

**Credit Union Federation of _____
Proposed By Laws for the Stabilization Fund**

Article 1 - Name

Section 1: The name of this organization shall be the Stabilization Fund of the [national federation], hereinafter referred to as "Fund."

Article II - Association

Section 1: The Fund shall be administered as a function of the [national federation].

Article III – Purpose

Section 1: To establish responsible corporate governance and to ensure the financial stability of member Credit Unions.

Section II: To exercise an oversight function of the credit unions under its affiliation. The oversight function is aimed at safeguarding the interests of depositors, mainly the small depositors, who have more difficulty in assessing the risks underlying the activities of credit institutions.

Section III: To work together with the ----- [country] credit unions and the ----- [regulatory agency] to perform oversight function through the development and implementation of sound business practices and policies as well as through a periodic comprehensive audit process. As a result, -----[country] Credit Union member-customers enjoy deposit protection that is considered more comprehensive than that of any major financial institution.

Section IV: On an ongoing basis, to monitor credit union performance and implement appropriate actions to improve performance and reduce risks.

Section V: To ensure that sound business and financial policies and procedures, comprehensive loss prevention program with appropriate controls at every level of credit union operation are in place and effective.

Article IV – Membership

Section 1: Membership in the Fund shall be limited to credit unions affiliated with the [national federation].

Article V – Meetings of the Members

Section I: The Annual Meeting of the members shall be held at the same time and place as the Annual Meeting of the [national federation]. Written notice to each member credit union shall be given by the Executive Secretary – Treasurer at least 30 days before the Annual Meeting.

Section II: Each member credit union attending the Annual Meeting, or any special meeting, shall have two votes in the policies and operation of the Fund. The authorized delegates to represent member credit unions shall be those delegates certified to the Credit Union Federation Membership Meetings. Proxy voting shall not be permitted.

Section III: At any meeting, the delegates may decide on matters of interest to the Fund and may overrule the Trustees by a majority vote.

Section IV: Special meetings of the members may be called by a two-thirds (2/3) vote of the Board of Trustees and shall be called upon request in writing of fifteen (15) or more credit unions. All notices of special meetings shall state clearly the purpose of the call for meeting and that at such meeting, no other business shall be transacted. Notice of special meeting shall be given in the same manner as Annual Meetings.

Section V: The fiscal year of the Fund shall coincide with the fiscal year of the [national federation].

Article VI – Administration

Section I: The program shall be administered by six (6) Trustees with the following composition:

- (a) One of the six, the Chief Executive Officer of the [national federation], shall be a Trustee ex-officio, without vote.
- (b) Three (3) of the Trustees of the Fund shall be elected from the Board of Directors of [national federation].
- (c) The remaining two (2) Trustees shall be elected by the delegates from member credit unions at the [national federation] Annual Meeting and shall be known as Trustees-At-Large.

Section II: The Trustees shall fill vacancies occurring within the Trustees until the next Annual Meeting of the members. Regular elections of Trustees shall be held at the time and place of the [national federation] Annual Meeting.

Section III: For the purpose of organization, the first five (5) Trustees to serve shall be appointed by the President of the [national federation], with the approval of the Board of Directors of the [national federation]. Trustees so appointed shall serve until the first annual meeting. At the first annual meeting, one (1) Trustee-At-Large shall be elected to serve until the second annual meeting and one (1) Trustee-At-Large shall be elected to serve until the third annual meeting. At the first annual meeting, one of the Trustees elected by the Board of Directors of the [national federation] shall be elected to serve until the second annual meeting and two (2) Trustees elected by the Board of Directors of the [national federation] shall be elected to serve until the third annual meeting. Thereafter, all elections to fill vacancies created by expiring terms shall be for terms of two (2) years, except that no Trustee shall succeed himself more than twice.

Section IV: At the first meeting of the Trustees which shall be held not later than thirty (30) days after their election, said Trustees shall elect from their own number a Chairman, Vice-Chairman, and an Executive Secretary-Treasurer. The duties of the officers are as follows:

- a.) The Chairman shall preside at all meetings of the members and at all meetings of the Board of Trustees; shall countersign all notes of the Stabilization Fund and shall perform such other duties as customarily appertain to the office of the Chairman or as he may be directed to perform by resolution of the Board of Trustees, not inconsistent with the provisions of the laws or these bylaws.
- b.) The Vice-Chairman shall have and exercise all the powers, authority and duties of the Chairman during the absence of the latter or his inability to act.
- c.) The Executive Secretary-Treasurer shall have the responsibility of carrying out the purpose of the Fund in accordance with the policies developed by the Trustees. He shall be responsible for the handling of all funds deposited in the name of the Fund. He shall sign all written orders for withdrawals of funds from any depository.
- d.) The Board of Trustees may appoint from the Board of Trustees an assistant Secretary-Treasurer and authorize him, under the direction of the Secretary-Treasurer, to perform any of the duties delegated on the Secretary-Treasurer, including the signing of checks. He may also act as Secretary-Treasurer during the absences of the Secretary-Treasurer, or in the event of his inability to act.
- e.) The Trustees shall meet as often as necessary to carry out provisions of the Fund upon notification of the Executive Secretary-Treasurer. A majority of the Trustees shall constitute a quorum.
- f.) The following are the matters of resolution of the Trustees:
 - i. Fund mobilization
 - ii. Approval of the membership application
 - iii. Approval of the loan application
 - iv. Approval of the payment to individual credit union's deposit
 - v. Approval of the prudential norms for the supervision of credit unions
 - vi. Approval of the fund borrowing
 - vii. Matters regarding the regulations of the Fund
 - viii. Matters regarding Work Plan and Budget
 - ix. Matters regarding Fund Management

Section V: The Trustees shall have a term of office of ----- years. The term of the Trustee appointed to succeed the former member is the remaining term of such former member.

Section VI: The Trustees shall have the general management of all the affairs and records of the Fund. It shall be the specific duties of the Trustees:

- b.) To keep appropriate records of their meetings.
- c.) To designate banks of deposits.
- d.) To invest and reinvest the money as hereinafter provided, to collect dividends, interest earnings therefrom, and to sell and convert investments.
- e.) To make such expenditures as may be necessary to operate the Fund efficiently.
- f.) To provide 100% bond coverage for persons handling funds.
- g.) To cause to be made, an annual audit of the funds, records and accounts of the funds. To adopt such rules of regulation as are consistent with the efficient operation of the Fund. Such rules and regulations shall be subject to review by the Board of Directors of the [national federation] and shall be approved or rejected by them.
- h.) To investigate and pass upon the eligibility of applicants for participation in the Fund.
- i.) To enter into agreements with credit unions desiring to liquidate and dissolve for the purpose of implementing and providing for the orderly liquidation of such credit unions.
- j.) To sell, assign, or otherwise dispose of assets so acquired from such credit unions to the end of complete, orderly and business like liquidation of such assets and to the end that the fair value of such assets may be realized from such liquidation.
- k.) The Fund shall have the power to sue or take any legal action in the corporate name of the [national federation] as is necessary for the efficient operation of the Fund in the collection of the assets and accounts of any credit union where liquidation is undertaken by the Fund.
- l.) In addition to administering the stabilization fund, the Trustees of the Stabilization Fund ensure the purpose and mandate of the Fund are executed in an effective and diligent manner.

Section VII: The authority delegated in the above section may be amended by restriction or expansion by the Board of Directors of the [national federation].

Section VIII: Fund not otherwise in use in promoting the functions of the Fund shall be invested in any manner permitted by Credit Union Law or as may be determined by the Board of Directors of the [national federation].

Section IX: No Trustee, as such, shall receive any compensation for services rendered to the Fund, but in lieu thereof be reimbursed for all expenses. Others appointed by the Chairman to render specific service to the Fund shall be reimbursed on the same basis.

Section X: Compensation for the Executive Secretary-Treasurer, and his assistant, shall be left to the discretion of the Trustees with the approval of the Board of Directors of the [national federation].

Article VII – Funding

Section I: To provide the necessary funds, the Trustees shall accept such appropriations from the national federation funds as may be directed by the delegates to the Annual Meetings of the [national federation]. The appropriations should amount to a minimum of ___[5%] per annum of the gross federation's dues income [this can be decided by the General Meeting].

Section II: To mobilize fund consisting of the following

- (a) Share Capital – the credit union shall pay the amount corresponding to -----
-[in Korea 10/1000 of share capital] as of the end of the last month at the time of affiliation.
- (b) Contributions – the credit unions getting a loan from the Fund or extending the term of the existing loan shall pay contribution to the Fund according to the decision of the Trustees.
- (c) Transferred Fund – the federation through the resolution of the General Meeting may transfer fund to the Stabilization Fund.
- (d) Technical Fees – the Stabilization Fund in its course of operation may charge technical fees for management consulting. Such consulting should improve the financial performance and consequently reducing risks exposure of the credit union.
- (e) Interests and fees – the Fund seeks investments for unused funds.

Section III: The Trustees of the Program shall have the authority to borrow money from any source available for use in the carrying out the purposes of the Fund, and when the Trustees are required to borrow money as set out above, such borrowings must have the approval of the Executive Committee of the Board of Directors of the [national federation].

Article VIII – Restrictions

Section I: The Fund shall in no instance pay out to any credit union member more than 100% of the share holdings in any credit union in process of liquidation.

Section II: The [national federation] shall not receive any financial benefits from the Fund for any purpose except for the actual cost of administration of the Fund.

Article IX – Business

Section I: The following are the business of the Fund:

- (a) Share capital management
- (b) Contribution management
- (c) Loan to member credit union
- (d) Borrowing of necessary fund
- (e) Supervision and management consulting to credit unions

Section II: The Trustees shall have the authority to make loans, grants and advances to member credit unions for the purposes of strengthening the reserves and stabilizing the economic position of such credit unions, or for such other purpose as the Trustees shall deem advisable under conditions approved by the unanimous vote.

Section II: The Trustees may, under conditions approved by a majority vote, take over the assets of a liquidating credit union applying for assistance and hold or dispose of the same.

Section III: Within the limits of the resources of the Fund, and with the approval of the majority of the Trustees, they shall have authority to assist credit unions in any manner that will aid in stabilizing or protecting such credit unions.

Section IV: Any loan, grant or advance of any nature shall in now way be considered a gift, but shall contain a provision for repayment when that credit union is again able to pay dividends to its members.

Article X – Limitations and Purpose

Section I: It is not the purpose of the Fund to assume regulatory authority over members. The primary objective of the Fund shall be to cooperate, through the federation, with the constituted supervisory authorities in any appropriate manner that will better stabilize or protect members.

Section II: The cost of any examinations made by the Fund shall be at the expense of the Fund unless the Governing body of a credit union requests such examination.

Section III: If, after reasonable warning from the Trustees, any member credit union continues to violate accepted credit union practices, or if any credit union defrauds, or attempts to defraud the Fund, such credit union may be suspended from participation in the Fund. No such suspension shall be effective until the member credit union has been given a hearing before the Trustees. In order to suspend the member, four (4) of the five (5) voting Trustees must vote for suspension.

Section IV: No credit union shall advertise the benefits of the Fund without the written consent of the Trustees.

Article XI – Prudential Rules

Section I: The “Fund” shall promote the prudential rules aimed at maintaining the stability of the credit union system in the country. i.e., the solvency and financial soundness of institutions and, on the other, at protecting users (depositors, investors) from losses resulting from inefficient management, fraud and bankruptcies.

Section II: The [WOCCU’s PEARLS Monitoring Tool/country prudential standards i.e. COOP-PESOS-Philippines; GOLD-PEARLS-Bangladesh; PEARLS-HIMAL- Nepal; GLARES-Hong Kong; COOP-RUPEES-Sri Lanka] shall play an essential role in the examination of the participating credit unions in the Fund.

Section III: In accordance with the PEARLS standards, the Trustees sets the minimum requirements.

Article XII – Supervision of Credit Unions

Section I: In order to guarantee the stability and the soundness of the credit union system and to ensure the efficiency of its operation, the safety of deposits and of depositors, as well as the protection of member-customers of credit unions, it is incumbent upon the Stabilization Fund to supervise credit unions.

Section II: It is especially incumbent upon the Stabilization Fund to authorize the setting up of new credit unions when the decision is based solely on technical-prudential criteria, to monitor the activity of the credit unions under its supervision, to control the compliance with the rules set forth for their activities, to issue recommendations for the correction of any deviations, to sanction breaches, should they occur, and to take extraordinary measures of reorganization.

Section III: The supervisory instruments are merely preventive means, hence the designation of "prudential supervision" aiming at the stability of credit unions and of the funds entrusted to them. Thus, credit unions must rely on competent management and effective internal control, as well as the important role played by internal and external auditors.

Section IV: The intervention of the Stabilization Fund is an indispensable element in the toolkit of prudential self-regulation, since it is the only way to prevent the emergence of credit unions in the market which, for any number of reasons (for example, an inadequate capital structure or insufficiency of human resources), might destabilize the credit union system in the country.

Section V: The supervision of the credit unions by the Fund may include three main groups, which, in turn, are aimed at different but interrelated targets of a prudential nature:

- (a) Professional honesty, experience and capacity of Board of Directors and Supervisory/Audit Committee of credit unions, because they contribute toward increasing the level of efficiency and maintaining credibility with the public and members.

- (b) Feasibility of the plan of activities, because it is linked to the attainment of profitability levels which can assure the solvency of the institution in the long term.
- (c) Existence of technical and financial means to allow for adequate management and control of the risks related to the financial activities, which, by offering a minimum protection of the stakeholders' interests, contribute to the prevention of endemic effects and systemic risks.

Section VI: The Fund undertakes a systematic and continuous follow-up of the activities carried out by credit unions, by resorting to a set of prudential rules and supervisory practices (such as on-site inspections). Among them, stress should be laid on the definition of minimum amounts for the share capital, the minimum requirements of own funds [institutional capital] to cover credit risks (solvency ratio) and market risks (arising from the price variation of financial instruments and exchange rates), the limits to concentration of risks and provisioning for loans not paid on time.

Section VII: In a market characterized by financial innovation, it is also incumbent upon the Fund to check for compliance of the credit unions with the minimum requirements of information to member-customers on the financial conditions applied to the different operations and services, as well as on the respective risks.

Section VIII: In a market characterized by financial innovation, it is also incumbent upon the Fund to check for compliance of the credit unions with the minimum requirements of information to member-customers on the financial conditions applied to the different operations and services, as well as on the respective risks.

Section IX: In the event of serious disturbance in the normal operating conditions of a credit union such as non-liquidity or insolvency crisis, the Stabilization Fund may require measures of reorganization in order to prevent the transmission of those problems to the rest of the system (prevention of systemic risks). Such extraordinary measures are much diversified (ranging from restrictions on the performance of certain activities to measures of direct intervention in the management, such as the appointment of interim directors) and are undertaken according to the scope and seriousness of the difficulties encountered.

Section X: In extreme cases and last recourse, the Fund has the means to initiate the liquidation procedure of a given credit union. In these cases, the Stabilization Fund may in accordance with the limits set by the Fund pay deposits of the credit union.

Section XI: Participation in this Fund is mandatory for all credit unions

Article XIII – Insurance

Section I: The Trustees shall be authorized to maintain all insurance benefits of a liquidating credit union until such time as the Trustees shall vote to surrender such insurance benefits. Cost of maintaining such insurance programs shall be borne by the liquidating credit union.

Article XIV – Liquidation of Participating Credit Unions

Section I: In order to facilitate the liquidation of any credit union in default, the Trustees may:

- (a) Contract with another credit union for the purpose of making membership available to members of the credit union in default; or
- (b) Arrange, or provide for the organization of a new credit union for that purpose.

Article XV – Amendments

Section I: These bylaws may be amended, altered or repealed by a majority vote of the delegates at any meeting, provided written notice of the proposed amendment is given to the members at least thirty (30) days before said meeting; provided further that in order to facilitate the services of the Fund, the Trustees may amend the bylaws at any meeting and such amendments shall be ratified or repealed at the next meeting of the delegates.

Article XVI – Termination of the Fund

Section I: The Fund shall be terminated upon the affirmative vote of the delegates.

Section II: In event of termination of the Fund, the assets of the Fund shall become the property of the [national federation].