



CREDIT UNIONS BILL 2018

(NO. [] OF 2018)



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A

BILL

Entitled

AN ACT TO REGULATE CREDIT UNIONS

ENACTED BY THE NATIONAL PARLIAMENT OF SOLOMON ISLANDS.

CREDIT UNIONS BILL 2018

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CREDIT UNIONS BILL 2018

Part 1 Preliminary matters

1 Short title

This Act may be cited as the *Credit Unions Act 2018*.

2 Commencement

This Act commences on the day appointed by the Minister by notice in the *Gazette*.

3 Definitions

(1) In this Act, unless the context otherwise requires:

“**board**” means the board of directors of a credit union;

“**Central Bank**” means the Central Bank established under the Central Bank of Solomon Islands Act 2012;

“**co-operative financial organisation**” has the meaning given to it in section 5(2) and includes a savings club or co-operative society registered under the *Co-operative Societies Act* (Cap 164);

“**credit committee**” means a credit committee that is required by section 39(1);

“**credit union**” has the meaning given to it in section 5(1);

“**digital format**”:

- (a) means a format in which information, a document, or a register may be stored, accessed, and displayed by a computer or similar device; and
- (b) includes a format specified as a digital format by regulations made under this Act; and
- (c) includes any format (other than a photocopy document) produced by making a digital copy, image, or reproduction of a document that is in hard copy format;

“direction” means any direction given by the Central Bank under section 83;

“dividend” has the meaning given to it in section 52(2);

“document” means a document in any form, and includes:

- (a) any writing on any material; and
- (b) information recorded or stored by means of a tape recorder, computer, or other device; and
- (c) a book, graph, or drawing; and
- (d) a photograph, film, negative, tape, or other device in which 1 or more visual images are embodied so as to be capable (with or without the aid of equipment) of being reproduced;

“file” means to file, give, submit, deposit, apply, or otherwise make available;

“information” includes information (whether or not in its original form) that is in the form of a document, a signature, a seal, data, text, images, sound, or speech;

“investigator” means a person who is appointed to carry out an investigation under this Act;

“licence” means a credit union licence issued by the Central Bank under section 15;

“loans officer” means a person appointed by a credit committee in accordance with section 72(1);

“member”, in relation to a credit union:

- (a) means a person who becomes a member in accordance with its rules; and
- (b) includes a person who was a member of a financial co-operative organisation immediately before its registration as a credit union;

“Minister” means the Minister responsible for finance and and treasury;

“**officer**”, in relation to a credit union, includes a director, a member of a supervisory committee, a member of the credit committee, and an executive, finance, or loans officer;

“**ownership share**” means a share issued by a credit union to a member;

“**prescribe**” means prescribe by regulations made under this Act, and “**prescribed**” has a corresponding meaning;

“**public notice**” means notice that is published:

- (a) in a newspaper circulating in Solomon Islands; and
- (b) on the Central Bank’s Internet site;

“**register**” means the register of credit unions maintained by the Central Bank under section 61(1);

“**regulations**” or “**the regulations**” means regulations made by the Central Bank under this Act, and “**by regulation**” has a corresponding meaning;

“**relative**” means any of the following:

- (a) a spouse;
- (b) a child or step-child;
- (b) a brother, half-brother, step-brother, or brother-in-law;
- (d) a sister, half-sister, step-sister, or sister-in-law;
- (c) a parent, spouse of a parent, parent-in-law, or spouse of a parent-in-law;
- (e) a nephew, niece, or spouse of a nephew or niece;

“**rules**” means the rules of a credit union comprising the standard rules and its supplementary rules;

“**share**” means an ownership share;

“**standard rules**” means the standard rules prescribed by the Central Bank by regulation;

“supervisory committee” means a supervisory committee that is required by section 39(1);

“supplementary rules” means the rules of a credit union that are supplementary to its standard rules;

“working day” means a day of the week that is not:

- (a) Saturday or Sunday; or
 - (b) a day that is defined as, or declared to be, a public holiday under any Act.
- (2) A person is a member of another person’s immediate family if he or she is the child, spouse, parent, or sibling of that other person.

4 Act binds Crown

This Act binds the Crown.

Part 2 Outline of regulation of credit unions

5 What is credit union

- (1) A credit union is a co-operative financial organisation that is licensed under Part 3.
- (2) A co-operative financial organisation is an organisation that has the following features:
 - (a) the membership of the organisation is limited to natural persons who have 1 or more pre-existing common bonds of association or community of interest, such as:
 - (i) a similar occupation; or
 - (ii) a common employer; or
 - (iii) common membership of another association or organisation; or
 - (iv) residence, work, or worship in the same well-defined community or area; and
 - (b) the organisation either:

- (i) accepts deposits of money from its members, which are withdrawable or payable on demand or after a fixed period or after notice, and uses those funds, whether in whole or in part, for loans or investments for the account and at the risk of members; or
 - (ii) is involved in any activities specified by the Central Bank by regulation as constituting the customary practice of credit unions; and
- (c) the organisation is not a body corporate.

6 How credit unions are regulated

A credit union is regulated through:

- (a) the requirement that it must be licensed; and
- (b) the requirement that it must comply with this Act, the regulations, its rules, any directions given by the Central Bank, and licence conditions or restrictions; and
- (c) prudential supervision by the Central Bank exercising its powers and functions under this Act and the regulations.

7 Central Bank responsible for regulating credit unions

- (1) The Central Bank is responsible for the regulation, licensing, and prudential supervision of credit unions.
- (2) Subject to subsection (3), the Central Bank may delegate any of its powers or functions under this Act.
- (3) However, the Central Bank must give the Minister prior written notice of any delegation and the Minister may revoke it at any time by written notice to the Central Bank.
- (4) The Minister must not give any direction to the Central Bank in relation to its functions under this Act, except to the extent that the Central Bank of Solomon Islands Act 2012 permits the Minister to give the direction.

8 Compliance by credit union

A credit union must comply with this Act, the regulations, its rules, any directions given by the Central Bank under section 83, and any licence conditions or restrictions.

Part 3 Licensing of credit unions

9 Mandatory licence

- (1) A co-operative financial organisation must apply to the Central Bank for a licence if the number of its members is equal to or greater than the specified number.
- (2) In subsection (1), “*specified number*” means the number of members specified by the Central Bank by regulation.

10 Voluntary licence

A co-operative financial organisation that is not required by section 9(1) to be licensed may voluntarily apply for a licence.

11 Application for licence

- (1) An application for a licence must be made in accordance with the procedure set out in Schedule 1.
- (2) Before determining an application for a credit union licence, the Central Bank:
 - (a) may require that the application be supplemented by such documents or other information as the Central Bank considers necessary for assessing the suitability of the applicant for licensing as a credit union; and
 - (b) may require that the proposed rules be resubmitted with specified amendments.

12 Name of credit union

The name of a credit union:

- (a) must include the words “Credit Union”; and
- (b) must not be or include the name of an individual; and

- (c) must not be identical, or almost identical, to the name of another credit union; and
- (d) must not be a name that would contravene any written law in relation to the use of names in Solomon Islands.

13 Criteria for assessing suitability for credit union licence

- (1) The Central Bank must prescribe the minimum criteria for the issue of a credit union licence.
- (2) Without limiting subsection (1), the minimum criteria may include any of the following:
 - (a) submission of a business plan that demonstrates the ability of the credit union to attain financial and economic viability (that is, the ability to generate sufficient revenue to meet the costs associated with operating it) within a reasonable period of time, including financial projections for the first 3 years of operations;
 - (b) demonstration of the ability to comply with prudential regulation, including the capacity to attend and maintain an adequate capital base;
 - (c) demonstration of the ability to keep financial records and accounts, maintain basic operational and credit risk management systems, and report to the Central Bank;
 - (d) implementation of a system capable of tracking loan portfolios and members' accounts, and generating reliable monthly reports;
 - (e) establishment of appropriate governance arrangements;
 - (f) any other matters that the Central Bank considers appropriate.
- (3) At the discretion of the Central Bank, the Central Bank may determine in a particular case that 1 or more of the minimum criteria are satisfied by the imposition of conditions or restrictions as terms of the credit union licence.

14 Determination of application

- (1) The Central Bank must determine an application for a credit union licence within 40 working days after the application is complete.
- (2) For the purposes of subsection (1), an application is complete when:
 - (a) the applicant has filed with the Central Bank an application that complies in all respects with section 11(1); and
 - (b) the Central Bank has received all supplementary documents or other information that the Central Bank has required from the applicant under section 11(2)(a); and
 - (c) if the Central Bank has required amendments to the proposed rules under section 11(2)(b), the applicant has resubmitted the proposed rules as amended.
- (3) In determining an application for a credit union licence, the Central Bank may:
 - (a) accept the application; or
 - (b) accept the application but subject to the imposition of conditions or restrictions as terms of the licence; or
 - (c) reject the application.
- (4) If the Central Bank rejects the application, the Central Bank must without delay notify the applicant in writing, giving reasons for the rejection.

15 Issue of licence and certificate of incorporation

On determining that an application for a credit union licence be accepted, the Central Bank must without delay:

- (a) enter the credit union in the register; and
- (b) issue a licence and certificate of incorporation to the credit union.

16 Conditions or restrictions as terms of licence

- (1) The Central Bank may impose such conditions or restrictions as terms of a licence as the Central Bank considers prudent for the management of the risk of failure by the credit union and loss of depositors' funds.
- (2) The Central Bank:
 - (a) must by regulation specify types of conditions or restrictions that it may impose; but
 - (b) in imposing a condition or restriction, is not limited to imposing only a specified type of condition or restriction.

17 Term of licence

- (1) The licence may be issued for:
 - (a) a specified term; or
 - (b) an unspecified term.
- (2) The Central Bank may cancel a licence under section 20.

18 Credit union is body corporate

- (1) On entry in the register, a credit union is constituted a body corporate with the name with which it is registered and with limited liability of its members.
- (2) A certificate of incorporation issued under section 15(b) is presumptive evidence that, on and from the date of entry in the register, the credit union is incorporated under this Act.
- (3) Nothing done by a credit union is affected by a defect in its incorporation.

19 Notice of issue of licence

Without delay after issuing a licence to a credit union, the Central Bank must:

- (a) give notice of the issue of the licence in the *Gazette*; and

- (b) publish the notice on its Internet website.

20 Cancellation of licence

- (1) The Central Bank may cancel a credit union licence on 1 or more of the grounds set out in subsection (2) after following the applicable procedure set out in section 21.
- (2) The grounds for the cancellation of a licence are:
 - (a) the credit union has ceased to meet the minimum criteria for suitability for the issue of a credit union licence; or
 - (b) the credit union has failed to comply with this Act, the regulations, its rules, a direction given by the Central Bank, or a condition or restriction imposed as a term of its licence; or
 - (c) the credit union has ceased its operations; or
 - (d) the credit union has requested the Central Bank in writing to cancel its licence; or
 - (e) the credit union has been liquidated or dissolved or has otherwise ceased to exist.

21 Procedure for cancellation

- (1) For the cancellation of a credit union licence on a ground specified in section 20(2)(a) to (c), the Central Bank must first give the credit union a notice (an “**intention to cancel notice**”) that complies with subsection (2).
- (2) The intention to cancel notice must:
 - (a) be in writing; and
 - (b) state that the Central Bank intends to cancel the credit union’s licence; and
 - (c) set out the Central Bank’s reasons for cancellation; and
 - (d) give the credit union the opportunity to make submissions to the Central Bank within a period that is not less than 10 working days after the date of the notice.

- (3) If, after considering any submissions that are made, the Central Bank determines to proceed with cancellation on a ground specified in section 20(2)(a) to (c), the Central Bank may cancel the licence by giving the credit union a cancellation notice that complies with subsection (4).
- (4) A cancellation notice:
 - (a) must be in writing; and
 - (b) must state that the licence is cancelled; and
 - (c) must set out the right of the credit union to appeal the cancellation decision under section 63; and
 - (d) takes effect on the date of the notice or on any later date specified in the notice; and
 - (e) must be published in the *Gazette* and on the Central Bank's Internet website.
- (5) For the cancellation of a licence on a ground specified in section 20(2)(d) or (e):
 - (a) the Central Bank may cancel the licence by notice to the credit union or by publication of the notice in the *Gazette*; and
 - (b) cancellation of the licence takes effect on the date of the notice or on any later date specified in the notice.

22 Effect of cancellation of licence

- (1) A former credit union must cease its operations on cancellation of its credit union licence.
- (2) Subsection (1) does not apply if the number of its members is less than the specified number referred to in section 9(2).
- (3) On the cancellation of a credit union licence on the ground that the credit union has been liquidated or dissolved or has otherwise ceased to exist, the Central Bank must remove the former credit union from the register.
- (4) On the cancellation of a credit union licence on any other ground,

the Central Bank must record in the register that the former credit union is unlicensed.

Part 4 Structure of credit unions

Division 1 Objects and powers

23 Objects of credit union

A credit union has the following objects:

- (a) to promote thrift among its members;
- (b) to accept savings deposits from members;
- (c) to provide a source of credit for members;
- (d) to provide such other financial services and products to members as this Act, the regulations, its rules, and any licence conditions or restrictions allow.

24 Powers of credit union

- (1) A credit union has full capacity to do anything for the purposes of functioning as a credit union in accordance with this Act, the regulations, its rules, and any licence conditions or restrictions.
- (2) Subsection (1) is subject to any other written law or rule of law.
- (3) Without limiting subsection (1), the capacity of a credit union includes:
 - (a) the power to:
 - (i) acquire, lease, hold, assign, pledge, mortgage, discount, or dispose of property or assets; and
 - (ii) enter into contracts; and
 - (iii) commence and defend legal proceedings; and
 - (iv) borrow money; and
 - (v) accept deposits from, and lend money to, its members; and

- (b) any incidental powers as are necessary or requisite for it to function as a credit union; and
- (c) the appropriate powers, rights, and privileges of a natural person.

Division 2 Membership

25 Membership of credit unions

- (1) A person is a member of a credit union if he or she holds 1 or more ownership shares.
- (2) A person may be a member of more than 1 credit union.
- (3) A person who is under the age of 16 years may not be a member of a credit union but, subject to its rules, may be a restricted member of the credit union.
- (4) The rules must provide for the following matters relating to members:
 - (a) the minimum number of ownership shares for membership if more than 1;
 - (b) the procedure for admission to membership.

26 Restricted members

- (1) A credit union may have restricted members.
- (2) A restricted member:
 - (a) has the right to make savings deposits with the credit union; but
 - (b) may not acquire ownership shares; and
 - (c) does not have any other rights associated with membership of a credit union.

27 Application for membership

A credit union may charge a fee for processing an application for membership, but the fee must fairly reflect the actual cost of

processing an application.

28 Debts due by member to credit union

- (1) Money owing to a credit union by a member is a debt due from the member to the credit union for which the credit union may sue.
- (2) A credit union has a lien on the ownership shares and deposits of a member, including a past or deceased member, for any money owing by the member to the credit union and for repayment of any loan that the member has guaranteed.
- (3) A lien under subsection (2) takes priority over any other security interest created in the ownership shares or deposits, whether or not the security interest would otherwise have priority under the Secured Transactions Act 2008.

29 Protection of ownership shares from legal process

- (1) An ownership share may not be attached or sold by court process.
- (2) Subject to subsection (3), the ownership shares of a member and any accrued right to a dividend or other distribution do not vest in the trustee in bankruptcy if the member is adjudicated bankrupt.
- (3) Subsection (2) does not apply if a member is adjudicated bankrupt after the credit union is removed from the credit unions register under section 22(3).

30 Termination of membership

- (1) A person ceases to be a member of a credit union if:
 - (a) the person dies, is expelled under section 31, or resigns; or
 - (b) his or her membership otherwise terminates in accordance with rules.
- (2) A member may resign at any time by giving notice in accordance with the rules.
- (3) A member whose membership terminates by expulsion or resignation has no further rights in the credit union but is not, through termination of membership, released from any liability to

the credit union.

31 Expulsion of member

- (1) The board may expel a member in accordance with subsection (3) by a resolution proposed at a meeting of the board and passed with not less than two-thirds of the directors in office voting in favour.
- (2) The board may expel a member on 1 or more of the following grounds:
 - (a) the member is in default in repayment of a loan by the credit union to the member or that the member has guaranteed;
 - (b) the member by his or her conduct has brought the credit union into disrepute;
 - (c) the member has been convicted of a dishonesty offence punishable by a term of imprisonment;
 - (d) any other ground that is specified as a ground for expulsion in the rules of the credit union.
- (3) For the expulsion of a member:
 - (a) the credit union must give a written notice of the expulsion to the member within 5 working days after the resolution is passed; and
 - (b) the notice must specify the ground or grounds of expulsion and set out in adequate detail the board's reasons for expelling the member.
- (4) The expulsion takes effect:
 - (a) if the member does not appeal, at the close of the period for giving notice of appeal; or
 - (b) if the member does appeal and the decision of the board is confirmed at a general meeting, on the date of the meeting.

32 Appeal from expulsion

- (1) A member who has been expelled under section 31 may appeal to a general meeting of the credit union.

- (2) The member exercises the right of appeal by giving notice of appeal to the credit union within 20 working days after receiving the expulsion notice.
- (3) The member may attend the meeting with or without a legal representative, and is entitled to address the meeting, whether personally or through his or her legal representative.
- (4) The board must give the member written notice of the meeting at least 10 working days before the meeting is to be held.
- (5) At the meeting, the decision of the board must be confirmed or rescinded by a majority of the members.

33 Repayment of member's interest on termination of membership

- (1) Subject to subsection (2), a credit union must pay to a person (or his or her personal representative) the amount of his or her interest in the credit union on termination of membership:
 - (a) in the case of death or resignation, within 10 working days after the credit union receives notice of the member's death or resignation; or
 - (b) in the case of expulsion, within 10 working days after the expulsion takes effect.
- (2) A member who is expelled may transfer his or her shares to another member, but otherwise the credit union must redeem the shares for their nominal value within 10 working days after the expulsion takes effect.
- (3) Redeemed ownership shares must be cancelled.
- (4) The liability of a credit union to make a payment to a past member under this section is subject to deduction of any amount owing by the past member to the credit union.
- (5) In subsection (1), "**interest**" means the deposits standing to the credit of the past member on the date of termination, including any accrued dividends, bonuses, and interest.

34 Liability of member

A person is not by virtue merely of his or her membership or past membership of a credit union liable for any debt or other liability of the credit union.

35 Meetings

- (1) A credit union must hold an annual general meeting of members in accordance with its rules.
- (2) A credit union must hold special general meetings as this Act or its rules require and may otherwise hold special general meetings as its rules allow.
- (3) The rules must provide for the giving of notice, the conduct of the meeting, voting, proxies, ballots, and all other matters necessary for holding a general meeting.

Division 3 Management

36 Credit union must have board of directors

- (1) A credit union must have a board of directors comprising not less than 5 directors who are members of the credit union.
- (2) The first directors are the persons named as the first directors in the application for a licence.
- (3) Subsequent directors must be elected by the annual general meeting.

37 Board responsible for managing business and affairs of credit union

- (1) Subject to the provisions of this Act, the regulations, its rules, and any direction by the Central Bank:
 - (a) the business and affairs of a credit union must be managed by, or under the direction or supervision of, its directors; and
 - (b) those directors have all the powers necessary for managing, and for directing and supervising the management of, the business and affairs of the credit union.

- (2) Without limiting subsection (1), the functions of the board include the following:
- (a) determining applications for membership;
 - (b) exercising the power of expulsion;
 - (c) determining the maximum number (if any) of ownership shares that an individual may hold;
 - (d) determining the maximum loan that may be made to an individual with or without security;
 - (e) determining interest payable on loans and deposits;
 - (f) declaring dividends;
 - (g) fixing the form and amount of the security that must be required from officers and employees handling money;
 - (h) filling casual vacancies in the board and in the credit committee until the election of persons to fill those vacancies at the next annual general meeting;
 - (i) such other functions that arise under this Act, the regulations, the rules of the credit union, and any direction by the Central Bank.

38 Duties of directors and officers

The directors and other officers of a credit union must comply with the code of conduct for directors and officers prescribed by regulations.

39 Credit union must have supervisory committee and credit committee

- (1) A credit union must have a supervisory committee and a credit committee each comprising not less than 3 members of the credit union.
- (2) At its first annual general meeting, the credit union must elect the first members of the supervisory committee and of the credit committee.

- (3) A director or a member of the credit committee must not be a member of the supervisory committee.

40 Functions of supervisory committee

The supervisory committee:

- (a) must examine the business and affairs of the credit union at least every 3 months; and
- (b) must audit the financial records of the credit union as the committee thinks necessary; and
- (c) may call a special general meeting to consider any matter that the credit committee has reported to it; and
- (d) may make or require an annual audit and submit a report on the audit to the annual general meeting; and
- (e) may fill a casual vacancy occurring in the committee until the next annual general meeting; and
- (f) may call a special general meeting for the meeting to consider any matter or matters that the committee considers should be placed before it.

41 Term of office

- (1) Half of each of the board, the supervisory committee, and the credit committee must retire at each annual general meeting.
- (2) If the number of members of the board or committee is not divisible by two, the number to retire is half of the number next below the number of members.
- (3) The members of the board and committees to retire are those who have been longest in office without re-election, and eligibility to retire between members who have served the same length of term must be decided by ballot.
- (4) A retiring member of the board or committees is eligible for re-election.

42 Board and other positions

- (1) The board must ensure that there are appointed persons from among the directors to fill the following positions:
 - (a) president.
 - (b) vice-president.
- (2) The board must ensure that there are appointed persons (who must not be a director) to fill the following positions which may be combined in 1 person:
 - (a) executive officer;
 - (b) finance officer.

43 Qualifications for director or other officer

- (1) A director or other officer of a credit union must:
 - (a) be a natural person who is not less than 18 years old; and
 - (b) be a fit and proper person of good repute; and
 - (c) meet the criteria set out in regulations regarding the qualifications, experience, and integrity required for appointment as a director or other officer of a credit union.

44 Other officers

A credit union may appoint such other officers as it considers necessary for its proper administration.

45 Remuneration of officers

- (1) The following officers must not be remunerated for acting in their capacity as such:
 - (a) a director;
 - (b) a member of the credit committee;
 - (c) a member of the supervisory committee.

- (2) The executive officer, finance officer, and other officers may be paid the salaries as the board from time to time determines.

Division 4 Financial structure

46 Capital structure

- (1) The share capital of a credit union consists of the total ownership shares.
- (2) A credit union must not have different classes of ownership shares.
- (3) The ownership shares of a credit union must be issued with a nominal value.
- (4) The Central Bank may by regulation prescribe minimum regulatory capital requirements for credit unions.

47 Issue of ownership shares

- (1) A credit union must, immediately after the registration of the credit union, issue to each person named in the application for a credit union licence as a member of the credit union the number of ownership shares specified in the application as being the number of ownership shares to be issued to that person.
- (2) A credit union may subsequently issue ownership shares to new members in accordance with its rules.
- (3) The board must determine the consideration (which may differ from the nominal value) for the issue of ownership shares.

48 Ownership shares must be fully paid

A credit union must not issue ownership shares that are not fully paid.

49 Ownership shares transferable but not redeemable

- (1) Subject to the rules of a credit union, an ownership share is transferable to another member.
- (2) An ownership share is not redeemable except on expulsion or unless the rules permit redemption.

- (3) On the death of a member, his or her personal representative may require the credit union to register the ownership shares of the deceased member in the name of the personal representative.

50 Rights attached to ownership shares

An ownership share confers the following rights on the holder exercisable in accordance with the rules and policies of the credit union:

- (a) the right to make savings deposits;
- (b) the right to apply for loans;
- (c) the right to attend general meetings and vote;
- (d) the right to be paid a dividend if any is declared;
- (e) the right to share in the distribution of the surplus assets of the credit union on liquidation.

51 Deposits

- (1) A credit union may accept deposits from its members in the form of savings.
- (2) A credit union may offer different deposit products, including:
 - (a) fixed deposits withdrawable only on specified conditions, for example, the termination of membership; and
 - (b) flexible deposits withdrawable on demand.

52 Dividends

- (1) A credit union may pay a dividend to members.
- (2) A dividend is a distribution determined by the board and divided among the members in proportion to the number of ownership shares that each member holds.
- (3) The board may declare a dividend only if the board is satisfied that the credit union:
 - (a) after payment of the dividend will comply with prescribed

capital adequacy ratio requirements; and

- (b) has made sufficient provision for loan losses.
- (4) The board must, in a written statement accompanying its resolution declaring a dividend:
 - (a) confirm that the board is satisfied on reasonable grounds that the credit union complies with subsection (3); and
 - (b) set out the grounds for that conclusion.

Part 5 Administration of credit unions

53 Credit union must have rules

- (1) A credit union must have written rules.
- (2) The rules of a credit union must:
 - (a) include the standard rules; and
 - (b) specify the criteria for membership of the credit union.
- (3) The rules of a credit union may include other rules that are supplementary to the standard rules, but those supplementary rules are invalid and of no effect to the extent that they are inconsistent with this Act, the regulations, or the standard rules.

54 Standard rules

- (1) The Central Bank must make regulations prescribing standard rules for inclusion in the rules of all credit unions.
- (2) The standard rules must make provision for the following matters:
 - (a) the procedure for the appointment of directors; and
 - (b) the qualifications, experience, and integrity required for appointment as a director or other officer of a credit union; and
 - (c) in appropriate cases and subject to appropriate conditions, continuation of membership when a member ceases to meet the membership criteria (for example, on retirement); and

- (d) in appropriate cases and subject to appropriate conditions, access to deposit services provided by a credit union by members of the immediate family of a member where the credit union is based on a closed bond; and
 - (e) the procedure for calling and conducting general meetings of members and the procedure at those; and
 - (f) [to come].
- (3) The standard rules may make provision for any other matter contemplated by this Act or the regulations, or that the Central Bank considers necessary for the proper administration of credit unions.

55 Credit union must have registered address

- (1) A credit union must have a registered address in Solomon Islands.
- (2) Any notices or other communications by the Central Bank to a credit union may be sent to:
 - (a) its registered address; or
 - (b) to its electronic address, if the credit union has an electronic address and has consented in writing to receiving notices and other communications from the Central Bank via that address.

56 Credit union must maintain register of members

A credit union must maintain a register of members that states:

- (a) the names, alphabetically arranged, and addresses of each of the members of the credit union; and
- (b) the number of ownership shares held by each member; and
- (c) the date or dates of the issue of ownership shares to, or the transfer of ownership shares by or to, to each member; and
- (d) in the case of the transfer of ownership shares, the name of the person to or from whom the ownership shares were transferred.

57 Credit union must keep records

- (1) A credit union must keep the following records at its registered address:
 - (a) a copy of its rules;
 - (b) the register of members;
 - (c) minutes of all general meetings and resolutions of members within the last 7 years;
 - (d) minutes of all meetings and resolutions within the last 7 years of the board, the credit committee, and the supervisory committee;
 - (e) copies of the annual financial statements for the last 7 years;
 - (f) any other prescribed records.
- (2) The records of a credit union must be kept:
 - (a) in written form; or
 - (b) in a form or in a manner that allows the records to be readily accessible so as to be usable for subsequent reference and convertible into written form.
- (3) The records of a credit union must be available for inspection free of charge by a member at its registered address at all reasonable times.

58 Credit union must file updating notice

- (1) A credit union must file an updating notice with the Central Bank if:
 - (a) there is a change in the credit union's registered address or electronic address; or
 - (b) there is a change in the directors of the credit union; or
 - (c) a member of the credit committee or the supervisory committee is appointed (including the first appointment of members to those committees); or

- (d) there is otherwise a change in the membership of the credit committee or the supervisory committee; or
 - (e) the executive officer or the finance officer is appointed, or there is otherwise a change in the executive officer or finance officer; or
 - (f) there is a change in the name, residential or postal address, or contact details of a director, member of the credit committee or supervisory committee, or executive or finance officer.
- (2) The updating notice must:
- (a) notify the Central Bank of the change or appointment; and
 - (b) in the case of a new director, member of a committee, or executive or finance officer, state the full name, residential and postal addresses, and contact details (including email address) of that person; and
 - (c) in the case of a change in details of an existing director, member of a committee, or executive or finance officer, provide the amended details.

59 Credit union must keep accounting records

A credit union must keep accounting records that:

- (a) correctly record and explain the financial transactions of the credit union; and
- (b) will at any time enable the financial position of the credit union to be determined with reasonable accuracy; and
- (c) will enable the credit union to ensure that the annual financial statements of the credit union comply with the regulations; and
- (d) will enable the annual financial statements to be readily and properly audited.

60 Credit union must prepare annual financial statements

- (1) A credit union must prepare annual financial statements in accordance with the regulations.

- (2) The annual financial statements must be audited by an auditor who is appointed by the Central Bank and approved by the supervisory committee.
- (3) The credit union must, within 4 months after the end of the financial year to which they relate:
 - (a) file the audited financial statements with the Central Bank; and
 - (b) distribute a copy to each member.
- (4) The auditor must:
 - (a) file the auditor's report on the financial statements with the Central Bank; and
 - (b) provide the report to the credit union and the supervisory committee.
- (5) In this section, "**auditor**" has the same meaning as in section 130(1)(a) of the Companies Act 2009.

61 Central Bank must maintain credit unions register

- (1) The Central Bank must establish and maintain a public register of credit unions.
- (2) The Central Bank may keep the register in any form that the Central Bank thinks fit, including in a digital format, whether in whole or in part.
- (3) The Central Bank must take all reasonable steps to ensure that the information contained in the register is available to members of the public at all reasonable times.

62 Contents of credit unions register

- (1) The register must contain the following information in respect of each credit union:
 - (a) its full name;
 - (b) its registered address and authorised electronic address;
 - (c) the full name, residential address, and contact details

(including email address) of each of the following:

- (i) its directors;
 - (ii) the members of its credit and supervisory committees;
 - (iii) the executive officer;
 - (iv) the finance officer;
 - (v) the loans officer.
- (2) The register may contain any other information that the Central Bank considers necessary or expedient.
- (3) The Central Bank must ensure that the register is updated without delay after an updating notice has been filed under section 58.

63 Appeal from decisions of Central Bank

- (1) Any interested person may appeal to the High Court from a decision of the Central Bank:
- (a) rejecting an application for a licence; or
 - (b) cancelling a licence; or
 - (c) directing a credit union to amend its rules; or
 - (d) removing a director or officer of a credit union from his or her position; or
 - (e) appointing a replacement director or officer; or
 - (f) appointing a liquidator.
- (2) An appeal is by way of rehearing.
- (3) A decision subject to appeal continues in force pending determination of the appeal unless the High Court orders otherwise.

64 Representative bodies

- (1) Subject to the approval of the Central Bank, credit unions may establish a body or bodies to represent their interests generally.

- (2) Membership of a representative body must be voluntary.

Part 6 Financial transactions

65 Credit union must comply with financial standards

A credit union must comply with the financial standards prescribed by regulations.

66 Restrictions on activities

- (1) A credit union must not lend money to, or accept deposits from, a person who is not a member.
- (2) However, a credit union may accept savings deposits from a non-member if:
 - (a) that person is a member of the immediate family of a member; and
 - (b) the rules permit savings deposits by a non-member; and
 - (c) the credit union is based on a closed field of membership that excludes the person from becoming a member.
- (3) Loans and investments by a credit union must be made in the currency of Solomon Islands unless the credit union has obtained the prior approval of the Central Bank to transact in another currency or other currencies.

67 Investments

A credit union may invest or deposit its funds only as follows:

- (a) with any licensed bank in Solomon Islands;
- (b) with any other credit union;
- (c) in any securities, obligations, or debt instruments issued by the Government or an agency of the Government;
- (d) in or with any investment or institution approved by regulations;
- (e) in real property, but only with the prior written approval of the

Central Bank.

68 Loans to members

A credit union may lend to its members in accordance with this Act, the regulations, its rules, any direction by the Central Bank, any licence condition or restriction, and the credit union's lending policies.

69 Lending policy

- (1) The board of a credit union must establish a written lending policy.
- (2) The lending policy must set out the policy of the credit union in relation to the granting of loans, including the following
 - (a) the terms on which loans are granted;
 - (b) the conditions of repayment;
 - (c) limits on borrowing by individual members;
 - (d) acceptable forms of security;
 - (e) any other matter that may be prescribed by regulations.

70 Role of credit committee

- (1) The credit committee is responsible for the [Q: approval?] and general supervision of all loans to members.
- (2) Subject to the general power of the board to determine interest rates and limits of loans, the credit committee must fix the amount of each loan and the rate of interest that applies to it.

71 Proceedings of credit committee

- (1) The credit committee must not consider a loan application unless a majority of the members of the committee are present.
- (2) The credit committee may approve a loan application only with the unanimous agreement of the members present.

72 Delegation to loans officer

- (1) The credit committee may appoint a loans officer and delegate to him or her the function of approving loans in accordance with subsection (2).
- (2) A loans officer must not approve a loan unless:
 - (a) it is a loan for an amount that does not exceed the amount specified in regulations as the limit of the loan approval by a loans officer; and
 - (b) it complies with any directions given by the credit committee; and
 - (c) it is secured by the unencumbered ownership shares of a member or members.
- (3) A loans officer who approves a loan not in accordance with subsection (2) is personally liable for the repayment of the loan, which must be treated as a debt due by the loans officer to the credit union.

73 Security for loans

- (1) A credit union must ensure that security is taken for loans to members for which security is required under its lending policy.
- (2) The form of security, its value, and the conditions for repayment must be determined by the credit committee in accordance with the lending policy.

74 Interest rate on loans

A credit union may charge such interest rates on loans to members as the board determines.

75 Loans, etc to directors

- (1) The terms of a loan or other financial service by a credit union to a director, officer, or employee of the credit union, must not be less or more favourable than the terms that would be offered by the credit union to another member with a similar credit history and capacity to repay.

- (2) A director, officer, or employee of a credit union must not participate or be present at the deliberation of the board or the credit committee concerning any matter that affects the pecuniary interest of:
 - (a) the director, officer, or employee in question; or
 - (b) a relative of that director, officer, or employee.

76 Credit union may borrow in accordance with financial standards

A credit union may borrow funds in accordance with the prescribed financial standards.

Part 7 Monitoring and enforcement

77 Prudential supervision

The Central Bank must undertake the prudential supervision of credit unions in accordance with this Part.

78 Credit unions must report to Central Bank

- (1) A credit union must file periodic reports to the Central Bank in accordance with regulations.
- (2) The Central Bank may make regulations prescribing:
 - (a) the form and contents of the reports; and
 - (b) the frequency of the reports; and
 - (c) any other matter that the Central Bank considers necessary or expedient for inclusion in a report.

79 Central Bank may require information, etc from credit union

- (1) The Central Bank may, by notice in writing to a credit union, require from it any information, data, or forecasts about any matters relating to the structure, operations, or management of the credit union.
- (2) The notice may require any or all of the information, data, or forecasts to:

- (a) be in consolidated form; and
- (b) be audited, or reviewed in a specified manner, by a person approved by the Central Bank; and
- (c) relate to specified periods; and
- (d) be provided by a specified time, or within a specified period; and
- (e) be provided in a specified form; and
- (f) be provided to a specified place.

80 Central Bank may appoint investigator

- (1) The Central Bank may by notice in writing to a credit union appoint a person to investigate the affairs of the credit union.
- (2) The Central Bank may appoint a person under subsection (1) if the Central Bank believes on reasonable grounds that 1 or more of the following apply:
 - (a) the operations of the credit union have not been, or are not being, conducted in a prudent manner;
 - (b) the credit union is operating fraudulently or recklessly;
 - (c) the credit union has failed, is failing, or is likely to fail to comply with this Act, the regulations, its rules, any direction by the Central Bank, or licence condition or restriction.

81 Investigator's power to obtain information or documents

- (1) An investigator appointed under section 80 may, for the purposes of the investigation:
 - (a) by notice in writing, require the credit union, or any director, officer, or employee of the credit union, or any other person, to:
 - (i) supply any information or data relating to the structure, operations, or management of the credit union; and
 - (ii) produce for inspection any document of the credit union

or relating to its structure, operations, or management that is in the custody or control of the credit union, director, officer, employee, or other person, as the case may be; and

(iii) if necessary, reproduce in usable form any information recorded or stored in those documents; and

(b) take copies of any document produced for inspection under paragraph (a).

(2) The investigator, in exercising a power under subsection (1), must if requested produce a copy of the notice of his or her appointment.

82 Investigator's power to enter and search place

(1) An investigator appointed under section 80 may, for the purposes of the investigation, enter and search any place:

(a) if the occupier of the place consents; or

(b) the investigator obtains a warrant on application to a Magistrate.

(2) A Magistrate may issue a warrant to an investigator if the Magistrate is satisfied that there are reasonable grounds for believing:

(a) that it is reasonably necessary for the purpose of determining whether to exercise any of the powers conferred on the Central Bank under this Act or the regulations that an investigation of the affairs of a credit union should be carried out; or

(b) a credit union or other person has failed to comply with any requirement to supply information, data, or forecasts under this Part, or any information, data, or forecasts supplied by the credit union or other person under this Part are false or misleading in a material particular; or

(c) a credit union has failed, or is failing, or is likely to fail to comply with this Act, the regulations, its rules, any direction by the Central Bank, or licence condition or restriction.

83 Central Bank may give directions

- (1) The Central Bank may give a credit union a direction, in writing, if the Central Bank believes on reasonable grounds that 1 or more of the following apply:
 - (a) the operations of the credit union have not been, or are not being, conducted in a prudent manner;
 - (b) the credit union or a director or other officer of the credit union has failed, is failing, or is likely to fail to comply with this Act, the regulations, its rules, any other direction by the Central Bank, or licence condition or restriction;
 - (c) the credit union is insolvent, or likely to become insolvent;
 - (d) the board or the members or both are in deadlock.
- (2) The Central Bank may:
 - (a) amend or modify a direction; or
 - (b) replace a direction with another direction; or
 - (c) cancel a direction.
- (3) A direction under this section must state the grounds on which it is given.

84 Scope of directions

A direction to a credit union under section 83 may require the credit union to do any of the following things:

- (a) consult with the Central Bank, at the times and in the manner specified by the Central Bank, about the operations of the credit union;
- (b) cease to accept new members;
- (c) take, or refrain from taking, any specified action to address an actual or likely default, failure to comply, or other breach listed in section 83(1);
- (d) ensure that a director or other officer of the credit union

ceases to take part in the management or conduct of the credit union's operations, except with the permission of the Central Bank and so far as that permission extends;

- (e) suspend or cease carrying on its operations or any part of its operations;
- (f) carry on its operations, or any part of its operations, in accordance with the direction;
- (g) prepare a recovery plan;
- (h) amend its rules as specified by the Central Bank.

85 Central Bank may remove director or officer

- (1) The Central Bank may remove a director or other officer of a credit union from his or her office if the Central Bank believes on reasonable grounds that the director or officer is not a fit and proper person to hold the position.
- (2) The Central Bank must follow the procedure set out in section 86.
- (3) On removing a director or other officer, the Central Bank may also give a direction to the credit union that the director or officer must not be reappointed as a director or officer of the credit union:
 - (a) at any time; or
 - (b) for a period specified by the Central Bank; or
 - (c) until 1 or more things specified by the Central Bank occur (for example, the director or officer obtains a specified qualification).
- (4) This section has effect despite any contract, employment agreement, written law, or rule of law, or the terms of the credit union's rules.

86 Procedure for removal

- (1) For the removal of a director or officer of a credit union, the Central Bank must first give an intention to remove notice that complies with subsection (2) to:

- (a) the director or officer; and
 - (b) the credit union.
- (2) The intention to remove notice must:
- (a) be in writing; and
 - (b) state that the Central Bank intends to remove the director or officer from his or her position; and
 - (c) set out the Central Bank's reasons for the removal; and
 - (d) give the credit union and the director or officer the opportunity to make submissions to the Central Bank within a period that is not less than 10 working days from the date of the notice.
- (3) If, after considering any submissions that are made, the Central Bank determines to proceed with the removal, the Central Bank may remove the director or officer by giving a removal notice to:
- (a) the director or officer; and
 - (b) the credit union.
- (4) A removal notice:
- (a) must be in writing; and
 - (b) must state that the director or officer is removed from his or her position; and
 - (c) must set out the right of the director or officer under section 63 to appeal the removal decision; and
 - (d) takes effect on the date of the notice or on any later date specified in the notice.

87 Central Bank may appoint replacement director

If the Central Bank removes a director or officer under section 85, the Central Bank may appoint a person who consents to be a director or officer as a replacement for the person removed as director or officer.

88 Central Bank may place credit union in administration

- (1) On the application of the Central Bank, the Court may make orders under subsection (2) for the control and management of a credit union if it is satisfied that the orders are necessary:
 - (a) in the interests of the members and depositors of the credit union; or
 - (b) in the interests of the public; or
 - (c) for the stability of the financial, banking, or savings systems.
- (2) Subject to all necessary modifications, the Court may make in respect of a credit union 1 or more of the orders set out in section 18(2) of the Financial Institutions Act 1998.
- (3) Despite section 32(1)(a) of the Financial Institutions Act 1998, section 18(3) to (10) of that Act applies with all necessary modifications on the making of an order under subsection (2) as if the references to “financial institution” were references to the credit union in question.

Part 8 Reorganisation and liquidation

Division 1 Amalgamation

89 Amalgamation

- (1) Subject to the approval of the Central Bank, 2 or more credit unions may amalgamate to form a single credit union.
- (2) The Central Bank must approve a written amalgamation proposal before any steps are taken under section 90.
- (3) The Central Bank may make regulations prescribing the form and content required for an amalgamation proposal.

90 Procedure for amalgamation

- (1) The board of each amalgamating credit union must:
 - (a) send a copy of the amalgamation proposal to each of their respective members; and

- (b) give public notice of the amalgamation proposal; and
 - (c) obtain the approval of the majority of their respective members at a general meeting called for the purpose and held no earlier than 20 working days after the amalgamation proposal has been sent to members and publicly notified.
- (2) If the amalgamation proposal is approved by the members of the amalgamating credit unions, the Central Bank must take the following steps on the effective date of the amalgamation:
- (a) issue a licence to the resulting credit union; and
 - (b) register the resulting credit union; and
 - (c) remove the amalgamating credit unions from the register; and
 - (d) amend the register to reflect the information required to be entered in the register for the resulting credit union.

91 Effect of amalgamation

On registration of the resulting credit union:

- (a) the resulting credit union is constituted a body corporate with the name specified in the amalgamation proposal and with limited liability of its members; and
- (b) the members of the amalgamating credit unions are members of the resulting credit union; and
- (c) the resulting credit union is entitled to all the property, rights, powers, and privileges of each of the amalgamating credit unions; and
- (d) the resulting credit union is subject to all the liabilities and obligations of each of the amalgamating credit unions; and
- (e) proceedings pending by or against an amalgamating credit union may be continued by or against the resulting credit union; and
- (f) a conviction, ruling, order, or judgment in favour of or against an amalgamating credit union may be enforced by or against

the resulting credit union; and

- (g) any provisions of the amalgamation proposal that provide for the conversion of ownership shares or rights of members in the amalgamating credit unions have effect according to their terms.

Division 2 Liquidation

92 Central Bank may appoint liquidator if licence cancelled

- (1) If the Central Bank cancels the licence of a credit union and removes it from the register, the Central Bank may appoint 1 or more persons as liquidator to liquidate the former credit union under the control and direction of the Central Bank.
- (2) In making the appointment, the Central Bank may impose such limitations on the powers of the liquidator as the Central Bank considers necessary or expedient.

93 Property of credit union vests in liquidator

All of the property of the former credit union (including documents and records) vests in the liquidator with effect from the date of appointment.

94 Powers of liquidator

The liquidator has the power to:

- (a) decide the contribution to be made to the assets of the former credit union by members, past members, and the estates of deceased members who are in debt to it; and
- (b) by notice fix a date when all creditors must prove their debts or be excluded from any distribution of assets; and
- (c) decide any issue of priority between creditors; and
- (d) institute or defend legal proceedings on behalf of the former credit union; and
- (e) decide who must pay the costs of the liquidation and in what proportion; and

- (f) give directions as to the collection and distribution of the assets as are necessary; and
- (g) compromise any claim by or against the former credit union; and
- (h) call meetings of members or creditors as may be necessary for the proper conduct of the liquidation; and
- (i) take possession or control of all documents, securities, financial records, and assets of the former credit union; and
- (j) sell the property of the former credit union; and
- (k) subject to the approval of the scheme of distribution by the Central Bank, arrange for distribution of the assets; and
- (l) enforce the attendance of parties and witnesses and compel the production of documents.

95 Central Bank's control of liquidation process

The Central Bank may do any of the following in the liquidation of a credit union:

- (a) revoke or change any order made by the liquidator, and make a new order as required;
- (b) remove a liquidator from office, and appoint a new liquidator;
- (c) take possession of the assets and documents of the former credit union;
- (d) require the liquidator to produce liquidation accounts to the Central Bank;
- (e) arrange for the liquidation accounts to be audited;
- (f) authorise distribution of the assets of the former credit union;
- (g) authorise the liquidator's remuneration.

96 Enforcement of action by liquidator or Central Bank

Any action taken by the liquidator under section 94 or any order

made by the Central Bank under section 95 may be enforced by the court in the area of the registered office of the court in the same way as an order of the court.

97 Jurisdiction of civil court

Unless otherwise expressly stated in any written law, no civil court has jurisdiction in any matter concerned with the removal of a credit union from the register and its liquidation.

98 Priority of payment

The liquidator must apply the funds of the former credit union in the following order of priority:

- (a) first, to the costs of liquidation;
- (b) second, to payment of the liabilities of the former credit union;
- (c) third, to repayment of deposits;
- (d) fourth, to repayment of share capital and dividend for any period for which no dividend was paid;
- (e) fifth, the balance to the members in proportion to the number of ownership shares that each member holds.

99 Completion of liquidation and dissolution

- (1) After applying the funds of the credit in accordance with section 98, the liquidator must give notice of the completion of the liquidation in the *Gazette*.
- (2) On publication of the notice, the former credit union is dissolved and ceases to exist.

Part 9 Offences

100 Offence of failing to obtain licence

An organisation commits an offence if it is required by this Act to apply for a licence and carries on operations without obtaining a licence.

Maximum penalty: 000 penalty units.

101 Offence of failing to comply with licence condition or restriction

A credit union that fails to comply with a licence condition or restriction commits an offence.

Maximum penalty: 000 penalty units.

102 Offence of failing to comply with direction by Central Bank

A credit union that fails to comply with a direction by the Central Bank under section 00 commits an offence.

Maximum penalty: 000 penalty units.

103 Offence of failing to comply with information notice

A credit union that fails to comply with a notice given by the Central Bank under section 79 commits an offence.

Maximum penalty: 000 penalty units.

104 Offence of false and misleading conduct

An organisation, credit union, director, officer, or other person who makes any application or statement, or files or supplies any application, document, or thing, to the Central Bank for the purposes of this Act knowing that it is false or misleading in a material respect commits an offence.

Maximum penalty: 000 penalty units.

105 Offences in relation to investigation

A person commits an offence if the person:

- (a) hinders, obstructs, or delays an investigator in the carrying out of an investigation under this Act; or
- (b) fails to comply with a lawful requirement of an investigator.

Maximum penalty: 000 penalty units.

106 Offence in relation to use of term “credit union”

- (1) Except for a credit union, no person, body corporate, or other organisation may:
- (a) be formed, incorporated, or registered in Solomon Islands using a name or title that includes the term “credit union”; or
 - (b) change its name or title in Solomon Islands to a name or title that includes the term “credit union”; or
 - (c) carry on any activity directly or indirectly in Solomon Islands using a name or title that includes the term “credit union”.
- (2) A person, body corporate, or other organisation that contravenes subsection (1) commits an offence.

Maximum penalty: 000 penalty units.

107 Offence of fraudulently obtaining property or funds of credit union, etc

A person commits an offence if the person:

- (a) obtains by false representation possession of any property or funds of a credit union; or
- (b) has any property of a credit union in the person’s possession and withholds it or misappropriates any part of it for any purpose other than a purpose permitted by this Act, the regulations, the rules of the credit union, or a direction by the Central Bank.

Maximum penalty: 000 penalty points or 12 months imprisonment, or both.

108 Criminal liability of directors and officers

If a credit union or organisation is convicted of an offence under this Act, every director and officer of the credit union or organisation is also guilty of the offence if it is proved:

- (a) that the act that constituted the offence took place with his or her authority, permission, or consent; or

- (b) that he or she:
 - (i) knew, or could reasonably be expected to have known, that the offence was to be or was being committed; and
 - (ii) failed to take reasonable steps to prevent or stop it.

Part 10 Miscellaneous provisions

109 Protection from liability for Central Bank and others

- (1) This section applies to the Bank, every director, officer, and employee of the Bank, and any person appointed by the Bank as an investigator under section 80.
- (2) No person to whom this section applies is liable for an act done or omitted to be done in the performance or exercise in good faith of the person's functions, duties, or powers under this Act or the regulations.

110 Regulations

- (1) The Central Bank may make regulations for the purposes of this Act.
- (2) Without limiting subsection (1), the Central Bank may make the regulations set out in Schedule 2.

111 Exemptions

- (1) The Central Bank may exempt any credit union or class of credit union from compliance with any provision of:
 - (a) this Act (except the requirement to be licensed); or
 - (b) the regulations.
- (2) The Central Bank may grant an exemption under this section only if is satisfied that:
 - (a) the exemption will be consistent with the maintenance of a sound and efficient financial system; and
 - (b) compliance with the relevant provision or provisions would, in the circumstances, require the credit union or class of credit

unions to comply with requirements that are unduly onerous or burdensome; and

- (c) the extent of the exemption is not broader than is reasonably necessary to address the matters that gave rise to the exemption.
- (3) The Central Bank may grant an exemption on any terms and conditions that the Central Bank considers appropriate.
- (4) The Central Bank:
 - (a) grants an exemption by publishing it in the *Gazette*; and
 - (b) must also publish it on the Central Bank's Internet website.
- (5) An exemption under this section may be amended or cancelled in the same way that it is granted.

112 Acts that do not apply to credit unions

- (1) The following Acts do not apply to a credit union unless expressly provided in this or any other Act:
 - (a) the *Companies Act 2009*;
 - (b) the *Companies (Insolvency and Receivership) Act 2009*;
 - (c) the *Co-operative Societies Act*;
 - (d) the *Trade Unions Act (Cap. 76)*.
- (2) Despite anything in the law relating to income tax, a credit union is not liable for income tax in respect of profits or gains arising or accruing from interest paid on loans made to its members.

Part 11 Transitional matters, consequential amendments, and repeal

113 Credit Unions Act (Cap. 165) repealed

- (1) Subject to subsection (3) and to section 115(5), the *Credit Unions Act (Cap. 165)* is repealed at the close of 1 year after the commencement of this Act.

- (2) No credit union may be registered under that Act after the commencement of this Act.
- (3) Part IX of the Credit Unions Act (Cap.165) is repealed on the commencement of this Act but the repeal of Part IX does not otherwise affect the continuation in existence of the entity known as the League of Credit Unions.

114 Subsection (3) added. Financial institutions Act 1998 amended

The Financial Institutions Act 1988 is amended by replacing section 32 with the following section:

“32 Act does not apply to credit unions and co-operative societies

- “(1) Except as provided in subsection (2), this Act does not apply to:
- “(a) a credit union as defined in section 4 of the *Credit Unions Act 2018*; or
 - “(b) a co-operative society within the meaning of the *Co-operative Societies Act* (Cap. 164).
- “(2) If the Central Bank considers that a credit union or a co-operative society is accepting deposits or granting loans aggregating to \$100,000 at any one time, the Minister (in the case of a co-operative society) or the Central Bank (in the case of a credit union) may by order apply any provision of this Act to the co-operative society or credit union, as the case may be.”

115 Licensing of existing credit unions

- (1) In this section:

“**1986 Act**” means the *Credit Unions Act* (Cap. 165);

“**existing credit union**” means a credit union currently registered under the 1986 Act immediately before the commencement of this Act.
- (2) At the close of 1 year after the commencement of this Act, an existing credit union is dissolved unless it has been licensed under this Act.

- (3) This Act applies with all necessary modifications to the licensing of an existing credit union.
- (4) For the avoidance of doubt, an existing credit union that is licensed under this Act continues in existence by virtue of being so licensed and is deemed to be incorporated under this Act.
- (5) Part 7 of this Act (Monitoring and Enforcement) applies with all necessary modifications to an existing credit union on and after the commencement of this Act.
- (6) Despite the repeal of the 1986 Act at the close of 1 year after the commencement of this Act, the provisions of the 1986 Act relating to the liquidation of a credit union:
 - (a) continue in force for so long as necessary for the liquidation of an existing credit union that is dissolved under subsection (2); and
 - (b) for that purpose, must be read as if references to “the Registrar” were references to the Central Bank.

Schedule 1 Procedure for application for credit union licence

s 11(1)

1 Content and form of application for credit union licence

- (1) An application for a licence must be:
 - (a) in the prescribed form; and
 - (b) subscribed by 15 or more adult members of the applicant in accordance with subclause (3); and
 - (c) filed with the Central Bank by an officer or member of the applicant.

- (2) The application must specify the following:
 - (a) the name with which the organisation proposes to be licensed and registered; and
 - (b) the full name, residential and postal addresses, and contact details (including email address) of the person filing the application; and
 - (c) the full name, residential and postal addresses, and contact details (including email address) of each person who is a subscriber to the application; and
 - (d) the full name, residential and postal address, and contact details (including email address) of each proposed director of the applicant; and
 - (e) the address of the applicant's proposed registered office and its postal address; and
 - (f) any other prescribed information.

- (3) The application must be accompanied by:
 - (a) the rules (incorporating the standard rules and supplementary rules) with which the applicant proposes to be licensed and registered; and

- (b) a statement by the person filing the application that:
 - (i) the copy of the rules accompanying the application is the same as the copy of the rules signed by the subscribers in accordance with subclause (4); and
 - (ii) each of the subscribers has subscribed the application in accordance with subclause (4); and
 - (iii) each of the proposed directors has consented to act as director; and
 - (iii) a majority of the adult members of the applicant has consented to the application; and
 - (c) any other prescribed information; and
 - (d) the prescribed fee (if any).
- (4) An application is subscribed by a member of the applicant if:
- (a) the member signs a copy of the proposed rules; and
 - (b) the member identifies his or her signature by writing his or her full name and residential address next to it; and
 - (c) the signature is attested by an adult witness who is not a subscriber.

Schedule 2 Central Bank: regulation-making powers

s 110(2)

The regulation-making powers of the Central Bank include the following:

- (a) specifying the threshold of number of members that requires a financial co-operative organisation to apply for a credit union licence;
- (b) prescribing the minimum criteria for the licensing of a credit union;
- (c) prescribing the procedure for the revocation of a credit union licence;
- (d) specifying types of licence conditions or restrictions;
- (e) specifying the matters that are relevant to considering whether a person is a fit and proper person to be appointed, and to continue to hold, the position of director of a credit union;
- (f) prescribing the standard rules for inclusion in the rules of all credit unions;
- (fa) prescribing a code of conduct for the directors and officers of credit union;
- (g) prescribing the criteria regarding the qualifications, experience, and integrity required for appointment as a director or other officer of a credit union;
- (g) requiring credit unions to develop and apply risk management programmes, and prescribing the scope and content of those risk management programmes;
- (ga) prescribing minimum regulatory capital requirements;
- (h) requiring credit unions to apply financial standards, and prescribing the scope and content of those financial standards, including regulations relating to (but not limited to) the following matters:

- (i) capital adequacy requirements;
 - (ii) classification of assets;
 - (iii) provision for losses;
 - (iv) liquidity requirements;
 - (v) delinquency controls;
 - (vi) external borrowing limits;
 - (vii) allowable investments;
 - (viii) ownership limits for fixed and non-earning assets;
 - (ix) deposit and loan concentration limits;
- (i) requiring credit unions to establish governance policies, prescribing the scope and content of those policies, and requiring credit unions to conform to them;
 - (j) requiring credit unions to keep financial and other records, and prescribing requirements for those records and the procedures for keeping them;
 - (k) prescribing the form and content of the annual financial statements;
 - (l) requiring credit unions to make annual financial reports, and prescribing the form and content of those financial reports and the procedure for making and publishing them;
 - (m) requiring credit unions to report loans to directors and other officers, and prescribing the content of the report;
 - (n) requiring credit unions to establish policies and allowances for loss on delinquent loans and loan writer-offs, prescribing the content and scope of those policies and allowances, and requiring credit unions to conform to them;
 - (o) specifying the loan limit for approval by a loan officer;
 - (p) prescribing the limits of borrowing by credit unions;

- (q) prescribing the allowable purposes for which a credit union may borrow:
- (r) specifying approved investments or institutions for the investment or deposit of funds by credit unions:
- (s) requiring credit unions to disclose their terms, rates, and associated fees for the provision of loans and other financial services or products:
- (t) prescribing when fees are payable under the Act or regulations, and prescribing the amounts of those fees:
- (u) prescribing the procedure for the merger of two or more credit unions;
- (v) prescribing the procedure for, and the effect of, the liquidation of credit unions;
- (w) in relation to periodic reports by credit unions to the Central Bank, prescribing:
 - (i) the form and contents of the reports; and
 - (ii) the frequency of the reports; and
 - (iii) any other matter that the Central Bank considers necessary or expedient for inclusion in the reports;
- (x) prescribing the form and content required for an amalgamation proposal.