen from among the directors of its members and the representative of any financial services cooperative within the meaning of the Act respecting financial services cooperatives if the financial services cooperative constitutes a group pursuant to section 83.”

631. Section 1 of the Maritime Fisheries Credit Act (R.S.Q., chapter C-76) is amended by replacing “unions, federations and confederations governed by the Savings and Credit Unions Act (chapter C-4.1)” by “and financial services cooperatives governed by the Act respecting financial services cooperatives (2000, chapter 29)”.

632. Section 4 of the said Act is amended by replacing “unions, federations or confederations governed by the Savings and Credit Unions Act (chapter C-4.1)” by “financial services cooperatives governed by the Act respecting financial services cooperatives (2000, chapter 29)”.

633. Section 1 of the Forestry Credit Act (R.S.Q., chapter C-78), amended by section 97 of chapter 40 of the statutes of 1999, is again amended by replacing “savings and credit union governed by the Savings and Credit Unions Act (chapter C-4.1)” in paragraph *i* by “financial services cooperative governed by the Act respecting financial services cooperatives (2000, chapter 29)”.

634. Section 1 of the Act to promote forest credit by private institutions (R.S.Q., chapter C-78.1), amended by section 98 of chapter 40 of the statutes of 1999, is again amended by replacing “savings and credit union governed by the Savings and Credit Unions Act (chapter C-4.1)” in the definition of “credit union” by “financial services cooperative governed by the Act respecting financial services cooperatives (2000, chapter 29)”.

635. Section 24.1 of the Public Curator Act (R.S.Q., chapter C-81) is amended by replacing “savings and credit union” in paragraph 1 by “financial services cooperative”.

636. Section 54 of the Act respecting the distribution of financial products and services (R.S.Q., chapter D-9.2) is amended

(1) by replacing “permanent shares and preferred shares” by “shares other than qualifying shares”;

(2) by replacing “savings and credit union, federation or confederation governed by the Savings and Credit Unions Act (chapter C-4.1)” by “financial services cooperative governed by the Act respecting financial services cooperatives (2000, chapter 29)”.

637. Section 72 of the said Act is amended by replacing “savings and credit unions within the meaning of the Savings and Credit Unions Act” in the second paragraph by “financial services cooperatives within the meaning of the Act respecting financial services cooperatives”.

638. Section 100 of the said Act is amended by replacing “confederation within the meaning of the Savings and Credit Unions Act” in the first paragraph by “federation within the meaning of the Act respecting financial services cooperatives”.

639. Section 147 of the said Act is amended by replacing the first paragraph of the definition of “financial group” by the following paragraph:

“- **“financial group”** means a group made up of all or some of the following legal persons: a federation governed by the Act respecting financial services cooperatives and the legal persons that are members of the federation.”

640. Section 214 of the said Act is replaced by the following section:

“214. The Commission may, by regulation, determine the conditions to be met by a securities representative offering shares other than qualifying shares issued by a financial services cooperative governed by the Act respecting financial services cooperatives that is not exempted from the application of Titles II to VIII of the Securities Act.”

641. Section 568 of the said Act is amended by inserting “and a half” after “two” in the last line of the first paragraph.

642. The said Act is amended by inserting the following section after section 568:

“568.1. Notwithstanding the first paragraph of section 568, a Chamber may, by amending its internal management by-laws, not later than three months before the end of the term of office of the members of its first board of directors who were elected to the board under sections 289 and 290, extend the term of three such members for a one-year period and the term of three other such members for a two-year period.”

643. Section 364 of the Act respecting elections and referendums in municipalities (R.S.Q., chapter E-2.2) is amended by replacing “savings and credit union within the meaning of the Savings and Credit Unions Act (chapter C-4.1)” in the definition of “financial institution” by “financial services cooperative within the meaning of the Act respecting financial services cooperatives (2000, chapter 29)”.

644. Section 512.14 of the said Act is amended by replacing “savings and credit union” in the third paragraph by “financial services cooperative”.

645. Section 80 of the Election Act (R.S.Q., chapter E-3.3) is amended by replacing “savings and credit union within the meaning of the Savings and Credit Unions Act (chapter C-4.1)” by “financial services cooperative within the meaning of the Act respecting financial services cooperatives (2000, chapter 29)”.

646. Section 88 of the said Act, amended by section 116 of chapter 40 of the statutes of 1999, is again amended by replacing “savings and credit union” in subparagraph 4 of the second paragraph by “financial services cooperative”.

647. Section 95 of the said Act is amended by replacing “savings and credit union” by “financial services cooperative”.

648. Section 99 of the said Act is amended by replacing “savings and credit union” by “financial services cooperative”.

649. Section 414 of the said Act is amended by replacing “savings and credit union” in the third paragraph by “financial services cooperative”.

650. Section 457.15 of the said Act is amended by replacing “savings and credit union” in the third paragraph by “financial services cooperative”.

651. Section 5 of the Pay Equity Act (R.S.Q., chapter E-12.001) is replaced by the following section:

“5. For the purposes of this Act, a federation within the meaning of the Act respecting financial services cooperatives (2000, chapter 29) and the credit unions that are members of that federation are deemed, upon the forwarding of a notice to the Commission de l'équité salariale, to form a

single enterprise. The federation is thereupon the employer of all the employees of the savings and credit unions that are members of it. The federation shall inform the employees and the certified associations within the meaning of the Labour Code representing employees of the savings and credit unions of the forwarding or revocation of a notice hereunder.”

652. Section 18 of the Act respecting fabriques (R.S.Q., chapter F-1), amended by section 132 of chapter 40 of the statutes of 1999, is again amended by replacing the words “savings and credit union” whenever they appear in paragraph *t* by “financial services cooperative”.

653. Section 263.2 of the Act respecting municipal taxation (R.S.Q., chapter F-2.1) is amended by replacing “savings and credit union” in the third paragraph by “financial services cooperative”.

654. Section 32 of the Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l’emploi (R.S.Q., chapter F-3.1.2) is amended by replacing “affiliated with” in the second paragraph by “that is a member of”.

655. Section 1 of the Family Housing Act (R.S.Q., chapter H-1), amended by section 144 of chapter 40 of the statutes of 1999, is again amended by replacing subparagraph *a* of the first paragraph by the following subparagraph:

“(a) “credit union” means any financial services cooperative within the meaning of the Act respecting financial services cooperatives (2000, chapter 29) and any similar credit society;”.

656. Section 797 of the Taxation Act (R.S.Q., chapter I-3) is amended

(1) by replacing “, federation or confederation” in subsection 1 by “or federation”;

(2) by inserting “, as a financial services cooperative” after “credit union” in subsection 1.

657. Section 1141.2.2 of the said Act is amended

(1) by inserting “, as well as any other capital share, except capital shares in an investment fund” after “permanent share” in paragraph *a*;

(2) by adding “and the Regulation respecting the capital base of savings and credit union federations and credit unions not affiliated with a federation (R.R.Q., chapter C-4.1, r.0.1) as they read on (*insert here the date of the day preceding the coming into force of section 657 of the Act respecting financial services cooperatives*)” at the end of paragraph *b*.

658. Section 1143 of the said Act, amended by section 268 of chapter 83 of the statutes of 1999 and by section 291 of chapter 5 of the statutes of 2000,

is again amended by replacing “the Corporation de fonds de sécurité de la Confédération Desjardins, a corporation incorporated under the Act respecting security fund corporations (chapter C-69.1),” in the second paragraph by “a security fund belonging to the group of the Fédération des caisses Desjardins du Québec established under the Act respecting financial services cooperatives (2000, chapter 29)”.

659. Section 2 of the Act respecting the disclosure of the compensation received by the executive officers of certain legal persons (R.S.Q., chapter I-8.01) is replaced by the following section :

“2. A federation governed by the Act respecting financial services cooperatives (2000, chapter 29) must include, in its annual report, a statement of the compensation received by the five most highly compensated executive officers of the group referred to in section 3 of that Act.”

660. Section 39 of the Act respecting the Institut de la statistique du Québec (R.S.Q., chapter I-13.011) is amended by replacing “savings and credit union” in paragraph 1 by “financial services cooperative”.

661. Section 321 of the Education Act for Cree, Inuit and Naskapi Native Persons (R.S.Q., chapter I-14) is amended by replacing “savings and credit union governed by the Savings and Credit Unions Act (chapter C-4.1)” by “financial services cooperative governed by the Act respecting financial services cooperatives (2000, chapter 29)”.

662. Section 97 of the Act respecting the protection of personal information in the private sector (R.S.Q., chapter P-39.1), amended by section 233 of chapter 40 of the statutes of 1999, is replaced by the following section :

“97. Credit unions and the federation of which they are members are not considered to be third persons in respect of each other as regards the communication, among themselves, and the use of personal information necessary for the management of risk, the supply of property or the provision of a service under the Act respecting financial services cooperatives (2000, chapter 29).

For the purposes of the first paragraph, the Caisse centrale Desjardins du Québec, instituted by section 20 of the Act respecting the Mouvement des caisses Desjardins (1989, chapter 113), is deemed to be a credit union that is a member of the federation belonging to the same group.”

663. Section 3 of the Consumer Protection Act (R.S.Q., chapter P-40.1), amended by section 234 of chapter 40 of the statutes of 1999, is again amended

(1) by replacing “212 of the Savings and Credit Unions Act (chapter C-4.1)” in the first paragraph by “64 of the Act respecting financial services cooperatives (2000, chapter 29)”;



(2) by replacing “savings and credit unions” in the first paragraph by “financial services cooperatives”.

664. Section 257 of the said Act, amended by section 234 of chapter 40 of the statutes of 1999, is again amended by replacing “savings and credit union” in the first paragraph by “financial services cooperative”.

665. Section 6 of the Act respecting the collection of certain debts (R.S.Q., chapter R-2.2), amended by section 243 of chapter 40 of the statutes of 1999, is again amended by replacing “savings and credit union” in paragraph 3 by “financial services cooperative”.

666. Section 27 of the said Act, amended by section 243 of chapter 40 of the statutes of 1999, is again amended by replacing “savings and credit union” in the first paragraph by “financial services cooperative”.

667. Section 40.8 of the Act respecting the Régie de l’assurance maladie du Québec (R.S.Q., chapter R-5) is amended by replacing “savings and credit union within the meaning of the Savings and Credit Unions Act (chapter C-4.1)” by “financial services cooperative governed by the Act respecting financial services cooperatives (2000, chapter 29)”.

668. Section 105 of the Act respecting the Régie de l’énergie (R.S.Q., chapter R-6.01) is amended by replacing “savings and credit union governed by the Savings and Credit Unions Act (chapter C-4.1)” by “financial services cooperative governed by the Act respecting financial services cooperatives (2000, chapter 29)”.

669. Section 158.11 of the Act respecting the Government and Public Employees Retirement Plan (R.S.Q., chapter R-10) is amended by replacing “savings and credit union” in paragraph 1 by “financial services cooperative”.

670. The Schedule to the Act respecting the Naskapi Development Corporation (R.S.Q., chapter S-10.1), amended by section 277 of chapter 40 of the statutes of 1999, is again amended by replacing “savings and credit union” in paragraph 7 by “financial services cooperative”.

671. Section 21 of the Act respecting the Société immobilière du Québec (R.S.Q., chapter S-17.1), amended by section 295 of chapter 40 of the statutes of 1999, is again amended by replacing “a holding company controlled by La Confédération des caisses populaires et d’économie Desjardins du Québec” in subparagraph 2 of the third paragraph by “la Fédération des caisses Desjardins du Québec or a holding company controlled by that federation,”.

672. Section 37 of the Act respecting the Makivik Corporation (R.S.Q., chapter S-18.1) is amended by replacing “savings and credit union” by “financial services cooperative”.

673. The Schedule to the said Act, amended by section 296 of chapter 40 of the statutes of 1999, is again amended by replacing “savings and credit union” in paragraph 7 by “financial services cooperative”.

674. Section 3 of the Securities Act (R.S.Q., chapter V-1.1), amended by section 327 of chapter 40 of the statutes of 1999, is again amended

(1) by replacing “savings and credit union, including a share or a debt security of a federation or a confederation, within the meaning of the Savings and Credit Unions Act (chapter C-4.1)” in paragraph 4 by “financial services cooperative within the meaning of the Act respecting financial services cooperatives (2000, chapter 29)”;

(2) by striking out paragraph 4.1 ;

(3) by replacing paragraph 4.2 by the following paragraph :

“(4.2) a share, other than a qualifying share, issued by a federation within the meaning of the Act respecting financial services cooperatives and distributed to the member credit unions of such a federation ;” ;

(4) by replacing paragraph 4.3 by the following paragraph :

“(4.3) an investment deposit and an investment fund capital share issued by a federation within the meaning of the Act respecting financial services cooperatives and distributed to the member credit unions of such a federation ;” ;

(5) by replacing paragraph 4.4 by the following paragraph :

“(4.4) a share, other than a qualifying share, issued by a federation within the meaning of the Act respecting financial services cooperatives and distributed to a legal person belonging to a group referred to in section 3 of the Act respecting financial services cooperatives ;” ;

(6) by replacing paragraph 4.5 by the following paragraph :

“(4.5) a share, other than a qualifying share, issued by La Caisse centrale Desjardins and distributed to a legal person belonging to a group referred to in section 3 of the Act respecting financial services cooperatives or to a federation of credit unions, whether or not established under that Act, that is an auxiliary member of the Fédération des caisses Desjardins du Québec ;”.

675. Section 44 of the said Act, amended by section 327 of chapter 40 of the statutes of 1999, is again amended by replacing paragraph 4 by the following paragraph :

“(4) a federation within the meaning of the Act respecting financial services cooperatives ;”.

676. Section 52 of the said Act is amended by replacing subparagraph 3.1 of the first paragraph by the following subparagraph :

“(3.1) The distribution of shares, other than qualifying shares, by a financial services cooperative within the meaning of the Act respecting financial services cooperatives to members of such a cooperative who are already holders of such shares, other than qualifying shares, through a subscription plan;”.

677. Section 154 of the said Act, amended by section 327 of chapter 40 of the statutes of 1999, is again amended by replacing “a savings and credit union, a federation or a confederation within the meaning of the Savings and Credit Unions Act (chapter C-4.1)” in paragraph 1 by “a financial services cooperative within the meaning of the Act respecting financial services cooperatives”, and by replacing “savings and credit union, a federation or a confederation governed by the Savings and Credit Unions Act (chapter C-4.1)” in paragraph 2 by “financial services cooperative within the meaning of the Act respecting financial services cooperatives”.

678. Section 156 of the said Act, amended by section 327 of chapter 40 of the statutes of 1999, is again amended by replacing paragraph 6 by the following paragraph :

“(6) a financial services cooperative within the meaning of the Act respecting financial services cooperatives;”.

679. Section 330.5 of the said Act is amended by replacing “savings and credit union governed by the Savings and Credit Unions Act (chapter C-4.1)” by “financial services cooperative governed by the Act respecting financial services cooperatives”.

680. Section 56 of the Act respecting Northern villages and the Kativik Regional Government (R.S.Q., chapter V-6.1), amended by section 331 of chapter 40 of the statutes of 1999, is again amended by replacing “savings and credit union” in the first paragraph by “financial services cooperative”.

681. Section 213 of the said Act is amended by replacing “savings and credit union” by “financial services cooperative”.

682. Section 310 of the said Act is amended by replacing “savings and credit union” by “financial services cooperative”.

683. Section 395 of the said Act is amended by replacing “credit union and savings union” in the first paragraph by “financial services cooperative”.

**CHAPTER XVIII****TRANSITIONAL AND FINAL PROVISIONS**

684. The constitution or amalgamation of credit unions under the Savings and Credit Unions Act (R.S.Q., chapter C-4.1), the Savings and Credit Unions Act (R.S.Q., chapter C-4), the Savings and Credit Unions Act (Revised Statutes, 1964, chapter 293) and the Savings and Credit Unions Act (1963, chapter 57) and the amendments thereto may not be invalidated on the ground that the credit unions recruit their members within a territory, within a group or within a territory and a group.

This section is declaratory.

685. The name of a financial services cooperative may include the word “Desjardins” only if la Fédération des caisses Desjardins du Québec has given its consent, by resolution, to the use of the word.

The name of a legal person may not include the words “caisse Desjardins” or any combination of those words unless the federation mentioned in the first paragraph has given its consent, by resolution, to their use.

686. The activities listed in paragraphs 1, 2 and 3 of section 214 of the Savings and Credit Unions Act (R.S.Q., chapter C-4.1) are deemed to be activities authorized by an order made pursuant to section 67.

687. Section 80 does not apply to a renewal of credit granted before 15 March 1989 on the security of shares in a credit union or a federation or shares in another credit union or federation that entails no additional disbursement for the credit union or federation.

688. Notwithstanding the first paragraph of section 473, the Fédération des caisses Desjardins du Québec may acquire shares in a holding company which, by reason of such acquisition, becomes a legal person controlled by the federation resulting from the amalgamation referred to in section 689.

Such a holding company must be constituted under Québec law for the sole purpose of acquiring or holding all or some of the shares in another legal person that engages exclusively in commercial or industrial activities.

689. Notwithstanding sections 428 to 440, the Fédération des caisses populaires Desjardins de l’Abitibi, the Fédération des caisses populaires Desjardins du Bas St-Laurent, the Fédération des caisses populaires Desjardins du centre du Québec, the Fédération des caisses populaires Desjardins de l’Estrie, the Fédération des caisses populaires Desjardins de la Gaspésie et des Îles-de-la-Madeleine, the Fédération des caisses populaires Desjardins de Lanaudière, the Fédération des caisses populaires Desjardins de Montréal et de l’Ouest-du-Québec, the Fédération des caisses populaires Desjardins de Québec, the Fédération des caisses populaires Desjardins de Richelieu-

Yamaska, the Fédération des caisses populaires Desjardins du Saguenay-Lac-Saint-Jean and La Confédération des caisses populaires et d'économie Desjardins du Québec are amalgamated into a single federation governed by this Act under the name "Fédération des caisses Desjardins du Québec".

The Fédération des caisses d'économie Desjardins du Québec shall be included in the amalgamation if it gives its consent before (*insert here the date of coming into force of this section*).

The Fédération des caisses Desjardins du Québec is deemed to be a federation within the meaning of this Act.

690. The Fédération des caisses Desjardins du Québec may identify itself using the name "Mouvement des caisses Desjardins".

691. The head office of the Fédération des caisses Desjardins du Québec is located in the territory of the city of Lévis, in the judicial district of Québec.

692. If the Fédération des caisses d'économie Desjardins du Québec is not included in the amalgamation referred to in section 689, it is deemed, from (*insert here the date of coming into force of section 689*), to be a federation within the meaning of this Act.

693. If the Fédération des caisses d'économie Desjardins du Québec is not included in the amalgamation under section 689, the federation and the credit unions that are members of the federation must change their names to comply with section 685. Sections 17 to 29 apply to such changes of name.

694. La Confédération des caisses populaires et d'économie Desjardins du Québec may, by by-law, establish the number and the mode of election or appointment of the first directors and first members of the board of ethics of the Fédération des caisses Desjardins du Québec. The election or appointment must take place before the date of the amalgamation referred to in section 689.

695. The president of La Confédération des caisses populaires et d'économie Desjardins du Québec in office immediately before the amalgamation shall become the president of the Fédération des caisses Desjardins du Québec and the president of the board of directors of that federation until the expiry of the relevant terms of office or until replaced or reappointed.

696. The officers of a credit union elected or appointed in accordance with the provisions of the Savings and Credit Unions Act (R.S.Q., chapter C-4.1) in office on (*insert here the date preceding the date of coming into force of this section*) shall remain in office until the expiry of their term or until replaced or reappointed.

697. Until 9 March 2002, section 129 of this Act does not apply to the Fédération des caisses Desjardins du Québec as regards permanent, unionized

employees employed before 16 June 1997 who benefit from special conditions by virtue of a letter of agreement.

698. If the Fédération des caisses d'économie Desjardins du Québec is not part of the amalgamation, its officers, elected or appointed in accordance with the provisions of the Savings and Credit Unions Act (R.S.Q., chapter C-4.1), in office on (*insert here the date preceding the date of coming into force of this section*) shall remain in office until the expiry of their term or until replaced or reappointed.

699. The first by-laws and first standards of the Fédération des caisses Desjardins du Québec shall be those passed or adopted for it by the board of directors of La Confédération des caisses populaires et d'économie Desjardins du Québec before the date of the amalgamation referred to in section 689.

700. On (*insert here the date of coming into force of section 689*), the Fédération des caisses Desjardins du Québec acquires the rights and property and assumes the obligations of each of the amalgamating federations and confederation.

701. The credit unions governed by the Savings and Credit Unions Act (R.S.Q., chapter C-4.1) are continued and shall henceforth be governed by this Act.

Their articles and by-laws are deemed to have been issued and adopted under this Act.

The same applies to the Fédération des caisses d'économie Desjardins du Québec if it is not included in the amalgamation under section 689.

702. La Confédération des caisses populaires et d'économie Desjardins du Québec shall by by-law, before (*insert here the date of coming into force of section 689*),

(1) determine the capital stock of the Fédération des caisses Desjardins du Québec;

(2) provide for the cancellation, without repayment of capital, of the shares of La Confédération des caisses populaires et d'économie Desjardins du Québec or their conversion into shares of the Fédération des caisses Desjardins du Québec; and

(3) provide for the cancellation, without repayment of capital, of the shares of the amalgamating federations or their conversion into shares of the Fédération des caisses Desjardins du Québec.

The Confédération may also, in the by-law, provide for the reimbursement, subdivision or exchange of all or part of the investment deposits with, into or for capital shares in relation to an investment fund.

703. After the adoption of a by-law under section 702, La Confédération des caisses populaires et d'économie Desjardins du Québec shall draft the articles of constitution of the federation to result from the amalgamation under section 689 containing, in addition to the provisions that may be included in articles of constitution pursuant to this Act, the provisions of that by-law.

La Confédération des caisses populaires et d'économie Desjardins du Québec shall forward the articles to the Inspector General. The Inspector General shall deposit a copy of the articles in the register instituted under the Act respecting the legal publicity of sole proprietorships, partnerships and legal persons (R.S.Q., chapter P-45). The Inspector General shall also deposit in the register a copy of the certificate attesting the constitution of the Fédération des caisses Desjardins du Québec, that shall take effect from (*insert here the date of coming into force of section 689*).

704. The Savings and Credit Unions Act (R.S.Q., chapter C-4.1) applies to applications for the constitution, amalgamation or winding-up of credit unions filed with the Inspector General on or before (*insert here the date of coming into force of this section*).

705. In every Act, statutory instrument, contract and other document, the name "Fédération des caisses Desjardins du Québec" shall replace the name of each of the federations and confederation amalgamated pursuant to section 689.

706. All proceedings for an offence under the Savings and Credit Unions Act (R.S.Q., chapter C-4.1) shall be instituted or continued pursuant to that Act.

707. The Fédération des caisses Desjardins du Québec shall replace each of the federations and confederation amalgamated pursuant to section 689 in all proceedings to which they are a party, without continuance of suit.

708. The conversion of the investment deposits of an amalgamating federation into investment deposits of the corresponding class of the Fédération des caisses Desjardins du Québec, having the same rights and attributes, shall be made on the basis of their book value on the date of amalgamation, and the proportion of the investment deposits of that class of the Fédération des caisses Desjardins du Québec to be attributed to each holder, as of (*insert here the date of coming into force of section 689*), shall be established on the basis of the proportion that the book value of the investment deposits held by the holder before the amalgamation is of the total book value of the investment deposits held before the amalgamation by all the holders.

709. In the year that follows (*insert here the date of coming into force of section 689*), a federation may, by by-law,

(1) exchange all or part of the investment deposits of a given class for capital shares in relation to an investment fund;

- (2) reimburse all or part of such investment deposits;
- (3) subdivide all or part of such investment deposits.

710. When capital shares in an investment fund are issued by the Fédération des caisses Desjardins du Québec in exchange for the investment deposits of an amalgamating federation in accordance with section 702 or of the Fédération des caisses Desjardins du Québec in accordance with section 709, the board of directors of the Fédération des caisses Desjardins du Québec may, without otherwise affecting the value of the shares or the rights of the holders, consider that only a part of the consideration paid or received, as the case may be, for the shares in the exchange has been received by the Fédération des caisses Desjardins du Québec.

711. In the year that follows the date of the amalgamation under section 689, a federation may, by by-law, exchange all or part of the capital shares and the investment shares of a given class for capital shares or investment shares of another class.

712. The qualifying shares issued by a credit union, a federation or a confederation before (*insert here the date of coming into force of this paragraph*), other than those cancelled in the context of the amalgamation under section 689, are deemed to be qualifying shares issued by a credit union or a federation in accordance with the provisions of this Act.

Notwithstanding section 53, qualifying shares issued before 16 June 2000 may be reimbursed by a federation that is included in the amalgamation under section 689.

713. The cooperative shares issued by a federation or confederation under the Savings and Credit Unions Act (R.S.Q., chapter C-4.1), other than those cancelled in the context of the amalgamation under section 689, shall remain cooperative shares to which the provisions of the Savings and Credit Unions Act (R.S.Q., chapter C-4.1) apply, as regards redemption and the payment of interest on the sums paid in relation to those shares. The interest determined as interest payable on the shares before (*insert here the date of coming into force of this section*) shall remain payable.

However, a federation may, by by-law, without prejudice to the rights and privileges of the holders, convert such cooperative shares into capital shares or investment shares to which this Act applies.

For the purposes of a winding-up or dissolution, according to the provisions of this Act, cooperative shares rank equally with qualifying shares.

714. The cooperative shares issued under the Savings and Credit Unions Act (R.S.Q., chapter C-4) by a credit union, federation or confederation, other than those cancelled in the context of the amalgamation under section 689, shall remain cooperative shares to which the provisions of that Act apply, as



regards redemption and the payment of interest on the sums paid for those shares. The interest determined as interest payable on the shares before (*insert here the date of coming into force of this section*) shall remain payable.

However, a federation may, by by-law, without prejudice to the rights and privileges of the holders, convert such cooperative shares into capital shares or investment shares to which this Act applies.

For the purposes of a winding-up or dissolution, according to the provisions of this Act, cooperative shares rank equally with qualifying shares.

715. The preferred shares issued by a credit union, federation or confederation, other than those cancelled in the context of the amalgamation under section 689, shall remain preferred shares to which the provisions of the Savings and Credit Unions Act (R.S.Q., chapter C-4.1) apply. The rights, preferences, conditions and restrictions attached to those shares before (*insert here the date of coming into force of this section*) are applicable.

However, a federation or a credit union may, by by-law, without prejudice to the rights and privileges of the holders, convert such preferred shares into capital shares or investment shares to which this Act applies.

For the purposes of a winding-up or dissolution, according to the provisions of this Act, preferred shares have priority over capital shares and qualifying shares.

716. The provisions of the Savings and Credit Unions Act (R.S.Q., chapter C-4.1) continue to apply to permanent shares and the rights, preferences, conditions and restrictions attached to those shares before (*insert here the date of coming into force of this section*) are applicable.

Permanent shares may be purchased at the option of the credit union and the holder.

Section 61 of this Act applies to permanent shares.

However, a credit union may, by by-law, without prejudice to the rights and privileges of the holders, convert such preferred shares into capital shares to which this Act applies.

For the purposes of a winding-up or dissolution, according to the provisions of this Act, preferred shares have priority over qualifying shares. Permanent shares and capital shares rank equally, but rank below preferred shares.

717. Loans, investments and commitments made according to law before (*insert here the date of coming into force of this section*) by a credit union, federation or confederation or by a legal person or partnership belonging to their group are deemed to be made in accordance with this Act.

Legal persons controlled by La Confédération des caisses populaires et d'économie Desjardins du Québec before (*insert here the date of coming into force of this section*) are deemed to be legal persons controlled by the Fédération des caisses Desjardins du Québec pursuant to a regulation under subparagraph 13 of the first paragraph of section 599.

718. La Confédération des caisses populaires et d'économie Desjardins du Québec may exercise, from 16 June 2000, at the request of a federation and with regard to the credit unions affiliated with that federation, the powers determined by the federation that it holds under the Savings and Credit Unions Act (R.S.Q., chapter C-4.1).

719. A security fund established under the Act respecting security funds (R.S.Q., chapter C-69.1) is deemed to be a security fund constituted under sections 487 to 496 of this Act.

The by-laws of a security fund made under the Act respecting security funds (R.S.Q., chapter C-69.1) are deemed to be by-laws made under this Act.

720. The administrators of a security fund established under the Act respecting security funds (R.S.Q., chapter C-69.1) are deemed to be the administrators of a security fund established under sections 487 to 496 of this Act, until the expiry of their terms or until replaced or reappointed.

721. The provisions of sections 34 to 37 and 38 to 43 of the Act respecting security fund corporations continue to apply until the coming into force of a regulation made under subparagraph 17 of the first paragraph of section 599.

722. Unless otherwise indicated by the context, in any other Act, statutory instrument under an Act and other document, a reference to the Savings and Credit Unions Act and a reference to the Act respecting security fund corporations, or to one of their provisions, is a reference to the Act respecting financial services cooperatives or to the corresponding provision of that Act.

723. A regulation, rule, order in council or order in force on (*insert here the date of coming into force of this section*), adopted under a provision repealed by this Act, remains in force until replaced or repealed to the extent that it is consistent with the provisions enacted or amended by this Act.

724. The Government may, by regulation, prescribe any other transitional provisions or other measures required for the purposes of this Act.

Such a regulation made before (*insert here the date of coming into force of section 689*) may prescribe that a provision of this Act applies to a credit union, a federation or a confederation governed by the Savings and Credit Unions Act (R.S.Q., chapter C-4.1) and may determine necessary modifications for that purpose.

A regulation made under this section comes into force on the date of its publication in the *Gazette officielle du Québec* or on any later date fixed therein. The regulation may also, once published and where it so provides, apply from any date not prior to 16 June 2000.

725. The Minister must, not later than (*insert here the date occurring five years after the date of coming into force of this section*), report to the Government on the implementation of this Act and, every five years thereafter, on the advisability of maintaining it in force or, where necessary, amending it.

The Minister's report shall be tabled within the ensuing 30 days in the National Assembly. If the Assembly is not in session on the date of tabling, the report shall be tabled within 30 days of resumption.

726. The sums required for the purposes of this Act shall be taken, for the fiscal year (*insert here the two years covered by the fiscal year during which this section comes into force*) and to the extent determined by the Government, out of the consolidated revenue fund.

727. The Inspector General of Financial Institutions is responsible for the application of this Act.

728. The Minister of Finance is responsible for the administration of this Act.

729. The Savings and Credit Unions Act (R.S.Q., chapter C-4.1) is replaced by this Act, to the extent indicated in the orders made under section 731, 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 the Act to replace the Act respecting La Confédération des caisses populaires et d'économie Desjardins du Québec (1989, chapter 113).

730. The Act respecting security funds (R.S.Q., chapter C-69.1) is repealed.

731. The provisions of this Act come into force on the date or dates to be fixed by the Government, except the provisions of sections 684, 694, 699, 702 and 703, the second paragraph of section 712 and sections 126, 718, 724 and 729, which come into force on 16 June 2000.

Every order made under this section shall indicate the provisions of the Savings and Credit Unions Act (R.S.Q., chapter C-4.1) that are replaced by the provisions of this Act as brought into force by the order.