RULES
of
AOTEAROA CREDIT UNION

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1. The name of the Credit Union shall be Aotearoa Credit Union

INTERPRETATION

2. In these Rules, unless the context otherwise requires:
'Act' means the Friendly Societies and Credit Unions Act 1982 and any amendment thereof;
'Association' means the New Zealand Association of Credit Unions;
'Board' means the Board of Directors of the Credit Union;
'Member' means any person who is a member, or who is admitted to membership of the Credit Union pursuant to these Rules and includes a 'non-qualifying member' as defined in Rule 8;
'Registrar' means the Registrar of Friendly Societies and Credit Unions.
"Trust Deed" means the trust deed entered into between the Credit Union and the Prudential Supervisor pursuant to Rule 42 and includes any supplement, amendment, modification or novation to or of the same.

OBJECTS

3. The objects of the Credit Union shall be;
   a) The promotion of thrift among its members by the accumulation of their savings; and
   b) The use and control of the members savings for their mutual benefit and to make loans to members for provident or productive purposes; and
   c) The training and education of the members in the wise use of money and in the management of their financial affairs; and
   d) At the discretion of the Credit Union Board the making of donations for charitable, cultural, benevolent, or philanthropic purposes.

REGISTERED OFFICE

4. The registered office of the Credit Union shall be at 9-11 St George St, Papatoetoe, Auckland or at such other place as the Credit Union may from time to time decide. Notice of any change in the registered office shall be sent to the Registrar within 14 days.

MEMBERSHIP

5. Admission to Aotearoa Credit Union shall be limited to
   a) Persons residing or working within the territory of the Te Tai Tokerau, Tamaki Makaurau, Hauraki-Waikato, Waiariki, Te Tai Hauauru, Ikaroa Rawhiti, electoral districts and the main centres of the Te Tai Tonga electorate.
   b) A charitable entity as defined by the Charities Act 2005.
   c) An incorporated society registered under the Incorporated Societies Act 1908.

6. An applicant shall be admitted to membership provided:
   a) The applicant has completed an application in writing on a form prescribed by the Board; and
   b) The applicant qualifies for admission to membership under Rule 5; and
   c) The application has been approved by the Board.

7. A person, charitable entity or incorporated society that fails to hold at least $10 in fully paid-up shares in the Credit Union, shall not be permitted to become or remain a member of the Credit Union.

8. A member who ceases to fulfil the qualifications for membership under Rule 5 shall be entitled, subject to Rule 9, to retain his or her membership and in these rules shall be referred to as a 'non-qualifying member' PROVIDED that a member shall not cease to fulfil the qualifications for membership by reason merely of retirement from following a particular occupation or employment for a particular employer.

9. The number of non-qualifying members shall not at any time exceed 10 percent of the total membership of the Credit Union. In such event the Board shall have power to terminate the membership of as many non-qualifying members as are necessary to reduce the number to 10 percent of the total membership. The Board in exercising its power under rule S all terminate the membership of those persons which it considers to have had the least involvement in the Credit Union. In the event that the Board is unable to make a distinction on such ground the persons whose memberships are to be terminated shall be selected by means of a ballot conducted from a group of non-qualifying members selected by the Board as having had the least involvement in the Credit Union.

10. A member, or the member's personal representative, may withdraw from the Credit Union at any time. In such event all amounts paid in on shares shall be paid to the member as funds become available and only after deducting therefrom any amounts due from the member to the Credit Union.

11. A member may be expelled from membership of the Credit Union by a two-thirds majority vote of the members present at a Special Meeting duly called for the purpose. In the event of such expulsion the member shall have the same rights and be subject to the same obligations as if he or she were a member withdrawing from the Credit Union under Rule 10.

CAPITAL AND LIABILITY

12. The Credit Union shall issue redeemable shares in its capital subject to the following:
    a) Each share shall have a par value of one dollar which may be paid for in whole or in part. A part payment shall be deemed to be a subscription in advance and no share shall be allotted to a member until it has been fully paid;
    b) The maximum amount of shares which may be held by any one member shall be fixed by the Board but in any event shall not exceed the sum of $250,000.00 (or any such sum as may from time to time be authorised by the Act);
    c) Money paid in on shares may, subject to their terms of issue, be withdrawn at any time but the Board shall have the right at any time to require members to give 60 days' notice of their intention to withdraw the whole or any part of the money so paid;
    d) If a withdrawal of shares would reduce member's paid-up holding in the Credit Union to less than the members total liability (including any contingent liability) to the Credit Union whether as borrower, or guarantor, or otherwise, then;
        i. In the case of a non-qualifying member, the withdrawal shall not be permitted; and
        ii. In any other case the withdrawal shall be permitted only at the discretion of the Trustees
    e) Shares in the Credit Union shall not be transferable and the Credit Union shall not issue a certificate to a member denoting ownership of a share.
    f) A share may be held by two or more members jointly. The person first named on the Credit Union's Register of Members shall be deemed to be the member to whom the share was allotted.

13. Notwithstanding that shares are not transferable a member may nominate a person or persons to receive any shares that the member may have in the Credit Union at his or her death or any sum of money payable by the Credit Union at that time. Such nomination shall be in writing on a form prescribed by the Board and delivered or sent to the registered office. The maximum value of shares or sum of money so nominated shall not exceed the sum of $2,000 in total (or such other sum as may from time to time be authorised by the Act).

14. In the case of the death of a member, the survivor or survivors where the deceased was a joint holder of shares, and the legal personal representative of the deceased where the deceased was a sole holder of shares, shall be the only persons recognised by the Credit Union as having any title to the deceased's interests in the shares.

15. Where a member dies or becomes bankrupt, the member's personal representative or the assignee of the member's estate, as the case may be, shall be entitled, upon the production of such evidence as may from time to time be properly required by the Board, to be paid all amounts paid in on shares as funds become available and after deducting therefrom any amounts due from the member to the Credit Union.

FEES

16. Members shall pay fees, levies, and charges as determined by the Board, for services provided by the Credit Union, provided that such fees, levies and charges and any changes thereto shall not come into force until such time as they are sent by notice to all members.

    Where the Credit Union incurs a charge from another organisation when acting on a member's behalf, or incur legal fees, or fees associated with the registration of securities or in respect of credit references obtained with the consent of the member, the Credit Union may pass those costs on to the member.

FINANCIAL YEAR

17. The financial year of the Credit Union shall be from the 1st day of October to the 30th day of September each year, both dates inclusive.

MEETING OF MEMBERS

18. The Credit Union shall be governed by an annual meeting and between these meetings its affairs shall be conducted by the Board. Meetings of the members shall be called as follows:-
    a) The annual meeting shall be held not later than the 31st day of December in each year at such time and place as the Board may prescribe.

b) Special meetings of members may be called by the Board, the Trustees, or the Audit Committee and shall be called by the Chairman of the Board on receipt of a written application of members as follows:
   i. Where the membership of the Credit Union does not exceed 1000 members, an application made by one-tenth of the whole number of members.
   ii. Where the membership of the Credit Union exceeds 1000 members, an application made by 100 members.

c) At least 7 days before any meeting of the members the Secretary shall cause Notice thereof to be given to each member. The Notice to comply with Rule 47.

19. The business at annual meetings shall be:

a. To ascertain that a quorum is present;
b. apologies
c. Confirmation of the Minutes of the previous Annual general meeting
d. Report of Chairman;
e. Report of Treasurer;
f. Report of Trustees;
g. Confirmation of appointment of auditors
h. Acceptance of any proposed rule changes
i. Any other reports;
j. New business other than elections;
k. Elections of Directors and Trustees.
l. Ratification of Directors' remuneration
m. Any general business
n. Adjournment.

20. The annual meeting may suspend or vary the order of business upon a two-thirds majority vote provided that the conduct of elections shall be the final item of business to be transacted at the meeting.

20A. A charitable entity or incorporated society that is a member of the Credit Union under these rules shall be entitled to appoint by notice in writing, signed by the Chair and Secretary of the entity or society, its representative at a meeting of members. Such representative if so appointed shall be entitled to vote on behalf of that entity or society, provided that the notice shall not be effective unless it specifies whether the appointment is for a particular meeting or a specified term and a copy of the notice is delivered to the Credit Union not less than 24 hours before the stated commencement time of the meeting.

21. At annual and special meetings 30 members shall constitute a quorum. It no quorum is present, an adjournment may be taken to a date not less than 7, or more than 17 days, thereafter. The members present at any date to which the meeting is so adjourned shall constitute a quorum regardless of the number present. At least 5 days before the meeting so adjourned the Secretary shall cause notice thereof to be given to each member.

ELECTIONS

22. The procedure for the nomination and election to office of the Directors and Trustees shall be as follows:

a) At least 60 days prior to each annual meeting the Chairman shall appoint a Nominating Committee of 3 members.

b) The Nominating Committee shall cause notice to be given to members, in the Credit Union's newsletter, that nominations for the position of director are invited from members. The notice shall specify the date by which members' nominations for the position of director must be received by the Nominating Committee.

c) Nominations from members for the position of director must be in writing, including a curriculum vitae for the proposed nominee (to include details of that person's relevant skills and experience), and must be sent to the Nominating Committee at the Credit Union's registered office.

d) A nomination from a member for the position of director will be considered by the Nominating Committee provided the nomination is received by the Nominating Committee by the date referred to in the notice given under Rule 22(b).

e) The Nominating Committee may also nominate one or more members for each vacancy. If no nominations are received from members or if insufficient nominations for each available position of director are received from members, the Nominating Committee must nominate at least one person for each such vacancy.

f) On the expiry of the notice period referred to in Rule 22(b), the Nominating Committee shall review and prepare a final list of suitable nominees ("Nominees") for each vacancy. Each Nominee must be a person who the Nominating Committee, at is sole discretion, considers to be a "fit and proper" person.

g) The Nominating Committee shall forward the list of Nominees to the Secretary at least 28 days prior to each annual meeting.

h) In the event that the number of Nominees for the position of director is equal to the number of

vacancies for the position of director, each Nominee for each position will be deemed to have been appointed as director as at the date of the annual meeting.

i) In the event that the number of Nominees for the position of director is greater than the number of vacancies for the position of director then each vacancy for the position of director will be filled by way of an election.

j) At least 21 days before the annual meeting the Secretary shall cause notice to be given to each member of the following:

I. The date of the annual meeting; and

II. The list of Nominees approved by the Nominating Committee for each vacancy. Only Nominees may be elected to fill a vacancy.

k) The Secretary shall cause ballot papers to be prepared for distribution to members at the annual meeting.

l) The Nominating Committee will circulate at the annual meeting, a written curriculum vitae including details of each Nominee's relevant skills and experience.

m) All elections shall be determined by a majority vote and shall be by ballot.

n) Elections shall be conducted by one ballot for all offices or by separate ballots in which event the elections shall be conducted in the following order:

i. Election of Directors;

ii. Election of Trustees

o) Following the appointment of scrutineers by the Chairman the ballot papers shall be distributed, the votes shall be taken and tallied by the tellers and the results announced.

RIGHT OF VOTING

23. On every matter which is determined by a vote of members the following rules shall apply:

a) Every member shall be entitled to vote and shall have one vote only.

b)

In the case of the election of Trustees, a motion for the expulsion of a member pursuant to rule 11, or a motion for dissolution of the Credit Union pursuant to Rule 50, the votes of members shall be cast in person. In any other case a member may cast a postal vote by means of a ballot prepared for this purpose and obtainable on paper request from the Secretary.

ba) No charitable entity or incorporated society that is a member under these Rules may be nominated for or elected to, any office in the Credit Union provided that this shall not prevent a person appointed to represent under Rule 20A from being nominated and elected to office if a member of the Credit Union in their own right.

c) A postal vote shall be valid if it is received by the Credit Union:

i. at the branches located with the boundaries of the Auckland Regional Council (and its successors), not later than 12 midday on the day of the meeting; or

ii. at any other branch, not later than 4:00 p.m. on the first working day before the day of the meeting.

The postal vote shall be handed to the scrutineers appointed to act at the meeting who shall open the ballot paper and ensure the inclusion of the postal vote in the voting tally.

BOARD OF DIRECTORS

24. The board of Directors shall be constituted as follows:

a) The Board shall comprise a maximum of 7 and a minimum of 5 Directors all of whom shall be members of the Credit Union.

b) At the first annual meeting of the Credit Union 6 of the Directors shall be elected for a term of one year and 5 of the Directors for a term of 2 years. Thereafter the term of each Director shall be 3 years or until the election and qualification of a successor.

c) In the event of a vacancy on the Board caused by the death or disqualification of a Director so elected, the Board may appoint a member to fill the vacant office and that member shall hold such office until the earlier of the next annual meeting or the election and qualification of a successor.

d) The Board may appoint Associate Directors. Associate Directors attend Board meetings but will have no voting rights or form part of the meeting quorum. They may be assigned on to committees under Rule 27 and may receive remuneration under Rule 28(s).

25. The Board shall meet on at least eleven occasions each year at a time and place to be determined by the Board. The Chairman or in his absence the Vice-Chairman, or in their absence, the Secretary, may call a special meeting of the Board at any time and shall do so upon the written request of any 3 Directors. The Chairman, Vice-chairman or Secretary, as the case may be, shall fix the time and place of any special meeting unless the Board by resolution prescribes otherwise. Notice to the Directors of all meetings of the Board shall be given in such manner as the Board may from time to time by resolution prescribe.

26. A figure representing a majority of the total appointed directors (a minimum of three (3), maximum of

five (5) shall constitute the amount of Directors required to form a quorum for the transaction of business at any meeting of the Board but fewer than a quorum may adjourn from time to time until a quorum is in attendance. Written notice of an adjourned meeting need not be given to the Directors.

26.a The following persons are disqualified from being appointed or holding office as a Director:

a) A person who is under eighteen (18) years of age;
b) A body corporate;
c) A person who is an undischarged bankrupt;
d) A person who is the subject of an order under Section 30 or Section 31 of the Protection of Personal and Property Rights Act 1988;
e) A person who is mentally disordered in terms of the Mental Health (Compulsory Assessment and Treatment) Act 1992;
f) A person who is disqualified from being a director of a company under the Companies Act 1993; or
g) An employee of the Credit Union.

26.b Vacancies and removal may occur as follows:

a) The Board may by special resolution of two thirds of its members remove a Director provided that at any such meeting the person subject to the decision of the Board will have the right to be heard before the vote is taken and to be represented by counsel;
b) If a Director fails to attend regular meetings of the Board for three (3) consecutive meetings or otherwise fails to perform any of the duties required of the Director, the Director's position on the Board may be declared vacant by resolution of the Board;
c) A Director of the Board may resign from office by written notice of resignation to the Credit Union.

26.c The office of Director will deemed to be vacated upon the person holding that office:

a) Being removed from office in accordance with Rules 26B(a) or (b);
b) Resigning in accordance with Rule 26.b.(c);
c) Becoming disqualified from being a director in accordance with Rule 26.a;
d) Dies; or
e) Otherwise vacates office in accordance with these Rules.

27. The Board may establish such committees as it sees fit to carry out such delegated functions as the Board may direct.

DUTIES OF THE BOARD OF DIRECTORS

28. The Board shall determine, promulgate and implement the policies of the Credit Union and shall be responsible for the general management of the affairs and records of the Credit Union. In addition to the duties customarily performed by a Board of Directors, the Board shall:

a) Prescribe the forms to be completed by applicants for membership to act upon applications for membership and to establish such procedures as will ensure that membership applications are processed with a minimum of delay.
b) Maintain policies of insurance which shall provide life savings insurance and loan protection insurance at no direct charge to a member. The Board shall ensure that each member receives a certificate of insurance which sets out the terms and conditions of such insurance and that the master policy be available for inspection at reasonable hours.
c) Determine the lending policy of the Credit Union to its members and ensure that the details of the lending policies, from time to time in force, are readily available to members.
d) Determine from time to time the rate or rates of interest consistent with the provisions, if any, prescribed by law which should be charged on loans.
e) Establish by-laws under which Christmas Clubs and other types of savings accounts may be established for members provided that subscription shall be by shares which shall rank equally with all and any other shares issued by the Credit Union.
f) Declare dividends from earnings in accordance with Rule 57.
g) Authorise the employment of such person or persons as may be necessary to carry on the business of the Credit Union and fix the remuneration of such persons including the Treasurer.
h) Borrow money within the terms and limits set out in Section 109 of the Act.
i) Ensure that all officers and employees having the receipt or charge of money shall, before taking up office, give security in accordance with Section 114 of the Act.
j) Ensure compliance with Section 117 of the Act in relation to investments by the Trustees.
k) Establish and maintain a General Reserve Fund in accordance with Section 119 of the Act.
l) Cause proper accounting records to be kept relating to the transactions of the Credit Union and its assets and liabilities in accordance with Sections 60 and 121 of the Act.
m) Establish and maintain a satisfactory system of control of the accounting records of the Credit Union, its cash holdings and all its receipts and payments in accordance with Section 121 of the Act.
n) Institute and maintain procedures for the prevention and detection of fraud or other dishonesty by any of the officers or employees of the Credit Union and to take out and maintain a policy or policies

of insurance providing cover against any such fraud or other dishonesty in accordance with Section 133 of the Act.

o) Give meaningful effect to the objects of the Credit Union set out in rule 3 hereof.
p) Ensure that the Credit Union complies with all of its obligations under the Act.
q) Perform or authorise any action consistent with the provisions of the law and these Rules not specifically reserved by these Rules for the members.
r) Perform such other duties as the members, may from time to time require.
s) Set the amount of remuneration payable to Directors and Associate Directors for their work as Directors and Associate Directors on the Board. Such amounts to be ratified at the Annual General Meeting.

OFFICERS

29. The officers of the Credit Union shall be elected and hold office as follows:

a) Within 7 days following each annual meeting, the Directors shall elect from their own number a Chairman, Vice-Chairman, Treasurer and Secretary provided that no person who is 19 years of age or younger shall hold the office of Treasurer.
b) The offices of Secretary and Treasurer may be combined subject to the consent in writing of the Registrar.
c) Unless sooner removed, as herein provided, the officers so elected shall hold office for a term of one year or
d) Until the election and qualification of their respective successors
e) In the event of a vacancy in the office of Chairman, Vice-Chairman, Treasurer, and/or Secretary, caused by the death or disqualification of an officer so elected, the Directors shall elect from their own number a person to fill the vacant office and that person shall hold such office until the next annual meeting or until the election and qualification of a successor.

CHAIRMAN AND VICE CHAIRMAN

30. The functions of the Chairman shall be as follows:

a) The Chairman shall preside at all meetings of the members and at all meetings of the Board. In addition the Chairman shall perform such other duties as are customarily performed by a Chairman or as he may be directed to perform by resolution of the Board not inconsistent with the provisions of the law or these rules.
b) The Vice Chairman shall have and exercise all the powers, authority and duties of the chairman during the absence of the Chairman or during any period when the Chairman is unable to act.
c) In the absence of the Chairman and the Vice Chairman at any meeting of the members, or meeting of the Board, the Directors may elect one of their members to act as Chairman of that meeting.

DUTIES OF THE TREASURER

31. The Treasurer will ensure:

a) Deposit with the Credit Union's bankers all payments received within 3 working days of its receipt in such accounts as are authorised by the Board.
b) Prepare and present to the Board each month a balanced statement showing the cash flow, gain and loss, and assets and liabilities of the Credit Union as at the close of business on the last day of the preceding month.
c) Cause to be prepared in respect of each financial year an Income and Expenditure Account and a Balance Sheet in accordance with Sections 61 and 121 of the Act.
d) Within 3 months of the close of each financial year send to the Registrar an annual return for that financial year in accordance with Section 127 of the Act
e) Make available on the application of a member or person interested in the funds of the Credit Union, without charge, a copy of the last annual return together with a copy of the report of the auditors in accordance with Section 129 of the Act.
f) Keep available for inspection at the registered office:
    i. An indexed register of members which shall be open to inspection by any member, in accordance with Section 130 of the Act;
    ii. The books and accounts of the Credit Union which shall be open to inspection by any member or other person having an interest in the funds of the Credit Union provided that no person (unless he or she is an official of the Credit Union acting in the course of his or her duties) shall inspect any accounts of another member without the written authority of that member, in accordance with Section 131 of the Act;
    iii. A copy of the last Balance Sheet together with report of the auditor which shall be open to inspection by any member, or other person having an interest in the funds of the Credit Union, in accordance with Section 132 of the Act.
g) Perform such other duties as he or she may be directed to perform by resolution of the Board not inconsistent with the provisions of the law or these Rules.

32. The Board may appoint one or more persons to act as Assistant Treasurer and authorise such person or persons under the direction of the Treasurer to perform any of the duties devolving on the Treasurer. An Assistant Treasurer may also act as Treasurer during the absence of the Treasurer or in the event that the Treasurer is unable to act.

DUTIES OF THE SECRETARY

33. The Secretary shall prepare and maintain full and correct records of all meetings of the members and the Board. The Secretary shall give, or shall cause to be given, in the manner provided in these Rules, proper notice of all meetings of the members and shall perform such other duties as the Secretary may be directed to perform by resolution of the Board not inconsistent with he provisions of the law or of these Rules.

TRUSTEES

34. The Trustees of the Credit Union shall be elected and hold office as follows:

    a) There shall be 2 Trustees who shall have attained the age of 20 years and who shall be elected by the Members.
    b) The term of each Trustee shall be 1 year provided that no person shall be elected for a term of office as Trustee which exceeds the term remaining of that person as a Director of the Board.
    c) The same person shall not hold the office of Secretary and/or Treasurer of the Credit Union while holding at the same time a position as Trustee of the Credit Union.
    d) The Trustees shall choose from among their number a Chairman and Secretary which offices may be held by the same person. The Secretary shall maintain and have custody of full and correct records of every action taken by the Trustees
    e) Within 14 days after the election of a Trustee the Secretary shall send to the Registrar a copy of the Resolution signed by the Trustee so elected and by the Secretary
    f) As soon as practicable after the death or disqualification of a Trustee, a new Trustee shall be elected by the members from the Board.

35. The Trustees shall meet on at least one occasion each month at a time and place to be determined by the Trustees. Notice of such meetings shall be given to the Trustees in such manner as they may from time to time by resolution prescribe. The Trustees shall keep a record of all such meetings.

36. The Trustees shall:
    a) Act as the Credit Committee for the Credit Union and fulfil all statutory duties required of the Trustees. In the event of a vacancy on the Credit Committee caused by the death or disqualification of a Trustee the Board may elect from their own number a person to fill the vacant office and that person shall hold such office until the election and qualification of a successor.
    b) Supervise all loans made by the Credit Union to members and review any loan application they deem fit to determine whether the security offered by the member is sufficient and the terms upon which such loan shall be made
    c) Control all bank accounts under such terms as may be determined by resolution of the Trustees.
    d) Hold all property belonging to the Credit Union which shall be vested in the Trustees for the use and benefit of members and all persons claiming through any of them according to these Rules.
    e) Pay any monies received by the Trustees on account of any investment of the Credit Union within 3 working days to the Treasurer with full particulars so as to enable the accounts to be correctly kept.
    f) Subject to Section 109 of the Act, borrow money on such terms and conditions as are approved by the Board.
    g) Ensure compliance with Section 110 of the Act and these Rules in relation to the making of loans to members.
    h) Invest the funds of the Credit Union in accordance with these Rules and the provisions of Sections 49 and 117 of the Act.
    i) Make a monthly report on loan matters to the Board and a general report to the members at the annual meeting.

AUDIT COMMITTEE

37. The Board shall appoint and at all times maintain an Audit Committee to be a sub-committee of the board consisting of at least two persons one of whom shall be a Board member.

38. The Audit Committee shall:
    a) Ascertain that all actions of the officers, Directors, Trustees and the Board of the Credit Union are in conformity with:
        I. These Rules;
        II. The Act, the Securities Act 1978 and otherwise with the laws of New Zealand;
        III. The Trust Deed;

IV. The Credit Union's policies; and
V. The International Credit unions Operating Principals

b) Make or cause to be made routine operating inspections of the affairs of the Credit Union at intervals of nor less than once every three months, which shall include an examination of its books including the systems of control maintained under Section 121 of the Act, an inspection of the securities, cash, accounts, loans, and Conflicts Register maintained in accordance with Rule 44 thereof.
c) Make a written report to the Board of its findings following each examination or at such times or in such manner as are acceptable to the Board.
d) Arrange or cause to be expeditiously made, annual and/or six-monthly audits of the Credit Union's Financial Statements and written reports in accordance with Sections 122 to 125 of the Act and with the Securities Act 1978, and to liaise with and assist the External Auditor in this regard.
e) Monitor and report to the Board as required on the due completion of all statutory filings in respect of Rule changes, Annual Returns, Prospectuses, and other statutory documents.
f) Make recommendations on the appointment of the External Auditor and regularly liaise with and consider the advice and recommendations of the External Auditor with regard to the matters set out in paragraphs (a) to (c) of this Rule.

39. The Audit Committee is empowered to:

a) Investigate fully any act or omission which may constitute a breach of one or more of those matters specified at Rule 38(a).
b) By unanimous vote of the Audit Committee suspend any officer, Director or Trustee of the Credit Union, provided that at any such meeting the person subject to the decision of the Audit Committee will have the right to be heard before the vote is taken and to be represented by counsel.
c) Call a Meeting of Members to consider any breaches of one or more of those matters specified at Rule 38(a).
d) Report to the Members on all matters brought before a meeting of the Members called by the Audit Committee in accordance with Rule 39(c).

APPOINTMENT OF AUDITOR

40. The Credit Union shall appoint a qualified auditor to audit the accounts and balance sheet each year in accordance with sections 65 and 123 of the Act. Where the Credit Union qualifies as an `exempt Credit Union' as defined by Section 122 of the Act the Credit Union may at its option, appoint 2 or more persons who are not qualified auditors to audit the accounts and balance sheets for that year.

DISQUALIFICATION OF DIRECTORS, TRUSTEES AND SUPERVISORY COMMITTEE MEMBERS

41. A Director, Trustee, or Audit Committee member shall vacate his or her office immediately he or she:
a. Ceases to be a member of the Credit Union; or
b. Becomes bankrupt or makes any arrangements or composition with his or her creditors generally; or
c. Becomes of unsound mind or becomes a protected person under the Aged and Infirm Persons Protection Act 1912; or
d. Resigns his or her office by notice in writing to the Credit Union; or
e. Has been convicted of an offence involving fraud or dishonesty
f. Has received a notice of disqualification from the Prudential Supervisor pursuant to the Trust Deed; or
g. Is barred from holding office under legislation affecting financial institutions, or if any public disclosure is required to be made by the Credit Union in respect of that officer concerning previous bankruptcy, conviction for a crime of dishonesty, prohibition as a director or manager by a Court or Tribunal, or conviction for failing to make such a disclosure.

PRUDENTIAL SUPERVISION

42. In order to comply with the Securities Act 1978, the Securities Regulations 1983 and any Exemption Notice issued thereunder the Trustees may on the recommendation of the Board enter into a Trust Deed with a Prudential Supervisor in a form approved by the Board pursuant to which:
a) The Prudential Supervisor covenants to monitor the affairs of the Credit Union for the benefit of Members in accordance with the provisions of the Trust Deed;
b) The Prudential Supervisor may in certain circumstances give directions in respect of the administration of the affairs of the Credit Union which are binding on the Trustees and the Board and on the Credit Union; and
c) The Credit Union agrees to provide security to the Prudential Supervisor for the benefit of members by way of an agreement to assign all its present and after acquired property together with such powers and authorities as the Prudential Supervisor might reasonably expect in relation to the enforcement of such security as set out in the Trust Deed.

43. Notwithstanding any other provision in these Rules the Credit Union will give effect to the provisions of

such Trust Deed, including the implementation of directions by the Prudential Supervisor pursuant to the Trust Deed for the removal of directors and appointment of new directors.

44. Upon entry into any such Trust Deed the Prudential Supervisor shall be deemed to be a person claiming through the Members pursuant to Section 112(1) of the Act and the Trustees and Board will act accordingly.

45. The Prudential Supervisor shall not be bound by any other provision in these Rules merely by being deemed to be a person claiming through the Members under Rule 44.

46. Without limiting Rule 45, nothing in these Rules relating to disputes between a Credit Union and persons claiming through members of the Credit Union shall apply to any dispute which may arise between the Credit Union and the Prudential Supervisor.

47. Any directions given by the Prudential Supervisor to the Trustees and/or Board under the powers conferred on the Prudential Supervisor in the Trust Deed shall be given effect to by the Trustees and each Director and be binding on all Members.

48. The Credit Union and the Trustees are authorised to appoint from time to time by Deed in a form to be approved by the Board, the Prudential Supervisor, any Receiver appointed by the Prudential Supervisor, and each of the Prudential Supervisor's officers for the time being severally to be the Credit Union's attorney or attorneys for such purposes and with such powers, authorities and discretion's and for such period and subject to such conditions as the Board may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretion's vested in him or her.

49. The Prudential Supervisor, through any of its agents, attorneys or representatives, may attend any meeting of the Credit Union and shall have the standing and right to speak and be heard at any such meeting, whether in relation to any matter arising during the course of the business of that meeting or any other matter which the Prudential Supervisor wishes to raise at the meeting.

50. At any time, the Prudential Supervisor may call a meeting of Members to raise and discuss any issue relating to the administration of the affairs of the Credit Union. The Prudential Supervisor shall be responsible for chairing any such meeting.

51. The share capital of the Credit Union shall be issued on the condition that its value may be written down and that any shares may be consolidated with other shares held by the Members in reduction of any accumulated losses of the Credit Union in the same proportion as call other shares issued in the capital of the Credit Union are written down and consolidated provided always that any such write down by capital and consolidation of shares is recommended by the Board and approved by a Special Resolution of Members.

52. The Credit Union shall to the extent necessary to comply with the Securities Act 1978, the Securities Regulations 1983, any Exemption Notice issued thereunder or any provision of the Trust Deed entered into with the Prudential Supervisor, amend these Rules provided that no amendment of these Rules shall be valid until registered pursuant to Section 23 of the Act.

53. A Director shall vacate his or her office immediately the Credit Union receives a direction to remove that Director from the Prudential Supervisor pursuant to the Trust Deed.

LOANS

54. The Credit Union shall only make loans to its members, which loans shall be subject to the following:
    a) Applications for loans shall be on forms prescribed by the Board and shall in each case set forth the purpose for which the loan is desired, the security offered (if any) and such other information as the Board may require.
    b) The Credit Union may make loans for such purposes and upon such security (or without security) and conditions as shall be determined by the Board.
    c) The Board may fix the maximum amount of any loan, secured or unsecured, which may be made by the Credit Union to a member, and the total amount that may be outstanding on loans to members. In any event such amounts shall not exceed any maximum amount or total amount notified in the Gazette pursuant to Section 111 of the Act.
    d) The Board may fix the maximum amount by which the indebtedness of a member (other than a non-qualifying member as defined in rule 8) may exceed the total amount of the member's shareholding in the Credit Union, but in any event the indebtedness of a member shall not exceed 10 percent of the value of the assets of the Credit Union in the case of a secured loan, or 5 percent in the case of an unsecured loan, as provided in Section 110 of the Act.
    e) In the case of a non-qualifying member no loan shall be made by the Credit Union if the making of

the loan would cause that member's total liability (including contingent liability) to Credit Union, whether as borrower, guarantor, or otherwise, to exceed his or her total paid up shareholding in the Credit Union at that time.

f) The maximum period within which a loan from the Credit Union must be repaid shall be fixed by the Board but in any event shall not exceed 30 years, in the case of a secured loan, or 5 years in the case of an unsecured loan, or such other period as may from time to time be authorised by the Act or approved by the Registrar in accordance with Section 110 of the Act.

g) In the event of insufficient funds being available to meet loan applications which would otherwise be approved it shall be the policy of the Credit Union to give preference in all cases to those applications for a lesser amount.

GENERAL RESERVE

55. The Credit Union shall out of its profits from year to year, establish and maintain a General Reserve Fund in the manner prescribed by Section 119 of the Act The General Reserve Fund shall not be distributed until the Credit Union is being wound up or is dissolved, but may be applied for the following purposes:
    a) To offset realised losses arising from loans made by the Credit Union to members.
    b) To such persons of such' amounts in such special circumstances as the Registrar, on application, may approve.

56. In addition to the General Reserve Fund the Board or the members may establish from time to time one or more Special Reserve Funds.

DIVIDENDS

57. Dividends may be paid to members as follows:
    a) In the course of, and/or at the end of each financial year, the Board may declare a dividend from the net earnings received by the Credit Union after making proper provision for transfer to the General Reserve Fund of such amount a may be required by Section 119 of the Act.
    b) In the course of any financial year, the Directors may declare a special dividend to be paid on shares withdrawn prior to the end of that financial year.
    c) Dividends may be paid on all fully paid-up shares held for a period of not less than one month during that financial year or for such other period, whether continuous or broken, as the Board may direct. A fully paid-up share shall be deemed to have been held by the member for one month provided payment in full is received on or before the third working day of that month and the share remains fully paid-up until the last working day of that month
    d) Fully paid-up shares which at the end of the financial year have been held for a period of less than 12 months shall be entitled to payment of a dividend, if declared, of an amount in direct proportion to the period that the shares were so held.
    e) Where at the end of any financial year, the Board declares a dividend of not less than 4 percent, the Board may direct the payment of a refund, either in whole or in part, of the interest paid by members in the course of that financial year on loans made by the Credit Union. The rate of any such interest rebate fixed by the Board shall be applied to each and every loan made by the Credit Union without variation or adjustment.
    f) A member shall be deemed to have one fully paid share for each sum of one dollar paid to the Credit Union irrespective of the number of shares for which the member has subscribed.

SERVICE OF NOTICES

58. It shall be the duty of each member to advise the Credit Union of any change in his or her address.

59. Where notice of any meeting is required to be given to a member, notice shall be deemed to have been duly given if, within the time prescribed by these Rules, written notice of the meeting and the business to be transacted at such meeting is advertised at least once in the Public Notices column of the "NZ Herald" newspaper.

RULES AND ALTERATIONS TO RULES

60. No new rule shall be made nor shall any of these Rules be altered or abandoned unless notice of the motion to make such new rule, alteration or abandonment and notice of the date, place and time of the meeting called to consider such motion has been given to each member. Such meeting may adopt such new rule, alteration or abandonment only on the vote of the majority of the members.

61. No amendment of these Rules shall be valid until registered pursuant to Section 23 of the Act.

DISPUTES

62. Disputes
    a) The following disputes shall be settled by arbitration:

b) Every dispute between a member, or person claiming through a member or under these rules, and the Credit Union or an officer thereof, including any dispute as to whether a member is entitled to be, or to continue to be a member.
c) Every dispute between a person aggrieved who has ceased to be a member, or a person claiming through such person aggrieved, and the Credit Union or an officer thereof, provided that the dispute is on a question which arose when the person aggrieved was a member, or arises out of that person's membership, and includes any dispute as to whether a person aggrieved is entitled to be reinstated as a member.
d) One arbitrator shall be nominated by the Board on behalf of the Credit Union or the officer thereof and one by the other party. If the arbitrators are able to agree their decision shall be binding and conclusive on all parties.
e) If the arbitrators are unable to agree they shall appoint an umpire whose decision shall be binding and conclusive on all parties
f) If either party shall neglect or refuse to appoint an arbitrator for a period of ten days after the receipt of notice of appointment of an arbitrator by the other party, such last named arbitrator may make a final decision alone and the decision so made shall be binding and conclusive on all parties.
g) Subject to the right of an arbitrator or umpire to state a case for the opinion of the High Court and to the right of a person to refer a dispute to the Court where no decision is made on the dispute within forty days as provided in the Act, any decision which is binding and conclusive on all parties shall not be open to appeal and shall not be removable into any court of law or restrainable by injunction and application for enforcement of the decision may be made to a court of competent jurisdiction.

INVESTIGATION

63. Application may be made to the Registrar for an investigation into the affairs of the Credit Union or for the calling of a special meeting of the Credit Union in accordance with Section 89 of the Act as follows:
a) Where the membership of the Credit Union does not exceed 1000 members, on application made by one fifth of the whole number of members.
b) Where the membership of the Credit Union exceeds 1000 members, on application made by 200 members.

DISSOLUTION

64. On the requisition of 50 percent of the members a special meeting shall be called by the Chairman to consider the motion that the Credit Union be dissolved. Should such motion be carried by 75 percent of the members present then the meeting shall stand adjourned for a period of one month. The Secretary shall cause notice to be given to each member of such adjourned meeting and the business proposed. If at the resumption of the meeting the resolution be then confirmed by 75 percent of the members present the consent to dissolution shall be testified by the signature of an instrument of dissolution in the form prescribed by Section 94 of the Act.
65. In the event of the dissolution of the Credit Union any assets remaining after the payment of debts, the repayment of share capital and the discharge of other liabilities of the Credit Union shall be transferred to the New Zealand Association of Credit Unions, or alternatively, shall be applied for charitable purposes in the event of a resolution to that effect being carried by 50 percent of the members present at the adjourned meeting held in accordance with Rule 52.

TRANSFER OF ENGAGEMENTS

66. In the event of a proposal being received for the transfer of a Credit Union's engagements to the Credit Union, the Board of Directors may on behalf of the members accept such a transfer of engagements in accordance with Sections 83 and 135 of the Act provided that such acceptance is by resolution passed by not less than 75% of the Board of Directors voting in person.

67. In considering a transfer of engagements the Board of Directors shall have regard to the consequential effects on the Credit Union's bond and the requirements of Section 135 (4) of the Act.

CONFLICT OF INTEREST

68. For the purposes of Rules 56, 57,58 and 59 only, and no other rules:
'Officer' includes a Director or member of the Board (including any other person who by precedent or agreement is an ex officio member), a member of a sub committee of the Board, a Trustee, or a member of the Audit Committee;
'Conflicts Register' means the document (or form of document) set out in a schedule to these rules.
'Conflict of Interest' is a situation where there exits any relationship between an Officer and a member, staff member, the Officer's employment, or a business relationship where such relationship is likely to effect, or be viewed as such in the minds of others, that Officers independence and impartiality and includes;
i. Spouse, de facto marriage partner, child, or member of immediate household;
ii. Parent, uncle, aunt, brother, sister, or immediate relationship through marriage;

iii. Cousin in the first degree of blood relationship;
iv. Business partner or former business partner;
v. Close personal friend or associate in circumstances which is deemed by other members of the Board, or Committee, or Sub-committee to constitute a conflict of interest.

69. In all cases where a conflict of interest or possible conflict arises concerning any matter involving an Officer, or a member, or a staff member, there should be disclosure by the Officer of the existence of a conflict to those involved:
    a) To the Board or Committee or sub-committee of which the officer is a member or ex-officio member; and
    b) To any member or staff member who may be personally affected.

70. In circumstances where a conflict exists and whether or not it has been disclosed;
    a) The Officer should not participate in the discussion or decision-making except by leave of the Board or Committee or sub-committee;
    b) The Officer should not be present during any discussion which relates to a staff member's employment and a conflict is required to be disclosed.
    c) The minutes of the Board or Committee or record of the meeting are to disclose the actual vote numbers as the name of the abstaining Officer rather than disclose a consensus decision.
    d) The disclosure of a conflict of interest at any Board or Committee or sub committee meetings is to be entered in the Conflicts Register of the Credit Union.

71. Any decision which is made or taken in breach of Rule 70 is ultra vires the Rules of the Credit Union.

Schedule A

CONFLICTS REGISTER

Disclosed by Board or Committee	Date of Meeting	Nature of Conflict