

## **REGISTRATION OF A FINANCIAL SERVICES COOPERATIVE (FSC) LTD**

Where openings have been left for completions (e.g. ".....") the required information must be completed.

### **IMPORTANT INFORMATION**

**(A)** This is the model constitution for a Financial Services Co-operative opting to engage in **savings and loans** as aligned to the Co-operatives Act of 2005 and Co-operatives Banks Act of 2007.

**(B)** You may use this "model" constitution to register a FSC.

In terms of the Co-operatives Act of 2005, Part 3, 6 ***Establishment of self-regulatory body for financial services co-operatives***

- 1) The registrar, in consultation with the Registrar of banks...or as the case may be, direct that all Co-operatives to whom this part applies, or any category of co-operative to whom this part applies, belong to a secondary Co-operative that will act as a self regulatory body, in compliance with any requirement for exemption from any provision of the Banks Act (Act no. 52 of 1998).
- 2) The registrar has the power to de-register any co-operative to whom this Part applies that refuse or fails, within a reasonable period of time, to become a member of a secondary Co-operative that meets the requirement of the Registrar of Banks to be a self regulatory body.

**(C)** To qualify for registration as a FSC, the applicant must meet the requirements as stipulated by its regulatory body, the South African Microfinance Regulatory Agency (**samaf**).

**(D)** The registration application will only be reviewed as a FSC on a letter being presented to the Registrar by the **samaf** that the applicant meets its minimum conditions for registration.

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**1. NAME**

- (a) The name of the Co-operative is ..... Financial Services Co-operative LIMITED
- (b) The abbreviated name is ..... (FSC) LTD  
(if applicable)
- (c) The Co-operative may trade as .....  
.....  
(if applicable)

**2. FORM OF CO-OPERATIVE**

- (a) This is the constitution of a business undertaking formed as a Primary Financial Co-operative with limited liability in terms of the provisions of the Co-operatives Act, 2005 (Act No. 14 of 2005).

**3. INTERPRETATION OF TERMS**

- (a) In this constitution, unless the context indicates otherwise, a word or expression to which a meaning is attached to the Co-operatives Act 2005, shall have a similar meaning and -

**"Audit Committee"** means the elected, independent audit committee which has internal audit responsibilities as referred to in clause 13

**"Board"** means the board of directors referred to in clause 12

**"The Co-ops Act"** means the Co-operatives Act no 14 of 2005

**"The Co-ops Banks Act"** means the Co-operatives Banks Act no 40 of 2007

**"Co-operative"** means ..... Financial Services Co-operative Limited established under the Co-operatives Act to which this constitution relates

**“Manager”** means the most senior person appointed by the board for the purposes of ensuring the efficient operations of the Co-operative, whose job description might refer to them as Managing Director, General Manager, Administrator or Clerk

**“dividend”** means interest on share capital;

**Gender** a reference in this constitution to the masculine gender shall also include the feminine gender and vice versa

**"Governance Committee"** means the subcommittee of the Board established in terms of.....

**“Member”** means members of the Co-operative by virtue of article 7 below

**“Patronage proportion”** means the proportion in which the value of the transactions conducted by a Member during any particular period with or through the Co-operative bears to the value of the transactions conducted by all the Members during the same period with or through the Co-operative

**“Registrar”** means the Registrar of Co-operatives appointed in terms of the Co-ops Act

**“Regulator”** means the samaf Regulator of FSCs as appointed by the samaf for the purpose of supervision and regulation FSCs

#### **4. PLACE OF BUSINESS**

- (a) The main place of business of the Co-operative is situated at.....  
(place)
- (b) Any change of situation of the main place of business or the registered office of the Co-operative shall be notified to the Registrar and to Regulator.

#### **5. OBJECTIVES**

- (a) To promote and advance the social and economic welfare of its members by enhancing access to banking services under sustainable conditions.
- (b) To encourage savings by providing a means whereby such savings and shares may receive a competitive rate of interest or dividend.

## **6. SERVICES TO MEMBERS**

- (a) The Co-operative may provide the following financial services to its members:
- (1) Solicit and accept savings, deposits and fixed deposits from members
  - (2) Open savings accounts for its members, in the name of each member, into which that member may deposit or withdraw money and from which that member may instruct the co-operative to transfer money
  - (3) Grant secured and unsecured loans to Members in the manner and form as prescribed by its loan policy as determined by the directors from time to time
  - (4) Provide trust or custody service to members
  - (5) Invest money deposited with it in investments guaranteeing returns or as prescribed by the Supervisor
  - (6) Provide money transfer services between the members and the Co-operative and financial institutions
  - (7) To receive and distribute member remittances
  - (8) Act as an agent of its Members or act in the interest of its Members as an intermediary of a banking institution or other bank, co-operative, pension fund, provident fund, medical scheme, or insurance business as defined in the long-term Insurance Act or short term Insurance Act
  - (9) Be a Member of and enter into an agreement with a representative body or support organization
  - (10) Make, draw accept, endorse or negotiate negotiable instruments that are paid to the order or of or made out and endorsed by that Co-operative
  - (11) Open a savings account or cheque account in the name of that Co-operative with any banking institution
  - (12) Any other financial services as may be incidental to the achievement of the above objects as approved by the Board and furthermore approved by the samaf Regulator

**7. MEMBERSHIP**

- (a) Membership shall be limited to persons who qualify for membership to this Co-operative , whose members are:
  - (1) of similar occupation or profession or who are employed by a common employer or who are employed within the same business district
  - (2) have common Membership in an association or organization, including a business, religious, social, co-operative, labour or educational group; or
  - (3) reside within the same defined community or geographical area
- (b) The qualifying criteria for membership to this Co-operative shall be: .....  
.....  
.....  
.....  
.....
- (c) No discrimination will be tolerated along the lines of race, political affiliation, gender or religion
- (d) Minors may become Members, duly assisted by their parent's/ legal guardian's
- (e) Every applicant for Membership shall complete the prescribed "Application for Membership" form
- (f) Societies, associations, farmers' clubs, partnerships and corporations composed of individuals who in their own right are eligible to be Members of the co-operative, may be admitted to Membership in the same manner and under the same conditions as individual Members after the registration of the Financial Services Co-operative.
- (g) An applicant shall be admitted to Membership on being approved by a majority vote of the board but shall not qualify for the rights and privileges of Membership until he/she has paid an entrance fee of R\_\_\_\_\_ and deposited into shares a minimum of R\_\_\_\_\_. The entrance fee is non-refundable.

- (h) Every Member shall receive a monthly statement or shall have a record book and/or will be issued with transaction receipts which shall record his/her shares, deposits and loan transactions with the Co-operative. The statement or other receipt shall constitute a certificate of shareholdings, unless it is proved otherwise
- (i) Every members shall nominate in writing one person to whom, upon hi/her death, his/her share(s) or interest shall be transferred. The member shall have the power to change the name of the nominee. The name shall be entered into the member database, with the original document securely kept by the Co-operative. The Member shall sign any alteration of the nominee. If not admitted to membership, the nominee shall be paid in full value of the shares and/or assets less any sum due from the deceased member to the Co-operative. Such payment shall be made as soon as possible but not later than six (6) months of the death of the member
- (j) All members of the co-operative should have a copy of the current constitution

## **8. LIMITATION OF LIABILITY**

- (a) The liability of a Member of the Co-operative by virtue of his or her Membership shall be limited to an amount equal to the nominal value of the shares held by him or her

## **9. TERMINATION OF MEMBERSHIP**

- (a) Membership shall cease upon:
  - (1) death;
  - (2) receipt by the Co-operative of voluntary termination of Membership in writing; subject to a 3 month waiting period or
  - (3) expulsion from the Co-operative subject to clauses 24 - 27
- (b) Upon termination of Membership, a Member shall be entitled to receive the full amount standing to his credit less the amount of any loans, interest and fines payable. Fixed term obligations shall be repaid with accrued interest (less penalties for early withdrawal) upon termination of Membership.
- (c) Upon the death/permanent disability of the Member, his/her

shares/savings may be transferred to the nominated beneficiary as entered by the Member.

## **10. SUSPENSION/EXPULSION OF A MEMBER**

- (a) A Member will be suspended in terms of the Act if he/she does not comply with this constitution, the rules of the Co-operative and/or failure to pay on due date any amounts owing by the Member to the Co-operative
- (b) A member whose account is more than one hundred and eighty (180) days dormant or who has relocated and the new place of residence is unknown to the co-operative
- (c) The board, by majority vote, may recommend a Member for expulsion and may then suspend the Member and by so doing deprive him from any benefits of the Co-operative until such time as the issue is voted on at a general meeting of Members.
- (d) Prior to a decision on expulsion the members shall be afforded an opportunity to be heard at the general meeting. If the general meeting ratifies such expulsion by special resolution it shall be effective from the date of suspension. If the general meeting does not ratify the expulsion by the required majority, the suspension shall be immediately removed and the Member treated as if no such suspension had been imposed.
- (e) A Member expelled in terms of these provisions shall forfeit all rights to share in the surplus or other benefits of the Co-operative.

## **11. MEETINGS OF MEMBERS**

### **(a) Annual General Meeting**

- (1) The supreme authority of the co-operative rests in properly convened general meetings of Members.
- (2) A Co-operative must hold:
  - (a) Its first annual general meeting within 18 months of registration;
  - (b) Subsequent annual general meetings within 6 months after the end of the preceding financial year.

- (3) At least 21 (twenty one) days before the date of any annual or extraordinary general meeting of Members, the secretary shall provide written notice, including the agenda to each Member and must post notice of the meeting in the place of business and other conspicuous places where it may be read by the Members at least 21 days prior to such meeting.
  
- (4) The order of business at an annual general meeting shall be:
  - Ascertainment that a quorum is present;
  - Reading and approval of the minutes of the last meeting;
  - Report of the board
  - Report of the treasurer
  - Report of the credit committee
  - Report of the Audit Committee
  - The consideration/resolution of the annual financial statements, audit report and appropriation of net surplus;
  - Election of directors and members of the audit committee
  - Appointment and an auditor
  - Any other business.
  
- (5) The Members assembled at any annual general meeting may suspend the above order of business upon a two third vote of the Members present at the meeting.
  
- (6) The Minutes, the annual accounts, the report of the Board and audit committee and a statement of the number of Members at the end of year and any available documents issued pursuant to the agenda (item 31) above shall be displayed at the office of the Co-operative at least fourteen (14) days before the Annual General Meeting.
  
- (7) Written resolutions to be considered at a General Meeting shall be supported by at least ten percent (10%) of members and deposited with the Secretary not less than 28 (twenty eight) days before the meeting and displayed at the office of the Co-operative prior to the meeting. Resolutions requiring the approval of the AGM and which would affect operating costs shall be accompanied by a statement from the Board as to the financial implications of such resolutions.
  
- (8) A Resolution may be withdrawn at any time before voting commences.

- (9) If a resolution to be considered at a general meeting and which has been displayed, is withdrawn and the secretary notified in writing, notice of such withdrawal shall forthwith be displayed at the office of the Co-operative.

**(b) Extraordinary Meetings**

- (1) Extraordinary general meetings may be called by the board on their own initiative and shall be called at the request of the audit committee, or upon a written petition signed by at least 10% (ten percent) of Members. Notice of any extraordinary general meeting shall state the purpose for which it is to be held and no business other than that related to this purpose shall be transacted at the meeting.
- (2) The audit committee may at any time request the board to summon an extraordinary general meeting in such manner and at such time and place as they may direct, and must specify what matters shall be discussed at any such meeting.

**(c) Quorum**

- (1) A quorum for an annual or extraordinary general meeting shall be constituted by at least one tenth of the Members of the co-operative if the number of Members is not more than two hundred and by twenty Members plus at least one percent of the Members of the co-Operative in excess of two hundred, if the number of Members of the co-operative is more than two hundred.
- (2) If a quorum is not secured within 1 (one) hour of the opening of the general meeting, the meeting shall
  - (a) if convened as an extra ordinary general meeting (in terms of 38 above) , be deemed to be cancelled; or
  - (b) if otherwise convened, subsequent to an announcement to the members, be adjourned and reconvened on the same day in the next week at the same time and place, or, if that day is a public holiday, to the next day which is not a statutory holiday; provided that no additional item shall be included on the agenda of the reconvened meeting.
- (3) If no quorum is present within 1 (one) hour at a meeting reconvened in terms of (a)(ii), the Members present, being not less

than 5 (five), shall constitute a quorum. No decisions requiring a special resolution shall be taken at such a meeting.

- (4) Every matter submitted to a general meeting for resolution, except for a matter requiring a special resolution, shall be determined by a majority of votes recorded at the meeting.

**(d) Meeting procedures**

- (1) The chairperson of the board, or, in his/her absence, the vice Chairperson or, in the absence of both, any other director elected during the meeting, shall act as chairperson of any annual general meeting or of an extraordinary general meeting.
- (2) Minutes shall be kept by the Secretary of all Meetings of Members, and Shall be entered into a Minutes Book, which shall be kept at the registered office of the Co-operative, within two (2) months of the Meeting. The Minutes shall then be submitted, in the case of Minutes of an Annual General Meeting, to the next Annual General Meeting, and, in the case of Minutes of all other General Meetings, to the next General Meeting. Such minutes shall be signed by the Chairperson and secretary of the Meeting where they were approved and shall be kept in the Minutes Book.
- (3) The minutes must contain:
  - (a) The number and names of Members present at the meeting, the names of presiding officers and confirmation that a quorum was present; and
  - (b) The time, place and date of the meeting and a record of all decisions made

**(e) Elections**

- (1) Every Member shall have one vote only.
- (2) There shall be no voting by proxy. Voting electronically or by letter is permitted.
- (3) At least 30 (thirty) days prior to each annual general meeting the board shall appoint a nominating committee of not less than three (3)

Members. It shall be the duty of the nominating committee to nominate one or more nominees for each vacancy to be filled by the elections.

- (4) No Person shall hold the office of Director or audit committee Member if – within the previous 10 years has been convicted in the Republic or
  - (a) elsewhere of theft, fraud, forgery or uttering a forged document, perjury, or any offence involving dishonesty with the formation, management of a Co-operative or other corporate entity
  - (b) has been convicted of an offence committed after the constitution of the Republic 1993 took effect and sentenced to imprisonment without the option of a fine
  - (c) a person of unsound mind
  - (d) an unrehabilitated insolvent
- (5) A Member who is two (2) or more months in arrears on loan payments shall not qualify for nomination.
- (6) No Member of staff except the Manager may stand for any elected office although they shall not be denied the right to vote as Members
- (7) It shall be the duty of the nominating committee to assure that all nominees proposed for election are Members in good standing who qualify for election in accordance with this constitution.
- (8) After the nominating committee has placed before the Members the names of candidates proposed, the chairperson shall call for nominations from the floor. When nominations are closed, tellers shall be appointed by the chairperson to distribute and tally the ballots and announce the results.
- (9) All elections shall be determined by plurality vote, of Members present, and shall be by ballot except where there is only one nominee for the office.
- (10) A declaration by the Chairperson that a resolution has, on a show of hands or by ballot, been carried, or carried unanimously or by a particular majority, or lost, and an entry to that effect in the minutes of the proceedings of the meeting, shall be conclusive proof thereof, without evidence as to the number or proportion of votes recorded for or against such resolution.

- (11) If no objection is raised in terms of the provisions of this constitution against the validity of any vote cast at the meeting, whether on a show of hands or by ballot, every vote cast at the meeting that has not been disallowed shall for all purposes be deemed to be valid.
- (12) Nominations shall be in the following order:
  - a) Nominations for directors; and
  - b) Nominations for the audit committee Members
- (13) In the case of an equality of votes, the chairperson shall have a casting vote.
- (14) Within ten (30) days after their election, the full names, addresses and Identity Numbers of all persons elected to office shall be forwarded to the Registrar and Supervisor.

**(12) BOARD OF DIRECTORS**

- (a) The board shall consist of minimum and maximum..... Members. All directors shall be Members of the co-operative and must include the Manager. The number of directors may be changed to any odd number but not being fewer than nine (9) not more than fifteen (15) by resolution of the annual general meeting.
- (b) A majority of all the directors (50% + 1) shall constitute a quorum for any meeting of the board
- (c) All elected, appointed or co-opted officers and Members of the Board shall sign an acceptance of office and affirm that they will implement the provisions of this constitution as well as abide by a code of conduct as determined by the board, carry out their duties faithfully and treat all information submitted by Members in connection with the Co-operative transactions as confidential
- (d) Each Director will have a specific functional area for which he has to accept responsibility and an alternate Member to accept that responsibility in his or her absence
- (e) Directors shall hold office until the election and qualification of their successors. The regular term of office shall be three (3) years with one third (1/3) of the positions being open for election each year. At the first annual general meeting, three (3) directors shall be elected

to serve for three (3) years, three (3) directors shall be elected to serve for two (2) years and three (3) directors shall be elected for one (1) year. Thereafter, elections shall be for three (3) years.

- (f) Board meetings shall be held each month.
- (g) Special meetings may be called by the chairperson or in his/her absence by the vice chairperson at any time, or upon written request of any three directors.
- (h) Any vacancy on the board, credit committee, and audit committee shall be filled by vote of a majority of the directors then holding office. Directors or audit committee Members so appointed shall hold office only until the next annual general meeting, at which time the unexpired term shall be filled by vote through the election process.
- (i) If a director or a credit committee Member
  - (1) fails to attend regular meetings of the board or credit committee for more than four (4) consecutive meetings, or
  - (2) otherwise fails to perform any of the duties upon him as a director or a credit committee Member or
  - (3) does not comply with the loan policy or
  - (4) does not abide by the rules of the co-operative
  - (5) have his/her office be declared vacant by the board and the vacancy filled as herein provided.
- (j ) If relieved of office: A director may, after due notice, be relieved of his office by resolution of a general meeting before the expiry of his term of office and another qualified person may be elected in his place at that meeting. Nominations for the election of such a director shall be made at the meeting. If that meeting does not fill the vacancy it shall be regarded as a casual vacancy. A director so appointed or elected shall not hold office for a period longer than the unexpired portion of the period of office of the vacating director.
- (k) Minutes of all meetings of the board, credit committee, audit committee and all other committees that might have been established shall be maintained in terms of the Act and verified by the recorders and presiding officers of the meetings. Such minutes shall contain the names of Members present, the date, time and place of meeting; and a record of all decisions made. Such minutes shall become a part of the permanent record of the co-operative.

**(a) Functions of the Board**

- (1) The Board shall be responsible for all management and control of the Co-operative. This shall include, without limitation, the following functions:
  - (a) Provide the strategic direction, ensure adequate controls and monitoring the progress of all activities of the Co-operative;
  - (b) Within 10 (ten) days of the annual general meeting appoint a Management Committee. One board Member shall sit on this committee, preferably the Chair or her deputy, to ensure prompt and effective communication between the board and the Management committee;
  - (c) Within 10 (ten) days of the annual general meeting appoint a credit committee. One board Member shall sit on this committee, preferably the treasurer, to ensure prompt and effective communication between the board and the credit committee;
  - (d) Within 10 days of the annual general meeting appoint an education committee. One board Member shall be allocated this as portfolio to ensure prompt and effective communication between the board and the education committee;
  - (e) Determine from time to time the interest rates on deposits and loans, the rate of interest refund, if any, to be made to Members,
  - (f) Have control of the investments of the co-operative other than loans to Members, except to the extent that the board may have delegated this responsibility to the management committee or to a Manager employed by them;
  - (g) Have authority to recommend a declaration of dividends on shares or patronage refund to Members;
  - (h) To establish a loans policy to be followed by the credit committee;
  - (i) Approval of new products;
  - (j) Mobilising the support of the local residents for the Co-operative;
  - (k) Liaison with other local community structures, government and other institutions regarding the initiation and implementation of financial services to its members;

- (l) Membership to other Co-operatives with any national structure established to promote the interests of Co-operatives and financial services Co-operatives in particular;
- (m) Report back to the Members regarding the status and development of the Co-operative;
- (n) Authorize the conveyance of property;
- (o) Submit the accounts of the co-operative for audit;
- (p) The board will review a list, as prepared by the manager, of members who are one month in arrears on loan instalments with the proposed recommended action
- (q) Write off bad debts and uncollectible loans from the books of account;
- (r) Suspend, until the next annual general meeting, any or all Members of any committee for failure to perform their duties. Such action shall be subject to ratification by a vote of Members at the next annual general meeting;
- (s) Receive grants and donations for the cooperative
- (t) Borrow funds from the Co-op Banks Development Agency, Secondary Co-operative Banks or other such external sources of finance once authorized by special resolution
- (u) Employ, fix the compensation, and prescribe the duties of a manager and have the power to remove such employee
- (v) Have the authority to provide for compensation of the manager of the co-operative
- (w) Ensure the cooperative is in meeting all its compliance requirements
- (x) To ensure the cooperative is keeping proper bookkeeping records and is able to present financial statement to the board on a monthly basis
- (y) To ensure that the business of the cooperative is duly processed

**(b) Co-operative Manager**

- (1) The Co-operative Manager must be
  - (a) A respected and trusted
  - (b) Should be Matriculated
  - (c) Able to be trained to perform the operational functions of the Co-operative
  - (d) Fulfil any and all other criteria as required by the Board
  - (e) perform such other duties as the Members may from time to time require
  
- (2) Any of the following persons shall be disqualified from being appointed as Co-operative Manager:  
A juristic person;
  - (a) A minor or any person under legal disability;
  - (b) Save under authority of the Court:
    - An un-rehabilitated insolvent;
    - Any response removed from an office of trust on account of misconduct;
    - Any person who has at any time been convicted of theft, fraud, forgery, or authorising a forged document

**(c) Disclosure of interest**

- (1) A director or manager of the Co-operative must, in writing, disclose to the Co-operative in accordance with section 37 of the Co-op Act (a) the nature and extent of any interest that he or she has in a contract or transaction, or a proposed or transaction, with the Co-operative and (b) any material change to such interest
  
- (2) It is up to the discretion of the other sitting Members of the board or committee to determine whether or not the Member must recuse herself/himself from the meeting while the matter is being discussed or be allowed to participate in the discussion of the matter
  
- (3) Any disclosure must be recorded in the minutes of the meeting of directors
  
- (4) The board must, in accordance with the Co-op Act keep a register of directors and managers interests in contracts or undertakings containing full particulars of every disclosure of interest made.
  
- (5) A director or manager of a Co-operative who fails to comply with this section is subject to disqualification.

**(d) Liability of Directors**

- (1) A director of the Co-operative shall not be liable to any person in his personal capacity for any loss or damage which may occur in or in connection with the performance of hi/her duties unless:
- (2) A Director or managing director that knew or knows that the business of the Co-operative is being carried on recklessly with intent to defraud creditors of the Co-operative or creditors of any other person or for any fraudulent purpose is personally responsible, without any limitation of liability, for all or any of the debts or other liabilities of the Co-operative .

**(e) Management Committee**

- (1) The management committee of this co-operative shall be the chairperson, vice chairperson, treasurer and the secretary. The MD will serve on this committee
- (2) The chairperson shall, subject to the provisions of clause 11(d)(1), Preside at all meetings of the Members and at all meetings of the board, unless disqualified as set out in this constitution and together with the treasurer shall sign all conveyance of property.
- (3) The vice chairperson shall exercise the powers, authority, and duties of the chairperson in his/her absence.
- (4) The treasurer or where applicable, the MD of the co-operative shall subject to such limitation and control as may be imposed by the board, have custody of all funds, securities, valuable papers and other assets of the co-operative. He/she shall sign all negotiable instruments and other obligations of the co-operative. He/she shall provide and maintain full and complete records of all assets and liabilities of this co-operative. Within 15 days after the close of each month, he/she shall prepare and submit to the board a financial and statistical report showing the condition of this co-operative as of the end of each month.
- (5) The board may authorize the Management Committee to approve applications for Membership. No executive committee Member or Membership officer shall be compensated as such.
- (6) The secretary shall give or cause to be given, in the manner provided In this constitution, proper notice of all meetings of the Members and

board.

**(f) Standing Committees**

- (1) The board may appoint standing committees under the control of particular Directors for the following functional responsibilities
  - (a) Marketing and Promotion Committee
    - Shall be responsible for the promotion of new Members, products and services
  - (b) Education Committee
    - Which shall be responsible for the continuing education of the Members of the co-operative
    - All new Members may be required to participate in education programmes to acquaint themselves with their rights and responsibilities as Members
  - (c) Investment Committee
    - Shall be responsible for the asset liability management of the cooperative
  - (d) Security Committee and
  - (e) Any other committee as may be deemed necessary for the smooth running of the Co-operative
- (2) The board must appoint a Credit Committee whose terms must include those as identified in 11 (g) below
- (3) The terms of reference of each committee must be clearly stipulated on constitution of such committee

**(g) Rules for credit committee**

- (1) The credit committee shall consist of not less than 3 (three) but not more than 5 (five) Members appointed by the board. The term of office of each Member shall be three (3) years with the term of office of one third of the committee Members expiring each year.
- (2) The Credit committee shall meet as often as necessary (at least once a month) to promptly process Members applications for loans. The committee shall be convened by the chairperson or at the request of any two (2) Members of the committee.

- (3) Approval of a loan must be by unanimous decision of the committee. A committee meeting must have a quorum to act. A quorum shall consist of a majority of its Members
- (4) The credit committee shall inquire carefully into the personal habits and financial condition of the borrowers and their sureties to ascertain their ability to repay fully and promptly the obligation assumed to and by them and whether the loan is within the loan policy of the co-operative
- (5) The committee shall determine the security or guarantors which shall be required for each loan and the terms upon which it shall be repaid.
- (6) The loan becomes effective as soon as the Acknowledgement of Debt is properly signed
- (7) The credit committee shall maintain a permanent Register of Loans considered by the committee. The Register shall contain the names of committee Members present at each meeting held. For each loan application considered, the Register of Loans shall show the Membership number and name of the loan applicant, the amount applied for and the action taken by the committee. For approved loans, the record shall show the amount approved and any conditions attached to the approval. If declined or deferred, the reasons for such action shall be recorded and conveyed to the applying Member. Credit committee Members in attendance at the meeting shall sign the register at the end of each meeting.
- (8) The credit committee shall report to the board at the monthly board meeting and shall strictly adhere to the loan policy established by the board.

### **13. AUDIT COMMITTEE**

- (a) The audit committee shall consist of three (3) Members elected at the annual general meeting. The term of office of each Member shall be three (3) years with the term of office of one (1) expiring each year.
- (b) At least one Member of the committee shall attest the financial statements which the treasurer and/or the manager is required to prepare each month.
- (c) The audit committee shall assist the board of directors in its evaluation of the adequacy and efficiency of internal control systems, accounting

practices, information systems and auditing processes within the Co-operative

- (d) At least every three (3) months, the committee shall examine a percentage of Member statements/ledger cards to verify the balances.
- (e) The audit committee shall, at least every three (3) months, perform physical spot checks of cash to determine that the amount corresponds to the records.
- (f) The audit committee must meet at least quarterly and a majority of Members shall form a quorum at such meetings.
- (g) In the process of their examination and controls the audit committee shall examine a random sample of loans made during the period under examination and satisfy themselves that loans are being made within the loans policy of the co-operative, that they were properly approved and that security documentation was in place before funds were advanced.
- (h) By unanimous vote, if deemed necessary for the proper conduct of the business of the co-operative, the committee may recommend to the board the suspension of any officer, board or committee Member. The board shall call an extraordinary general meeting within 30 days thereafter to present a report and recommendation to the Members concerning such actions. Such action will be reported to the Supervisor
- (i) The audit committee shall receive and investigate any complaint or appeal by Members concerning the operations of the co-operative.
- (j) The audit committee shall provide a report of each meeting and all actions taken to the next regular meeting of the board.
- (k) Any actions taken against any director or committee Member by the audit committee must be reported to the Supervisor

#### **14. EQUITY AND RESERVES**

- (a) The equity of the Co-operative shall consist of amounts set aside from any surplus as a reserve and share capital. The amount set aside as a reserve shall be available to
  - (1) Meet regulatory reserve requirements specified below

- (2) Be appropriated by the board for the establishment of such additional reserves as it may deem necessary
- (b) The Cooperative shall maintain the following reserves
    - (1) An indivisible general reserve in terms of section (3)1(e) of the Act
    - (2) Any other capital adequacy reserve requirements as stipulated by the Regulator
  - (c) A general reserve established with the object of providing working capital and generally for strengthening the financial position of the co-op, including compensating for any loss suffered by the Co-operative in its operations.
  - (d) The co-operative shall maintain in a General Reserve account, all reserves in excess of the stipulated statutory reserves, which as a total (including the indivisible general reserve of section (3) 1 (e) of the Act) should amount to no less than 10% of total assets of the Cooperative.
  - (e) The general reserve shall be maintained by means of deductions for the surplus.

**(a) Finances (Distribution of surplus)**

- (1) At the end of each financial year, ten (10) per cent of the net surplus of any financial year (after financial costs, before general expenses) shall be credited to the reserve accounts specified above.
- (2) Should any of the said statutory reserves reach their regulatory maximum, the excess shall be transferred to another General Reserves, established by the Board for the purpose generally of strengthening the financial position of the Co-operative, until all shall have reached their maximum
- (3) The net surplus of the co-operative shall, by resolution of Members at the annual general meeting, be distributed annually in the following manner and in the following order:
  - To provide for delinquent loans or provision accounts. The provision will depend on policies agreed with the auditor to meet the prudential requirements are stipulated by the Regulator;
  - To provide for general reserves as above;

- To special and contingency reserves, if any;
- The board there after may recommend a dividend to be paid.
- An amount may be divided among the borrowers as a patronage refund in the proportion to the amount of interest paid by them to the cooperative on loans during the preceding financial year.

**(b) Share Capital**

- (1) Shares may not be redeemed for more than their nominal value
- (2) Shares may be transferred with board approval from one Member to another
- (3) A Member shall be entitled to acquire any number of shares in the co-operative provided that he/she does not hold more than 10% of all shares and deposits held by the total Membership
- (4) For a member to join the Co-operative a minimum of ..... (number of) shares at a nominal value of R ..... must be fully paid up on application.
- (5) The liability of a Member for the debts of the Co-operative shall be limited to nominal value of his/her shares in the Co-operative.
- (6) Shares may not be redeemed at their nominal value if there are reasonable grounds for believing that the realizable value of the Co-operative's assets is less than the total of its liabilities and book value of shares, and reserves. In such cases, Co-operative may direct that the repayment be deferred for a period not exceeding two years or until they can be redeemed at 100% (one hundred percent) of nominal value or the member may accept a repayment based on the net worth of the shares at the time

**15. ASSET AND LIABILITY MANAGEMENT**

- (a) The Co-operative shall receive and employ such funds as it may require, including such funds as may be loaned, granted or deposited by its Members
- (b) The co-operative shall ensure that the funds of members are held in safe and secure investments by investing or depositing funds in the following ways:

- (c) Liquid and Fixed term Investments will be held in a secondary or tertiary Co-operative , with any registered commercial bank in South Africa or in any financial instrument as provided for the Regulator.
- (d) Member's savings shall be in the form of open deposits, fixed deposits and any other instrument issued for that purpose and approved by the Board.
- (e) All monies of the co-operative must be kept in a safe.
- (f) All payments must be authorized by the board, except where the board has delegated authority to the manager.
- (g) The cash float of the Co-operative will be determined weekly based on the expected withdrawals during the week under consideration

**16. USE OF FUNDS**

- (a) Funds of the Co-operative may be applied to any purpose authorized by members at an annual general meeting that is consistent with the objects as defined in this constitution
- (b) No funds will be committed to investments, projects or any other enterprise outside the usual business of the Co-operative or as approved by the Supervisor.

**17. LIEN (SECURITY/COLLATERAL)**

- (a) The Co-operative shall have a right of retention over the shares and deposits in the Co-operative for any sum due to the Co-operative from a member and for any loan guaranteed by that member and may apply such funds toward repayment of such debts.

**18. FINANCIAL YEAR**

- (a) The financial year of the co-operative shall begin on the \_\_\_\_\_ and end on the \_\_\_\_\_ each year.

## **19. ACCOUNTS AND RECORDS**

- (a) The Manager appointed by the board will be delegated authority to issue receipts for all monies received and to acquire receipts for all monies paid out.
- (b) Cheques drawn, cash withdrawals or transfers made on behalf of the Co-operative, shall require two (2) signatures from a panel of signatories as approved by the Board. The panel of signatories shall be made up of no more than five (5) Directors, the Manager and employees
- (c) The Co-operative's accounts shall be reconciled monthly to bank records.

### **(a) Accounts and Audits**

- (1) An independent auditor shall be appointed by the co-operative at each annual general meeting for the next financial year.
- (2) The Co-operative Manager shall prepare a monthly statement of the Co-operative accounts, which shall be presented to the Board.
- (3) All books of account and other records of this co-operative shall at all times be available to the directors and committee members of this co-operative.

## **20. LOANS**

- (a) Loans granted to Members by the Co-operative shall be made in accordance with the Loan policy and procedure of the Co-operative as formulated by the Board from time to time.
- (b) The maximum amount, which may be lent to a member or group of members with joint liability toward a loan to this co-operative, shall not exceed 10% (ten percent) of the total assets of the co-operative.
- (c) All applications for loans and reports of the credit committee shall be filed as a permanent record of the co-operative.
- (d) Members of the board and of any committee applying for loans shall have their applications approved by either the majority of the other members at a joint meeting of the board, credit committee, and supervisory committee or a special committee set up for this purpose

from the board, credit and supervisory committees. The borrowing member shall not be in attendance at the meeting when his/her loan is being considered.

- (e) All loans granted to Staff or Directors of the Co-operative and the supervisory committee must be specifically mentioned in the annual report to the members.
- (f) The aggregate of all loans extended to staff and the Directors of the Cooperative shall not exceed 10% of the aggregate of total loans to members.

## **21. AMENDMENT OF CONSTITUTION**

- (a) Amendments to this constitution shall be made at the annual or an extraordinary general meeting.
- (b) A special resolution will be required to amend the constitution of the co-operative.
- (c) Notice of proposed amendments shall be provided in writing with the notice of the meeting concerned.
- (d) Any 25 (twenty five) members who consider an amendment to the Constitution to be desirable shall submit their proposal to the secretary of the board. The proposals shall be placed on the agenda of the next board meeting and the views of the Board shall be communicated to the members within 42 days of the proposal being received. If the proposal submitted by the members is accepted by the board, it shall be placed on the agenda of the next general meeting to be passed by special resolution at such meeting.
- (e) If the board rejects the proposal submitted by the members, members may request an extraordinary general meeting to be called specifically for the purpose of consideration of such proposal by all members of the Co-operative.
- (f) Proposed amendments to the Constitution shall be circulated by the Board to members at least 21 days in advance of the annual or extraordinary general meeting at which they are to be discussed.

## **22. CONFIDENTIALITY**

- (a) The officers, directors, members of the committees and employees of this co-operative shall hold in strictest confidence all transactions of this co-operative with its members, except to the extent deemed necessary by the board in connection with the making of loans and collection thereof.
- (b) Individual Members' accounts shall be accessible only to Officers of the Co-operative, the audit committee and the Auditors. Members shall be entitled to inspect their own accounts at any time during the business hours of the Co-operative.

## **23. GENERAL PROVISIONS**

- (a) All power, authority and functions of the members of the board, committees and officers of the Co-operative pursuant to the provisions of this constitution shall be exercised in strict conformity with the relevant provisions of this constitution and its adopted policies.
- (b) Notwithstanding any other provisions in this constitution, any director, committee member, officer or employee of the co-operative may be removed from the office by the affirmative vote of two thirds of the members present at a general meeting of which proper notice has been given but only after an opportunity has been given him/her to be heard.
- (c) This constitution sets the standard procedures and structures required for registration to the Regulator. Notice of any Amendments shall first be discussed and provided in writing to the Regulator who will ratify the amendments are consistent with the aims and objectives of the Co-ops and Co-ops Banks Acts.

## **24. DISPUTES**

- (a) In the case of a dispute between the co-operative and any of its Members or any complaints against any Member or officer which is not related to a debt owed by the Member to the co-operative, an application shall be made to the board through the secretary for redress, but should the party not be satisfied, an appeal may be made to the audit committee.

- (b) Failure to settle the dispute in this manner may be referred to a relevant statutory or regulator authority or established dispute resolution mechanism as established for this purpose.

## **25. DISSOLUTION AND AMALGAMATION**

- (a) The co-operative may be dissolved by special resolution passed by three fourths of the total number of members voting at a special meeting called specifically for that purpose.
- (b) At least twenty one (21) days written notice of such a meeting shall be given to all members and to the Supervisor. Upon dissolution and in terms of the provisions of the Act the assets of the co-operative shall be realized, all liabilities shall be paid, all savings shall be refunded to members and any, surplus thereafter be apportioned to members in proportion to the patronage proportion of each member determined for a period of 5 years.
- (c) By special resolution passed by three fourths of the members present and voting at a special meeting called specifically for that purpose, the members may resolve that the co-operative amalgamate with another co-operatives, provided further that all the members of the amalgamated co-operative meet the same definition as a Cooperatives as defined in this constitution and as per the Coops Banks Act and that the that the requirements of the Coops and Coops Banks Acts with regard to amalgamations are complied with.