

First print



New South Wales

# Co-operative Housing and Starr-Bowkett Societies Bill 1997

## Explanatory note

This explanatory note relates to this Bill as introduced into Parliament.

### Overview of Bill

The objects of this Bill are as follows:

- (a) to provide for the formation and incorporation of co-operative housing societies, Starr-Bowkett societies and associations of those societies,
  - (b) to provide for the management, supervision and regulation of those societies and associations,
  - (c) to provide for the New South Wales Financial Institutions Commission (*FINCOM*) to be the body that is to administer the new Act and supervise and regulate the activities of those societies and associations,
  - (d) to provide for mergers and transfers of engagement involving those societies and associations and other financial institutions,
  - (e) to provide for the external administration of those societies and associations,
  - (f) to provide savings and transitional arrangements for existing societies and associations,
  - (g) to repeal the *Co-operation Act 1923* and to make consequential amendments to various Acts.
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## Outline of provisions

### Part 1 Preliminary

#### Division 1 Introductory

The Division provides for the name of the Act and for its commencement on a day or days to be appointed by proclamation.

#### Division 2 Interpretation

The Division contains definitions and other interpretative provisions. Important definitions are *co-operative housing body* which means a co-operative housing society, a Starr-Bowkett society and an association, and *society* which means a co-operative housing society or a Starr-Bowkett society.

#### Division 3 Operation of Act

The Division provides that the Act binds the Crown.

#### Division 4 Application and adoption of Corporations Law

The Division excludes the operation of the *Corporations Law* in relation to co-operative housing bodies, except for certain specified provisions of that Law. The regulations can also adopt with or without modification other provisions of that Law.

### Part 2 Functions and powers of FINCOM

#### Division 1 General

The Division provides for certain general functions and powers of FINCOM and for the review of decisions of FINCOM.

#### Division 2 Specific powers

##### Subdivision 1 Enforcement powers

The Subdivision confers various powers on FINCOM to enable it to obtain information and evidence with respect to compliance with the Act. The appointment and powers of inspectors is provided for, including powers of entry and search to monitor compliance and gather evidence of offences. There is also provision for the issue of search warrants for monitoring compliance with the Act and for finding evidence of an offence against the Act.

**Subdivision 2 Special meeting and inquiry**

The Subdivision provides for the calling of a special meeting of a society, or the conduct of an inquiry into the affairs of a society, on the application of directors or members of the society or by FINCOM.

**Subdivision 3 Special power of intervention**

The Subdivision confers a special power on FINCOM to place a co-operative housing body under direction in certain circumstances, such as when the body is trading unprofitably or is being conducted in an improper or financially unsound way. FINCOM then has power to do all things that it considers necessary to remedy the situation.

**Subdivision 4 Power to suspend operations of society**

The Subdivision confers a special power on FINCOM to suspend certain operations of a co-operative housing body in certain circumstances.

**Subdivision 5 Administrators**

The Subdivision confers power on FINCOM to appoint an administrator to conduct the affairs of a co-operative housing body in certain circumstances. FINCOM is also given additional powers to appoint and remove directors and specify their terms and conditions of office and to change the rules of a body for which an administrator has been appointed.

**Subdivision 6 Levies**

The Subdivision provides for the payment of a supervision levy to FINCOM by co-operative housing bodies and for the payment of those levies into the Supervision Fund under the *Financial Institutions (NSW) Code*. FINCOM's expenses under the Act are to be paid from the Fund.

**Subdivision 7 Advertising by co-operative housing bodies**

The Subdivision gives FINCOM various powers to control advertising by co-operative housing bodies.

**Part 3 Societies**

**Division 1 Formation and registration**

The Division provides for the requirements for and method of forming and registering a society. Registration creates the society as a corporation with the legal capacity of a natural person.

## **Division 2 Powers**

The Division provides for the following:

- (a) the general powers of a society, including power to raise money on loan, act as agent, acquire shares in certain corporations and hold a subsidiary,
- (b) restrictions on a society's power to receive money on deposit or to raise money by subscription of its members,
- (c) restrictions on the powers of societies to borrow money and the protection of lenders to societies,
- (d) a Treasurer's indemnity or guarantee for loans to or by co-operative housing societies.

## **Division 3 Rules**

The Division makes provision for the minimum requirements for the rules of a society and provides that the rules bind the members and the society.

The Division also provides for the following:

- (a) the adoption of model rules,
- (b) the entitlement of members to be provided with a copy of the rules,
- (c) the method of altering the rules of a society,
- (d) the power of FINCOM to require the alteration of the rules of a society or to modify rules to facilitate a transfer of engagements between societies.

## **Division 4 Membership**

The Division provides for the membership of a society, including the following:

- (a) how a person becomes a member of a society,
- (b) share capital,
- (c) membership by minors,
- (d) joint membership,
- (e) corporate membership,
- (f) cessation of membership and expulsion from membership,
- (g) the liability of members,
- (h) the fees and charges payable by members,
- (i) the fining of members.

### **Division 5 Name and office**

The Division provides for the registration of the name and the change of name of a society, including the following:

- (a) requirements for and restrictions on names,
- (b) abbreviations of names,
- (c) the effect of a change of name,
- (d) prohibitions on the use of certain names that suggest registration under the Act except by societies,
- (e) the appearance of a society's name on its stationery and at its office.

The Division also requires a society to have a registered office.

### **Division 6 Registration of charges**

The Division applies Part 3.5 of the *Corporations Law* (which provides for the registration of company charges) to co-operative housing bodies.

## **Part 4 Management**

### **Division 1 Directors and officers**

The Division provides for the business and operations of a society to be managed and controlled by a board of directors.

The Division also provides for the following:

- (a) meetings of a society's board,
- (b) the number of directors that a society must have,
- (c) the election or appointment of directors,
- (d) employee directors,
- (e) the appointment of alternate directors,
- (f) the office of chairperson of the board,
- (g) the qualifications to be a director,
- (h) the circumstances in which a director vacates office,
- (i) the removal of directors from office,
- (j) the declaration of a conflict of interest by a director,
- (k) directors' duty of disclosure,
- (l) prohibitions against directors, officers and associates of directors obtaining financial accommodation from a society,
- (m) directors' remuneration,
- (n) management contracts,

- (o) general duties of directors and officers,
- (p) a prohibition against unlawfully acting as a director.

### **Division 2 Meetings**

The Division provides for annual general meetings and special general meetings of societies.

The Division also provides for the following:

- (a) the quorum for the conduct of business at meetings,
- (b) the giving of notice of meetings,
- (c) the voting entitlements of members,
- (d) voting by proxy,
- (e) requirements for the passing of special resolutions,
- (f) the keeping of minutes of meetings.

### **Division 3 Registers and inspection**

The Division requires a society to keep various registers, including a register of directors, principal executive officer and secretaries, a register of members and such other registers as the regulations require.

The Division also provides for the following:

- (a) requiring a society to keep various documents at its registered office for inspection by members,
- (b) keeping of records on computer,
- (c) the form and evidentiary value of records kept by societies.

### **Division 4 Accounts**

The Division provides for the financial year of societies and associations and imposes requirements for the keeping and inspection of financial records.

The Division also provides for the following:

- (a) the preparation of a profit and loss account and balance sheet,
- (b) the auditing of a society's accounts,
- (c) the obligations of directors of a society with regard to the writing off of bad debts, the valuation of assets and compliance by the society's accounts with prescribed requirements and accounting standards,
- (d) directors' reports,

- (e) the laying of accounts and reports before annual general meetings,
- (f) the liabilities of directors.

#### **Division 5 Audit**

The Division provides for the qualifications, appointment and removal and resignation of auditors.

The Division also deals with the following:

- (a) the effect of the winding-up of a society on the office of auditor,
- (b) the fees and expenses of auditors,
- (c) reports by auditors to members on the accounts of a society,
- (d) the powers and duties of auditors,
- (e) the final audit on a merger or transfer of engagements involving a society,
- (f) offences concerning the obstruction of auditors,
- (g) protection of auditors against liability for defamation.

#### **Division 6 Returns and relief**

The Division imposes obligations on societies to lodge certain returns. The Division also gives FINCOM power to excuse non-compliance with accounts and audit requirements of the Act.

### **Part 5 Mergers and transfers of engagements**

#### **Division 1 Preliminary**

The Division contains definitions and provides that the Part applies only to co-operative housing societies and associations (and not to Starr-Bowkett societies).

#### **Division 2 Mergers and transfers of engagements between societies of the same type**

The Division provides a mechanism for the merger of societies of the same type and the transfer of engagements between societies of the same type.

The Division deals with the following matters:

- (a) the requirements for an application for a merger or transfer of engagements,
- (b) voluntary transfers of engagements and transfers directed by FINCOM,
- (c) the effect of a merger on the merged societies and their affairs.

### **Division 3 Transfers of engagements from co-operative housing societies to financial institutions**

The Division provides a mechanism for the transfer of engagements from a co-operative housing society to a financial institution (a building society or credit union under the *Financial Institutions (NSW) Code*).

The Division deals with the following matters:

- (a) the requirements for an application for a transfer of engagements,
- (b) voluntary transfers of engagements and transfers directed by FINCOM,
- (c) the effect of a transfer of engagements.

## **Part 6 External administration**

### **Division 1 Arrangements and reconstructions**

The Division provides for the application to societies of provisions of the *Corporations Law* dealing with schemes of arrangement and reconstructions.

### **Division 2 Receivers and managers**

The Division provides for the application to societies of provisions of the *Corporations Law* dealing with receivers and managers.

### **Division 3 Winding-up**

The Division deals with the winding-up of a society, either voluntarily, by the Court or on a certificate of FINCOM, on certain grounds. The Division also provides for the application of provisions of the *Corporations Law* to the winding-up of a society.

## **Part 7 Associations**

The Part provides for the formation of associations of societies and for their objects.

The Part also includes provision for the following:

- (a) the making of an application for registration of an association,
- (b) the incorporation of an association on its registration,
- (c) the membership and share capital of an association,
- (d) meetings of members of an association,
- (e) the means of applying provisions of the Act to associations.



## **Part 8 Standards and model rules**

The Part provides for the formation of a Standards Committee that is to have power to make standards with respect to any aspect of the business and affairs of a co-operative housing body, and model rules for adoption by co-operative housing bodies.

The Part deals with the following matters:

- (a) the procedure for the making of standards and model rules,
- (b) the giving of notice of a proposed standard,
- (c) expedited procedures for urgent standards,
- (d) the matters for which standards can make provision,
- (e) the publication of standards.

## **Part 9 Evidence, offences and proceedings**

### **Division 1 Evidence**

The Division deals with the evidentiary aspects of certain matters arising under the Act, including the following matters:

- (a) certificates of registration, certificates of incorporation and other certificates issued by FINCOM,
- (b) the rules of a co-operative housing body,
- (c) the contents of registers kept under the Act,
- (d) entries in the minutes of meetings.

### **Division 2 Offences**

The Division creates various offences dealing with the following matters:

- (a) failure by a co-operative housing body to comply with a lawful requirement under the Act to give information,
- (b) contravention by a co-operative housing body of any restriction on its powers under the Act,
- (c) the duties of officers in relation to the property of a co-operative housing body,
- (d) incurring of debts not likely to be paid, including the powers of the Court to order that an officer be personally liable,
- (e) the offering of inducements to be appointed as liquidator or official manager,
- (f) falsification of records,
- (g) frauds by officers,

- (h) the providing of false or misleading information,
- (i) powers to examine defaulting officers,
- (j) powers of the Court to assess damages against certain persons,
- (k) providing false copies of the rules of a co-operative housing body,
- (l) fraud and misappropriation,
- (m) compliance with standards.

### **Division 3 Proceedings**

The Division deals with the following aspects of legal proceedings under the Act:

- (a) who can take proceedings for an offence under the Act and the time within which proceedings can be taken,
- (b) the creation of a separate and further offence for continuing offences,
- (c) the granting of injunctions to prevent contraventions of the Act.

### **Part 10 General**

The Part provides for the following general matters:

- (a) a general regulation making power,
- (b) the repeal of the *Co-operation Act 1923* and various other Acts and instruments that will now be redundant,
- (c) provisions to give effect to the Schedule of savings and transitional provisions and the Schedule of consequential amendments to Acts,
- (d) a review of the Act in 5 years.

### **Schedules**

**Schedule 1** contains general interpretative provisions.

**Schedule 2** provides for the matters to be provided for in the rules of co-operative housing societies.

**Schedule 3** provides for the matters to be provided for in the rules of Starr-Bowkett societies.

**Schedule 4** contains provisions relating to the constitution and procedure of the Standards Committee.

**Schedule 5** contains savings and transitional provisions.

**Schedule 6** contains consequential amendments to various Acts.



New South Wales

# Co-operative Housing and Starr-Bowkett Societies Bill 1997

## Contents

---

	Page
<b>Part 1 Preliminary</b>	
<b>Division 1 Introductory</b>	
1 Name of Act	2
2 Commencement	2
<b>Division 2 Interpretation</b>	
3 Definitions	2
4 Interpretation—meaning of “associate”	6
5 Interpretation—meaning of “director”	7
6 Interpretation—reference to a holding body corporate	8
7 Interpretation—meaning of “holding society”	8
8 Interpretation—meaning of “making a decision”	8
9 Interpretation—meaning of “officer”	8
10 Interpretation—meaning of “related body corporate”	9

---

Contents

---

	Page
11 Interpretation—meaning of “subsidiary”	9
12 Interpretation—when one entity controls another	11
13 Services corporations	12
<b>Division 3 Operation of Act</b>	
14 Act binds the Crown	12
<b>Division 4 Application and adoption of Corporations Law</b>	
15 Definition	12
16 Corporations Law applying under its own force	12
17 Corporations Law adopted under a regulation	14
18 Adopted provisions of Corporations Law	14

---

**Part 2 Functions and powers of FINCOM**

**Division 1 General**

19 Functions of FINCOM	16
20 General powers	16
21 Application of variation under standards	16
22 FINCOM to keep Minister informed	17
23 Public office of FINCOM and inspection of documents	17
24 Power of FINCOM to reject documents, etc	17
25 Extension or abridgment of time	18
26 Review of FINCOM decisions	18

**Division 2 Specific powers**

**Subdivision 1 Enforcement powers**

27 Obtaining information etc	19
28 Obtaining evidence	20
29 Inspectors	22
30 Inspector to produce identification	22
31 Entry and search—monitoring compliance	22
32 Entry and search—evidence of offences	23
33 General powers of inspector in relation to places	25
34 Monitoring warrants	26
35 Offence related warrants	26

Co-operative Housing and Starr-Bowkett Societies Bill 1997

Contents

---

	Page
36 Offence related warrant may be granted by telephone	27
37 Obstruction etc of inspectors	29
38 False or misleading statements	29
<b>Subdivision 2 Special meeting and inquiry</b>	
39 Special meeting and inquiry	30
<b>Subdivision 3 Special power of intervention</b>	
40 Intervention by FINCOM	32
<b>Subdivision 4 Power to suspend operations of society</b>	
41 Power to suspend operations	33
<b>Subdivision 5 Administrators</b>	
42 Appointment of administrator	34
43 Additional powers of FINCOM	37
44 Stay of proceedings	38
45 Administrator to report to FINCOM	39
<b>Subdivision 6 Levies</b>	
46 Supervision levy	39
47 Payment of levies into Supervision Fund	40
48 Consultation	41
<b>Subdivision 7 Advertising by co-operative housing bodies</b>	
49 Power to control advertising	41

---

**Part 3 Societies**

**Division 1 Formation and registration**

50 Co-operative housing societies and Starr-Bowkett societies	42
51 Formation of co-operative housing and Starr-Bowkett societies	43
52 Registration	44
53 Certificate of incorporation	46
54 Effect of incorporation	46

Co-operative Housing and Starr-Bowkett Societies Bill 1997

Contents

---

	Page
<b>Division 2 Powers</b>	
55 Powers of societies	46
56 Restrictions on subscriptions and deposits—co-operative housing societies	47
57 Restrictions on borrowings by co-operative housing societies	47
58 Prohibition on foreign borrowings by co-operative housing societies	48
59 Restrictions on borrowings by Starr-Bowkett societies	48
60 Protection of lenders	49
61 Treasurer's indemnity for loans by co-operative housing society	49
62 Treasurer's guarantee for co-operative housing society loans	50
<b>Division 3 Rules</b>	
63 Rules	51
64 Model rules	51
65 Copies of rules	51
66 Society and members to be bound by rules	52
67 Alteration of rules by special resolution	52
68 Alteration of rules by board of directors	52
69 Registration of alteration of rules	53
70 Power of FINCOM to require modification of rules	53
71 Power of FINCOM to modify rules to facilitate transfer of engagements	54
<b>Division 4 Membership</b>	
72 Members	54
73 Shares	55
74 Members who are minors	56
75 Joint members	56
76 Corporate membership	57
77 Cessation of membership	57
78 Expulsion of member	57
79 Liability of members	57
80 Fees and charges	58
81 Fines payable by members	58

Co-operative Housing and Starr-Bowkett Societies Bill 1997

Contents

---

	Page
<b>Division 5 Name and office</b>	
82 Registration of name and change of name	58
83 Requirements for and restrictions on names	59
84 Abbreviations etc of name	60
85 Change of name does not affect identity	61
86 Use of words "co-operative housing society" or "Starr-Bowkett"	61
87 Publication of name	62
88 Seal	63
89 Registered office	63
<b>Division 6 Registration of charges</b>	
90 Registration of charges	63

---

**Part 4 Management**

<b>Division 1 Directors and officers</b>	
91 Interpretation	65
92 Board of directors	65
93 Meetings	65
94 Number of directors	66
95 Election or appointment of directors	66
96 Employee directors	66
97 Alternate directors	66
98 Chairperson	67
99 Qualifications of directors	67
100 Vacation of office	68
101 Removal of directors	69
102 Declaration of interest	70
103 General duty to make disclosure	72
104 Certain financial accommodation to officers prohibited	73
105 Financial accommodation to directors and associates	74
106 Directors' remuneration	76
107 Management contracts	76
108 Duties of directors and officers	77
109 Prohibition on transfer of money	79
110 Unlawfully acting as director	81

Contents

---

	Page
<b>Division 2 Meetings</b>	
111 Annual general meeting	81
112 Special general meeting	82
113 Quorum	82
114 Notice of meeting	82
115 Voting	83
116 Proxy votes	84
117 Special resolutions	84
118 Minutes	86
<b>Division 3 Registers and inspection</b>	
119 Registers	86
120 Register of directors	86
121 Register of members	89
122 Inspection	90
123 Location of registers on computers	91
124 Form and evidentiary value of registers	92
<b>Division 4 Accounts</b>	
125 Financial year of co-operative housing society	93
126 Financial year of Starr-Bowkett society	93
127 Financial year of association	94
128 Accounting records to be kept	94
129 Inspection of accounting records	95
130 Profit and loss account and balance sheet	95
131 Group accounts	95
132 Audit	96
133 Directors to ascertain certain matters	96
134 Requirements applying to accounts and group accounts	97
135 Directors' statement	97
136 Directors' reports	99
137 Accounts and reports to be laid before annual general meeting	105
138 Contravention of Division	106
<b>Division 5 Audit</b>	
139 Qualifications of auditors	107
140 Appointment of auditors	111



Co-operative Housing and Starr-Bowkett Societies Bill 1997

Contents

---

	Page
141 Nomination of auditors	113
142 Removal and resignation of auditors	114
143 Effect of winding-up on office of auditor	116
144 Fees and expenses of auditors	116
145 Auditor's report	116
146 Powers and duties of auditor	120
147 Final audit on merger etc	122
148 Obstruction of auditor	123
149 Qualified privilege	123
 <b>Division 6 Returns and relief</b>	
150 Returns	124
151 Relief from requirements as to accounts and audit	125

---

**Part 5 Mergers and transfers of engagements**

**Division 1 Preliminary**

152 Definitions	128
153 Part applies only to co-operative housing societies and associations	128

**Division 2 Mergers and transfers of engagements between societies of the same type**

154 Interpretation—societies of the same type	128
155 Application for registration of merger or transfer of engagements between societies of the same type	128
156 FINCOM may register merged society	130
157 Certificate of confirmation (voluntary transfer)	131
158 FINCOM may direct a transfer of engagements between societies of the same type	132
159 Society to comply with direction	133
160 Certificate of confirmation (transfer by direction)	133
161 Who receives the certificate of confirmation	133
162 When transfer of engagements takes effect	134
163 Cancellation of registration after total transfer	134
164 Effect of merger	134
165 Effect of transfer of engagements	135

---

Contents

---

	Page
<b>Division 3 Transfers of engagements from co-operative housing societies to financial institutions</b>	
166 Application for transfer of engagements	136
167 Certificate of confirmation (voluntary transfer)	137
168 FINCOM may direct a transfer of engagements between society and financial institution	138
169 Society to comply with direction	139
170 Certificate of confirmation (transfer by direction)	139
171 Who receives the certificate of confirmation	140
172 When transfer of engagements takes effect	140
173 Cancellation of registration after total transfer	140
174 Effect of transfer of engagements	140
<hr/>	
<b>Part 6 External administration</b>	
<b>Division 1 Arrangements and reconstructions</b>	
175 Schemes of arrangement and reconstruction	142
<b>Division 2 Receivers and managers</b>	
176 Receivers and managers	142
<b>Division 3 Winding-up</b>	
177 Winding-up	142
178 Winding-up on certificate of FINCOM	143
179 Application of Corporations Law to winding-up	144
180 Voluntary winding-up	144
181 Vacancy in office of liquidator on voluntary winding-up	145
182 Remuneration of liquidator on voluntary winding-up	145
183 Cancellation of registration	145
<hr/>	
<b>Part 7 Associations</b>	
184 Formation of associations	146
185 Objects of associations	146
186 Registration	146

Co-operative Housing and Starr-Bowkett Societies Bill 1997

Contents

---

	Page
187 Certificate of incorporation	147
188 Effect of incorporation	147
189 Membership	147
190 Share capital	148
191 Meetings	148
192 Application of Act to associations	148

---

**Part 8 Standards and model rules**

193 The Standards Committee	149
194 Making of standards	150
195 Making of model rules	150
196 Procedures before making of standards	150
197 Urgent standards	151
198 Application of changed requirements	152
199 Transitional arrangements	152
200 Matters for which standards may make provision	152
201 Publication of standards	153

---

**Part 9 Evidence, offences and proceedings**

**Division 1 Evidence**

202 Certificates etc	154
203 Rules	154
204 Registers	154
205 Minutes	155
206 Entries	155

**Division 2 Offences**

207 Defaults by co-operative housing bodies	155
208 Restrictions on powers	156
209 Offences by officers	156
210 Incurring debts not likely to be paid	160
211 Powers of Court	160
212 Inducement to be appointed as liquidator or official manager	162
213 Falsification of records	162
214 Frauds by officers	163

---

Co-operative Housing and Starr-Bowkett Societies Bill 1997

Contents

---

	Page
215 False or misleading information	163
216 Power to examine defaulting officers	163
217 Power of Court to assess damages against certain persons	166
218 False copies of rules	167
219 Fraud or misappropriation	168
220 Commissions	168
221 Co-operative housing bodies to comply with standards	168
222 Officers and other persons in default	168

**Division 3 Proceedings**

223 Proceedings for offences	169
224 Continuing offences	169
225 Injunctions	170
226 Power to grant relief	172

---

**Part 10 General**

227 Regulations	174
228 Repeal of 1923 Act and other Acts and instruments	174
229 Savings and transitional provisions	174
230 Amendment of Acts	174
231 Review of Act	174

---

**Schedules**

1 General interpretative provisions	175
2 Matters to be provided for in rules of co-operative housing societies	206
3 Matters to be provided for in rules of Starr-Bowkett societies	208
4 Provisions relating to the constitution and procedure of the Standards Committee	211
5 Savings and transitional provisions	215
6 Amendment of Acts	219