

AUSTRALIAN CAPITAL TERRITORY

CO-OPERATIVE SOCIETIES ORDINANCE (NO. 2) 1975

EXPLANATORY MEMORANDUM

No. 15 of 1975

The Co-operative Societies Ordinance (No. 2) 1975 will amend the Co-operative Societies Ordinance 1939-1975 by introducing new provisions relating to powers of inspection, liquid funds, reserve transfers, mortgage insurance and investment of society funds.

Powers of Inspection

The Registrar and any Inspectors will be empowered to inspect during business hours and make copies of any records or documents of a society. They will also be empowered to obtain from any bank where society funds are deposited or invested a written statement of the amount so invested or deposited or any other required particulars.

Reserve Transfers

The present reserve transfer provisions will be replaced by provisions which will require societies to transfer to reserve an amount equivalent to 0.3% of their withdrawable funds at the beginning or end of the financial year, whichever is the lesser. They will be required to do so until the total reserve equals the equivalent of 2.5% of withdrawable funds whereafter it will only be necessary to transfer sufficient to maintain that level. If 0.3% is not a sufficient transfer to maintain the reserve level as at the end of the previous financial year, societies will be required to transfer the additional amount.

In addition building societies will be exempted from any reserve provisions in the year ended 30 June 1975.

The maximum penalty for non-compliance with these provisions will be \$1,000.

Liquid Funds

Credit unions will be required to hold 10% of their withdrawable funds (paid up share capital plus deposits) in liquid funds (easily realisable investments). This is to ensure that during periods of heavy demand credit unions will remain solvent.

Fees for Registry Services

Section 33 of the Principal Ordinance will be repealed and a new requirement inserted that there shall be paid to the Registrar such fees as are prescribed.

Mortgage Insurance

Section 14B will be amended to enable registered building societies to lend, by way of second mortgage, up to 95% of the valuation of the property secured, providing the society takes additional security by way of mortgage insurance.

Investment of Society Funds

Section 37 is to be amended to allow societies to invest in bank accepted bills. The amendment will also stipulate that credit societies may not invest their funds pursuant to section 37 before they have first satisfied the liquid funds requirements and secondly satisfied all their objects.