



Offering Statement Guidelines

Credit unions in Manitoba may issue shares to their members where authorized in their articles and by-laws. No member of a credit union may purchase or own (by way of purchase) more than \$1,000 in common shares or *any* amount of preferred shares of a credit union, unless the Registrar of Credit Unions (Registrar) provides authorization.

In order for a credit union to sell shares over the exemption limit, it must file an Offering Statement with the Registrar. If a Receipt for an Offering Statement is signed by the Registrar, the credit union will be allowed to sell shares for a period of one (1) year.

Refer to Sections 51.1 to 51.4 of *The Credit Unions and Caisses Populaires Act* for relevant legislation: <http://web2.gov.mb.ca/laws/statutes/ccsm/c301e.php>

The following are the Registrar's expectations with respect to Offering Statements:

1. Articles and By-laws

If selling preferred shares, the credit union must ensure that its articles authorize the issuance of those shares. The credit union should review its by-laws to ensure there is no impediment to the sale of any type of shares.

2. Role of the Board of Directors

The board of the credit union must provide the initial authorization to management to develop an Offering Statement and share program. At that time, the board should determine the maximum number of shares that any one member can own and the total number of shares to be sold in aggregate. These decisions must be approved by Resolution of the board. Limits are subject to the Registrar's approval.

3. Initial Considerations

Each Offering Statement is a unique document and approval is not guaranteed. The Registrar will consider all risk factors to investors, members and the credit union system as a whole. The board should consider that, while shares are a form of capital, annual budgets should provide for annual dividends. A credit union must not expressly guarantee any returns on investment.

Please note: The Registrar will not give initial approval of an Offering Statement if the credit union falls below its minimum 3% retained earnings adequacy test.

4. How to develop an Offering Statement

The Registrar recommends that a credit union contact the Financial Institutions Regulation Branch (FIRB) prior to developing an Offering Statement. FIRB maintains Offering Statement templates that are provided upon request.

Please feel free to contact one of our financial services officers:

Djema Halilagic	945-6111	djema.halilagic@gov.mb.ca
Kostas Katsiroubas	948-1245	kostas.katsiroubas@gov.mb.ca

We encourage credit unions to submit a draft of the Offering Statement to the Financial Institutions Regulation Branch for pre-approval.

5. Documents required in an Offering Statement

- a. Offering Statement – Form 16 – <http://www.mbfinancialinstitutions.ca/credit/forms.html>
- b. Schedule “1” to the Offering Statement – A comprehensive disclosure document describing the material facts related to the credit union such as: financial information, management information, and risks to investors. *Please contact FIRB for a template.*
- c. Schedule “2” Annual Audited Financial Statements of the credit union – Offering Statements will not be approved if more than 120 days have passed since the last fiscal year end.
- d. Subscription Form – This form must confirm by signature that the share purchasers have received and read the Offering Statement and that they understand and accept the risks. *Please contact FIRB for a template.*

When ready to file, please send in two (2) original, signed, Offering Statements along with a cheque payable to the **Minister of Finance** in the amount of **\$500.00**.

6. Sale of shares

Shares must be sold by an experienced and knowledgeable staff member. The share offering program must be monitored by the Compliance Officer of the credit union or a senior manager assigned oversight of the share program.

7. Payment of shares

A loan given to a member for the express purpose of buying the credit union's shares is not valid consideration. See CUCM's Bulletin 054 (May 16, 2012).

Please refer to subsections 27(1) and 27(2) of *The Credit Unions and Caisses Populaires Act* for details. <http://web2.gov.mb.ca/laws/statutes/ccsm/c301e.php>

8. Conflicts of interests

The board of directors approves dividends, if any, that will be declared in a financial year. Any potential conflicts of interests must be fully disclosed in accordance with the Act.

9. Role of the Deposit Guarantee Corporation of Manitoba (DGCM)

The Registrar may consult with DGCM to obtain any relevant information regarding the financial condition of a credit union. If a credit union is considering a dividend payment to its members while it does not, or would not meet minimum capital requirements, this transaction would be subject to DGCM's approval. Please refer to subsection 32(2) of *The Credit Unions and Caisses Populaires Act* for details.