BANK OF GHANA

NOTICE TO CO-OPERATIVE CREDIT UNIONS, CO-OPERATIVE FINANCIAL INSTITUTIONS AND THE GENERAL PUBLIC

NOTICE NO. BG/GOV/SEC/2017/06

OPERATING RULES AND GUIDELINES FOR CO-OPERATIVE CREDIT UNIONS AND CO-OPERATIVE FINANCIAL INSTITUTIONS (CFI)

In accordance with the Non-Bank Financial Institutions Act, 2008 (Act 774) and Co-operative Credit Union Regulations, 2015 (L.I. 2225), the following Operating Rules and Guidelines are hereby issued by the Bank of Ghana for the information and guidance of the general public and for strict compliance by entities operating Co-operative Credit Unions (Credit Union)/Co-operative Financial Institutions (CFI) in Ghana:

1. Regulated Activity

Co-operative Credit Unions/CFI’s engaged in the activities that involve deposit taking, provision of credits and other financial services to their members constitutes regulated activity under Act 774. Except where expressly exempted in writing by the Bank of Ghana, Co-operative Credit Unions/CFI’s undertaking such activity are required to be registered and incorporated under sections 5 and 6 of the Co-operative Societies Act, 1968 (N.L.C.D. 252) and shall obtain a licence issued by the Bank of Ghana before commencing or continuing such activities.

2. Regulatory Requirements

i. **Business Form:** the word “co-operative” shall form part of the name of every registered society. The word “limited” shall be the last word in the name of every registered society with limited liability.

ii. **Capital:** Minimum share capital of every member shall not be less than one hundred Ghana Cedis (GHS 100) or such amount as may be determined by the Bank of Ghana.

iii. **Shareholding:** No member other than a registered Society or Credit Union/CFI shall hold more than one-fifth of the share capital of another Co-operative Credit Union or Society.

iv. **Membership:** A Co-operative Credit Union/CFI shall have a minimum membership of 150 with a potential membership of not less than 600.

v. **Branches and Agencies:** Credit Unions/CFI shall not open, close or change a branch office, sub-office, agency or mobile
vi. **Amalgamation or Transfer of Societies or Credit Unions/CFI:** Any two or more Societies or Credit Unions/CFI’s may by resolution passed by their respective general or special meetings and with the prior approval of the Bank of Ghana amalgamate as a single society.

Amalgamation or transfer of assets and liabilities which involves the transfer of liabilities by one society to another society shall require three (3) months’ notice to be given to the creditors of the societies or society concerned who shall be entitled to a refund of any sum due them upon a written demand at one month before the date fixed for the amalgamation or transfer.

The Bank may revoke the licence of a Credit Union/CFI in writing if it amalgamates or transfers its assets in a manner contrary to section 14 of NLCD 252.

vii. **Permissible activities:** Credit Unions/CFI shall undertake the following permissible activities;

   a) **Deposit taking:** No single deposit shall exceed 10% of the total deposit of the Co-operative Credit Union/CFI. A Credit Union/CFI wishing to exceed this limit shall obtain prior written approval of the Bank of Ghana.

   b) **Granting of loans:** A registered Society shall grant loans only to a member of that Society. However, a Society, with the sanction of a Central Society of which it is a member may grant a loan to another Society which is a member of the same Central Society.

   Loans granted to a member shall not be more than 10% of the assets of the Credit Union/CFI. A Credit Union/CFI shall not grant a loan on the security of its own shares.

   c) **Investment:** A registered Society or Credit Union/CFI may invest part of its funds in:

   i. Deposits in the Co-operative Credit Unions Association;
ii. Shares of the Co-operative Credit Unions Association;

iii. Bank deposits;

iv. Treasury bills and bonds issued by the Government of Ghana/Bank of Ghana securities or certificate.

Aggregate investments of a Credit Union/CFI in investments from other Credit Unions shall not exceed 1% of the assets of the Co-operative Credit Union/CFI.

d) **Reserve Funds:** A Co-operative Credit Union/CFI shall:

i. Establish and maintain a statutory reserve fund into which shall be paid at least 25% of the annual profits of the Co-operative Credit Union/CFI;

ii. Pay into the Central Finance Facility an amount equivalent to 5% of the total assets of the Credit Union/CFI at the end of each financial year.

e) **Borrowing:** A Credit Union/CFI shall not:

i. borrow more than 40% of the assets of the Credit Union/CFI;

ii. grant a security interest in its property except with the prior written approval of the Co-operative Credit Unions Association.

f) **Dividends:** A Credit Union/CFI shall not pay dividend in cash in excess of 50% of its annual profit without the prior approval of the Credit Union Association (CUA).

viii. **Non-permissible activities:** A Credit Union/CFI shall not undertake any of the following:

a. Issue checking accounts. However, a medium to large Credit Union/CFI may, with the approval of the Bank of Ghana, issue checking accounts;

b. Engage in foreign exchange business: and

c. Engage in any trading activities or hold any stocks of goods for sale to their clients.
ix. **Display of licence:**

A Cooperative Credit Union/CFI shall at all times display its licence or copies of its licence, its name and a statement of the fact that it is licensed to carry on business in a conspicuous position on the premises at which it carries on business.

3. **Prudential Oversight**

   i. **Prudential Reporting:** The Credit Union Association of Ghana (CUA) shall collect and collate statistics on the operations of Credit Unions/CFIs and furnish this to the Bank of Ghana periodically as may be determined by the Bank.

   ii. **Submission of Returns:** Credit Unions/CFIs shall submit prudential reports on assets, liabilities, income and expenditure to CUA of varying periodicity as may be determined by the Bank of Ghana.

   iii. **On-site Supervision:** Credit Unions/CFIs may be subject to on-site supervision by CUA of such periodicity as may be determined by the Bank of Ghana.

   iv. **Capital Adequacy Ratio:** A minimum Capital Adequacy Ratio of 15% shall be maintained by a Credit Union/CFI or such other ratio as may be determined by the Bank of Ghana.

   v. **Secondary Reserve Ratio:** A Secondary Reserve Ratio of 18% shall be maintained by a Cooperative Credit Union/CFI or such other ratio as determined by the Bank of Ghana.

   vi. **Operating Licence:** The Operating licence of Credit Unions/CFI’s shall be subject to annual renewal upon satisfactory performance and payment of the appropriate licence renewal fee as determined by Bank of Ghana.

4. **Submission and Audited Financial Statements:** A Credit Union/CFI shall:

   i. Submit a copy of its audited financial Statements to CUA not later than three (3) calendar months after the end of its financial year.

   ii. Exhibit throughout the year at a conspicuous place in every office and branch a copy of last audited financial statements.

5. **Prohibited Actions:** A Credit Union/CFI shall not without the approval of the Bank of Ghana change its name as contained in its
licence; or in furtherance of the business for which it is licensed, use or refer to itself by a name other than the name under which it is licensed or by an abbreviation of that name unless the abbreviation has been approved by the Bank.

**Licensing Requirements**

The licensing requirements for Co-operative Credit Unions/CFIs are attached to this Notice.

**Amendments or modifications to this Notice**

The Bank of Ghana reserves the right to amend, add to or delete any or all of these Operating Rules and Guidelines as it deems fit from time to time.

(Sgd.)
CAROLINE OTOO (MRS)
THE SECRETARY

March 8, 2017