



NATIONAL ASSEMBLY

FIRST SESSION

THIRTY-NINTH LEGISLATURE

Bill 50

(2009, chapter 27)

An Act to amend the Act respecting financial services cooperatives and other legislative provisions

Introduced 14 May 2009

Passed in principle 28 May 2009

Passed 16 June 2009

Assented to 17 June 2009

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EXPLANATORY NOTES

This Act amends the Act respecting financial services cooperatives to allow a federation to issue shares to members of its credit unions, and to extend the existing mode of capitalization through a legal person constituted for that purpose to the issue of preferred shares.

This Act further amends that Act to enable the Minister of Finance, at the request of the Autorité des marchés financiers, to authorize a federation to determine, on behalf of its credit unions, the terms and conditions of a loan, a suretyship or a hypothec on the credit unions' property.

It also amends that Act to eliminate the requirement that a federation have its financial statements audited by its own audit service in addition to the audit by an external auditor.

In addition, it transfers the matter of a credit union issuing shares to its members from the purview of the Securities Act to the purview of the Act respecting financial services cooperatives. Among other things, it requires the credit union to provide a circular approved by the Autorité des marchés financiers to its members upon distributing the shares to them.

Lastly, this Act amends the Deposit Insurance Act to enable the Minister of Finance to determine, for a period not exceeding two years, a maximum guarantee amount, for money deposits in financial institutions, greater than the \$100,000 specified in that Act. The Minister is also authorized to determine, for the same period, that such deposits are to be 100% guaranteed.

LEGISLATION AMENDED BY THIS ACT:

- Deposit Insurance Act (R.S.Q., chapter A-26);
- Act respecting financial services cooperatives (R.S.Q., chapter C-67.3);
- Securities Act (R.S.Q., chapter V-1.1).

Bill 50

AN ACT TO AMEND THE ACT RESPECTING FINANCIAL SERVICES COOPERATIVES AND OTHER LEGISLATIVE PROVISIONS

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

1. Section 46 of the Act respecting financial services cooperatives (R.S.Q., chapter C-67.3) is amended by adding the following at the end:

“(4) to a member of a credit union that is a member of the federation issuing the shares;

“(5) to a federation of which the credit union issuing the shares is a member.

Where a federation apportions all or part of the proceeds of an issue of shares referred to in subparagraph 4 of the first paragraph among member credit unions, section 481 applies with the necessary modifications.”

2. The Act is amended by inserting the following section after section 55:

“**55.1.** A credit union may issue capital shares or investment shares to its members only if the Authority has approved the circular that must be provided to them upon the distribution of shares. The circular must be in compliance with the requirements determined by regulation.

The first paragraph does not apply to shares issued as dividends or to interest payable on shares.

The shares referred to in the first paragraph may only be distributed by a dealer, a representative of a group savings plan dealer or a representative of a scholarship plan dealer within the meaning assigned to those terms by the Securities Act (chapter V-1.1), subject to the conditions determined by regulation.”

3. The Act is amended by inserting the following section after section 81:

“**81.1.** At the request of the Authority, the Minister may authorize a federation to determine by resolution the terms and conditions of a loan, a suretyship, or a hypothec on all of the member credit unions’ property, to be negotiated with the Bank of Canada in accordance with paragraph *h* of section 18

of the Bank of Canada Act (Revised Statutes of Canada, 1985, chapter B-2), the Government of Canada or any corporation of the Government of Canada. Borrowings, suretyships, hypothecs and other acts performed by the federation in the name of credit unions under that resolution are deemed to be borrowings, suretyships, hypothecs or acts of those credit unions.”

4. Section 82 of the Act is amended by replacing “The authorization given by the Authority under paragraphs 5 to 8 of the said section” in the third paragraph by “Any authorization given by the Authority under the second paragraph or under section 81.1”.

5. Section 424 of the Act is amended by striking out “of the federation’s audit service and by another auditor” in subparagraph 5 of the first paragraph.

6. Section 480 of the Act is amended

(1) by adding “or that federation” at the end of the first paragraph;

(2) by replacing “the voting rights attached to the shares” in the second paragraph by “the shares carrying voting rights”.

7. Section 481 of the Act is amended by replacing the fourth paragraph by the following paragraph:

“The resolution of the federation shall, for each credit union, stand in lieu of a by-law or a resolution authorizing borrowings or an issue of securities, as the case may be. The federation is authorized to perform, at any time, any acts that are expedient for the purposes of such a resolution or by-law, in particular the determination and payment of interest, and the determination of the terms and conditions of redemption, repurchase or conversion attached to the securities issued by a credit union. Such by-laws, resolutions and acts performed in the name of a credit union are deemed to be by-laws, resolutions or acts of the credit union.”

8. The Act is amended by inserting the following section after section 599:

“599.1. For the purposes of section 55.1, the Authority may, by regulation,

(1) determine requirements as to the form and content of a circular;

(2) specify the circumstances in which a member may cancel or terminate a subscription for shares, and the terms and conditions of such a cancellation or termination;

(3) prescribe the fees to be charged for the approval of a circular; and

(4) determine the conditions subject to which shares referred to in section 55.1 may be distributed by a dealer, a representative of a group savings plan dealer or a representative of a scholarship plan dealer.

A regulation under the first paragraph shall be approved, with or without amendment, either by the Minister in the cases specified in subparagraphs 1, 2 and 4, or by the Government in the case specified in subparagraph 3.

The Minister or the Government, as the case may be, may make a regulation under the first paragraph if the Authority fails to do so within the time the Minister or the Government indicates.

A draft regulation shall be published in the Authority's bulletin and be accompanied with the notice described in section 10 of the Regulations Act (chapter R-18.1). It may not be submitted for approval or enacted until 30 days have elapsed since its publication.

The regulation shall come into force on the date of its publication in the *Gazette officielle du Québec* or on any later date stated in the regulation. The regulation shall also be published in the bulletin.

Sections 4 to 7, 11 and 17 to 19 of the Regulations Act do not apply to a regulation made under this section."

DEPOSIT INSURANCE ACT

9. Section 33.1 of the Deposit Insurance Act (R.S.Q., chapter A-26) is amended by adding the following paragraphs at the end:

"The Minister may determine, for a period not exceeding two years, that the maximum amount of the guarantee under the first paragraph is to be greater than \$100,000.

The Minister may also determine, for the same period, that deposits are to be 100% guaranteed.

The guarantee amount so determined by the Minister shall be substituted for the amount of \$100,000 in sections 34, 38.1, 39 and 57."

SECURITIES ACT

10. The Securities Act (R.S.Q., chapter V-1.1) is amended by inserting the following section after section 2.1:

"2.2. Titles II to IV do not apply to credit union shares referred to in section 55.1 of the Act respecting financial services cooperatives (chapter C-67.3)."

TRANSITIONAL AND FINAL PROVISIONS

11. A credit union that issued capital shares or investment shares under the Securities Act (R.S.Q., chapter V-1.1) before (*insert the date of coming into force of section 2*) is no longer, as of that date, considered a reporting issuer within the meaning of that Act.

12. This Act comes into force on 17 June 2009, except sections 2, 8, 10 and 11, which come into force on the date or dates set by the Government.