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P O Box 427 Pretoria 0001 South Africa

370 Helen Joseph Street Pretoria 0002

+27 12 313 3911 / 0861 12 7272

www.resbank.co.za



SOUTH AFRICAN RESERVE BANK
Prudential Authority

Ref.: 15/8/4/2

G1/2021

To: All prospective co-operative financial institutions and registered co-operative financial institutions

Guidance Note 1/2021 issued in terms of section 45(e) of the Co-operative Banks Act, 2007 (Act No. 40 of 2007) relating to co-operative financial institutions

Application for registration as a co-operative financial institution in terms of the Co-operative Banks Act, 2007 (Act No. 40 of 2007)

Executive Summary

Prudential standard – TCFI-01 – Transitional arrangements for co-operative financial institutions specifies the requirements for registration of a co-operative financial institution with the Prudential Authority in terms of the provisions of the Co-operative Banks Act, 2007 (Act No. 40 of 2007).

This guidance note is issued to assist applicants to complete the application process for registration with the Prudential Authority by providing guidance on the completion of FORM-001 – Application for registration.

1. Interpretation and definitions

1.1 This guidance note should be read in conjunction with the following legislation (as well as related regulations) and regulatory instruments:

1.1.1 The Co-operatives Act, 2005 (Act No. 14 of 2005) (Co-operatives Act);

1.1.2 The Co-operative Banks Act, 2007 (Act No. 40 of 2007) (Co-operative Banks Act);

1.1.3 The Financial Sector Regulation Act, 2017 (Act No. 9 of 2017);

1.1.4 Prudential Standard – TCFI-01 – Transitional arrangements for co-operative financial institutions (Prudential Standard - TCFI-01);

- 1.1.5 Guidance Note 1 of 2019 – Application for registration as a CFI;
- 1.1.6 Guidance Note 2 of 2019 – Guidelines in respect of business plans, savings and loans policies;
- 1.1.7 Guidance Note 1 of 2020 – Model Constitution
- 1.1.8 Guidance Note 2 of 2020 – Common Bond Requirement

1.2 All terms used in this guidance note have the same meaning as defined in the above-mentioned legislation and regulatory instrument, unless the context indicates otherwise.

1.3 A '*co-operative financial institution*' is a co-operative that takes deposits and chooses to identify itself by use of the name Financial Co-operative, Financial Services Co-operative, Credit Union or Savings and Credit Co-operative;

1.4 An applicant is a collective whose members, through a special resolution, intends to apply to register as a co-operative financial institution with the Prudential Authority under the Co-operative Banks Act.

2. Completion of the application form (FORM-001) to register as a co-operative financial institution (CFI)

2.1 FORM-001: Attachment 3 of Prudential Standard -TCFI-01- Application for registration

2.1.1 FORM-001 is the application form that must be completed by applicants for registration as a CFI. In terms of Prudential Standard-TCF-01, FORM-001 and every other document attached to the application form must be signed by the Chairperson of the CFI.

2.1.2 The following subsections provide guidance on the completion of the relevant extracts from FORM-001, which are reflected in the shaded areas below.

- (a) Reflect the applicant's proposed name and proposed abbreviation if applicable.

Name of Organisation: ...*ABC CFI*.....Name Abbr.:.....*ABC*.....

- (b) Reflect the physical and postal address of the proposed CFI.
- (c) Reflect the official telephone number, cellphone number and email of the proposed CFI or the contact person with respect to the application.

Registered Office Physical Address: ...*3 Walnut street, Atteridgeville, Pretoria*..... Postal Code:....*0023*.....

Postal Address:...*As above* Postal Code:...*0023*.....
Tel No:...*123 456 7890*.....Cell No:..*089 654 321*.....
Email:...*info@abccfi.co.za*.....

- (d) Provide a description of your common bond. Your common bond must meet one of the following criteria:
 - i. employed by a common employer or who are employed within the same business district;
 - ii. common membership in an association or organisation, including a religious, social, co-operative, labour or educational group; or
 - iii. reside within the same defined community or geographical area of

Common Bond Description:*members of the ABC Association*.....

- (e) If registered with a representative body, please indicate the membership number. The representative body must be formally registered with the Co-operative Banks Development Agency as per Section 31 of the Co-operative Banks Act.
- (f) CIPC Code: refer to Guidance Note 1 of 2019

Representation Body Membership No:*3490*.....CIPC Code:.....

- (g) Reflect the number of members that own fully paid up shares in the co-operative as at the date of the application. The Act requires 200 or more paid up members in order to be considered for registration as a CFI. .
- (h) Report the total member shares.
 - i. Applicants are not expected to be deposit taking at this stage, so no member savings should be reported.

Number of members: *417* Total Member Shares: *R417,000* Total Member Savings...*nil*.

- (i) Complete the full name (s) of the **two** proposed directors of the CFI and their position. Include their telephone numbers, cell numbers and email addresses. These may be contacted by the Prudential Authority with respect to the application.

2.2 Supporting documents checklist

Mr Mrs Ms :Full Name: ... <i>Irene Mtini</i>Position:... <i>Chairperson</i>
Tel No: <i>n/a</i>Cell No:... <i>083 964 7647</i>Email:... <i>mtini@abccfi.co.za</i>
Mr Mrs Ms :Full Name: ... <i>Paul Xaba</i>Position:... <i>Secretary</i>
Tel No: <i>n/a</i>Cell No:... <i>081 973 6739</i>Email:... <i>pxaba@abccfi.co.za</i>

2.2.1 Mark the middle column with a clear “X” when the attachment referred to is attached to the application form (FORM 001).

The following documents are attached to this application:	Attached (Mark with an X)
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1. Forms CR1, CR4/CR8 and CR5	x
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- Attach to the application form a certified copy of the registration certificate issued by the Registrar of Co-operatives in terms of the Co-operatives Act.
- Form CR1, application form (the list and signatures of founder members must correspond with last page of the constitution);
- Form CR4, appointment of auditors (attach a letter from an auditor of consent of appointment) or Form CR8, Exemption from full compliance with auditing requirements;
- Form CR5 , Reservation of name (the name must include the terms: ‘Financial Co-operative, Financial Services Co-operative, Credit Union or Savings and Credit Co-operative’);

2. Member Share Register (PA Form 002) with a minimum of 200 fully paid up members	x
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- Attach a copy of the completed PA Form 002 reflecting the total members of the proposed CFI.
- For each member, record the following:
 - Name and surname
 - South African identity document or passport
 - Date of membership/Date Joined
 - Value of share purchased
- The member share register should have at least 200 members listed, with all their details as per 2 (b) above.

3. Two (2) certified copies of the CFI's constitution that meets the requirements of constitution guidelines issued by the PA	x
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- (a) Attach two certified copies of the constitution of the proposed CFI.
- (b) Refer to Guidance Note 1 of 2020 on the model CFI constitution.
- (c) The applicant co-operative should discuss the constitution with its members prior to submission.
- (d) Approval of the constitution will be given in writing by the Prudential Authority. Such approval, if granted, may be subject to further amendments to the constitution of the applicant and subject to the subsequent adoption or ratification by the members of the CFI.
- (e) If approved by the Prudential Authority, the applicant must submit the constitution of the CFI, including the written approval granted by the Prudential Authority, to the Registrar of Co-operatives for registration purposes. The constitution of the CFI may only come into operation on the date that it is registered by the Registrar of Co-operatives.

4. Certified copies of all founder members identity documents	x
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- (a) Provide certified copies of the identity documents of all the founder members of the applicant .Founder members are all those members who attended the initial formation meeting.

5. Latest certified copies of bank statement	x
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- (a) Submit a certified copy of bank statements in the name of the applicant and/or a club account for the applicant.
- (b) The statement should reflect a minimum balance of R100,000
- (c) Bank statement should not be more than three (3) months old.

6. Member resolution to register with the PA	x
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- (a) Members who attend the formation meeting must make a resolution to establish the CFI and apply for registration with the PA.
- (b) The resolution must be captured in the form of minutes, which are duly signed by the chairperson of the meeting.

7. Savings Plan	x
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- (a) Please refer to Guidance Note 2 of 2019 on the contents of the savings policy

8. Credit/Loans Policy (if applicable)	x
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(a) Please refer to guidance note 2 of 2019 on contents of the loans policy

9. National Credit Regulator certificate of registration (if applicable)	x
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(a) Only required if the applicant intends to issue loans to its members.

10. Certificate of Membership to a registered representative body	x
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(a) If the prospective CFI is a member of a representative body, duly registered in terms of section 33 of the Co-operative Banks Act.

11. Business Plans which includes: <ol style="list-style-type: none"> 1. a short description of the background to the organisation, experience in the sector and overall strategy to serve the target market; 2. Its human and operational capacity to operate efficiently and competently. 3. The board of directors and management experience, knowledge and qualifications 4. 3 year financial forecast showing viability plan of the entity. 5. Product sheet 	x
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(a) Attach a detailed business plan in respect of a specified time period, setting out the applicant's common economic and social objectives and aspirations, short and long term strategies for achieving those needs, the market strategy, the scope and nature of the business (including the types of products to be offered), the expected volume of deposits and the details of lending and investment objectives. The applicant should ensure that the proposed services to be provided by the CFI are compliant with the Co-operative Banks Act.

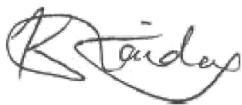
(b) Please refer to Guidance Note 2 of 2019 on the minimum contents of the business plan.

12. Signed Directors' commitment (FORM 003)	FORM-CR5	
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- (a) At least five directors, including the chairperson, vice chairperson, treasurer and secretary must record their names and sign the director's declaration.

3 Acknowledgement of receipt

Kindly ensure that a copy of this guidance note is made available to your institution's board of directors, and where applicable, external auditor. The attached acknowledgement of receipt, duly completed and signed by at least two directors, should be returned to the PA at the earliest convenience of the aforementioned signatories.



Kuben Naidoo
Deputy Governor and CEO: Prudential Authority

Date: 2021-04-06

Encl. 1

The previous guidance note issued was Guidance note 2/2020, dated 25 June 2020.