

Credit Union Rules

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1. Interpretation

1.1 Definitions – In these Rules, unless the subject or context is inconsistent therewith:

- (a) “Act” means the *Credit Union Incorporation Act*, RSBC 1996, Chapter 28, all amendments thereto and regulations made pursuant thereto, and any successor legislation from time to time in force;
- (b) “board” means the board of directors of the credit union;
- (c) “credit union” means Salmon Arm Savings and Credit Union, FI-120;
- (d) “director” means a director of the credit union holding office pursuant to these Rules;
- (e) “directors”, unless the context otherwise requires, means the board of directors of the credit union;
- (f) “Financial Institutions Act” means the *Financial Institutions Act*, RSBC 1996, Chapter 141, all amendments thereto and regulations made pursuant thereto, and any successor legislation from time to time in force;
- (g) “individual” means a natural person and does not include a corporation, partnership, association or other body;
- (h) “member in good standing” means a member, who at the date on which good standing is determined:
 - i. has purchased, paid for and holds the number of Class A shares (being “Membership shares”) required by these Rules; and
 - ii. is not delinquent in or in breach of any obligation to the credit union as determined by the directors;
- (i) “resolution” means a resolution presented to the general membership or to a specific class of shareholders for approval and includes an ordinary resolution and

a special resolution as defined by the Act, but does not include resolutions presented at a general meeting in the ordinary course of business of the meeting.

1.2 Unless these Rules expressly provide otherwise:

- (a) where these Rules require the use of documents that are “written”, “in writing” or other similar words, the directors may permit the use of documents in such electronic form as the directors in their discretion consider desirable in the circumstances, provided that such electronic document is accessible in a manner useable for subsequent reference;
- (b) where these Rules require the provision or delivery of documents, the directors may permit the provision or delivery of such documents in such electronic form and by such electronic means (including, without limitation, making such electronic documents accessible to the intended recipient by an electronic means notified to the intended recipient) as the directors in their discretion consider desirable in the circumstances, provided that such electronic documents are accessible and capable of being retained by the recipient in a manner useable for subsequent reference; and
- (c) for the purposes of this Rule 1.2, “documents” includes without limitation, notices, instruments, resolutions, ballots and votes.

1.3 The meaning of any words or phrases defined in the Act shall, if not inconsistent with the subject or context, have the same meaning in these Rules.

1.4 These Rules are to be read and applied in conjunction with the *Credit Union Incorporation Act* and the *Financial Institutions Act*. Except where such Acts state the Rules may otherwise provide, any applicable provision of such Acts that is inconsistent with these Rules shall prevail.

2. Membership

2.1 Persons who are identified in the credit union’s common bond of membership or otherwise qualified under the Act are eligible to be admitted as members of the credit union.

2.2 Every application for membership shall be in writing and be accompanied with payment in full of the purchase price of the number of Class A shares required by these Rules.

2.3 Individuals under 19 years of age may be admitted as a junior member of the credit union. Junior members are not entitled to vote, be a director or a member of a committee of the credit union.

2.4 (a) Notwithstanding Rule 2.2, an application for membership need not be accompanied by payment for the purchase price of any shares of the credit union where the applicant is already a holder of the required number of shares.

(b) In the case of a joint membership, each joint shareholder must hold the minimum number of shares required in order to become a voting member, otherwise the first shareholder named on the membership application is the voting member.

- 2.5 A member may withdraw from membership, and membership of any person may be terminated, in accordance with these Rules and the Act.

3. Shares and Deposits

- 3.1 Subject to the Act and these Rules, the shares of the credit union shall be under the control of the directors who may allot, issue, redeem, purchase or otherwise deal with them on such terms and conditions as they may, by resolution, from time to time determine.

- 3.2 The capital of the credit union shall be divided into three classes of shares, each having the respective rights and restrictions set forth in these Rules, and being designated as:

- (a) Class A shares or "Membership shares", which are Equity Shares (mandatory), and
- (b) Class B shares or "Investment shares", which are Equity Shares (voluntary), and
- (c) Class C shares or "Share Savings", which are Non-Equity Shares.

Equity shares represent an equity interest in the credit union; Non-Equity shares do not represent an equity interest in the credit union, but evidence an indebtedness of the credit union to the holder of the share

- 3.3 (a) Equity shares have the special rights and restrictions provided in the Act and these Rules. Money invested in Equity Shares is not guaranteed by the Credit Union Deposit Insurance Corporation under the Act.

- (b) Equity shares shall not be issued until they have been fully paid up at not less than par value.

- 3.4 (a) Subject to the Act and these Rules, Equity Shares may only be subscribed for, purchased by, or transferred or assigned to the credit union or a member thereof, at par value, and in the case of redemption, par value plus any dividends declared but unpaid on them.

- (b) All classes of shares have a par value of \$1.00

- 3.5 Equity Shares are not transferable or assignable without a resolution of the directors, obtained in advance, and no transfer or assignment of shares is effective until the record of share holdings maintained by the credit union is completed indicating the transfer or assignment.

- 3.6 (a) Subject to the Act and notwithstanding Rule 3.4(a) Equity Shares may only be redeemed or purchased by the credit union at the discretion of the directors or upon the application of the member owning such shares on such terms and conditions as the directors may from time to time determine.

- (b) Without limitation, the directors may, subject to the Act:

- (1) determine:

- (i) the maximum number of applications;
 - (ii) the minimum and maximum amount of each application, in each case, which a member may make in any year;
 - (iii) the maximum aggregate amount of redemption and repurchase by the credit union within any financial year of the credit union;
 - (iv) the period of time within any financial year of the credit union during which any such application may be made; and
 - (2) generally or specifically, waive or alter determinations and make different determinations from time to time in respect of any such application by a member or the legal personal representatives of a deceased member.
- 3.7 (a) Equity Shares may be held jointly.
- (b) All jointly held Equity Shares shall carry the right of survivorship unless a contrary statement, in writing, is given at the time of subscription and signed by all parties jointly holding the shares.
- 3.8 (a) Each member of the credit union shall subscribe for, purchase and fully pay for the number of Class A Shares as established herein:
- (i) each adult member-5 shares;
 - (ii) each incorporated company-5 shares;
 - (iii) each partnership-5 shares;
 - (iv) each member in a joint membership as contemplated in Rule 2.4(b)-5 shares per member; and
 - (v) each association-5 shares.
- (b) Junior members shall subscribe for, purchase and fully pay for five (5) Class A Shares.
- 3.9 The directors may from time to time resolve that the minimum required number of Class A shares to be owned by a member be increased, but such determination shall not exceed two times the number of shares required in Rule 3.8 to a maximum of 100.
- 3.10 The directors may from time to time establish:
- (a) the minimum and the maximum number of Class A shares to which any member may subscribe for and hold;
 - (b) the minimum and the maximum number of Class B shares to which any member

may voluntarily choose to subscribe for and hold; and

- (c) the maximum aggregate number of Class B shares which may be available for subscription by the members at any given time.

- 3.11 Rules 3.9 and 3.10 shall come into force on a date stated in a notice sent to all members of the credit union. The date the rules come into force shall not be less than 90 days following the date on which the notice is deemed to have been received by members.
- 3.12 If, on the expiration of the period of notice required in these Rules, the member has not paid for the required number of Class A shares, the credit union may apply any money on deposit and interest thereon or invested in Non-Equity shares and dividends credited thereon in the name of the member to the purchase of sufficient Class A shares in the name of the member so that the member shall own the number of Class A shares required by these rules.
- 3.13 If there are insufficient funds to put into effect Rule 3.12, the directors may, by resolution, terminate the member's membership, unless that membership shall have terminated in accordance with the Act.
- 3.14 Subject to the Act, the directors may establish policies to waive or delay purchase, payment, redemption, and ownership in whole or in part of Equity shares as required by these Rules.
- 3.15
 - (a) Subject to the Act, the directors may issue Equity Share certificates which shall state on their face the words "NOT GUARANTEED BY THE CREDIT UNION DEPOSIT INSURANCE CORPORATION".
 - (b) Notwithstanding Rule 3.15(a), the shares shall be recorded to the member's name and a statement of shareholdings shall be provided to each member regarding the member's shares, at least once in each fiscal year of the credit union, and in any event shall be provided within 13 months of the last statement.
- 3.16
 - (a) The directors may set record dates and terms and conditions for entitlement to dividends; and subject to the Act and these Rules, may declare;
 - (i) a dividend on one class of shares in preference to another class of shares; and
 - (ii) different rates of dividend for each class of shares.
 - (b) Subject to the Act, all dividends shall be paid by issuing additional Equity Shares unless otherwise determined by the directors.
 - (c) Interest on deposits and dividends on shares, in the absence of an express contract or agreement, shall be paid or credited at times, intervals and in a manner determined by the directors.

4 Borrowing and Lending

- 4.1 Subject to the Act and the *Financial Institutions Act*, the directors of the credit union may raise and borrow money for the purposes of the credit union upon such terms and conditions as to interest, term, repayment, and security as they determine by resolution.
- 4.2 Subject to the Act, if the directors, pursuant to Rule 3.1, issue debt securities related to equity shareholdings, regardless of the terms of the contract, the directors may redeem the obligation of the credit union to the member, if the member fails to maintain their required equity shareholdings in the credit union.
- 4.3 Subject to the Act, the directors shall determine the terms and conditions of loans as to interest and other charges, terms of repayment, security, and may require an additional number of equity shares be subscribed for and purchased by the member, in excess of the minimum holdings generally required by these Rules from time to time.
- 4.4 At the full and timely retirement of the indebtedness by the member referred to in Rule 4.3 above, any additional shares held at the time of the redemption of indebtedness, in the excess of the minimum holdings generally required by these Rules from time to time, shall be redeemed upon the member's request in writing, notwithstanding Rule 3.6 but subject to Rule 3.8, the Act, and the *Financial Institutions Act*.

5 Directors and Management

- 5.1 Except as otherwise provided in these Rules, the number of directors of the credit union shall be nine (9) and directors shall hold office for three (3) year terms.
- 5.2 If the credit union enters into a merger or an agreement to purchase all or substantially all of the assets of another credit union in accordance with the Act, the directors of the credit union may appoint as additional directors, for up to two terms of up to three years, persons who are directors of the transferring credit union at the effective date of the asset transfer agreement, but the total number of directors of the credit union following such appointments shall not exceed twelve(12).
- 5.3 Each year, directors will be elected to fill the positions of directors whose terms have expired and such directors shall be elected to hold office for three (3) year terms, such that one-third (1/3) of the directors terms shall expire at each successive annual general meeting. If, for any reason, the terms of the remaining directors will not allow for the expiry of one-third (1/3) of the directors' terms at each successive annual general meeting, the directors may, by resolution, determine the lengths of terms to be served by directors elected in subsequent elections in such a manner that the board may return as soon as is practicably possible to the normal cycle of one-third (1/3) of directors' terms expiring at each successive annual general meeting.
- 5.4 Where any offices of directors being filled at any election are for different lengths of terms, the term of each person shall be determined in proportion to the number of votes received, the person receiving the greatest number of votes to hold office for the longest term, provided that if there are two or more persons having an equal number of votes their election or terms of office, as the case may be, shall be determined by lot. In the event of an election by acclamation, the term of office of each director so elected shall be determined by lot.

- 5.5 (a) Where a casual vacancy occurs among the directors or, for any reason, the office of director is not filled in an election, the remaining directors may appoint a qualified person to fill the vacancy. Any person so appointed shall hold office for the unexpired portion of the term which gave rise to the vacancy.
- (b) If the number of directors prescribed by Rule 5.1 is reduced by death, resignation, disqualification or removal from office or by failure to elect or appoint a director pursuant to these Rules, the remaining directors shall have all of the power of the directors until the vacancy or vacancies caused thereby have been filled by appointment or election.
- 5.6 (a) Any person seeking nomination as a director of the credit union must be a member in good standing as at the date of their nomination or appointment.
- (b) No person who:
- (i) is an employee, officer, or agent of the credit union or an employee, officer, agent or director of any other credit union (other than a director of a central credit union), or of a bank or trust company;
 - (ii) was previously an employee of the Credit Union or any of its subsidiaries during the three year period immediately prior to the date that nominations for the office of director under these Rules closed;
 - (iii) is the parent, child, spouse or sibling of an employee, agent, officer, or director of the credit union;
 - (iv) is a person disqualified from becoming a director pursuant to the Act or the *Financial Institutions Act*; or
 - (v) is a person disqualified by Rule 5.16.
- is eligible to hold office as a director and, if holding office as a director, shall vacate office forthwith.
- (c) The closing date for nominations for directorship shall be held on a date to be determined by the board and the members shall be advised, in a manner determined by the directors, of those persons nominated in advance of the election.
- 5.7 Subject to the Act and these Rules, the directors may establish procedures and guidelines for the election or appointment of directors.
- 5.8 The directors shall meet within 30 days after each annual general meeting and shall elect from their own members a Board Chair, a Board Vice-Chair and a Board Secretary, and may appoint such additional officers as they may deem necessary.
- 5.9 The board shall meet as often as they deem appropriate in each year and not less frequently than once in each quarter.
- 5.10 The Board Chair may call a meeting of the directors at any time and shall within 14

days of receipt of written request of three directors call a meeting of the board.

- 5.11 Two days' notice shall be given of meetings of the directors by personal or electronic delivery, mail, or telephone. Notice may be waived by a director who does not receive notice.
- 5.12 A majority of the directors then in office shall constitute a quorum but a lesser number may adjourn from time to time until quorum is obtained.
- 5.13 The directors shall appoint the president/chief executive officer and the corporate secretary of the credit union and may authorize the appointment of such additional officers and employees as may be required for the proper operation of the credit union.
- 5.14 In the case of absence of the Board Chair or their inability for any cause to act, or in case the office of the Board Chair becomes vacant, the Board Vice Chair shall discharge the duties of the Board Chair.
- 5.15 A person may be removed as a director by resolution passed by a majority of not less than 2/3 of the remaining directors if that director has breached the policies concerning conflict of interest or the code of conduct and ethics for directors or breached the confidentiality of any proceedings, deliberations or information of the board, as determined by the remaining directors in accordance with the policies and procedures relating to director review established by the directors.
- 5.16 A person is not eligible to become elected or appointed as a director if that person has served as a director for twelve (12) or more consecutive calendar years immediately preceding the date of election or appointment. For the purposes of this Rule 5.16 only an individual's years of service as a director beginning on or after April 30, 2017 will be counted in determining whether a person has exceeded the twelve (12) consecutive year limit. A person who has served twelve (12) consecutive years as a director may be elected or appointed again only after a period of three (3) years has lapsed.

6 Voting

- 6.1
 - (a) Only a member in good standing on the last day of the month immediately preceding the commencement of voting and who is not a junior member is eligible to vote in an election of directors or on a resolution.
 - (b) A member of the credit union who is not an individual or an unincorporated association may be represented and vote in an election of directors or on a resolution by an individual of the age of majority who is not a member by written authorization of the member who is not an individual and deposited with the credit union.
 - (c) A member of the credit union who is an unincorporated association may be represented and vote in an election of directors or on a resolution by an individual of the age of majority who is a member by written authorization of the unincorporated association and deposited with the credit union.
- 6.2
 - (a) Voting in an election of directors or on a resolution shall be by a method or combination of methods permitted by the Act as determined by the directors and included in the notice of election or resolution, as the case may be, and the directors shall determine the procedures for voting by such method.

- (b) The directors may, in addition to or substitution for the voting method selected pursuant to Rule 6.2(a), determine that members may vote by electronic means in which case the directors may prescribe such technological and other requirements for the use of such electronic means as the directors, in their discretion, consider desirable in the circumstances.

6.3 Except as provided by the Act, no member shall cast more than one (1) vote, whether in a personal or representative capacity, on a resolution or in an election of directors. In an election of directors, a ballot may contain votes for fewer than the number of directors required to be elected.

7 General Meetings

7.1 The annual general meeting of the credit union shall be held on a date to be fixed by the directors and shall be convened and held in accordance with the provisions of the Act. Other general meetings may be convened and held in accordance with the provisions of the Act.

7.2 If the directors so determine and subject to the Act:

- (a) Notice of a general meeting or of a resolution shall be in writing and may be delivered by electronic means as provided by Rule 1.2; and
- (b) General meetings may be held in person or by any other communications medium whereby those entitled to participate in the meeting are able to follow the proceedings and communicate with one another.

7.3 Subject to the Act, a general meeting may adopt rules of order for its conduct, but if no rules are adopted the current edition of Robert's Rules of Order (Newly Revised) shall be used.

7.4 At a general meeting of the credit union, thirty members present in person or by other form of communications medium shall constitute a quorum, but a lesser number may adjourn from time to time until a quorum is obtained.

7.5 So far as practical, order of business at an annual general meeting shall be:

- A. Approval of Minutes
- B. Business arising out of Minutes
- C. Report of the Directors
- D. Report of Management
- E. Report of the Auditor
- F. Approval of Financial Statements
- G. Report of other Committees
- H. Announcement of Election Results
- I. Appointment of Auditor
- J. Unfinished Business
- K. Good and Welfare
- L. Adjourn

8 Seal

- 8.1 The credit union may have a corporate seal.
- 8.2 If the credit union has a corporate seal, the directors shall provide for the safe custody of the common seal at the registered office of the credit union or such other place as the directors shall determine it shall be kept for safekeeping.

9 Alterations

- 9.1 Subject to the Act, the credit union may alter these rules by special resolution from time to time.