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CHAPTER C-29.1

CREDIT UNIONS ACT

GENERAL REGULATIONS

Pursuant to section 157 of the *Credit Unions Act* R.S.P.E.I. 1988, Cap. C-29.1, Council made the following regulations:

1. In these regulations, "Act" means the *Credit Unions Act* R.S.P.E.I. Act 1988, Cap. C-29.1. (EC586/11)
2. (1) For the purposes of subsection 78(2) of the Act, a credit union shall maintain liquid assets Liquid assets, form and amount
 - (a) in the form of
 - (i) cash and cash equivalents,
 - (ii) demand deposits in Atlantic Central or any other financial institution that is a member of the Canada Deposit Insurance Corporation, or
 - (iii) term deposits, that have a maturity date of not more than a year, in Atlantic Central or any other financial institution that is a member of the Canada Deposit Insurance Corporation; and
 - (b) in an amount
 - (i) sufficient to enable the credit union to meet its normal cash flow requirements and to maintain its eligibility to participate in the regional liquidity pool managed by Atlantic Central, and
 - (ii) not less than 10% of the total amount of member deposits in and outstanding corporate borrowing of the credit union.
- (2) A credit union shall maintain a minimum of 90% of the amount Liquid assets, amount required required pursuant to subclause (1)(b)(ii) in financial instruments of Atlantic Central, which may include any amounts held in the regional liquidity pool managed by Atlantic Central as specified in the bylaws of Atlantic Central.
- (3) A credit union shall not borrow for the purpose of establishing and maintaining liquid assets other than from its members or Atlantic Central. Borrowing, restriction
- (4) A credit union shall report at the end of each month to the Corporation on the position of its liquid assets. (EC586/11) Monthly report
3. For the purposes of subsection 79(1) of the Act, the allowance for doubtful accounts required to be made and maintained by a credit union shall be equal to the aggregate amount of Allowance for doubtful accounts

- (a) the estimate of losses that have occurred in the credit union's portfolio for loans or other investments that have been individually identified as impaired; and
- (b) the estimate of losses that have occurred in the credit union's portfolio for loans or other investments that have not been individually identified as impaired. (EC586/11)

Application of section

4. (1) This section applies to any credit union that has not established an investment policy that has been approved by the Corporation and filed with the registrar.

Approved investments, other than real estate and equipment

(2) For the purposes of section 80 of the Act, the investments, other than investments in real estate and equipment, that are approved for a credit union to invest in are:

- (a) any of the following investments,
 - (i) an investment in the preferred shares of a business or community organization if
 - (A) the business or community organization issues ownership certificates for such shares to their purchasers, and
 - (B) the sum of the amount of the proposed investment and the total amount of the current investments of the credit union in the preferred shares of business and community organizations does not exceed the lesser of
 - (I) the amount equal to 5% of the total assets of the credit union, as reported on the credit union's annual financial statements for the immediately preceding fiscal year, and
 - (II) the amount equal to double the amount of the reserve established by the directors of the credit union for this purpose,
 - (ii) an investment in a joint venture for the purpose of providing premises, equipment or services for the credit union's own use, if the sum of the amount of the proposed investment and the total amount of the current investments of the credit union in joint ventures does not exceed the lesser of
 - (A) the amount equal to 5% of the total assets of the credit union as reported on the credit union's financial statements for the immediately preceding fiscal year, and
 - (B) the amount equal to such greater percentage of the total assets referred to in paragraph (A) as has been approved by the membership of the credit union,
 - (iii) an investment in a cooperative organization, other than a credit union, if the sum of the amount of the proposed investment and the total amount of the current investments of the credit union in such cooperative organizations does not exceed the amount equal to 1% of the total assets of the credit union as reported on

the credit union's annual financial statements for the immediately preceding fiscal year;

- (b) any investment offered by
 - (i) Atlantic Central,
 - (ii) League Savings and Mortgage Company,
 - (iii) League Data Limited,
 - (iv) Concentra Financial,
 - (v) a federal, provincial or municipal government within Canada, or a Crown corporation whose debts are guaranteed by one of those governments,
 - (vi) any Credit Union Central incorporated under the laws, of any province of Canada,
 - (vii) a Canadian chartered bank, or any other deposit taking institution that has been approved by the Corporation; and
- (c) any other investment that is not prohibited by the Act or these regulations and that has received the prior approval of the directors of the credit union and the Corporation.

(3) For the purposes of section 81 of the Act, a credit union may invest in real property or equipment for its own purposes, or for its own purposes and rental purposes for which it receives rental income, if

Real estate and equipment, permitted investments

- (a) the proposed investment meets prudent investment standards; and
- (b) the total book value of the investments of the credit union in such real property and equipment after the proposed investment is made is less than 50% of the equity of the credit union as of the time of the investment, unless the prior approval of the Corporation has been obtained.

(4) For greater certainty, any investment held by a credit union on the date this section comes into force, is deemed, for a period of one year after the coming into force of this section or for such greater period as may be approved by the Corporation, to be an investment that is approved or permitted under this section for the purposes of section 80 or 81 of the Act.

Existing investments

(5) On or before the expiry of the one year period referred to in subsection (4), every credit union shall establish an investment policy that has been approved by the Corporation and filed with the registrar, and thereafter every credit union shall invest in only those investments that are permitted by such investment policy. (EC586/11)

Transition Period

5. (1) This section applies to any credit union that has established an investment policy that has been approved by the Corporation and filed with the registrar.

Application of section

Investments

(2) For the purposes of sections 80 and 81 of the Act, the approved investments that a credit union may invest in are those investments that meet prudent investment standards and have been authorized by the investment policy, referred to in subsection (1), of that credit union. (EC586/11)

Borrowing
restriction

6. For the purposes of section 82 of the Act, the aggregate amount of all outstanding and proposed loans and guarantees that may be borrowed or guaranteed by a credit union at any time shall not exceed 20% of the total amount of the deposits of its members at the time or such greater amount that the credit union is authorized to borrow or guarantee by the Corporation. (EC586/11)