

**MODEL CONSTITUTION OF A CO-OPERATIVE BANK**  
**(based on the CIPRO FSC model constitution v1)**

**Note:** In case of a primary co-operative having members in more than one province/region, the constitution should also provide for:

- (a) The holding of provincial/regional meetings and a conference of delegates or alternatives to ensure all members options to participate in meetings.

**Note:** In case of a secondary and tertiary co-operative bank, the constitution must also provide for:

- (a) the main objectives of a secondary co-operative which must include the provision of sectoral services to the primary co-operatives that are its members;
- (b) the main objectives of a tertiary co-operative which must include advocating and engaging organs of state, the private sector and stakeholders on behalf of its members; and
- (c) the number of votes a member has in proportion to the number of primary or secondary co-operatives that are its members.

Section 16 (1) of the Co-operatives Act

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## 1. NAME

- (a) The name of the Co-operative is..... Co-operative Bank Limited.
- (b) The abbreviated name is  
..... Co-operative Bank Ltd (if applicable)

## 2. FORM OF CO-OPERATIVE BANK

This is the constitution of a business undertaking formed as a **(Include type e.g. Primary Savings/ Primary Savings and Loans/Secondary/Tertiary)** Co-operative Bank with limited liability in terms of the provisions of the Co-operatives Act and the Co-operative Banks Act.

## 3. INTERPRETATION OF TERMS

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

**“Audit Committee”** means the elected, independent audit committee which has internal audit responsibilities as referred to in clause 15

**“Board”** means the board of directors referred to in clause 14

**“Co-operatives Act”** means the Co-operatives Act No 14 of 2005.

**“Co-operative Banks Act”** means the Co-operative Banks Act No 40 of 2007.

**“Co-operative”**: In addition to the meaning attached to in the Co-operative Banks Act, it also refers to this Co-operative Bank established under the Co-operative Banks Act to which this constitution relates.

**“Managing Director”** 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 Manager, General Managing Director or Administrator.

**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 section 12 (e).

**"Member"** mean 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-operatives Act.

**"Regulations"** means the Regulations issued in terms of the Co-operative Banks Act.

**"Supervisor"** means the relevant Supervisor appointed by the Co-operative Banks Development Agency or the South African Reserve Bank.

**4. PLACE OF BUSINESS**

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

**5. OBJECTIVES**

- (a) To promote and advance the social and economic welfare of its members by enhancing access to financial services under sustainable conditions by providing banking services in accordance with the provisions of the Co-operative Banks Act.
- (b) To encourage savings by providing a means whereby such savings may receive a competitive rate of interest.

**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 or pay money.
  - (3) Grant secured and unsecured loans to Members in the manner and form as prescribed by its loan policy as determined by the board of directors from time to time.
  - (4) Provide trust or custody service to Members.
  - (5) Invest money deposited with it in prescribed investments.
  - (6) To receive and distribute Member remittances.
  - (7) 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.
  - (8) Make, draw, accept, endorse or negotiate negotiable instruments that are paid to the order or of or made out and endorsed by the Co-operative.
  - (9) Any other financial services permissible in terms of the Co-operative Banks Act as may be incidental to the achievement of the above objects as approved by the Board.

**7. MEMBERSHIP**

- (a) Membership shall be limited to persons who qualify for membership to this Co-operative, whose members meet one of the criteria as listed below:
  - (1) are 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 (describe criteria for membership as it relates to 7 (1),(2) or (3))

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- (c) No discrimination will be allowed along the lines of race, political affiliation, gender or religion.
- (d) Minors may become Members, duly assisted by their parent's / legal guardian's. Minors will, however, have no voting rights under the age of .....
- (e) Every applicant for Membership shall complete the prescribed "Application for Membership" form in accordance with the co-operative principles.
- (f) Entities, such as societies, associations, clubs, partnerships comprising individuals who in their own right are eligible to become members of the Co-operative may, be admitted as members in the same manner and under the same conditions as individual members.
- (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 R\_\_\_\_\_ to acquire the minimum of .....share(s) or the minimum amount of shares as determined by the board from time to time. 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 Member shall nominate in writing one person to whom, upon his/her death, his/her share(s) and any amount due to such Member shall be transferred to. 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 the 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 after the death of the Member.
- (j) All Members of the Co-operative should have a copy of the current constitution or unrestricted access thereto.

## **8. LIMITATION OF LIABILITY**

The liability of a Member towards the liabilities 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 and he or she is not otherwise personally liable for any of the debts of Co-operative, except where other special circumstances exist, e.g. when explicit guarantees have been given.

## **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 notice period or
  - (3) expulsion from the Co-operative. The expelled Member may still avail of the dispute resolution procedure outlined in clause 38.
- (b) Upon termination of Membership, a Member shall be entitled to receive the full amount standing to his/her savings 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) Shares issued as a condition of membership shall only be payable to a member one year from the submission of notice of voluntary termination subject to clause 27 (f) of this constitution.
  - (d) Upon the death/permanent disability of the Member, his/her shares/savings will be transferred to the nominated beneficiary as entered by the Member.

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

Members are expelled/suspended subject to the following provisions

- (a) A Member may be suspended if he/she does not comply with this constitution, any 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 may be suspended whose account is more than one hundred and eighty(180) days dormant or who has relocated and the new place of residence that 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.
- (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 a 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. ANNUAL GENERAL MEETING (AGM)**

- (a) The authority of the Co-operative emanates in properly convened general meetings of Members.
- (b) A Co-operative must hold its first annual general meeting within 18 months of registration
- (c) Subsequent annual general meetings within 6 months after the end of the preceding financial year.

- (d) 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 noticeable places where it may be read by the Members at least 21 days prior to such meeting.
- (e) The order of business at an annual general meeting shall be:
  - (1) Ascertainment that a quorum is present;
  - (2) Reading and approval of the minutes of the last meeting;
  - (3) Report of the board
  - (4) Report of the treasurer
  - (5) Report of the credit committee
  - (6) Report of the Audit Committee
  - (7) Report by the Governance Committee
  - (8) The consideration/resolution of the annual financial statements, audit report and appropriation of surplus;
  - (9) The presentation and consideration of the budget statement;
  - (10) Election of directors and members of the audit committee
  - (11) Appointment of an auditor
  - (12) Any other business.
- (f) The Members assembled at any annual general meeting may defer the above order of business upon a two third vote of the Members present at the meeting.
- (g) 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 shall be displayed at the office of the Co-operative at least fourteen (14) days before the Annual General Meeting.
- (h) 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.
- (i) A Resolution may be withdrawn at any time before voting commences.
- (j) 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.

## **12. EXTRAORDINARY MEETINGS**

- (a) 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 .....% (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.

- (b) The audit committee may at any time request the board to summons 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.

### **13. QUORUM**

- (a) A quorum for an annual or extraordinary general meeting shall be constituted by at least one tenth of the Members of the Co-operative plus at least one percent of the Members of the Co-operative in excess of two hundred members.
- (b) If a quorum is not secured within 1 (one) hour of the opening of the general meeting, the meeting shall
  - (1) if convened as an extra ordinary meeting (in terms of 13 (a) above, be deemed to be cancelled; or
  - (2) 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.
- (c) If no quorum is present within 1 (one) hour at a meeting reconvened in terms of 13(b)(2) 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.
- (d) 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.

### **14. MEETING PROCEDURES**

- (a) 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.
- (b) Minutes of all Meetings of Members shall be kept by the Secretary, 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.

- (c) The minutes must contain:
  - (1) The number and names of Members present at the meeting, the names of presiding officers and confirmation that a quorum was present; and
  - (2) The time, place and date of the meeting and a record of all decisions made

## 15. ELECTIONS

- (a) Every Member shall have one vote only.
- (b) There shall be no voting by proxy. Voting electronically (email, fax or cell phone) or by letter is permitted.
- (c) 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.
- (d) No Person shall hold the office of director or audit committee member if:
  - (1) within the previous 10 years has been convicted in the Republic or elsewhere of theft, fraud, forgery or uttering a forged document, perjury, an offence under the Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004), an offence under the Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001), or any offence involving dishonesty;
  - (2) has been convicted of an offence committed after the Constitution of the Republic of South Africa, 1993 (Act No. 200 of 1993), took effect, and sentenced to imprisonment without the option of a fine;
  - (3) has contravened the provisions of any law the object of which is the protection of the public against financial loss;
  - (4) is a former director or executive officer of a co-operative bank or any other bank and that the person's actions contributed to the inability of that co-operative bank or other bank to pay its debts; or
  - (5) has taken part in any business practices that, were deceitful, prejudicial, or otherwise improper (whether unlawful or not) or which otherwise brought discredit to that person's methods of conducting business.
- (e) A Member who is two (2) or more months in arrears on loan payments shall not qualify for nomination.
- (f) 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.
- (g) 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.
- (h) 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.
- (i) 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.
- (j) 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.
  - (k) Nominations shall be in the following order:
    - (1) Nominations for directors; and
    - (2) Nominations for the audit committee Members
  - (l) In the case of an equality of votes, the chairperson shall have a casting vote.

## 16. BOARD OF DIRECTORS

- (a) All directors shall be Members of the Co-operative and must include the Managing Director in an ex-officio capacity with no voting rights. None of the directors, other than managing director may be employees of the Co-operative.
- (b) This board shall consist of..... Members. The number of voting 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.
- (c) A majority of all the directors (50% + 1) shall constitute a quorum for any meeting of the board.
- (d) 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.
- (e) Within ten (10) days after each Annual General Meeting of the co-operative, elect as officers from their own number a Chairperson, a Vice Chairperson, a Treasurer, a secretary and one other. These persons shall form the Governance Committee and shall serve as Officers of the co-operative.
- (f) 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.
- (g) 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.
- (h) Board meetings shall be held each month.
- (i) 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.

- (j) 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.
- (k) The office of a director or credit committee member may be declared vacant by the board and the vacancy filled as herein provided if a director or a credit expected 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.
- (l) A director may, after due notice, be relieved of his/her office by resolution of a general meeting before the expiry of his/her term of office and another qualified person may be elected in his/her 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.
- (m) 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 Co-operatives Act and Co-operative Banks 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.
- (n) A director of a Co-operative who is in arrears for more than three months with any amount or type of debt payable to the Co-operative, is disqualified from continuing as a director and must vacate his or her office immediately.
- (o) Directors may not serve more than two consecutive terms of office.
- (p) The board may pass a resolution in lieu of a meeting, which circumstances are limited to those where it is necessary to comply with legislation or as result of a request in the execution of legislative powers by the relevant authority, which decision would normally be approved at a meeting. Such decisions must be ratified at the next meeting.

## 17. FUNCTIONS OF THE BOARD

- (a) The Board shall be responsible for the management of the affairs of the Co-operative. This shall include, without limitation, the following functions:
- (1) Provide the strategic direction, ensure adequate controls and monitoring the progress of all activities of the Co-operative ;
  - (2) Open a savings account or cheque account in the name of the Co-operative with any permissible banking institution
  - (3) Within 10 (ten) days of the annual general meeting appoint a Governance Committee. One board Member shall sit on this committee, preferably the Chairperson or his/her deputy, to ensure prompt and effective communication between the board and the Governance committee;
  - (4) 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;
  - (5) 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;
  - (6) Determine from time to time the interest rates on deposits and loans, the rate of interest refund, if any, to be made to Members,
  - (7) 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 Managing Director employed by them;
  - (8) Have authority to recommend a declaration of interest on share capital or patronage refund to Members;
  - (9) To establish savings policy and loans policies to be followed by the credit committee;
  - (10) Approval of new products subject to the provisions of the Co-operative s Act and Regulations;
  - (11) Mobilising the support of the local residents for the Co-operative; be a member of and enter into an agreement with a representative body, support organisation or higher tier co-operative bank.
  - (12) Report back to the Members regarding the status and development of the Co-operative ;
  - (13) Authorise the conveyance of property;
  - (14) Submit the accounts of the Co-operative for audit;
  - (15) Review the list, as prepared by the Managing Director, of Members who are in arrears on loan instalments with the proposed recommended action;
  - (16) Review bad debts written off and uncollectible loans from the books of account;
  - (17) 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;

- (18) Receive grants and donations for the co-operative bank;
- (19) Borrow funds from the Co-operative s Development Agency, Secondary Co-operative of which the Co-operative is a member or other external sources of finance once authorised by special resolution;
- (20) Employ, fix the compensation, and prescribe the duties of the Managing Director and have the power to remove such employee from office if necessary;
- (21) Ensure that the Co-operative bank is in meeting all its compliance requirements;
- (22) Ensure that the Co-operative is keeping proper bookkeeping records and is able to present financial statement to the board on a monthly basis;
- (23) Ensure that the business of the Co-operative is duly processed.

## **18. CO-OPERATIVE BANK MANAGING DIRECTOR**

- (a) The Co-operative Managing Director should be:
  - (1) respected and trusted;
  - (2) matriculated;
  - (3) able to perform the operational functions of the Co-operative after training has been received, if necessary;
  - (4) able to fulfil the criteria set by the Board;
  - (5) able to perform other reasonable duties as the Members may from time to time require.
- (b) Any of the following persons shall be disqualified from being appointed as Managing Director:
  - (1) A juristic person;
  - (2) A minor or any person under legal disability;
  - (3) A person that would have been disqualified for meeting the criteria as a director in terms of 15 (d) above.

## **19. DISCLOSURE OF INTEREST**

- (a) A director or Managing Director of the Co-operative must, in writing, disclose to the Co-operative in accordance with section 37 of the Co-operatives Act
  - (1) the nature and extent of any interest that he or she has in a contract or transaction, or a proposed transaction, with the Co-operative and
  - (2) any material change to such interest.
- (b) It is up to the discretion of the other sitting Members of the board or sitting committee to determine whether or not the Member must excuse herself/himself from the meeting while the matter is being discussed or be allowed to participate in the discussion of the matter
- (c) Any disclosure must be recorded in the minutes of the meeting of directors

- (d) The board must, in accordance with the Co-operatives Act keep a register of directors and Managing Directors interests in contracts or undertakings containing full particulars of every disclosure of interest made.
- (e) A director or Managing Director of a Co-operative who fails to comply with this section is subject to disqualification.

## **20. LIABILITY OF DIRECTORS**

- (a) A director of the Co-operative shall not be liable to any person in his/her personal capacity for any loss or damage which may occur in or in connection with the performance of his/her duties unless:
- (b) 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 .

## **21. GOVERNANCE COMMITTEE**

- (a) The governance committee of the Co-operative shall be the chairperson, vice chairperson, treasurer and the secretary. The Managing Director will serve on this committee
- (b) The chairperson shall 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.
- (c) The vice chairperson shall exercise the powers, authority, and duties of the chairperson in his/her absence.
- (d) The treasurer or where applicable, the Managing Director 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.
- (e) The board may authorise the Governance Committee to approve applications for Membership. No executive committee Member or Membership officer shall be compensated as such.
- (f) 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 the board.

## 22. STANDING COMMITTEES

- (a) The board may appoint standing committees under the control of particular directors for the following functional responsibilities
  - (1) Marketing and Promotion Committee
    - a) Shall be responsible for the promotion of new Members, products and services.
  - (2) Education Committee
    - a) Shall be responsible for the continuing education of the Members of the Co-operative.
    - b) All new Members may be required to participate in education programmes to acquaint themselves with their rights and responsibilities as Members.
  - (3) Security Committee and
  - (4) Any other committee as may be deemed necessary for the smooth running of the Co-operative
- (b) The board must appoint a Credit Committee whose terms must include those as identified in 14 (G) below
- (c) The terms of reference of each committee must be clearly stipulated on constitution of such committee

## 23. FUNCTIONS OF CREDIT COMMITTEE

- (a) 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.
- (b) 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.
- (c) 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.
- (d) 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.
- (e) 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.

## 24. 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/chief accounting officer and/or the Managing Director 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) The audit committee shall facilitate and promote communication regarding the matters referred to in (c) or any other related matter between the members, board of directors, executive officers, auditor and the employee charged with the internal auditing of the transactions of the co-operative bank.
- (e) The audit committee shall introduce measures that in the committee's opinion may serve to enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of the co-operative bank.
- (f) The audit committee must meet at least quarterly and a majority of Members shall form a quorum at such meetings.
- (g) 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/Supervisory Body
- (h) The audit committee shall receive and investigate any complaint or appeal by Members concerning the operations of the Co-operative.
- (i) The audit committee shall provide a report of each meeting and all actions taken to the next regular meeting of the board.
- (j) Any actions taken against any director or committee Member by the audit committee must be reported to the Supervisor.

## 25. EQUITY AND RESERVES

- (a) The Co-operative's own capital/equity includes share capital, legal reserves and retained earnings to be transformed into voluntary reserves and/or institutional capital. The objective of increasing equity is to provide for working capital and generally for strengthening the financial position of the co-operative bank, including the compensation for unexpected losses that may be suffered by the Co-operative bank in its operations.
- (b) The Co-operative shall maintain the following reserves
  - (1) non-distributable reserves (retained earnings) and
  - (2) Indivisible general reserve in terms of section 3(1)(e) of the Co-operatives Act.

## 26. DISTRIBUTION OF SURPLUS

- (a) Should any of the statutory reserves reach the minimum regulatory requirement, the excess shall be transferred to other general reserves, established by the Board for the purpose of strengthening the financial position of the Co-operative, until the required level has been reached.
- (b) The 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:
  - (1) To provide for general reserves;
  - (2) To special and contingency reserves, if any;
  - (3) The board there after may recommend interest on share capital to be paid.
  - (4) An amount may be divided among the Members as a patronage refund in the proportion to the value of transactions conducted by a Member with the Co-operative...

## 27. SHARE CAPITAL

- (a) Shares may not be redeemed for more than their nominal value
- (b) 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.
- (c) For a Member to join the Co-operative a minimum of ..... (Number of) shares at a nominal value of R ..... each and must be fully paid up on application.
- (d) 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.
- (e) The repayment of shares may be deferred to a period not exceeding two years after the effective date of the notice of withdrawal.

## 28. ASSET AND LIABILITY MANAGEMENT

- (a) The Co-operative shall ensure that the funds of Members are held in safe and secure investments by investing or depositing funds in such instruments as prescribed through Section 14 of the Co-operative Banks Act;
- (b) All monies and valuables kept on the premises of the Co-operative must be kept in a safe.
- (c) All payments and investments must be authorised by the board, unless the board has delegated this authority.
- (d) The cash float of the Co-operative will be determined on a weekly basis, based on the expected cash flows during the week under consideration

**29. USE OF FUNDS**

- (a) Funds of the Co-operative may be applied to any purpose authorised by Members at an annual general meeting that is consistent with the objectives 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.

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

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 by a Member and for any loan guaranteed by a Member and may apply such funds toward repayment of such debts.

**31. FINANCIAL YEAR**

The financial year of the Co-operative shall begin on the \_\_\_\_\_ and end on the \_\_\_\_\_ each year.

**32. ACCOUNTS AND RECORDS**

- (a) The Managing Director 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 Managing Director and employees.
- (c) The Co-operative's accounts shall be reconciled monthly to bank records.

**33. ACCOUNTS AND AUDITS**

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

### **34. 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 the Co-operative, shall not exceed 10% (ten percent) of the total assets of the Co-operative, subject to the provisions of the Co-operative s Act and Regulations.
- (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 member 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 prescribed manner in the annual report to the Members.
- (f) The aggregate of all loans extended to staff and the Directors of the Co-operative bank shall not exceed 10% of the aggregate of total loans to Members.

### **35. 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) At least .....% of members (not less than 10%) 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.
- (g) Any amendment to the Constitution shall only come into operation once registered by the Registrar of Co-operatives.

### **36. 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.

### **37. 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.
- (d) The amendment to the constitution shall only be implemented after it has been approved by the Supervisor and registered by the Registrar of co-operatives.

### **38. 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 dispute resolution mechanism as established for this purpose.

### **39. 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. Upon dissolution and in terms of the provisions of the Co-operatives Act, the assets of the Co-operative shall be realised, 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-operative s, provided further that all the members of the amalgamated Co-operative meet the same criteria as a Co-operative as specified in this constitution and as in accordance with the provisions of the Co-operatives Act and the Co-operative banks Act with regard to amalgamations.

**NOTE: This page must be signed by ALL Founder Members.**

<b><u>FULL NAMES AND SURNAMES OF APPLICANTS FOR MEMBERSHIP</u></b>	<b><u>SIGNATURES OF APPLICANTS</u></b>
1. .... .....	1. ....
2. .... .....	2. ....
3. .... .....	3. ....
4. .... .....	4. ....
5. .... .....	5. ....
6. .... .....	6. ....
7. .... .....	7. ....
8. .... .....	8. ....
9. .... .....	9. ....
10. .... .....	10. ....
11. .... .....	11. ....
12. .... .....	12. ....