

First Credit Union – First Proposed Changes to Existing Rules 2019

Rule Number	Old Rule Description	New Rule Description	Comments
Interpretation	Nil	Definition of "Board Committee" added	Clarity of subsequent referrals to committees of the Board
Interpretation	Nil	Definition of "Charity" added	Clarifies entities which may be entitled to any surplus following the liquidation of the Credit Union
Interpretation	Nil	Added definition of "Conflicts Register"	Added for conformity of drafting terminology
Interpretation	Nil	Added definition of "Credit Union Security"	Proposal to allow the Credit Union to issue Credit Union Securities (as allowed by section 107A of the Act) which, if sufficiently subordinated, could be counted towards the Credit Union's capital.
Interpretation	Nil	New definition of "Education and Promotion Committee"	This Committee has always been established under the Rules. The added definition is to conform with definitions of other Committees in the Interpretation section.
Interpretation	Definition of Electronic Communication	Added skype to types of Electronic Communication	Added for clarity/completeness.
Interpretation	Nil	New definition of "Enterprises"	This definition is taken from 110(3) of the Friendly Securities and Credit Unions Act (as amended) ("Act"). It is added to clarify the entities to which the Credit Union may make loans or provide services.
Interpretation	Nil	Added definition of "Licence"	Added to clarify which insurance products First Insurance Limited is able to provide (since licence terms amended in November 2018) and designed to "future proof" with respect to further changes to licence terms.

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Interpretation	Nil	Definition of General Manager	Added for clarity/completeness, as that term is used in the Rules.
Interpretation	Nil	Added definition of "Register"	For clarification only, as Register referred to subsequently in the Rules.
Interpretation	Nil	Added definition of "Share"	Added to create a clear distinction between Shares and Credit Union Securities.
Rule 3, Construction	Nil	Definition of "days"	Added for clarity/completeness.
Rule 3, Construction	Nil	Added definition of "personal representative"	Added to provide clarity as to persons with which the Credit Union may deal, following a member's death or bankruptcy.
Rule 3, Construction	Nil	In the event of any inconsistency between the Act and the Rules, the Act is to prevail	For completeness.
4(b)	Credit Union was only permitted to make loans to Members.	The Credit Union is able to make loans to Members and certain Enterprises as described in Rule 68.	Added to expand upon the range of potential loan recipients, as now allowed under the Act.
4(c)	Nil	The Credit Union is permitted to provide products and services to Members and Enterprises, as prescribed by Rule 71.	This expanded object is to enable the Credit Union to offer a range of services and products to Members and Enterprises, as now allowed under the Act.
5	Nil	The Rules are binding as between the Credit Union and each Member.	Mirrors the language of section 105 of the Act.
8(d)	Applications for membership had to be approved by the Board	Nil	Provided the person otherwise qualifies for Membership, no separate Board approval required.
Old 9	Provided a minimum transaction amount of \$10 per transaction	Nil	Deleted to provide greater flexibility for Members in connection with the conduct of their transactions.

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11	Limiting non-qualifying members.	Limiting non-qualifying Members.	Wording change for clarification and new Rule 11(d) expressly providing for repayment of the Shares and Credit Union Securities of non-qualifying Members whose Membership is terminated.
12(b)	Nil	Provides that if a Member wishes to withdraw from the Credit Union, that Member's Credit Union Securities will only be paid in accordance with their terms of issue.	Credit Union Securities can only be treated as a capital if they are subordinated. This means that they may be issued on terms which provide the Members cannot automatically get them repaid and that repayment may only be at this discretion of the Credit Union.
17	Nil	Repayment of Credit Union Securities.	Clarification that any such repayment is subject to the terms of issue of the Credit Union Securities.
18	Nil	Provides that Shares are issued on the basis and they can be consolidated or written down on the recommendation of the Board and the authorisation of a Special Resolution.	Previously in old Rule 56, but repositioned for clarity. Mirrors a provision of the Act.
19	Nil	Added to allow the Credit Union to issue Credit Union Securities. The language mirrors section 107A of the Act.	A Credit Union may only offer Credit Union Securities if this is done in accordance with its Rules. Accordingly, new Rule 19 allows the Credit Union to offer such securities. New Rule 19(d) recognises that, for the purpose of being treated as capital, special subordination terms and conditions of issue will be required.
28(h) and (k)	Distribution of ballot papers at AGM	Prior distributions of ballot papers may before AGM be electronic.	Allows for electronic ballot papers and voting at the option of the Board.
29(d)	Vote for dissolution had to be cast in person	Removed.	The Act has been amended to remove dissolution for Credit Unions, which are instead to be liquidated.

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30(a)	Allowed for 2 co-opted Board members, but unclear whether they also had to be Members	Two co-opted Board members can be appointed by the Board and do not need to be elected. Also, those Board members do not have to be Members.	Clarifies the appointment of co-opted Board members and their relationship with the Credit Union.
33	Originally provided that the Board may establish Committees	Right to establish Board Committees repositioned to 35(t). New Rule 33 allows the Board to hold meeting by audio or audio and visual links, as well as face to face meetings.	Allows for more flexible meeting procedures.
Rule 35(b)	Board to determine lending policy to Members and ensure details available	Board to determine lending policy	Lending now permitted to Members and entities related to Members. Board may wish to keep lending policy confidential, as for good lending practice it should consider loans on a case by case basis.
Old Rule 35(b)	The Board was required to maintain policies of insurance providing for life, savings insurance and loan protection insurance	Deleted.	Insurance functions now only with First Insurance Limited
35(d)	The Board determined Christmas Club and other Share Types	The Board determines all Share types.	Clarification of drafting.
35(e)	The Board could declare dividends on Shares from earnings.	In addition to declaring dividends on Shares, the Board can declare distributions on Credit Union Securities.	This addition is consequential on the addition of the right for the Credit Union to offer Credit Union Securities. Particulars of how dividends on Shares and distributions on Credit Union Securities are set out in Rules 74 and 75.
Old 54(h) and new 35(g)	The Board could borrow money within limits set by the Board and Supervisor.	The Board is to determine the borrowing policy of the Credit Union	Prior to incorporation borrowing will actually be by the trustees on behalf of the Credit Union.
Old Rule 35(i)	The Board was required to ensure that the treasurer and every other officer having the receipt or charge	Nil	Section 114 has been repealed, so that no security is required.

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	of money gave security as required by previous section 114 of the Act.		
35(m)	Nil	The Board is authorised to establish the additional terms on which Credit Union Securities may be issued.	Clarifies the right in Rule 19(d) to issue Credit Union Securities on any additional terms are to be set by the Board.
35(o)	Allowed the establishment of an Education and Promotion Committee.	Allows the establishment of an Education and Promotion Committee, of such size and memberships as the Board may determine.	Added for clarity of the Board's rights.
35(t)	Right to appoint an Audit Committee	General right to establish such Board Committees as the Directors may think fit.	Added to give flexibility to Board delegations.
36A	The Board could establish a Company to offer loan protection insurance to Members.	The Company can offer insurance products in accordance with its licence.	Widening the types of insurance that the Company can offer, in accordance with the Licence.
38	Reference to "Associate Directors"	Removal of reference to "Associate Directors".	There are no other provisions in the Rules dealing with Associate Directors of their appointment.
42(f)(ii)	Reference to the Credit Union's books and accounts being able to be inspected in accordance with section 131 of the Act.	Credit Union's books still able to be inspected	Section 131 has been repealed hence the reference to it is deleted.
47(b)	Trustees to supervise all loans	Trustees may delegate supervisory functions	In practice this is a function delegated to the Audit Committee.
50	Nil	That the Board may appoint and remove Audit Committee members.	New Rule added to clarify powers of the Board to appoint and remove the Audit Committee members.
54	Credit Union to appoint auditor	Credit Union to appoint auditor for each financial year.	Mirrors section of the Act.

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Old Rule 58	Share capital must be issued on the basis that it may be written down.	Moved to new Rule 18.	This Rule is included to meet section 126 of the Act which provides that the Registrar may require the Credit Union to submit proposals (including writing down of the Share capital) which will effect a financial improvement of the Credit Union.
67(h)	Nil	Provides that a Director or Board Committee member must vacate office if removed from office.	Added for the sake of completeness. There may be non-Members who are on the Board or a Board Committee and that these persons and other Directors must vacate office on their removal.
Old Rule 66	Regulated the way in which loans could be made to Members.	Nil	Replaced by new Rules 68 to 70.
Rule 68	Nil	Allows the Credit Union to make loans to Members and Enterprises related to Members.	These provisions mirror section 110(1) of the Act.
Rule 69	Nil	Gives powers to the Board to prescribe loan purposes, securities, maximum loan amounts and to otherwise set the Credit Union's lending policy.	The Board is to set the lending parameters (previously this was also a board right in Rules 65(a), (b) and (c)).
Rule 70	Nil	Sets out that the Board may require loans to be repaid whose Membership is terminated.	Included to meet the requirements of clause 15 of Schedule 4 to the Act.
Rules 71 – 73	Nil	Allows the Board to provide products or services to Members, to Enterprises which have loans to the Credit Union and to Enterprises related to a Member.	Mirrors the provisions of section 110(2), (3), (4), and (5) of the Act.
Rule 75	Nil	Provides that distributions on Credit Union Securities may be paid from net earnings, in accordance with the terms of issue of those Credit Union Securities.	Added for clarity.

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76(c)	Nil	Added requirement for Members to provide to the Credit Union all proof of identity required by any applicable legislation.	Designed to "future proof" the identity provisions in line with increasing international obligations.
78	Related to transfer of engagements.	Relates to transfers of engagement.	Small wording change to more closely align with the wording of the Act (section 135(2A)).
Old Rule 73	Prescribed that Rule changes had to be passed by a 75% majority of Members present and voting on a Special Resolution.	The Credit Union Rules may be amended by resolution of a majority of Members entitled to vote and voting on the matter. See Rules 81and 82.	Simple majority only now required for any Rule amendment. This aligns with section 106B(1) of the Act.
Old Rule 77	Provisions relating to the dissolution of the Credit Union.	Nil	Dissolution replaced with the liquidation provisions of the Act.
85	Nil	The Credit Union may be put into liquidation by the appointment of a liquidator, made pursuant to a Special Resolution.	Mirrors section 137A of the Act.
86	On a dissolution surplus assets were to be transferred to another credit union, the Association or applied to charitable purposes, but the process involved 2-step meetings	Where there is a liquidation, the surplus assets (after repayments to all Creditors) will be transferred to such Charity or Charities as the Board may determine.	The proposal to transfer to Charity prevents remaining Members receiving a windfall, not available to Members withdrawing earlier.
87	Nil	On certain contingencies the directors can request removal of the Credit Union from the Register.	Facilitates the removal of the Credit Union from the Register. This can only be done where either the Credit Union has no remaining assets or any remaining assets have been transferred to people entitled to them. Added to clarify (as required by section 140(2)(b) of the Act) that the directors are authorised to make such a request of the Registrar.