



South African Reserve Bank
Prudential Authority

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To: All prospective co-operative financial institutions and registered co-operative financial institutions

Guidance Note 1/2019 issued in terms of section 45(e) of the Co-operative Banks Act, 2007 (Act No. 40 of 2007) relating to co-operative financial institutions

Application for registration as a co-operative financial institution in terms of the Co-operative Banks Act, 2007 (Act No. 40 of 2007)

Executive summary

Prudential standard – TCFI-01 – Transitional arrangements for co-operative financial institutions specifies the requirements for registration of a co-operative financial institution with the Prudential Authority in terms of the provisions of the Co-operative Banks Act, 2007 (Act No. 40 of 2007).

This guidance note is issued to assist prospective co-operative financial institutions and registered co-operative financial institutions to complete the application process for registration with the Prudential Authority by providing guidance on the minimum requirements to be registered as a co-operative financial institution and the requirements to register a co-operative with the Companies and Intellectual Property Commission (CIPC).

1. Interpretation and definitions

1.1 This guidance note should be read in conjunction with the following legislation (as well as related regulations) and regulatory instrument:

1.1.1 The Co-operatives Act, 2005 (Act No. 14 of 2005) (Co-operatives Act);

1.1.2 The Co-operative Banks Act, 2007 (Act No. 40 of 2007) (Co-operative Banks Act);

1.1.3 The Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act); and

1.1.4 Prudential Standard – TCFI-01 – Transitional arrangements for co-operative financial institutions (Prudential Standard - TCFI-01).

- 1.2 All terms used in this guidance note have the same meaning as defined in the above-mentioned legislation and regulatory instrument, unless the context indicates otherwise.
- 1.3 A '*co-operative financial institution*' is a co-operative that takes deposits and chooses to identify itself by use of the name Financial Co-operative, Financial Services Co-operative, Credit Union or Savings and Credit Co-operative;
- 1.4 A '*prospective co-operative financial institution*' is a collective whose members, through a special resolution, intend to apply to register as a co-operative financial institution with the Prudential Authority under the Co-operative Banks Act.
- 1.5 A '*registered co-operative financial institution*' is a co-operative financial institution that is registered with the CBDA, in terms of Exemption Notice No. 620 of 2014 issued by the Registrar of Banks (Registrar) in terms of the Banks Act 1990, (Act No. 94 of 1990), and is applying to be registered with the Prudential Authority under the Co-operative Banks Act.

2. Introduction

- 2.1 Prudential Standard - TCFI-01 stipulates the requirements for registration of a co-operative financial institution (CFI) with the Prudential Authority in terms of the provisions of the Co-operative Banks Act. This guidance note is issued to assist prospective and registered CFIs to complete the application process for registration with the Prudential Authority.
- 2.2 Registered CFIs have until 1 August 2019 to apply for registration with the Prudential Authority. Registered CFIs that have failed to register under the Co-operative Banks Act after 1 August 2019 and continue to conduct the business of a CFI will be committing an offence in terms of the Co-operative Banks Act.

3. Minimum requirements for registration as a co-operative financial institution

- 3.1 Section 40B of the Co-operative Banks Act provides that to qualify for registration, or to continue to be registered, a CFI must demonstrate to the satisfaction of the Prudential Authority, that it:
- 3.1.1 has the requisite experience, knowledge, qualification and competence to give effect to its obligations;
- 3.1.2 has sufficient human, financial and operational capacity to function efficiently and competently;
- 3.1.3 meets any prescribed threshold requirements in respect of membership, membership shares and deposits held; and
- 3.1.4 meets any other applicable prescribed requirements.

3.2 Based on the above-mentioned section of the Co-operative Banks Act and the other legislation and regulatory instrument cited in paragraph 1.1, a prospective or registered CFI must satisfy the following minimum requirements to be considered for registration in terms of the Co-operative Banks Act:

	Requirements	Reference to Legislation/Regulatory instrument/Annexure
3.2.1	A minimum of 200 members	Prudential Standard – TCFI-01
3.2.2	R100,000 or more in share capital	Prudential Standard - TCFI-01
3.2.3	Be solvent	Prudential Standard - TCFI-01
3.2.4	Identify itself by use of the name Financial Co-operative, Financial Services Co-operative, Credit Union or Savings and Credit Co-operative.	Co-operative Banks Act
3.2.5	Common bond e.g. <ul style="list-style-type: none"> - employed by a common employer or who are employed within the same business district; or - common membership in an association or organisation, including a religious, social, co-operative, labour or educational group; or - reside within the same defined community or geographical area. 	Prudential Standard - TCFI-01 and the Co-operative Banks Act.
3.2.6	Comply with the co-operative principles	The Co-operatives Act defines co-operative principles as the internationally accepted principles of co-operation, exemplified by the principles adopted by the International Cooperative Alliance. See Attachment 1 for a list and explanation of the co-operative principles.

4. Registration with the CIPC

- 4.1 This section is applicable to prospective CFIs only.
- 4.2 Before a prospective CFI can apply to register as a co-operative, it requires a conditional approval to be registered as a CFI (deposit-taking) from the Prudential Authority. Deposit-taking institutions are strictly regulated and require specific approvals before being allowed to accept deposits.
- 4.3 The following documentation is required by the CIPC to register a co-operative under the Co-operative Act **but must be submitted to the Prudential Authority** together with documentation required by the Prudential Authority (see section 5):
- 4.3.1 Certified copies of the identity documents of all founder members of the co-operative and the person lodging the application (Customer Code Owner);
- 4.3.2 Form CR1, application form (the list and signatures of founder members must correspond with last page of the constitution);
- 4.3.3 Form CR4, appointment of auditors (attach a letter from an auditor of consent of appointment) or Form CR8, Exemption from full compliance with auditing requirements;
- 4.3.4 Form CR5 , Reservation of name (the name must include the terms: 'Financial Co-operative, Financial Services Co-operative, Credit Union or Savings and Credit Co-operative'); and
- 4.3.5 Two certified copies of the constitution of the prospective CFI.
- 4.4 In addition to completing the forms required by the CIPC and furnishing the requisite documentation to the Prudential Authority, the prospective CFI must have completed the following processes:
- 4.4.1 held a formation meeting;
- 4.4.2 created a customer code; and
- 4.4.3 recorded, in order of preference, the name of the CFI and up to 5 alternate names on the Form CR5. The prospective CFI has an option to reserve its preferred name with the CIPC after it has created a customer code.
- 4.5 Further guidance on the processes outlined in paragraphs 4.4.1 to 4.4.3 is attached hereto as Attachment 2.
- 4.6 The Prudential Authority will forward all documentation required by the CIPC to the CIPC once it has granted a conditional approval for the registration of the CFI.

4.7 Forms CR1, CR4, CR5 and CR8 as well as a model constitution are available on the website of the CBDA.

5. Registration requirements for prospective CFIs with the Prudential Authority

5.1 This section outlines the requirements that must be complied with by a prospective CFI in order for the Prudential Authority to register it as a CFI.

5.2 To register a CFI, the following must be submitted to Prudential Authority:

	Requirement	Guidance
5.2.1	Form PA 001, the application form	Every page must be signed by the chairperson of the board of directors. Provide an explanation and motivation with respect to documentation that is not submitted.
5.2.2	Form CR1 (CIPC application form)	CIPC requirement.
5.2.3	Form CR4/CR8 (CIPC form to appoint auditor or for exemption from auditor appointment)	CIPC requirement.
5.2.4	Form CR5 (CIPC form to reserve name)	CIPC requirement.
5.2.5	Form PA 002, membership share register confirming 200 fully paid up members and at least R100,000 in shares	Prudential Authority requirement.
5.2.6	2 certified copies of the CFI's prospective constitution	Model constitution available on the CBDA website. The following amendments must be made to the model constitution: - The definition of 'co-operative financial institution' must be replaced with 'means a co-operative financial institution as defined in the Co-operative Banks Act, 2007 (Act No. 40 of 2007)'.

	Requirement	Guidance
		<ul style="list-style-type: none"> - Deletion of the definition of 'Regulations' and 'Rules'. - The definition of supervisor must be replaced with "'Supervisor" means the Prudential Authority'. - The insertion of the term "'Prudential Authority" has the meaning defined in the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017)'. - Replacement of "Exemption Notice No. 35368" with "Co-operative Banks Act, 2007 (Act No. 40 of 2007)". <p>Any variations from the model must be noted and motivated. These will be forwarded to the CIPC.</p>
5.2.7	Certified copies of all founder members identity documents	CIPC requirement.
5.2.8	Latest certified copies of bank statement	Prudential Authority requirement.
5.2.9	Member resolution to register with the PA in the form of minutes	Prudential Authority requirement.
5.2.10	Copy of proposed savings policy	Guideline available on the CBDA website.
5.2.11	Copy of proposed credit/loan policy if registering a savings and loans CFI	Guideline available on the CBDA website.
5.2.12	Copy of National Credit Regulator certificate	This is required before any loans may be issued.
5.2.13	Copy of certificate of registration to a registered representative body	If the prospective CFI is a member of a representative body.

	Requirement	Guidance
5.2.14	<p>Business plan, which includes:</p> <ul style="list-style-type: none"> - a short description of the background to the organisation, experience in the sector and overall strategy to serve the target market; - an indication that it has the requisite experience, knowledge, qualifications and competence to give effect to its obligations - an indication that it has sufficient human, financial, and operational capacity to function efficiently and competently. - 3 year financial forecast showing viability plan of the entity - Product sheet 	<p>In the business plan the prospective CFI must discuss the board of directors and management experience, knowledge and qualifications.</p> <p>Guidance is provided on the CBDA website.</p>
5.2.15	Form PA 003 Signed Directors Commitment form	Prudential Authority requirement.

6. Registered CFIs and registration with the Prudential Authority

6.1 This section outlines the requirements for registered CFIs to apply to the Prudential Authority for registration in terms of the Co-operative Banks Act.

6.2 To register a CFI with the Prudential Authority the following must be submitted:

	Requirement	Guidance
6.2.1	Completed Form PA 001, the application form	<p>Every page must be signed by the chairperson.</p> <p>Provide an explanation and motivation in respect to documentation that is not submitted.</p>
6.2.2	Copies of annual financial statements for the last financial year	Prudential Authority requirement.
6.2.3	Copy of the latest version of constitution.	<p>Prudential Authority requirement.</p> <p>The following amendments should be made to the constitution:</p> <ul style="list-style-type: none"> - The definition of “co-operative financial institution” must be replaced with ‘means a co-operative financial institution as defined in the Co-operative Banks Act, 2007 (Act No. 40 of 2007)’. - Deletion of the definition of “Regulations” and “Rules”. - The definition of supervisor must be replaced with ““Supervisor” means the Prudential Authority’. - The insertion of the term “Prudential Authority” has the meaning defined in the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017)’. - Replacement of “Exemption Notice No. 35368” with “Co-operative Banks Act, 2007 (Act No. 40 of 2007)”.

	Requirement	Guidance
		If the CFI is unable to hold an Annual General Meeting or an Extraordinary General Meeting before submitting the revised constitution to the Prudential Authority, the chairperson of the board of directors should provide an undertaking that the constitution will be reviewed at the next Annual General Meeting to align with the above-mentioned changes.
6.2.4	Copy of the latest version of the savings policy	Prudential Authority requirement.
6.2.5	Copy of the latest version of the credit/loan policy if providing loans	Prudential Authority requirement.
6.2.6	Copy of National Credit Regulator certificate	If the CFI is providing loans.
6.2.7	Copy of certificate of registration to a registered representative body	If the prospective CFI is a member of a representative body.
6.2.8	<p>Copy of the latest version of the business plan, which includes:</p> <ul style="list-style-type: none"> - a short description of the background to the organisation, experience in the sector and overall strategy to serve the target market; - an indication that it has the requisite experience, knowledge, qualifications and competence to give effect to its obligations - an indication that it has sufficient human, financial, and operational capacity to function efficiently and competently. 	In the business plan the CFI should discuss the board of directors and management experience, knowledge and qualifications.

	Requirement	Guidance
	<ul style="list-style-type: none"> - 3 year financial forecast showing viability plan of the entity - Product sheet 	
6.2.9	Form PA 003 Signed Directors Commitment form	Prudential Authority requirement.

7. Fees

Currently, no applications fees are payable to the Prudential Authority. Fees for CFIs will be determined once Chapter 16 of the FSR Act is in effect.

8. Contact details of the Prudential Authority

The application and supporting documentation may be delivered to the Prudential Authority at:

The Prudential Authority
 Licencing of CFIs
 370 Helen Joseph Street
 Pretoria
 0001

or e-mailed to sarb-pa@resbank.co.za.

9. List of forms

9.1 CIPC Co-operative Forms

CR1 Application for registration of co-operative
 CR4 Notice of appointment of auditor
 CR5 Application for reservation of name
 CR8 Application for exemption from full compliance with auditing requirements

9.2 Prudential Authority Forms

PA 001 CFI Application for Registration
 PA 002 Member Share Register
 PA 003 Board of Directors' Commitments

10. Co-operative Bank Development Agency guidelines

10.1 The following guidelines are available on the website of the CBDA:

10.1.1 Model Constitution

10.1.2 Business Plan

10.1.3 Financial Forecast

10.1.4 Savings Policy

10.1.5 Loan Policy

10.1.6 Common Bond

10.2 The above-mentioned documentation may be accessed at:
<http://www.treasury.gov.za/coopbank/supervisory%20CFIs/guidancenotes/Guidelines.aspx>



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Attachment 1: Cooperative Principles

Source: International Co-operative Alliance

The cooperative principles are guidelines by which cooperatives put their values into practice.

1. Voluntary and Open Membership

Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5. Education, Training, and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

Attachment 2 – Companies and Intellectual Property Commission processes

Source: Companies and Intellectual Property Commission (Adapted for CFIs)

1. Formation meeting

- 1.1 A formation meeting is held once the founding members have done the initial ground work to establish the CFI.
- 1.2 Initial ground work entails the founding members obtaining the commitment from interested persons to join as members of the CFI as well as drafting a constitution, business plan and various policies that will be required from the CFI.
- 1.3 The formation meeting must be held with all persons that are interested in establishing the co-operative.
- 1.4 At the formation meeting:
 - 1.4.1 a chairperson of the board of directors is nominated for the meeting;
 - 1.4.2 the founding members (the initiators) will outline the aims and objectives of the proposed co-operative;
 - 1.4.3 all arising questions should be answered;
 - 1.4.4 persons meeting the membership requirements, should be invited to join;
 - 1.4.5 interested persons should be given a membership form to complete;
 - 1.4.6 the signed-up members (persons that have completed the above-mentioned form) should confirm the number of directors (from 9 to 15 directors) that are required to direct the CFI;
 - 1.4.7 The signed-up members will then elect the inaugural board of directors.
 - 1.4.8 Complete and sign forms and support documentation required by the Prudential Authority and the CIPC in order for such to be lodged at a later date.
- 1.5 The following are also discussed and agreed upon:
 - 1.5.1 The objectives of the CFI (exactly what the CFI will do);
 - 1.5.2 The proposed name for the CFI as well as alternative names in the event that the first choice has already been registered by another enterprise. See section 3 below for more information in this regard;
 - 1.5.3 The premises of the CFI (office);
 - 1.5.4 The equipment, premises and other materials required by the CFI;

- 1.5.5 the business plan;
- 1.5.6 the manner in which the CFI will be financed and how the funds will be obtained.

2. Customer Code

- 2.1 Before a prospective CFI can transact with the CIPC for an application as a co-operative, it needs to register as a 'Customer'. A step-by-step guide on customer registration is available on the CIPC website.
- 2.2 A customer is any natural or legal person requiring interaction with the CIPC. A customer code is required in order to perform any transactions on the CIPC website, and also monitoring applications submitted under the customer code.
- 2.3 A customer code can be created by generating 6 digits and the registration is free of charge.
- 2.4 A CFI can register as a CIPC customer by doing the following:
 - 2.4.1 Registering online at www.cipc.co.za and clicking on 'Online transacting'.
 - 2.4.2 Visiting the CIPC Office in Pretoria at: Pretoria Service Centre, Shop L309, Level 3, Sunnypark Shopping Centre, Corner Steve Biko and Robert Sobukwe Streets, Sunnyside, Pretoria.
 - 2.4.3 Visiting the CIPC Provincial Partners (e.g. Provincial Small Enterprise Development Agency (SEDA)) for assistance to register online with the CIPC.
 - 2.4.4 After submitting the application to register as a CIPC customer, the account will be activated immediately.
- 2.5 Registering as a customer automatically establishes a virtual account in the name of the customer at the CIPC. Before using any fee-carrying service, a customer must deposit sufficient funds into the virtual account to perform such services. All CIPC prescribed disclosure and lodgement fees that are applicable will be deducted from the virtual account. Kindly ensure that the reference number is clearly indicated, to enable the CIPC to allocate the funds to the relevant customer account.
- 2.6 To activate the virtual account (online account), into which you can deposit funds, e-mail the application with a customer code to Cooperativesonline@cipc.co.za.
- 2.7 The following payment options also exists:
 - 2.7.1 Electronic deposit (EFT). You need to quote your customer code in the reference field - the date and sequence number are not required.

2.7.2 Any ABSA Bank branch. You need to quote your customer code - supplement it by the full date of payment and sequence number, to make sixteen characters e.g. MAKGOS1204201101. Allow 24 hours for funds to be allocated to your customer code.

2.7.3 Any other bank. Allow 2-3 days for funds to be allocated.

2.8 CIPC bank details are as follows:

Bank	ABSA
Account Type	Transmission Account
Account Name	CIPC
Account Number	4055 68 1017
Branch Name	Van der Walt Street
Payment Reference	CUSTOMER CODE DATE (DDMMYYYY) AND 01 (If the Reference Number is less than six characters long then use trailing zeros. (CUSTOMER CODE00DATE(DDMMCCYY01) e.g. MAKG001204201101

3. Reservation of name with the CIPC

3.1 The proposed name of a co-operative must not be the same or so similar to that of an existing co-operative that it may be misleading; or a name that is undesirable, prohibited or calculated to deceive, or otherwise, mislead. For example, it is misleading to use the name 'Gauteng Financial Services Co-operative Limited' when the CFI is serving the members residing in Diepsloot, Soweto. Members should discuss and agree on a name and 5 alternate names for the co-operative.

3.2 The words either "Primary /Secondary/ Tertiary Co-operative Limited" must always appear at the end of the proposed name, depending what type of co-operative you are registering. A co-operative must have the words "co-operative" or "co-op" as part of its name; and the word "Limited" or the abbreviation "Ltd" as the last word of its name, unless the constitution of a co-operative does not limit the liability of its members.

3.3 The name must always indicate the main business objective of the co-operative.

3.4 To reserve the name, a Form CR5 (Application for Reservation of Name or Translated Form or Shortened Form of Name) must be downloaded from the CIPC website and completed according to the above-mentioned guidelines. The complete form must be emailed to Cooperativesonline@cipc.co.za.

3.5 It is an offence for any entity other than a co-operative registered in terms of the Co-operatives Act to (a) hold itself out as carrying on the business of a registered co-operative; (b) use or authorise the use of the words "co-operative", "co-op", "co-operative limited", "co-operative Ltd", or "co-op Ltd" as part of its name.