



SVG POLICE CO-OPERATIVE
CREDIT UNION

SVGPCCU

NEW RESOLUTION

2023

RESOLUTION 2023

General

The Board of Directors of the SVGPCCU has authorized the issuance of two classes of shares approved by resolution passed on 23rd July 2019. This was brought about due to the ordinary shares deposit now reclassified as liability instead of capital. The ordinary shares deposit are funds that are paid by members at no specific time and used as collateral/security for loans. Such share deposits are withdrawable by members.

This would have caused the capital structure of the credit union to deteriorate significantly and threaten the sustainability of the organization as a going concern.

In addition, the credit union was mandated by the Co-operative Society's Act to have and maintain a capital base of 10% and above. Since then, in 2023, the Co-operative Society's Act was amended, changing the percentage of 10 to 12 and SVGPCCU now stands at 11.18% as at 31st August 2023.

Amendment:

Amendment of section 124 of principal Act –

(3) "A co-operative society shall ensure that its institutional capital is at no stage less than seven percent of its total assets and that its capital base is not less than twelve percent of its total assets or such greater percentages as may be specified by the Registrar from time to time."

Statutory Requirement

The credit union's health and stability depend largely on its capital.

Capital requirements are set to ensure that the credit unions are not dominated by investments that increase the risk of default. They also ensure that there is enough capital to sustain and mitigate any operating losses while still honoring withdrawals. The following is the set requirement for capital – 12%:

"A co-operative society shall ensure that its institutional capital is at no stage less than seven percent of its total assets and that its capital base is not less than twelve percent of its total assets or such greater percentages as may be specified by the Registrar from time to time."

Also, the Co-operative Society's Act, Section: 128 (2) – A co-operative society shall not:

(b) pay a dividend or make any payment on account out of profit until its institutional capital has reached a proportion of not less than ten percent of the total assets of the co-operative society.

Therefore, if the credit union makes a profit and is undercapitalized, no dividend can be paid.

What is Capital?

Capital is the money that the credit union has obtained from its members who are shareholders through the purchasing of shares (qualifying (permanent) and equity) and other investors and any profit that has been made and not paid out.

How to grow Capital?

If a credit union wants to expand its capital base, it can do so by issuing more shares or by retaining profits, rather than paying them out as dividends to shareholders.

Issuance of shares can be done in two (2) ways:

- a) Increase membership – issuance of qualifying (permanent) shares
- b) Issuing more equity shares

What are Equity Shares?

Equity Shares are a type of shares issued as part of the capital structure of the credit union, along with qualifying (permanent) shares.

Members' Requirement

Before the Co-operative Society's Act was amended, capital was 10%, consequently, the credit union had requested members to have \$500.00 in equity shares. However, now that the Act has been amended, increasing capital from 10% to 12%, each member is required to have an additional sum of \$200.00 in equity shares.

Benefits of owning Equity Shares

1. Dividends are payable
2. Provides higher returns than that of Ordinary Shares Deposit
3. Equity also improves the capital structure of Credit Unions and in the long run, this form of investment will provide members with attractive returns.