



CREDIT UNION

Cayman Islands Civil Service Association
Co-operative Credit Union Limited

Explanatory Notes

The substantive changes made are highlighted in this section.

Preliminary

P.2: The Credit Union Mission, the Prayer of St. Francis of Assisi and the International Co-operative Principles are inserted, for the member's easy reference.

P.3: Interpretations: several definitions were added to terms used in the main document. These include dormant accounts, inactive accounts, institutional capital, chief executive officer, loan officer, and the definition "in good standing" was amended.

Major Rule Changes (by section)

1: Name - No Change

2: Registered office: Unchanged

3: The purpose was added as defined in the strategic plan of the Credit Union.

4: The objects were strengthened by adding 4A(5) provides a wider scope of business activities to enhance economic and social wellbeing of members.

5: *The closed Bond remains with some changes;* The Eligibility Criteria for membership are widened within the closed sphere of operations on the basis of employment, affiliation and familial bonds. See 5A (5), (6), and (9).

6 and 7: Membership application requirements have been updated including \$50.00 fee for Entrance and Rule Book, and the minimum or qualifying share per member in good standing reset at two (2) Permanent Shares at a par value of \$100.00. See 6A (3) and (4)

8 and 9: Reasons for expelling members were added

10: Provides time for members to build permanent shares from \$25 to \$100; see 10A (6).

12: Clarifies the constituents of the Credit Union's capital base.

14-15: Permanent Shares introduced as the members' risk capital invested in the Credit Union and differentiated from Voluntary Shares in respect of being available to withdraw on demand.

17: Statements will be provided on request; the Credit Union is now permitted to hold deposits from non-member *employers*; 20% remains the ceiling for deposits held per member. See 17 C and J

18: The definition of inactive and dormant accounts is elaborated here as well as reference to the Dormant Accounts Act (2011 Revision).

20: Prominence given for the Board to approve and implement a comprehensive, risk-based Credit Policy within the minimum guidelines stipulated, e.g. "*all loans*

should be approved in accordance with the authorization limits prescribed in the Credit Policy". See 20G, K and N

21 to 25 The role and size of the Board are articulated here, to include directors who reflect the demographics of the Credit Union; also, tenure, responsibilities, and expertise is enhanced based on the terms of reference in the Nominating Manual See 2E, Q, T, U and X

The revised roles, responsibilities and functions of the Board, Credit Committee, Supervisory Committee and Members have been inserted, as were approved by members at the 2020 Annual General Meeting. As a result, the New Rules require:

- Greater focus by the directors (maximum 9) on the strategic direction, policy framework, financial safety and soundness, member and staff development, and performance of the CEO.
- Transfer of most of the Treasurer's former functions to the CEO and management.
- The Credit Committee's attention (maximum 5) from loan screening and approvals to tracking market trends, implementing the Credit Policy, reviewing the CEO's monthly reports, assuring Portfolio Quality and Growth, and considering larger and complicated loan applications.
- The Supervisory Committee (maximum 5) will function as the audit, risk and compliance 'watchdog' for the members in conformance with applicable laws, regulations, rules, policy and "prudent and transparent business practices".
- Minimum competencies are specified for members of and *nominees* to the Directors and Committee members.
- The Board and Committees may meet by telecommunication (full or hybrid).
- Term limits of 3 consecutive terms of 2 years, before retiring for 1 year each for all directors and committee members.

27: The quorum requirements are updated from 75 to 100 members at a general meeting

29 and 30 Fitness & Probity-Annual Declaration to members at AGM by directors and committee members, reasons for ineligibility/removal of directors and committee members, and compliance with Operating Manual for directors and committee members.

Nominating Committee- In addition to the minimum competencies (knowledge and skills mix), required traits of integrity and probity are stipulated as pre-requirements for elected officers and senior management.

The procedure is revamped for seeking nominations, preparing nominees and for electing candidates to office. The role and purpose of the Nominating Committee is clarified and it *"shall comply with the requirements outlined in the Nomination Manual"*.

As another mechanism is introduced for building succession and minimizing "perpetual directors", whereby outgoing elected officials and senior management must undergo a 2-year separation before seeking renewed status at the senior executive level.

requirement compliance with code of conduct and conflicts of interest policies for directors and committee members to strengthening good governance.

31 Elections *See 31 C* Eliminates the requirement for a vote or election is by acclamation if the number of nominees are the same or fewer than the number required. In addition, nominations from the floor are no longer permitted as there is an open nomination process months before the election and any eligible member may apply.

33 The protocol for declaring and paying annual dividends is revised. ***Dividends are paid to members in good standing*** *See 33A*

34: Revised provisions for the distribution of the remainder of the annual surplus (after Reserves and Dividends have been determined) to the Development and Special Purpose Funds, which are clearly differentiated from Reserves

36: Greater latitude afforded to the Investment Policy approved by the Board of Directors, with a few guidelines provided.

38: IFRS is entrenched standards for financial reporting by the Credit Union.

40 The coveted power of the member to nominate his beneficiary is strengthened with refined procedures.

Articles Renamed/Introduced

The new Rules comprise of 47 Rules. The contents of the current Rules were redrafted and, in most cases, expanded. Additional 2 governance-related Rules (29, 38) were added.