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Implementation of the New Governance and Prudential Requirements for Credit Unions Frequently Asked Questions



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Introduction

This document (“the FAQs”) is drawn up by the Central Bank of Ireland (“the Central Bank”) to address commonly asked questions which have been raised by credit unions in relation to the implementation of new governance and prudential requirements inserted into the Credit Union Act, 1997 (“the 1997 Act”) by the Credit Union and Co-operation with Overseas Regulators Act 2012 (“the 2012 Act”).

The FAQs have no legal status. Credit unions should consult their legal advisers concerning any matter of legal interpretation of the 1997 Act or regulations issued thereunder.

Where a reference is made to a specific section of the 1997 Act in the FAQs, this relates to the 1997 Act as amended by Part 2 or Schedule 1 of the 2012 Act.

Where extracts from the 1997 Act are included in the FAQs these are shown in quotes and italics.

The FAQs are updated as necessary. Please see version history below which sets out amendments made to the FAQs.

Version	Date	Amendments
1.0	September 2013	Initial Version
1.1	October 2013	<ul style="list-style-type: none"> • Questions 1, 3, 6, 9, 10, 11, 12 18 and 23 have been amended. • Questions 2, 7, 8, 15 and 16 are new questions. • Questions 2 and 3 of version 1.0 have been deleted as these are covered in question 2 of version 1.1
1.2	March 2014	<ul style="list-style-type: none"> • Questions 1, 2 and 13 have been amended. • Question 14 is a new question.
1.3	June 2014	<ul style="list-style-type: none"> • Question 2 has been amended.
1.4	July 2014	<ul style="list-style-type: none"> • Question 24 has been amended.

Application of the new governance and prudential requirements

1. When do the new governance and prudential requirements come into effect for credit unions?

On 1 July 2013 the Minister for Finance published the implementation plan for the 2012 Act. Details on the implementation of the 2012 Act are available at the following [link](#).

On 11 October 2013 the Minister for Finance signed the Credit Union and Co-operation with Overseas Regulators Act 2012 (Commencement of Certain Provisions) (No.2) Order 2013.

The majority of the new governance and prudential requirements that the implementation plan indicated would come into effect on 1 October 2013 came into effect on 11 October 2013. These new requirements apply to **all** credit unions.

On 3 March 2014, arising from the Credit Union and Co-operation with Overseas Regulators Act 2012 (Commencement of Certain Provisions) Order 2014 signed by the Minister for Finance on 26 February 2014, a small number of provisions of the 2012 Act commenced.

The main amendments to the 1997 Act arising from these commencements are as follows¹:

- section 15(1) of the 2012 Act substitutes a new section 53, relating to the board of directors;
- the remaining part of section 24 of the 2012 Act inserts section 66C, relating to the submission of an annual compliance statements to the Central Bank; and
- the remaining part of section 27(1) of the 2012 Act inserts section 76O(7), relating to the board oversight committee report to the members at the annual general meeting (“AGM”).

¹ Item 46 of Schedule 1 of the 2012 Act also replaces a reference to the Supervisory Committee with a reference to the board oversight committee and replaces a reference to section 54(5) which related to notification of intention of all directors to resign with a reference to section 53(17) which now contains this requirement.

The following documents which are available on our website may be of assistance to credit unions in implementing the new governance and prudential requirements:

- The [Credit Union Handbook](#) (“the Handbook”) which was developed by the Central Bank to assist credit unions with the implementation of the new strengthened regulatory framework including the new governance and prudential requirements. The purpose of the Handbook is to assist credit unions by bringing together in one place a number of legal and regulatory requirements and guidance that apply to credit unions.
- The [Introduction Chapter of the Handbook](#) which sets out, at a high level, when the new requirements come into effect.

2. What are the main implications arising from the commencement of section 15(1), section 24 and section 27 of the 2012 Act?

As set out in question 1, section 15(1) of the 2012 Act along with the remaining parts of section 24 and section 27 commenced on 3 March 2014. The main implications of these commencements are set out below.

Section 15(1) – substitution of new section 53 into the 1997 Act

Section 15(1) of the 2012 Act substitutes a new section 53, relating to the board of directors, into the 1997 Act. A number of the provisions of the new section 53 inserted by section 15(1) of the 2012 Act re-apply provisions of the old section 53 of the 1997 Act. These are as follows:

- section 53(1) which requires a credit union to have a board of directors;
- section 53(7) which relates to the term of office of directors of a credit union; and
- section 53(8) which relates to the number of directors whose term of office expires at each AGM.

The remaining sections of section 53 contain new or amended requirements for boards of directors of credit unions. An overview of these provisions is set out below:

Section 53(2) – requires that the board of directors of a credit union shall be of sufficient size and expertise to adequately oversee the operations of the credit union.

Section 53(3) – sets out maximum and minimum board size. From 3 March 2014 credit unions must have a board size of 7, 9 or 11.

Section 53(4) – indicates that the number of directors of a credit union may be more than 11 or may be an even number if an additional director is appointed under section 95A.

Section 53(5) – requires that each director shall ensure that they have sufficient time to devote to the role of director and the responsibilities associated with that role.

Section 53(6) – sets out when the board of directors of a credit union shall be elected. Section 53(6)(a) deals with the election of the first board of directors of a newly registered credit union. Section 53(6)(b) requires that the full board of directors is to be re-elected by secret ballot at the AGM² first occurring after the commencement of 53(6)(b).

Section 53(8) requires that the number of directors whose term of office expires at each general meeting shall, as near as possible, be the same. This should be taken into account at the AGM² first occurring after 3 March 2014 where the full board is required to be re-elected by secret ballot. To comply with section 53(8), credit unions should appoint similar numbers of directors for 1, 2 and 3 year terms at that stage.

² Or a special general meeting (“SGM”) called for the purpose of such a ballot.

Section 53(9) – requires that only a natural person of full age may be a director of a credit union.

Section 53(10) - sets out a list of persons who are not eligible to **become** a director of a credit union.

Where a person to whom section 53(10) of the 1997 Act applies is already serving as a director of a credit union they are not required to resign from their position on the board of directors following commencement of section 53(10) of the 1997 Act on 3 March 2014. However, as the full board will be required to be re-elected by secret ballot at the AGM² first occurring after 3 March 2014, that person shall not be eligible for re-election at that AGM².

Section 53(11) – indicates that if a person who is not prohibited from being a director on commencement of section 53(10) of the 1997 Act on 3 March 2014, becomes a person to whom section 53(10) applies after 3 March 2014, then that person must resign from their position on the board of directors under section 53(11) of the 1997 Act.

Section 53(12) - requires that a person may not be appointed or elected to the board of directors if they have served more than 12 years out of 15 years in aggregate whether as a member of the board of directors or the board oversight committee.

Section 53(13) - indicates that any time served as a member of the board of directors or the board oversight committee prior to commencement of 53(12) is not included in the calculation of the aggregate 12 years' service in the previous 15 years for the purposes of section 53(12). See question 3 below for further details on this requirement.

Section 53(14) - provides that the principal posts of vice chair and secretary can serve a maximum of three consecutive years before that person has to step down from that position for a least one year.

Section 53(15) – indicates that subject to the requirements set out in section 53 and all other applicable requirements of financial services legislation, the board of directors may at any time and from time to time appoint a member of the credit union (including a former director) to be a director to fill a casual vacancy.

Section 53(16) – indicates that a director appointed under section 53(15) shall hold office from the date of appointment to the next following AGM or SGM at which an election is held for directors of the board of directors.

Section 53(17) – requires that where all the directors of a credit union intend to resign on the same date, the secretary shall give written notice of the directors' intention to the Central Bank and the board oversight committee.

Section 24 – insertion of section 66C into the 1997 Act

Section 24 of the 2012 Act which relates to general governance requirements commenced on 11 October 2013, with the exception of the insertion of section 66C into the 1997 Act. This provision relates to the submission of an annual compliance statement to the Central Bank.

Scope - The annual compliance statement should confirm whether the credit union has:

- acted in compliance with; or
- failed to comply with

the requirements of Part IV of the 1997 Act and any other regulations prescribed under Part IV of the 1997 Act³. In the event of material non-compliance with the Requirements being identified, a Report of Material Non-Compliance will be submitted with the annual compliance statement.

Timing - The annual compliance statement will cover the period from 1 October to 30 September each year and will be required to be submitted by 30 November each year. The annual compliance statement will cover the

³ The Central Bank has not yet prescribed Regulations under this Part.

relevant obligations that a credit union was required to comply with from the date that the relevant obligation came into force.

The annual compliance statement will cover the relevant obligations that a credit union was required to comply with from the date that the relevant obligation came into force.

For the first annual compliance statement, with respect to the governance requirements which came into force on 11 October 2013 and 3 March 2014, the annual compliance statement will cover compliance with those obligations from the date they came into effect until 30 September 2014.

Submission – Credit unions should submit the annual compliance statement electronically to the Central Bank using the Online Reporting System.

Guidance, including a user manual, on submitting the annual compliance statement via the Online Reporting System will be made available to credit unions in September 2014.

Section 27(1)

Section 27(1) of the 2012 Act, which relates to the board oversight committee, commenced on 11 October 2013 with the exception of the insertion of section 76O(7) into the 1997 Act. This provision relates to the board oversight committee report to the members.

From 3 March 2014, under section 76O(7) the board oversight committee is required to report to the members at the AGM or SGM of a credit union on whether the board of directors has acted in accordance with Part IV and IVA of the 1997 Act. The first report of the board oversight committee will be presented at the AGM or SGM first occurring after 3 March 2014.

Board of directors

3. Is time served on the board of directors or the board oversight committee prior to 3 March 2014 counted for the purposes of section 53(12)?

From 3 March 2014, under section 53(12) of the 1997 Act, a person may not be appointed or elected to the board of directors if they have served more than 12 years out of 15 years in aggregate either as a member of the board of directors or the board oversight committee.

Further to section 53(13) of the 1997 Act, any time served as a member of the board of directors or the board oversight committee prior to 3 March 2014 is not included in the calculation of the aggregate 12 years' service in the previous 15 years for the purposes of section 53(12).

4. When is a credit union required to have reduced its board size to a maximum of 11?

By 3 March 2014 all credit unions will be required to have a board size of 7, 9 or 11 in accordance with section 53(3) of the 1997 Act. Any credit union that needs to amend its rules and reduce its board size to comply with section 53(3) can do so at the next AGM or SGM.

Section 15(2) of the 2012 Act, which commenced on 11 October 2013, provides that this rule amendment can be made under section 14(1) of the 1997 Act whereby two thirds of members present and voting at an AGM or SGM can pass the amendment. The amendment will take immediate effect notwithstanding section 14(2) of the 1997 Act, which requires registration of rule amendments with the Central Bank before they take effect.

Where conflicts exist between the credit union rules and the 1997 Act, the 1997 Act takes precedence over the credit union rules.

5. When does the requirement under section 56B(12) for the nomination committee to review the membership of any person who is a member of the board of directors for more than 12 years apply?

Section 56B(12) requires the nomination committee to formally review the membership of any person who is a member of the board of directors for more than the 12 years in aggregate permitted under the 2012 Act.

While section 53(12) does not allow a member to be appointed or elected to the board of directors if they have served for more than 12 years in aggregate in the previous 15 years on either the board of directors or the board oversight committee, a member may serve for more than 12 years on the board of directors or board oversight committee where their term of service is over a period of longer than 15 years.

The review under section 56B(12) relates to any member of the board of directors that has served more than 12 years on the board of directors.

6. What are the maximum term limits for members of the board of directors and principal posts?

The 1997 Act sets out term limits for certain positions, including maximum term limits for members of the board of directors and principal posts. A credit union may decide to impose limits in the credit union rules that are shorter than these requirements.

Members of the board of directors

From 3 March 2014 section 53(7) of the 1997 Act provides that the term of a member of the board of directors “*shall not extend beyond the third subsequent annual general meeting after his or her election.*”⁴

Principal posts other than the chair

From 3 March 2014 section 53(14) of the 1997 Act provides that the principal posts of vice chair and secretary can serve a maximum of three consecutive

⁴Prior to 3 March 2014 this was required under section 53(4) of the 1997 Act.

years before that person has to step down from that position for at least one year.

The chair

Sections 55A(5) provides that the term of the chair is for one year unless the chair ceases to be a director or resigns as set out under Section 55A(7). Section 55A(6) of the 1997 Act provides that the chair may not serve more than four consecutive one year terms.

Under 55A(6) once a person has served more than four consecutive one year terms as chair they are not eligible to be chair until -

*"(a) after another director has served at least one term as chair, or
(b) where such other director has served for less than one year, after 2 or more directors have served as chair for the equivalent of at least one complete term".*

7. Is time served as chair prior to 11 October 2013 counted for the purposes of section 55A(6)?

From 11 October 2013 the term of office of a chair of a board of directors is for a period of one year. Section 55A(6) provides that a chair may not serve more than 4 consecutive terms in that position and, having served 4 consecutive terms, may not be eligible to be the chair for a period of one year since he or she last held the position. The time served prior to 11 October 2013 will be taken into account when assessing eligibility for election to the chair of a credit union and, as such, will count as time served when calculating the number of consecutive terms served as chair for the purposes of section 55A(6).

8. Is time served prior to 11 October 2013 counted for the purposes of eligibility to be elected chair under section 55A(4)?

Under section 55A(4) a director is not eligible to be elected as chair if the director had, at any time during the 5 years preceding the election, been an employee of that credit union or been a person who acted in any management capacity (whether voluntary or paid) in that credit union. Time

served as an employee or in a management capacity prior to 11 October 2013 will be taken into account when assessing eligibility for election to the chair of a credit union for the purposes of section 55A(4). This does not include time served as a member of the board or as a member of board oversight committee.

9. When does the position of treasurer cease?

The position of treasurer ceased on 11 October 2013. From that date the person who had been serving as treasurer ceased to hold a principal post but may continue to serve the rest of their term as a director. The board of directors must nominate a person to present the annual accounts at the AGM of the credit union under section 55(1)(r) of the 1997 Act. This may be the person who previously held the role of treasurer.

10. What is the position on payment of an honorarium to the treasurer for the time served as treasurer for the financial year ending 30 September 2013?

Section 68(4) of the 1997 Act provides that remuneration may be paid to the treasurer. The implementation plan, published by the Minister for Finance on 1 July 2013, indicates that section 68(4) of the 1997 Act is proposed to remain in place until Q2 2014. This may allow the members of the credit union time to approve the payment of an honorarium to the treasurer in accordance with section 68(4) for the time that the treasurer served for the financial year ending 30 September 2013.

11. What are the requirements for signing the accounts for the financial year ending 30 September 2013?

From 11 October 2013 section 111(4)(c) of the 1997 Act requires that a credit union shall not publish, for any financial year any income and expenditure account, balance sheet or statement unless it has been signed: *"by the manager of the credit union, by a member of the board oversight committee acting on behalf of that committee and by a member of the board of directors acting on behalf of the board of directors."*

This applies to the annual accounts for the year ending 30 September 2013 signed after 11 October 2013.

Board oversight committee

12. Does the Supervisory Committee transition to the board oversight committee on 11 October 2013?

Section 27(2) of the 2012 Act provides that each member of the Supervisory Committee, unless he or she resigns or otherwise ceases to be a member of the Supervisory Committee, shall be deemed to have been a duly elected member of the board oversight committee for the remainder of the term that he or she would have been a member of the Supervisory Committee.

Therefore members of the Supervisory Committee automatically become members of the board oversight committee on 11 October 2013 and can remain on the board oversight committee until they would have been due to be re-elected to the Supervisory Committee.

13. What are the functions of the board oversight committee?

The board oversight committee replaced the Supervisory Committee with effect from 11 October 2013. Under section 76M of the 1997 Act, the role of the board oversight committee is to assess whether the board of directors has operated in accordance with Part IV and Part IVA of the 1997 Act, which Parts relate to the Management of Credit Unions, and any regulations made under Part IV or Part IVA of the 1997 Act⁵.

In general, the functions of the board oversight committee relate to assessment, evaluation and reporting on whether the board of directors has operated in accordance with Part IV and Part IVA of the 1997 Act. Consistent with the nature of their role, the board oversight committee would not be expected to involve themselves directly in the operations of the credit union.

⁵ The Central Bank has not yet prescribed Regulations under this Part.

Examples of the functions of the board oversight committee include assessing whether the board has carried out the functions of the board of directors, as set out in section 55(1) of the 1997 Act (see Section 3.5 of the Governance Chapter of the Credit Union Handbook). More specifically for example, section 55(1)(o) of the 1997 Act sets out requirements for the board of directors relating to approval, review and updating of all plans, policies and procedures of the credit union. The function of the board oversight committee in this regard would include assessing the board of directors performance in approving, reviewing and updating the plans, policies and procedures of the credit union as required under section 55(1)(o) of the 1997 Act.

The board oversight committee is no longer responsible for the functions previously carried out by the Supervisory Committee, which included requirements that the Supervisory Committee made or caused to be made an examination of the books and documents of the credit union and a comparison between the pass-book or statement of account of a random sample of at least 10 per cent of all the members of the credit union and the appropriate records of the credit union.

Section 760 of the 1997 Act sets out procedural provisions relating to the board oversight committee that the committee must adhere to in carrying out its functions including the requirements to:

- hold at least one meeting every month;
- meet with the board of directors at least 4 times a year to facilitate it in carrying out its assessment of whether the board of directors has operated in accordance with Part IV and Part IVA of the 1997 Act;
- submit a written report to the board of directors, within two weeks of such a meeting, on their assessment of whether the board of directors has operated in accordance with Part IV and Part IVA of the 1997 Act;
- attend meetings of the board of directors; and
- report to the members at the AGM and, if it thinks fit, at a SGM, on whether the board of directors has operated in accordance with Part IV and Part IVA of the 1997 Act.

The board oversight committee may notify the Bank of any concern it has that the board of directors has not complied with any of the requirements set out in Part IV or Part IVA of the 1997 Act.

Section 760(3) of the 1997 Act provides that “*the board oversight committee shall have access, at all times, to the books and documents (including draft documents) of the credit union to enable it to carry out its functions under the Act.*” Therefore the board oversight committee can request that the credit union provide it with access to the documentation that it requires to carry out its functions in assessing whether the board of directors has operated in accordance with the requirements set out in Part IV and Part IVA of the 1997 Act. Requests for information by the board oversight committee should be clearly linked to the carrying out of the statutory functions of the board oversight committee.

Since 11 October 2013 all credit unions are required to have an internal audit function. The output of the internal audit function may also assist the board oversight committee in carrying out its functions.

14. Who in the credit union should conduct the necessary due diligence on members of the board oversight committee for the purpose of assessing an individual’s compliance with the Fitness and Probity standards?

As set out in [Guidance on Fitness and Probity for Credit Unions](#) the nomination committee and the board oversight committee should have joint responsibility for conducting due diligence on the members of the board oversight committee.

15. What is the board oversight committee required to report on to members at the AGM?

From 3 March 2014, under section 760(7) the board oversight committee is required to report to the members at the AGM or SGM of a credit union on whether the board of directors has acted in accordance with Part IV and IVA of the 1997 Act.

The Central Bank recommends that the board oversight committee furnish a written report to the members at the 2013 AGM on the results of the examinations and enquiries that the Supervisory Committee of the credit union carried out from 1 October 2012 to 30 September 2013 under section 60(1) of the 1997 Act.

16. Is time served on the board of directors or the Supervisory Committee prior to 11 October 2013 counted for the purposes of section 76N(6)?

Time served on the Supervisory Committee prior to 11 October 2013 is not counted for the purposes of section 76N(6). However, time served on the board of directors prior to 11 October 2013 is counted for the purposes of section 76N(6).

17. When is an existing member of the Supervisory Committee who is prohibited from being a member of the board oversight committee under section 76N(4) of the 1997 Act required to resign?

Section 76N(4) of the 1997 Act sets out the categories of persons who are not eligible to be elected to be a member of the board oversight committee.

Where a person to whom section 76N(4) of the 1997 Act applies is already serving as a member of the board oversight committee they are not required to resign from their position on the board oversight committee following commencement of section 76N(4) of the 1997 Act on 11 October 2013. That individual is entitled to complete their term on the board oversight committee. However, that person shall not be eligible for re-election to the board oversight committee once their term has been completed, or that person otherwise ceases to be a member of the board oversight committee.

If a person who is not prohibited from being a member of the board oversight committee on commencement of section 76N(4) of the 1997 Act on 11 October 2013 becomes a person to whom section 76N(4) applies after 11

October 2013, then that person must resign from their position on the board oversight committee under section 76N(5) of the 1997 Act.

Elections and the nomination committee

18. Can a candidate be put forward for election or seek election at an AGM or SGM at which an election is held for members of the board of directors?

Section 56B(5) of the 1997 Act requires that the nomination committee proposes candidates for election to the board of directors by the members at an AGM / SGM and that no candidate may be put forward for election or seek election at an AGM or SGM. Under section 56B(6) the nomination committee must ensure it receives nominations in time prior to the AGM / SGM.

New statutory positions

19. When are credit unions required to have a manager, risk management officer, compliance officer and an internal audit function?

Credit unions are required to have a manager, a risk management officer, a compliance officer and an internal audit function from 11 October 2013.

20. What resourcing arrangements should credit unions put in place to meet the new governance and prudential requirements?

It is a matter for the board of directors to determine whether functions should be performed in-house, through a sharing arrangement between credit unions or outsourced to a third party service provider. In considering resourcing arrangements, credit unions should have regard to the nature, scale, complexity and risk profile of the credit union and ensure that:

- all functions of the role can be effectively carried out by the proposed resourcing arrangements;
- any potential conflicts are identified and managed;
- where independence of functions is required that this is maintained; and
- all legal and regulatory requirements such as those relating to outsourcing are met.

The board of directors of each credit union remains responsible for the general control, direction and management of the credit union and will need to ensure they have adequate and appropriate systems and resources in place to meet their legal and regulatory requirements and ensure that they have effective governance arrangements including risk management systems and internal audit functions.

21. Can a member of the board oversight committee carry out the internal audit function?

Section 76N(4) of the 1997 Act places certain restrictions on membership of the board oversight committee:

"The following persons are not eligible to become a member of the board oversight committee:

(a) an employee or voluntary assistant of the credit union or an employee of any other credit union..."

Section 76N(5) of the 1997 Act provides that if a member of the board oversight committee becomes an employee or voluntary assistant (or any other person to whom section 76N(4) relates), that person must resign from being a member of the board oversight committee.

As the internal audit function is a role that operates as a voluntary assistant or employee of the credit union, the internal audit function cannot become a member of the board oversight committee. If an existing member of the board oversight committee becomes the internal audit function, they would be required to resign from the board oversight committee.

This is also the case for members of the board of directors under section 53(10) and 53(11) of the 1997 Act.

22. Should the roles of risk management officer and compliance officer be carried out by separate persons?

The legislation requires a credit union to have a risk management officer and a compliance officer. The legislation does not specify whether the risk management officer and compliance officer roles should be carried out by separate persons.

It is a matter for the credit union to determine the appropriate resourcing arrangements for the credit union. Under any proposed resourcing arrangements the persons carrying out the risk management officer and compliance officer roles should be able to act objectively and act independently of the business areas of the credit union. They must have sufficient time to carry out their statutory functions and the credit union must satisfy itself that the persons are competent and capable to carry out these roles.

In addition to the above, in considering whether the role of risk management officer and compliance officer should be carried out by separate persons the credit union should consider the nature, scale, complexity and risk profile of the credit union and ensure that at a minimum the proposed resourcing arrangements ensure that:

- all functions of the role can be effectively carried out by the proposed resourcing arrangements;
- any potential conflicts are identified and managed;
- where independence of functions is required that this is maintained; and
- all legal and regulatory requirements are met.

Credit union committees

23. What changes have been made to the composition of credit union committees to reflect the new governance framework?

The composition of credit union committees should reflect the separation of executive and non-executive roles in the new governance framework set out in the 1997 Act.

Board committees should be comprised entirely of members of the board of directors or a majority of members of the board of directors, taking account of any requirements set out in the 1997 Act.

Other committees, such as the credit committee, credit control committee and membership committee, are no longer required to have a member of the board of directors.

Credit unions making changes to the composition of committees to reflect the new governance framework will need to ensure that the revised committee continues to carry out its role effectively. Credit unions should make any such changes within a reasonable timeframe, taking into account operational considerations such as AGMs.

Credit union rules

24. Are credit unions required to amend their rules to bring them in line with the new governance and prudential requirements?

Credit unions are required to amend their rules to bring them in line with the new governance and prudential requirements contained in the 1997 Act.

Section 4(2) of the 2012 Act makes provision for credit unions to make amendments to their rules that are consequential on amendments made to the 1997 Act by the 2012 Act (“consequential amendments”) by board resolution until 1 August 2014.

Where credit unions wish to make other amendments to their rules that are not consequential amendments (e.g. delete rules that duplicate provisions in

the 1997 Act and are not required in credit union rules under Schedule 1 of the 1997 Act), such amendments cannot be made by board resolution as provided for under section 4(2) of the 2012 Act.

Credit unions that wish to make amendments to their rules that are both consequential and non-consequential should amend their rules at their next AGM or at an SGM as provided for under section 14 of the 1997 Act.

Credit unions must register rule amendments with the Central Bank before they take effect. The only exception to this is where a credit union has amended its rules to reduce its board size to comply with section 53(3) of the 1997 Act. This rule amendment takes immediate effect. See Question 4 for further details

Before sending a copy of the amended rules to the Central Bank under section 14 of the 1997 Act, the credit union must satisfy itself that any rule amendment is not contrary to financial services legislation.

Where conflicts exist between the credit union rules and the 1997 Act, the 1997 Act takes precedence over the credit union rules.

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