



**CO-OPERATIVE BANKS DEVELOPMENT AGENCY**

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# **Liquidation Procedures Guideline for Co-operative Financial Institutions**

**Foreword**

This document provides guidance to the Supervisor and regulated co-operative financial institutions (CFI) when they are considering liquidation, either on a voluntary basis or an involuntary basis. The CBDA will assist the CFI in the timely completion of the liquidation.

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## **STATEMENT**

This manual is written as a step-by-step guide for conducting the liquidation of a registered CFI. The liquidation of a CFI is slightly different from that of a co-operative as CFIs are required to notify the Supervisor of a decision to enter liquidation (as per Section 30 of the Co-operative Banks Act) and provide copies of current financial statement and any liquidation plan. Voluntary liquidation is an option only if the CFI is solvent and can be projected to remain solvent during the liquidation process.

## **DEFINITIONS**

Throughout this manual various terms and abbreviations are used. These terms are defined as follows:

**Cancellation Date** - Date with which the Supervisor cancels the registration certificate of the CFI

**CBDA** – Co-operative Banks Development Agency

**Commencement Date** - The date the board votes to present the question of liquidation to the general membership

**Claim**- means a creditor's claim against the CFI in liquidation. Will include member savings/deposits

**Claimant** – means a person or institution making a claim against the CFI

**Exemption Notice** – Banks Act Exemption Notice, Number 404

**Liquidating Agent** - The person or persons, including any legally recognized entity, appointed by the board of directors with authority to conduct the liquidation. The board can delegate its full authority to conduct the liquidation or only limited items can be delegated. The board should be very specific in listing the authority delegated.

**Liquidation Date** - The date that at least 75% of the members vote to approve liquidation.

**Liquidating dividends** - a type of non-dividend distribution made by a co-operative to its members during its partial or complete liquidation.

**Notice** - Notice of liquidation to creditors and claimants

**Registrar** – Registrar of Co-operatives

**Regular Reserve** - An appropriation of undivided earnings established in accordance with the constitution to provide for the financial stability of the CFI.

**The board** - CFI's board of directors

**Undivided Earnings** - The total accumulated earnings of a CFI which are available, if necessary, to pay dividends to members.

## 1. CONSIDERING LIQUIDATION

### 1.1 Voluntary Liquidation

- 1.1.1 A voluntary liquidation is the dissolution of a solvent CFI with the assets being sold or collected, liabilities paid, and shares distributed under the direction of the board of directors or a duly appointed liquidating agent. A voluntary liquidation provides an opportunity to pay a liquidating dividend to the members.
- 1.1.2 The Co-operative Act No 14 of 2005, section 71-76 provides for voluntary liquidation by a special resolution of members. Such a resolution must be passed by at least 75% of all the members of the financial co-operative, present in person or by proxy (if provisions are made for proxies in the constitution) at a general meeting of the financial co-operative.
- 1.1.3 The financial co-operative is required to provide the Supervisor:
- a) a notice of the voluntary liquidation within seven (7) days of taking the special resolution
  - a) a sworn statement by person acting as chairperson must be submitted stating the date the meeting was held, proper notices and objections of the meeting given as well as the special resolution passed by requisite 75% of all members.
- 1.1.4 This information must be contained in a copy of CR9, which must be completed for the registrar of co-operatives.
- 1.1.5 The Supervisor must in turn, cancel the deposit taking certificate issued in terms of the Exemption Notice (if applicable) and forward the file to the Registrar of Co-operatives.

### 1.2 Involuntary Liquidation<sup>1</sup>

- 1.2.1 Based on the Co-operatives Act the following involuntary liquidation scenarios may apply:

#### a) Winding up by Court Order

- 1.2.2 A financial co-operative may be wound up by order of any provincial or local division of the Supreme Court of South Africa within whose jurisdiction the registered office or the main place of the co-operative is situated, on application by any interested person. Such an order can be granted if:

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<sup>1</sup> The Exemption notice, which provides the CBDA Supervisor its authority, does not provide powers to direct an involuntary liquidation. The SARB or the CIPC will be request to carry out this directive.

- a) the financial co-operative is unable to pay its debts, or is found to lack financial stability and bears high risks which may lead to major loss or damage to members, depositors, creditors or the financial system;
- b) there is no reasonable probability that it will be able to pay its debts or become a viable co-operative; and
- c) it appears just and equitable to do so.

**b) Winding up by Order of the Minister (of Trade and Industry)**

1.2.3 A financial co-operative may be wound up without a resolution of members or order of court when the Minister so orders, based on the following reasons:

- a) obtained registration through fraud;
- b) is found to lack stability and bears high risks which may lead to major loss or damage to members, depositors, creditors or the financial system;
- c) was formed for a particular period or until the occurrence of a particular event and that period has expired or that event has occurred;
- d) has not transacted business during a continuous period of two years; and
- e) is not operating in accordance with its constitution or in accordance with the law.

1.2.4 Before making such an order, the Minister must give the relevant co-operative a right to be heard.

**2. COMMENCEMENT OF VOLUNTARY LIQUIDATION**

**2.1 Approval of Liquidation**

**Solvent CFIs...**

2.1.1 The following steps should be followed as soon as it is determined that liquidation is advisable, and other alternatives are not acceptable:

- a) The board of directors should vote to present the question of liquidation to the members, following due notice of meetings as per the constitution.
- b) The members must be given an opportunity to vote on the issue, and the voluntary liquidation must be approved by 75% of the members.
- c) Within 7 days the CBDA Supervisor must be notified of the board's decision to present the question of liquidation to the members. The notification should



provide the reasons for the board's action and include copies of the most recent financial statements.

- d) The CBDA Supervisor must be able to determine that the CFI is solvent and will likely remain solvent during the liquidation process. In order to monitor the progress of the liquidation, the Supervisor may request copies of financial statements on a periodic basis.
- e) The Supervisor must in turn, within 30 days of receipt of notification, cancel the deposit taking certificate issued in terms of the Exemption Notice (if applicable) and forward the file to the Registrar of Co-operatives.

## **2.2 Responsibility for Conducting Liquidation**

2.2.1 The board of directors is responsible for:

- a) Conserving the assets, including drawing up an inventory list of all the assets belonging to the financial co-operative as well as a list with particulars of all liabilities and submit the same to the Supervisor within 21 days after the date of the commencement of the winding up. The inventory must be verified by a sworn or solemn statement;
- b) Ensuring liquidation proceeds timeously;
- c) The equitable distribution of the assets to the members; and.
- d) The board can recommend to the Registrar of Co-operatives a suitable professional person to act as a liquidating agent.

## **2.3 Appointment of Liquidating Agent(s)**

2.3.1 After voting to present the question of liquidation to the members, the board of directors may appoint and determine reasonable compensation for a liquidating agent, subject to the approval of the Registrar. The board can delegate all or part of the board's responsibility to the liquidating agent.

2.3.2 The liquidator may not be deemed appointed until he/she has given security to the satisfaction of the Registrar for the Proper performance of his functions as liquidator. The bond of security shall be in a form prescribed by the Registrar

- 2.3.3 The board should be very specific about the authority delegated, and the specifics of the delegation should be recorded in the board minutes.
- 2.3.4 In addition, a formal delegation of authority should be prepared and signed by the chairman and secretary of the board.
- 2.3.5 The board will normally maintain control over the CFI during the liquidation process. However, if the board will be dispersed or otherwise unable to direct the liquidation, additional delegations should be provided. The following is a partial list of potential delegations that should be considered by the board:
- a) Authority to sign checks and revoke authority of persons no longer involved in the operation (liquidation) of the CFI.
  - b) Provide authority to enter the safe deposit box and revoke authority of persons that no longer need access.
  - c) Authorities to employ, compensate, and terminate other staff needed for the liquidation of the CFI. This authority can be complete to the point of providing authority to appoint a successor liquidating agent and authority to redelegate power and authority. The authority to employ staff must be delegated with the responsibility to obtain bond coverage for those employed.
  - d) Authorize and pay necessary operating expenses.
  - e) Make and redeem investments.
  - f) Employ an attorney or collection agency.
  - g) Institute legal proceedings as necessary.
  - h) Assume custody of the books and records during liquidation.
  - i) Enforce liens on collateral.
  - j) Write-off off loans.
  - k) Sell loans, furniture, equipment, and any other asset owned by the CFI.
  - l) Make partial distributions approved by the CBDA Supervisor.
  - m) Make the final distribution including authority for the disposition of any funds received after the final distribution; and.
  - n) Appoint a custodian of the records.

## **2.4 Conducting of Business**

2.4.1 As soon as the board of directors votes to seek membership approval of liquidation the following activities shall be suspended:

- a) Accepting payments on shares.
- b) Receiving member deposits
- c) Withdrawal of shares.
- d) Transfer of shares from one account to another.
- e) Granting of loans and the disbursement of loan proceeds
- f) The making of investments other than short term investments with maturity dates shorter than the projected final distribution.
- g) The payment of dividends.

2.4.2 Collection of loans and interest as well as payment of necessary expenses will continue.

2.4.3 When liquidation has been authorized by the members, all of the business activities listed above shall be permanently discontinued.

2.4.4 The directors and the liquidating agent may be held personally liable by the members for any losses of liquidating dividends because of preferential treatment of members in accepting share payments after the board votes to present the question of liquidation to the members.

## **2.5 Membership Vote**

2.5.1 The CFI constitution provides the requirements for membership meetings. The board must schedule a membership meeting, at least twenty one (21) days written notice of such a meeting shall be given to all members, and notify the members that they have the right to vote on the liquidation proposal in person at the membership meeting or by written ballot.

2.5.2 Since the liquidation cannot proceed until membership approval is obtained, the board must act promptly to schedule the membership meeting. If the members do not approve the liquidation, the board or liquidating agent must decide within 7 days if the CFI should resume operations or if the question of liquidation should be resubmitted to members.

- 2.5.3 If the board or liquidating agent decides to rescind the decision to liquidate, the reasons for the proposed liquidation must be addressed. Action must be taken to correct the conditions that caused the board to present the liquidation question to the members. Once the members approve the liquidation, neither the members nor the board can rescind the decision without the Supervisor's approval.
- 2.5.4 The Supervisor must be notified of the results of the membership vote on voluntary liquidation within 7 days of the membership meeting.

## **2.6 Liquidation Plan**

- 2.6.1 The board or liquidating agent must develop a written plan for the liquidation of the assets and payment of shares. The liquidation plan should provide for the liquidation of the CFI within one year of the liquidation date.
- 2.6.2 If the liquidation is expected to take more than one year, an explanation must be provided in the plan. The plan should address the liquidation of each asset listed on the balance sheet. For example, will loans be sold or collected? Is it possible to sell a portion of the loans, and collect the remaining?
- 2.6.3 Income and expense items must also be projected to determine that sufficient funds will be available to finance the liquidation of the CFI. Payment of liabilities and shares should also be scheduled.
- 2.6.4 Since shares are not available for withdrawal during the liquidation, partial distributions should be considered as funds become available from the liquidation of assets. The Supervisor must approve each partial distribution.
- 2.6.5 The plan must provide for a cost effective and prompt liquidation that is in the best interests of the members. In addition, projections must support that the CFI will remain solvent during the liquidation process.

## **2.7 Closing the Books**

- 2.7.1 The member share balances as of the date the board voted to present the question of liquidation to the members (the commencement date) will be used to determine the basis for any liquidating dividend.

## **2.8 Notice of Liquidation to Creditors and Claimants**

- 2.8.1 After the members approve the liquidation, the board or liquidating agent shall notify creditors and claimants to present their claims.
- 2.8.2 The Notice of Liquidation shall be printed in a newspaper of general circulation in each area in which the CFI maintains an office or branch on the liquidation date. The Notice of Liquidation shall be printed in accordance with the following schedule:
- a) CFIs with assets in excess of R1 million as of the month end prior to the liquidation date shall publish the Notice of Liquidation once a week in each of 3 successive weeks. The first notice should be published within 7 days of the liquidation date.
  - b) CFIs with assets in excess of R500,000 but less than R1 million as of the month end prior to the liquidation date should publish the notice once. The notice shall be published within 7 days of the liquidation date.
  - c) CFIs with assets less than R500,000 as of the month end prior to the liquidation date are not required to publish a Notice of Liquidation.
- 2.8.3 In appropriate cases, the board or the liquidating agent may determine that additional publications are desirable or prudent.
- 2.8.4 Within 10 days of the liquidation date, a copy of the Notice of Liquidation shall be mailed to all creditors and claimants reflected on the records of the CFI. A copy of the Notice of Liquidation should be posted in each of the CFI's offices.
- 2.8.5 Creditors and claimants must be provided at least 60 days from the liquidation date to submit their claims.
- 2.8.6 When arrangements are made for the publication of the notice, notice of publication should be retained as part of the liquidation records.

**CHECKLIST : COMMENCEMENT OF VOLUNTARY LIQUIDATION**

<b>TASK</b>	<b>RESPONSIBLE OFFICIAL</b>	<b>COMPLETION DATE</b>
Vote to present the question of liquidation to the members, record action in the board minutes, suspend normal business	Board of Directors	
Appoint liquidating agent and establish compensation, delegate responsibility and authority to the liquidating agent, record action in the board minutes.	Board of Directors	
Notify members of special membership meeting, provide ballot.	Board Secretary	
Conduct special membership meeting.	Board of Directors	
Notify Supervisor of the results of the membership meeting	Board Chairman	
Develop Liquidation Plan and provide copy to Supervisor within 30 days of the board's vote to liquidate.	Liquidating Agent	
Close the books	Liquidating Agent	
Arrange for the publication of the Notice of Liquidation to Creditors and claimants and Obtain proof of publication	Liquidating Agent	

### **3. COMMENCEMENT OF INVOLUNTARY LIQUIDATION<sup>2</sup>**

#### **3.1 Role of SARB/CIPC**

3.1.1 In instances of involuntary liquidation, the SARB Supervisor/CIPC has the power to appoint a liquidator. The following steps should be followed as soon as the SARB Supervisor/CIPC determines that the CFI is insolvent, and an involuntary liquidation order will be issued:

- a) The SARB Supervisor/CIPC, or a liquidator appointed by the SARB Supervisor/CIPC as liquidating agent, shall succeed to all the rights, titles, powers, and privileges of the CFI, and of its members, officers, and directors, with respect to the CFI and its assets, and such members, officers, or directors shall not thereafter have or exercise any such rights, powers, or privileges or act in connection with any assets or property of any nature of the CFI.
- b) The SARB Supervisor/CIPC, or a liquidator appointed by the SARB Supervisor/CIPC as liquidating agent, must within 15 days of taking possession conduct an inventory of the assets of such CFI as of the date of taking possession, showing the value as carried on the books of the CFI, and the security thereof, if any, a brief description of the assets and any security, and a record of the CFI's creditor and accounts liabilities.
- c) The Liquidating Agent shall develop a liquidation plan, and submit to the SARB Supervisor/CIPC within 15 days of appointment, providing for the liquidation of assets and payment of creditors and depositors within twelve months of the date of issue of the involuntary liquidation order. The liquidation plan shall be subject to the written approval of the Supervisor/CIPC.
- d) The SARB Supervisor/CIPC, or a liquidator appointed as liquidating agent, shall promptly publish a notice to the CFI's creditors and claimants, including members with deposits outstanding, to present their claims, together with proof, to the liquidating agent by a date specified in the notice. This date shall be not less than 60 days after the publication of the notice.

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<sup>2</sup> The Exemption notice, which provides the CBDA Supervisor its authority, does not provide powers to direct an involuntary liquidation. The SARB or the CIPC will be request to carry out this directive.

e) The SARB Supervisor/CIPC, or a liquidator appointed, within 30 days of the appointment, call for a special meeting of members to inform them of the decision of the SARB Supervisor/CIPC.

3.1.2 The directors and the liquidating agent may be held personally liable by the members for any losses of liquidating dividends because of preferential treatment of members in accepting share payments after the SARB Supervisor/CIPC has deemed the CFI insolvent and liquidation processes have been initiated.

### **3.2 Restrictions on Involuntary Liquidation**

3.2.1 Upon the receipt from the SARB Supervisor/CIPC of the order to proceed with involuntary liquidation, the CFI must:

- a) Suspend the power of the AGM, board of directors and committees and the Manager.
- b) Suspend all business activities.
- c) The terms of all the CFIs debt obligations shall be considered expired.
- d) Payments made, or other use of the CFIs assets, during the three months prior to the appointment of the Liquidating Agent to any creditor or any related parties of the CFI may be deemed invalid by the Liquidating Agent if there is evidence of impropriety or preferential treatment.
- e) All income generating activities and all expenses shall be subject to supervision and approval of the Liquidating Agent only.

## **4. CONDUCTING THE LIQUIDATION**

### **4.1 Monitoring Solvency**

4.1.1 In the case of liquidation, the board or liquidating agent must determine that the sale or collection of the assets will provide sufficient funds to pay the expenses of liquidation, to pay creditors and claimants, and pay the members at least par for their share holdings.

4.1.2 Unless the Supervisor's approval is obtained, no asset can be sold at a price that would not provide sufficient funds to pay the shareholders at par.



## **4.2 Control of Expenses**

- 4.2.1 With proper authorization, necessary expenses of operation shall continue to be paid. Expenses should be held to a minimum to conserve assets and provide the maximum return for the members.

## **4.3 Collection and/or Sale of Loans**

- 4.3.1 Collection of outstanding loans is usually the most time consuming part of the liquidation process. Prompt and vigorous efforts should be made to collect the loans. All borrowers should be encouraged to accelerate their loan payments or to borrow elsewhere to repay their loans.
- 4.3.2 The board has the responsibility of realizing the greatest return to the members without delay. A bulk sale of the loans will expedite the final distribution to the members. Other local CFIs or other financial institutions are usually the best potential loan purchasers.
- 4.3.3 The Supervisor can provide a list of investors that also may be interested in purchasing all or a portion of the loans. Two or more bids should be obtained. *If the bids will not produce sufficient funds (after the projected liquidation of the other assets and payment of liabilities and liquidation expenses) to pay the shareholders at par, no sale can be consummated without the approval of the Supervisor.*

## **4.4 Investments**

- 4.4.1 The liquidation of investments must be carefully planned. Investments with maturity dates beyond the projected final distribution will be redeemed or sold prior to maturity. If possible, excessive penalties for early redemption should be avoided. It may be possible to arrange for the waiver of penalties because of the liquidation status of the CFI.
- 4.4.2 While a primary goal of the liquidation is to convert assets to cash to fund partial and final distributions, there will be intervals where cash can be advantageously placed in short-term interest-bearing investments. The investments should be

available on demand or on very short notice, so the cash flow matches the liquidation plan.

#### **4.5 Sale of Other Assets**

- 4.5.1 Sales for all other assets must also be arranged. Office furniture and equipment can usually be sold through used furniture dealers. Several dealers should be contacted and bids obtained.
- 4.5.2 Any real estate owned by the CFI is usually best sold using the services of a real estate agent. However, before listing real estate for sale, an appraisal should be obtained to provide proper valuation for the property.
- 4.5.3 The CFI may "own" assets that are not recorded on the balance sheet, such as, obsolete equipment. These assets should also be sold or redeemed. In the event a sale cannot be arranged, the assets can be donated to charity. Receipts for donations should be retained as part of the liquidation records.

#### **4.6 Sales to Related Parties**

- 4.6.1 CFI officials, employees, and members of their families may be interested in purchasing assets of the CFI. While there is no specific prohibition, a sale of assets to an insider can provide an appearance of favorable treatment.
- 4.6.2 All members should be given equal opportunity to purchase the assets of the CFI.

#### **4.7 Payment of Liabilities**

- 4.7.1 All creditor claims should be promptly reviewed, and legitimate claims should be paid. Any disputed claims should be resolved. Liabilities incurred during the liquidation process should be paid in a timely manner.
- 4.7.2 Payments to creditors and claimants and net deposits (i.e. after netting off loans) take priority over payment of the members' shares. If only limited funds are available, the debts of the CFI are paid in the following order of priority:
  - a) Expenses of liquidation.
  - b) Taxes due to national or local authorities.
  - c) Debts owed to secured creditors and claimants/employees.
  - d) Debts owed to unsecured creditors and claimants.

- e) Member Deposits
- f) Fees that are due or that become due to the CBDA

#### **4.8 Recurring Payments/Payroll Deductions**

- 4.8.1 Some CFIs receive recurring payments electronically for the benefit of individual members. For example, payroll deductions are received to be credited to deposits and/or loan payments.
- 4.8.2 When the board votes to present the question of liquidation to the members, funds can no longer be applied to member accounts (both share and savings accounts.) These funds should be placed into Accounts Payable and paid to the members except in cases where members elect to apply the funds as loan payments.
- 4.8.3 Action should be taken to terminate payments intended for shares. In the case of recurring payments it is usually necessary for the member to contact the payer and institute action to have the funds transferred to another financial institution. For payroll deductions, CFI personnel can normally contact the employer and terminate the savings deductions without action by each individual member.

#### **4.9 Partial Distributions of Proceedings**

- 4.9.1 The liquidation plan may call for partial distributions of proceedings. With the approval of the Supervisor, partial distributions can be authorized by the board or liquidating agent if sufficient cash flow is available, and if the loss of investment income will not be detrimental to the ability to pay liquidation expenses.
- 4.9.2 Since the members do not have access to their shareholdings during the liquidation period, partial distributions are beneficial to the members. Distributions are based on a pro rata portion of the shares as of the liquidation date (or the date of last share withdrawal).
- 4.9.3 If a member's shares are specifically pledged as collateral on a loan, the shares can be excluded from the partial distribution to the extent of the pledge. In the case of a guarantor, any shares pledged by the maker are considered before determining the liability of the guarantor.

4.9.4 Before authorizing a partial distribution the following factors should be considered by the board or liquidating agent, and a summary of the information should be presented to the Supervisor when approval for the distribution is requested:

- a) The estimated cash amount of the distribution.
- b) The amount of cash available.
- c) An estimate of the impact of the loss investment income on the planned disbursement.
- d) An estimate of time remaining until the final distribution can be made.
- e) The status of remaining liabilities.
- f) The status of the liquidation of the remaining non-cash assets.

**CHECKLIST : CONDUCTING THE LIQUIDATION**

<b>TASK</b>	<b>RESPONSIBLE OFFICIAL</b>	<b>COMPLETION DATE</b>
Obtain bids for loans, complete sale of loans	Liquidating Agent	
Sell or redeem investments that mature beyond the projected final distribution	Liquidating Agent	
Sell other assets	Liquidating Agent	
Pay liabilities	Liquidating Agent	
Cancel recurring payments and payroll deductions not directed to loan payments	Liquidating Agent	
Prepare schedule to support any partial distribution, obtain Supervisor's approval, support request for approval with most recent financial statement.	Liquidating Agent	

## **5. COMPLETING THE LIQUIDATION**

### **5.1 Preparing for the Final Distribution**

5.1.1 The following items must be completed in preparation for the final distribution to the members:

- a) Bank Service Charges - Arrangements must be made with the CFI's bank to pay any charges for processing the final distribution cheques and clearing the account. The arrangements should be confirmed in writing. The charges should be computed and paid in advance so that all expense pertaining to the liquidation may be entered in the CFI records.
- b) Other Expenses - All remaining expenses should be paid. Expenses that cannot be paid such as salaries, postage, etc. related to the final distribution should be estimated. In addition, an allowance should be provided to the custodian for postage or future expenses. All expenses must be recorded on the records of the CFI prior to determining the amount to be distributed to the members.

### **5.2 Closing the Books**

5.2.1 When all assets have been converted to cash, or declared worthless, and all obligations have been paid, with the exception of the amounts due shareholders, all income and expense accounts shall be closed into the Undivided Earnings account. The balance in the Regular Reserve account shall be closed into the Undivided Earnings account. The only General Ledger accounts having balances at this time will be Cash, Shares, and Undivided Earnings.

### **5.3 Calculating and Recording the Liquidating Dividend**

5.3.1 The basis of paying a liquidating dividend, if any, will be determined by the constitution of the CFI. In the absence of the said constitutional clause, liquidating dividends will be based on the members' deposit balance on the day the board voted to present the question of liquidation to the members (commencement date).

5.3.2 The posting of the liquidating dividend should be documented with a schedule showing the deposit balance in each account at commencement, any reductions

due to transfers to loans, any reductions due to partial distributions, the amount of the liquidating dividend, and the amount paid to each member as a final distribution.

#### **5.4 Distribution of Assets**

5.4.1 Promptly after the pro rata distribution to members has been computed, electronic transfers should be done to each receiving member.

5.4.2 The Supervisor will be notified in writing within three (3) days when the final distribution of assets is done.

#### **5.5 Unclaimed Accounts**

5.5.1 Any unclaimed funds will be transferred, trusteeed, or escheated to the state as per the appropriate legislation.

#### **5.6 Closing Checking Account**

5.6.1 After the unclaimed accounts are transferred to the state no additional payments should be processed through the CFI's account. Due to "rounding" on the calculation of the liquidating dividend normally a small balance will remain in the account.

5.6.2 The small balance should be closed by issuing a payment to the liquidating agent or the records custodian. This remaining balance should cover the cost of storing the CFI records and responding to member and creditor inquiries.

#### **5.7 Final Reports**

5.7.1 Within 120 days after the commencement of the final distribution of assets, a duly executed Certificate of Dissolution and Liquidation shall be filed with the Supervisor.

#### **5.8 Retention of Records**

5.8.1 The board or the liquidating agent shall appoint a custodian, for the CFI's records that will be retained after the final distribution of assets.

5.8.2 All records necessary to support that creditors and claimants were paid and the assets were equitably distributed shall be retained by the custodian for 5 years

following the date of license cancellation. At least the following records will be transferred to the custodian to be stored for 5 years:

- a) Journal and Cash Record;
- b) General Ledger;
- c) Individual Share and Loan Ledgers;
- d) Bank statements and canceled checks, cash received, cash disbursed, and journal
- e) Vouchers for the period beginning 3 years prior to liquidation;
- f) Copies of tax reports for the period beginning 3 years prior to liquidation;
- g) Minutes of membership and board of directors meetings; and
- h) Schedule of Partial Distributions, the Schedule of Distribution to Members, and a listing of unclaimed items transferred to the state.
- i) The Supervisor must be notified of the name and address of the custodian of the records. Unless there are specific reasons for further retention, the records may be destroyed after 5 years from the cancellation date.

## 5.9 Inquiries After Liquidation

5.9.1 It will be the responsibility of the custodian to respond to inquiries after liquidation. Most inquiries will relate to share accounts and tax information. The inquiries relating to loans will normally be referred to the purchaser of the loans.

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### CHECKLIST : COMPLETING THE LIQUIDATION

TASK	RESPONSIBLE OFFICIAL	COMPLETION DATE
Pay bank charges for final processing, pay all remaining expenses	Liquidating Agent	
Close the books	Liquidating Agent	
Calculate and record liquidating dividend	Liquidating Agent	
Notify Supervisor of the final distribution	Liquidating Agent	
Transfer unclaimed accounts to the	Liquidating Agent	

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## Liquidation Procedures for Co-operative Financial Institutions

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state	
Close bank accounts	Liquidating Agent
File Certificate of Dissolution and Liquidation	Liquidating Agent
File final tax reports	Liquidating Agent
Appoint custodian for the records	Liquidating Agent

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