



Scottish Police

CREDIT UNION Limited

Serving The Police Family

Rules of

Scottish Police Credit Union Limited

**Registered under the Co-operative &
Community Benefit Societies Act 2014**

(Registration Number - 213597)

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1. Scottish Police Credit Union

1.1 Name

The name of the credit union shall be **Scottish Police Credit Union Limited** (hereinafter referred to as 'the Credit Union'.)

The Credit Union shall not use any name or title other than its registered name.

The Credit Union's registered name will appear in a conspicuous position and in letters easily legible, on the outside of its registered office and in all of its:

- notices, advertisements and other official publications;
- business letters, bills, invoices, receipts and cheques and other business documentation signed on or on behalf of the credit Union;
- websites and mobile applications

If the Credit Union wishes to change its registered name it may do so under these rules **by**;

- a resolution passed at an Annual General Meeting of the Credit Union after the giving of such notice as is required by the rules of the credit union for a resolution to amend the rules; and
- the Financial Conduct Authority gives permission for the Credit Union to change its name

1.2 Registered Office

The registered office of the Credit Union shall be at **165 Baillieston Road, Glasgow, G32 0TN** or at such other place as may from time to time be determined by the Board of Directors and registered with the Relevant Authority.

1.3 Legal Status

The Credit Union is a Member owned financial institution which is incorporated under The Co-Operative and Community Benefit Societies Act 2014.

The Credit Union is authorised by the Prudential Regulation Authority and is regulated by the Prudential Regulation Authority and the Financial Conduct Authority (the "Relevant Authorities"): Firm Reference Number 213597.

The Credit Union has part 4A Permission to accept deposits under The Financial Services and Markets Act 2000.

Deposits held by the Credit Union are protected by the Financial Services Compensation Scheme (**Rule 8.6**).

The Board of Directors shall be responsible for ensuring that the Credit Union applies for, obtains and maintains all necessary permissions to operate legally as a credit union.

1.4 The Common bond

Membership of the Credit Union is not open to the general public. The Credit Union must have a Common Bond which all of its members and potential members have in common and which is approved by the Relevant Authorities.

Accordingly, admission to membership is restricted to persons who fall within a Common Bond appropriate to this Credit Union as follows:-

- i. an individual who follows, or has retired from, the occupations in the following 'Minor' Groups of the Office for National Statistics Standard Occupational Classification:
 - a) Police Officer
 - b) Police Support Staff
 - c) Police Staff Associations' Employees
 - d) Special Constables
 - e) Traffic Wardens employed by Police Scotland
- ii. a body corporate, an individual in his / her capacity as a partner in a partnership, an individual in his / her capacity as an officer or member of the governing body of an unincorporated association, if the body corporate, partnership or unincorporated association:
 - requires it to employ or otherwise engage persons who follow the above occupations
 - relates to the above occupations in the following way:- provides services related to the above occupations
- iii. an individual who is employed by the Scottish Police Credit Union Limited.
- iv. an individual who is a member of the same household as, and is a relative of, an individual who is a member of the credit union and falls directly within a common bond specified above.
- v. An individual who is otherwise associated with members of the Police service by being an adult or junior member of the Police Scotland Youth Volunteer Scheme.
- vi. An individual who is employed by one of the following agencies and is based within the Scottish Crime Campus at Gartcosh:
 - Her Majesty's Revenue and Customs
 - Crown Office and Procurator Fiscal Service
 - Fire Scotland
 - Scottish Ambulance Service
 - UK Border Force (UKBF)
 - Home Office Immigration and Enforcement (HOIE)
 - Department of Work and Pensions (DWP)
 - Scottish Environment Protection Agency
 - Driver & Vehicle Standards Agency
 - Food Standards Agency
 - Security Industry Authority (SIA)

1.5 Objects

The objects of the Credit Union shall be:

- The promotion of thrift among Members of the society by the accumulation of their savings;
- The creation of sources of credit for the benefit of its Members at a fair and reasonable rate of interest;
- The use and control of Members' savings for their mutual benefit; and
- The training and education of its members in the wise use of money and in the management of their financial affairs.

1.6 Powers

The Credit Union shall have full power, subject to the law and the Relevant Authority's requirements attached to any permission held, to do all things necessary or expedient for the accomplishment of its objects.

1.7 Dissolution

The Credit Union may be dissolved:

- On its being wound up in pursuance of an order or resolution made as is directed in regard to companies by the Insolvency Act 1986;
- In accordance with Section 119 of the Act, by an instrument of dissolution:
 - i) to which not less than three fourths of the Members of the Credit Union have given their consent testified by their signatures to the instrument; or
 - ii) which has been approved by a special resolution of the Credit Union sent to and confirmed by the Registrar.

If on the dissolution of the Credit Union there remains after the payment of debts, repayment of share capital, discharge of all other liabilities, repayment of Deferred Shareholdings and payment of any dividend (**Rule 10.5**) any surplus assets whatsoever, such assets shall not be paid or distributed among the Members of the Credit Union but shall be:

- i. Transferred to another Credit Union; or
- ii. If not so transferred, applied for charitable purposes as may be determined by the Members of the Credit Union in General Meeting.

1.8 Availability of Rules

A copy of these Rules and any amendments made to them shall be available on the Credit Union's website.

Upon admission to membership of new Members without access to the internet, a

hardcopy shall be made available free of charge, on request.

A hardcopy shall be provided to any person on reasonable demand and upon payment of an amount no more than the specified amount chargeable in law for the time being in force.

1.9 Amendments to Rules

Any of these Rules may be rescinded or altered or any new Rule may be made by a resolution passed by not less than two-thirds of the Members present at a General Meeting, after giving the requisite notice under these Rules.

Any Member of the Credit Union may, before the first day of October in any year, propose an amendment to the Rules by serving notice of the proposed amendment to the Board of Directors.

Where the Directors deem the proposed change competent they must incorporate it in the agenda of the next General Meeting of the Credit Union for a vote by the Membership (in accordance with the procedures noted above).

Where the Directors do not consider the proposed amendment to be competent they must table their decision and the reasons for it at the next General Meeting, whereon the Member who proposed the change (and only that Member) may call for a vote (by a majority show of hands) on the validity of the Board's decision.

Where the vote is in favour of the Board's decision, the matter is closed. Where the vote is against the Board's decision, a General Meeting of the Credit Union will be held within 3 months and the proposed amendment must be incorporated in the agenda of that meeting for a vote by the Membership (in accordance with the procedures noted above).

No amendment of Rules shall be valid until registered with the Regulator.

2 MEMBERSHIP

2.1 Status of Membership

The Credit Union is a mutually owned financial institution. The Credit Union is owned by its Members who, on a one-member-one-vote basis, have a say in the running of the business (**Rule 3.1**) and who share in the risks and rewards of ownership (**Rule 2.2**)

2.2 Risks & Rewards of Ownership

Deposits made with the Credit Union are in the form of shares (**Rule 8.1**). As these shares represent the business' capital as provided with by the business' owners then, with the exception of interest bearing shares (**Rule 8.3**), there is no guaranteed or fixed return on these deposits. Instead the owners of the business share in the allocation of the surpluses generated by the business (**Rule 10.1**).

Member's deposits held by the Credit Union are protected by the Financial Services Compensation Scheme (**Rule 8.6**) and, subject to any limits within that scheme; Members have no liability on the dissolution of the Credit Union.

2.3 Admission to Membership

Admission to membership is restricted to those who fall within the Credit Union's Common Bond as per **Rule 1.4**.

No applicant shall be admitted into membership of the Credit Union unless the applicant:

- fulfils the criteria for membership (including the minimum age); and
- accepts the risks and rewards of ownership; and
- has submitted an application for membership in a form accepted by the Board of Directors and the Board has approved the application using delegated procedures as agreed by the Board from time to time; and
- has provided sufficient evidence to prove his/her identity (and proof of incorporation if a corporate body) and address as required to comply with all relevant laws, regulations and operating procedures established in respect of money laundering prevention; and
- supports the objects and social goals of the Credit Union; and
- has paid such joining fee applicable at time of joining. The amount of this fee shall be determined by the Board of Directors from time to time and may be increased in order to cover reasonable administrative costs of membership, but will be capped in line with the Regulator's Policy. The Board of Directors may also decide to waive applying the fee at any time; and
- agrees to pay any annual administrative fee that may be determined by the Board of Directors from time to time and may be increased in order to cover reasonable administrative costs of membership, but will be capped in line with the Regulator's Policy. The Board of Directors may also decide to waive applying the fee at any time.

Members who are admitted through the fulfilment of the above are referred to as Qualifying Members

2.4 Minimum Age for Membership

The minimum age for membership of the Credit Union is 16.

In keeping with its objects, the Credit Union also has Junior Savers as per **Rule 2.5**.

2.5 Junior Savers

Junior Savers are account holders who are under the age of 16. The credit union may take deposits from a person, who would otherwise qualify for membership of the credit union according to **Rule 1.4**, but is under the age at which, defined in **Rule 2.4** they may become a member.

Junior Savers are not "Members" of the Credit Union as defined by **Rule 2.3**, do

not hold shares in the Credit Union and do not share in the risks and rewards of ownership.

Junior Savers receive interest on their deposits at a rate as determined from time to time by the Board of Directors.

Junior Savers cannot apply for a loan, do not have a say in the running of the business and are not permitted to attend General Meetings.

A Junior Saver, who is eligible for membership of the credit union according to **Rule 1.4**, shall convert to full membership of the Credit Union upon reaching the age of 16.

The Credit Union may, if the Directors so determine, take deposits up to a total of £10,000 or 1.5 per cent, whichever is the greater (or such other sum as may be permitted by the Relevant Authority), of the total shareholding of the Credit Union from a junior saver of the Credit Union.

2.6 Corporate Members

The Board may admit to membership of the Credit Union:

- An individual in his/her capacity as a nominee of an unincorporated organisation or partnership which meets the Common Bond qualifications, and;
- Any named corporate body which meets the Common Bond qualifications,

Those eligible for membership of the Credit Union by virtue of the above shall be referred to as Corporate Members. Any reference to 'Member' in these Rules, unless indicated otherwise, shall include both individual and Corporate Members of the Credit Union.

A corporate body which is a Member of the Credit Union shall appoint a representative who shall during the continuance of his/her appointment, be entitled to exercise in any general meeting of the Credit Union all such rights and powers as the corporate body would exercise if it was an individual person. The Credit Union shall require such notification of a corporate body's appointed representative as the Board of Directors may from time to time decide.

The Board of Directors shall ensure that at all times the number of Corporate Members in membership of the Credit Union does not exceed 10% (or such other higher amount as prescribed by law) of the total number of members of the Credit Union.

Where the number of Corporate Members exceeds 10% (or such other higher amount as prescribed by law) of the total number of members, the Board of Directors has the authority to terminate the membership of any number of Corporate Members in order to reduce the number as required (The Corporate Members selected for termination of membership being determined by the Board of Directors in a manner which they consider appropriate at the time).

Corporate Members have no entitlement to either a seat or representation on the Board of Directors. The appointed representative of a Corporate Member may stand for election to the Board of Directors but do so only as an individual representing all of the Membership (**Rule 7.2**).

2.7 Joint Accounts

The Credit Union may offer a joint account facility to Members who are individuals.

A joint account shall only be available to two individuals who each qualify for, obtain and continue to hold membership under the Common Bond qualification. The Credit Union shall establish a procedure on the operation of a joint account.

In the event of the death of one of the holders of a joint account, the joint account shall, subject to any contrary written agreement, become the property of the survivor.

2.8 Non-qualifying Member

A Member who ceases to fulfil the qualifications for membership, as per **Rule 2.3** shall cease to be a qualifying member and will become a non-qualifying member.

A non-qualifying member may retain their membership and voting rights in the Credit Union, and continue to acquire Shares and to receive loans subject to legislation and the provisions of these Rules.

A limit on the number of non-qualifying members may be imposed by resolution of the members at the annual general meeting in accordance with **Rule 1.9** of these Rules.

2.9 Register of Members

The Credit Union shall maintain systems, at its registered office, which record the following details:

- The names and addresses of the Members. (In the case of a Corporate Member, it will include its registered office address or such other address as may be accepted by the Board of Directors); and
- The number of shares held by each Member, the amount paid on the shares of the Member and the date and manner in which any share ceased to be held by the Member; and
- A record of other property in the Credit Union, whether in loans or otherwise, held by the Member; and
- The date on which the Member was entered into Membership and the date at which any person ceased to be a Member; and
- The names and addresses of the Board of Directors (past and present) of the Credit Union with the offices held by them respectively and the dates on which they assumed, and vacated, said office.

The systems shall be so constructed in order that it is only possible for a Member to inspect the particulars pertaining to them without exposing the particulars of other Members entered therein.

The Credit Union will maintain a "duplicate" register which is open to inspection by other Members without exposing information recorded about Member's shares and other property in the society.

2.10 Cessation of Membership

A Member shall cease to be such if:

- Their membership is terminated in accordance with the Credit Union's Dormancy procedures (**Rule 2.15**); or
- They die or, if a Corporate Body, that body is wound up or goes into liquidation; or
- They are the representative of an unincorporated organisation or partnership which is wound up or goes into liquidation; or
- They are the representative of an unincorporated organisation or partnership which removes or replaces them as its representative provided the following are adhered to:
 - a) any loans held by the Member are repaid in full;
 - b) any non-deferred shares held by the Member are repaid in full by the credit union;
 - c) any deferred shares are transferred to another Member of the credit union in accordance with **Rule 8.4**.

If the partnership or unincorporated organisation wishes to appoint another representative then that representative should make an application for Membership as per **Rule 2.3**.

A Member shall also cease to be such if:

- by virtue of being a Corporate Member of the credit union they have been expelled in accordance with **Rule 2.6**; or
- They voluntarily withdraw from the Credit Union in accordance with these Rules; or
- They are expelled by the Credit Union in accordance with these Rules.

Where membership ceases, the liability remains as per **Rule 2.14**

2.11 Withdrawal from Membership

A Member who does not have any outstanding liability to the Credit Union may voluntarily withdraw from membership of the Credit Union at any time by applying for, and receiving, their shareholding in the Credit Union; subject to any notification period in place as agreed from time to time by the Board of Directors.

Members with an outstanding liability to the Credit Union shall be required to settle their account prior to being permitted to withdraw from membership of the Credit Union.

In accordance with **Rule 8.4**, Members holding deferred shares shall not have the power to withdraw them. Repayment of any deferred shares shall be made in accordance with the relevant Issue Document.

Where a Member withdraws, the liability remains as per **Rule 2.14**

2.12 Expulsion and Suspension from Membership

A Member or Junior Saver may be suspended, and subsequently expelled, from the Credit Union for any grave and sufficient reason including, but not limited to, the following:

- a) Wilful breach of, or refusal to comply with, the Rules;
- b) Divulging confidential information obtained by virtue of being a Member, or Junior Saver in whatever capacity, of the Credit Union;
- c) Deceiving the Credit Union with regard to the purpose of money borrowed or its subsequent use;
- d) Default and continued refusal to honour a debt (the loan repayment terms of which had been agreed in a signed loan agreement);
- e) Maliciously and knowingly spreading incorrect reports about the management of the Credit Union;
- f) Wilfully making any entry, or error in, or omission from any system, record or return of the Credit Union with the intent to falsify it;
- g) Actively working against the interests of the Credit Union and/or its membership;
- h) Using the Credit Union as a vehicle for committing an offence under the Money Laundering Regulations 2007 or any subsequent legislation;
- i) Committing an offence of dishonesty against the Credit Union, wilfully destroying or damaging records or other property of the Credit Union, or knowingly passing forged papers through the Credit Union;
- j) If, after admission as a Member, or Junior Saver of the Credit Union, their application form is found to include wilfully false or misleading information or any defect is discovered in their qualification for membership at the time of their admission which in the opinion of the Board of Directors is of such consequence as to justify expulsion;
- k) Abusive behaviour towards the staff or volunteers of the Credit Union.
- l) Acting in a manner that is likely to bring disrepute to the Credit Union.

Where such a grave and sufficient reason (as above) is suspected The Board of Directors, by resolution at a Board Meeting, will commission the Chief Executive to appoint an investigating officer to carry out an investigation into the matter.

Within 5 working days of their decision, the Board of Directors will write to the Member, or Junior Saver informing them of the investigation. Members will also be advised whether or not their membership has been suspended pending the outcome of said investigation.

Where membership is suspended, the Member temporarily loses their rights to

attend, speak and vote at a General Meeting as well as their right to apply for or be granted any loans.

Where the suspended Member is a Director or performs some other voluntary role within the Credit Union they will also be suspended from those duties.

Where the suspended Member is an employee of the Credit Union consideration will be given to whether it is appropriate to carry out an investigation under the Credit Union's staff Disciplinary Policy.

The investigation will provide the Member, Junior Saver with a reasonable opportunity to address the allegation with the investigating officer. Failure of the individual to engage with this opportunity or to do so timeously will not prevent the investigation either proceeding or reaching a conclusion based on the evidence available.

The results of the investigation will be presented to the Board of Directors at a duly convened meeting and, following a vote, they will pass a resolution which will be limited to the following:

- Dismissal of the allegation and, where appropriate, lifting of any suspension; or
- Acceptance of the allegation and application of the sanction of either (a) expulsion from membership (either permanently or for a specified period of time) or (b) suspension of membership (for a stated period of time); and
- Whether the wrong doing requires to be reported to an external body (e.g. The Police).

2.13 Notice of Expulsion

Within 5 working days of their decision, the Board of Directors will write to the Member or Junior Saver informing them of the outcome of the investigation and, where appropriate, the sanctions applied.

The letter will also provide the Member with details of the appeal process and confirmation that the sanctions applied will not become effective until 30 days after the date of posting letter or until the result of any appeal, if any, whichever is the later, during which period the Member will be suspended. (In the case of Junior Savers, the decision of the Board of Directors is final and there is no right of appeal.)

Upon receipt of the letter, the Member will have 14 days in which to register that they wish to appeal the decision. If they do so, the appeal will be held at a specially convened meeting of the Board of Directors at which the Member will be entitled to attend, be heard and be represented. At the conclusion of the appeal there will be a vote and the Board will pass resolution either:

- Overturning the original decision and sanctions;
- Upholding the original decision but amending the sanctions; or
- Upholding the original decision and sanctions.

This decision is final and there is no further appeal process.

At any time during the above process a Member may withdraw from Membership

in accordance with **Rule 2.11**, and whilst this removes the ability of the Credit Union to apply sanctions, the Credit Union reserves the right to continue the investigation in order to determine whether the allegation was correct and whether it is of a nature which requires to be reported to an external body.

Where a Member is suspended or expelled, the liability remains as per **Rule 2.14**.

Members may also be expelled through Dormancy as defined by **Rule 2.15**.

2.14 Liability on Cessation, Withdrawal, Suspension or Expulsion

Cessation, withdrawal, suspension or expulsion of a Member from the Credit Union shall not relieve such Member from any liability which existed at the time of their cessation, withdrawal, suspension or expulsion.

The amount deposited by a Member who ceases, withdraws, is suspended or is expelled shall be paid to them as funds become available, but only after all monies owed by them to the Credit Union have been deducted.

Excluding any Member who is expelled through Dormancy (**Rule 2.15**), any amount due to a Member who ceases, withdraws, is suspended or is expelled shall be repaid within a period of less than 60 days beginning on the day following the expulsion or notice of withdrawal. No payment shall be paid to such a Member unless all of his/her liabilities to the Credit Union have been, or shall subsequently be, fully discharged.

2.15 Dormancy

A share account may become dormant where there have been no Member initiated transactions for a period of 12 months.

At any time a Member may reactivate their dormant account by completing the appropriate reactivation form and carrying out a member initiated transaction on the account.

Where an account has become dormant, the Credit Union will make a reasonable effort to inform the Member of this fact and provide the Member with a six week period to determine the future use of their account(s).

Should, after a period of six weeks, the account(s) remain dormant and there are no other active share or loan accounts, the Membership shall be declared Dormant and an annual administration fee at a level as agreed by the Board of Directors not exceeding £5, shall be charged.

Where a membership has been declared Dormant, the Board of Directors shall have the discretion to:

- Hold any monies within the account(s) of such Member in a suspense account pending the Member's subsequent withdrawal of their money, or reactivation of his/her membership;

and/or

- Expel the Member from Membership of the Credit Union

Any communication in writing made under **Rule 2.15** shall contain:

- a) Information on reactivating or closing their account and withdrawing from membership;
- b) Information about the right of the Credit Union to charge an annual administration fee;
- c) Reference to the right of the Credit Union to remove dormant accounts into a suspense account and subsequently expel the Member from membership.

If a Member is to be expelled, a notice of expulsion shall be issued in writing, to the last known address, giving 30 days' notice. The notice of expulsion shall contain information on how to appeal.

Upon receipt of the notice, the Member will have 14 days in which to register that they wish to appeal the decision. If they do so, the appeal will be held within 60 days at a meeting of the Board of Directors at which the Member will be entitled to attend and be heard. At the conclusion of the appeal there will be a vote and the Board will pass a resolution either:

- Overturning the original decision; or
- Upholding the original decision.

This decision is final and there is no further appeal process.

3. Governance

3.1 Governance Overview

The Credit Union is a co-operative, owned by its Members and run for their mutual benefit. The Credit Union operates a three tier governance structure:

Tier 1 – The Membership – There are matters reserved for decision by the Membership at General Meeting (**Rule 3.2**).

Tier 2 - The Members elect from within the Membership a Board of Directors to oversee and monitor the Chief Executive on behalf of the Membership and a Supervisory Committee to ensure the adequacy and effectiveness of the Credit Union's internal control mechanisms.

Tier 3 - The Board of Directors appoints a Chief Executive Officer to manage and run the organisation on behalf of the Membership for their mutual benefit.

The Board of Directors is responsible for maintaining a Delegated Authority policy which provides for appropriate delegation within the framework of these rules and which clearly defines matters reserved for the Membership, matters reserved for the Board of Directors, matters delegated to its committees and which clearly states that all non-reserved matters are delegated to the Chief Executive Officer.

3.2 Matters Reserved for the Membership

The following matters are reserved for decision by the Membership in the form of a General Meeting:

- The receipt of the annual accounts and reports of the Board and the auditor pertaining to them;
- Ratification of the appointment of an auditor;
- The election of Directors;
- Ratification of the application of the surplus;
- Changes to the Rule Book
- The election of the Supervisory Committee
- The transaction of any other business included in the notice convening the meeting

3.3 General Meetings

Member meetings of the Credit Union shall be either in the form of an Annual General Meeting or a Special General Meeting.

At least one General Meeting, in the form of an Annual General Meeting, will be held each year.

Every Member holding at least the minimum shareholding shall be entitled to attend such General Meetings on the production of such evidence as the Board of Directors may from time to time determine.

Each Member of the Credit Union shall hold one vote only irrespective of the size of their shareholding in the Credit Union or the number of accounts held.

The right to vote by a Member shall be held by:

- in the case of an individual Member, the individual;
- in the case of an unincorporated association, the Designated Representative or Partner;
- in the case of an incorporated body, the Corporate Representative.

A Member of the Credit Union may not vote by proxy at a General Meeting of the Credit Union.

A Member is able to exercise the right to speak and vote at a General Meeting of the Credit Union and is deemed to be in attendance when they and all those attending the meeting are in a position to communicate with each other. Electronic voting from outside the venue where the Meeting is taking place is not permissible.

Every General Meeting shall have a Chairperson, who shall be entitled to vote. Where the number of votes cast is equal, the Chairperson shall also have a casting vote. The Chairperson of the Credit Union shall, if present, take the Chair at general meetings. If the Chairperson is not present, the Vice-Chairperson shall do so and if he/she is not present, then the members of the Board present at the meeting shall elect one from their number to do so.

No business shall be transacted at a General Meeting unless a quorum is present. A quorum shall be the lower of 10 per cent of the membership or 15 Members. If within half an hour after the time appointed for the meeting to commence a quorum is not present then the meeting, if convened upon the requisition of Members, shall be dissolved.

In any other case the meeting shall be adjourned until a later date within 30 days of the meeting at which the adjournment took place. The Members present at a meeting so adjourned shall constitute a quorum; however, no business shall be transacted at such a meeting other than the business left unfinished at the meeting at which the adjournment took place.

No meeting shall become unable to conduct business from the want of a quorum arising after the Chair has been taken.

3.4 Special General Meetings

Any General Meeting of the Credit Union other than an Annual General Meeting shall be a Special General Meeting.

A Special General Meeting shall not conduct any business other than that specified in the notice convening it. A Special General Meeting may be called in one of three ways:

1. The Board of Directors or the Supervisory Committee of the Credit Union may for good reason convene a Special General Meeting for any purposes including those not specifically provided for elsewhere in these Rules; or
2. Upon an application, signed by one tenth of the total number of Members or 100 Members (whichever is the lesser number) delivered to the registered office of the Credit Union, the Board of Directors shall convene a Special General Meeting of Members. The purpose of the Special General Meeting shall be stated in the application and notice of the meeting. No business other than that stated in the notice of the meeting shall be conducted at the meeting; or

If, within one month from the date of the receipt of the application (as noted above), the Board of Directors has not convened a Special General Meeting to be held within 6 weeks of the application, any three Members of the Credit Union acting on behalf of the signatories to the application may convene a Special General Meeting, and shall be reimbursed by the Credit Union for any costs incurred in convening such a meeting; or

3. The Chief Executive may call a Special General Meeting either because the Board of Directors has broken up or is no longer functioning in accordance with these Rules or, under the auspices of the Credit Union's Whistleblowing Policy, where the Chief Executive believes that the Board of Directors are no longer acting in the best interest of the Membership and has been unable to resolve this matter within the normal management framework.

3.5 Annual General Meetings

The Annual General Meeting shall be held within six months of the end of the year of account at such date, time and place as the Board of Directors may determine by resolution.

The business of the Annual General Meeting shall comprise:

- The receipt of the accounts and balance sheet and of the reports (if any) of the Board of Directors and the auditor; and

- The appointment of an auditor (**Rule 12.3**); and
- The election of the Board of Directors (or the results of the election if held previously by ballot) (**Rule 4.6**); and
- The ratification of the application of surplus (**Rule 10.2**); and
- The transaction of any other business included in the notice convening the meeting.

3.6 Notice of General Meetings

At least 14 days and not more than 30 days before the date of a General Meeting, the Board shall cause notice to be made available of the date, time and place of the meeting.

Notice of any meeting is given by posting notice in a conspicuous place of business at the Credit Union to which Members have access and by electronic communication, including posting on the website operated by the Credit Union. Where electronic communication is not possible a notice will be sent in writing to a Member's Address and shall be deemed to have been duly served forty eight hours after its posting.

In addition, notice in writing shall be sent to the external auditor at least 14 days before the date of a General Meeting.

3.7 Accidental Omission

When notice of a general meeting has been given in accordance with these Rules the accidental omission to give notice to any Member or the non-receipt of the notice by any Member shall not invalidate any resolution passed or any business undertaken at the meeting.

3.8 Complaints

The Credit Union will maintain a formal written complaints procedure which shall be made available to all Members on the Credit Union website.

The Credit Union shall aim to resolve a complaint and send a final response within eight weeks of the receipt of a complaint (or such other time period as may be prescribed by the Relevant Authority).

If a complainant remains dissatisfied at the completion of the Credit Union's internal complaints procedure, the complainant shall have six months (or such other time period as may be prescribed by the Regulator) from the date of receipt of the Credit Union's final response to refer their complaint to the Financial Ombudsman Service (or any successor body).

4 Board of Directors Constitution

4.1 Classification of Directors

Members who are elected to the Board of Directors cannot assume their status or role until they have demonstrated that they are fit and proper (**Rule 7.3**) and, subsequently, have been certified or approved (as appropriate) under the regulatory regime.

For the purposes of this Rule Book, Associate Directors are members who have been brought on to the Board but have no voting rights, Nominated Directors are members who have been elected but have not yet commenced their term of office as they have not yet been certified / approved and Elected Directors are members who have been elected and who have been certified / approved and their term of office has commenced (**Rule 7.1**).

As per **Rule 4.7** the Board of Directors has the delegated authority to fill casual vacancies.

For the purposes of this Rule Book, Members who have been selected to fill a casual vacancy but have not yet been certified / approved under the regulatory regime will be referred to as Nominated Directors. Nominated Directors will become Elected Directors once certification / approval are in place.

If an Elected Director or a Nominated Director fails to demonstrate that they are fit and proper (**Rule 7.3**) or subsequently fails to obtain certification or approval under the regulatory regime, within three months of the scheduled vesting date (**Rule 7.1**) their election is automatically declared null and void and a vacancy is immediately created.

Directors will be classified as either Executive or Non-Executive Directors. The core duties, authorities and responsibilities of Executive and Non-Executive Directors are identical. Executive Directors are defined as those directors who have taken personal responsibility for prescribed responsibilities under the regulatory regime.

4.2 Board of Directors

The Credit Union shall endeavour to have 11 Directors, the count being made of Associate, Nominated and Elected Directors or a maximum so determined by the members at the Annual General Meeting. This number will include the Chief Executive Officer as an Executive Director (**Rule 5.2**) whose appointment to the Board will be by virtue of his/her position. The Chief Executive Officer will not require to be elected and will serve for as long as they hold the position.

For whatever reason, should the number of Elected Directors fall below 5 and, where the Board is of the opinion that there is no prospect within the following 12 weeks that this number will rise above 4, a Special General Meeting will be called to discuss possible resolutions.

For whatever reason (e.g. vote of no confidence by Members at General Meeting), the number of Elected Directors falls to zero, the Chief Executive will call a Special General Meeting to discuss possible resolutions. The meeting is to be held within 4 weeks and the Chief Executive will Chair said meeting.

4.3 Nominations Committee

The Board of Directors will form a Nominations Committee with a remit including:

- a) Establishing and maintaining an appropriate application process for potential Directors and Supervisors;
- b) Meeting with prospective Directors and supervisors, informing them of the role and preparing them for potential election;
- c) Determining the standards of fitness and propriety required of directors and Supervisors and potential directors and Supervisors;

- d) Determining whether or not a potential director or Supervisor's name should appear on the ballot paper based on whether or not that they have demonstrated (or are judged to be capable of demonstrating) fitness and propriety for the role (**Rule 7.3**);
- e) Where deemed required, identifying people within the common bond (whether they are currently a member or not) with a skill set which may augment the Board of Directors or Supervisory Committee and encouraging them to stand for election;
- f) Evaluating the outcome of the efforts to generate interest from new volunteers where this has been delegated to the Chief Executive; and
- g) Annually certifying Directors and Supervisors under the Regulators Certification Regime.

The Nominations Committee will comprise of two directors, the Chief Executive and the member of staff with responsibility for regulatory compliance. The Chairperson must not serve on the Nominations Committee.

4.4 Eligibility for Nomination to the Board

All nominees for election to the Board of Directors must be Members of Scottish Police Credit Union, be at least 16 years of age and;

- a) In the case of an individual Member; be the individual
- b) In the case of a partnership or an unincorporated association, be the Designated Representative or partner
- c) In the case of an incorporated body; be the Corporate Representative

A Member should not allow their name to be put forward for nomination if they know of any substantive reason why they may not be regarded as 'fit and proper' to be authorised as an Approved Person by the Regulator.

A Member may not stand for election if they:

- a) are an employee of any other Credit Union;
- b) are a Director of any other Credit Union;
- c) are a Director or Employee of a Credit Union Trade Body to which Scottish Police Credit Union is not affiliated;
- d) have, at any time, been disqualified under the Directors Disqualification Act 1986;
- e) have, at any time, been convicted of any offence involving fraud or dishonesty;
- f) are judged by a medical practitioner to be physically or mentally incapable of acting in the role of a Director;
- g) by reason that due to their mental health, they are subject to a court order which wholly or partly prevents them from personally exercising any powers or rights which that person would otherwise have;
- h) are unwilling or unlikely to achieve the required level of competence (**Rule**

7.3).

Where the Nominations Committee, formed under **Rule 4.3**, believes that a Member putting themselves forward for election should not do so under the clauses set out in this Rule, they have the authority not to allow the Member's nomination to be put forward.

If the Member wishes to challenge this decision, then the matter will be added to the agenda of the next General Meeting, at which a vote will be held to either ratify or overturn the Nominations Committee decision (Such a vote being decided by a majority show of hands).

4.5 Nominations

All nominations for election to the Board of Directors or Supervisory Committee should be completed in accordance with the prescribed application process (**Rule 4.3**).

Nominations for election to the Board of Directors or Supervisory Committee can be made at any time during the year. Nominations received less than 28 days in advance of a General Meeting will not be considered for that General Meeting but will be held over until a subsequent meeting.

All nominations for election to the Board of Directors or Supervisory Committee require to be assessed and approved by the Nominations Committee (**Rule 4.3**) before the nominated person can appear on a ballot paper. The Nominations Committee will only allow a nomination to proceed to ballot if they consider that the nominee meets the competence requirements (**Rule 7.3**) or it is likely that they are able and willing to meet those requirements prior to the period of office commencing.

Where the Nominations Committee does not approve the person for inclusion on the ballot paper they will, on behalf of the Credit Union, offer assistance and guidance as to how the Member can meet the competence requirements in order that their name may go forward to a future ballot.

If the Member wishes to challenge the decision of the Nominations Committee to exclude them from the ballot paper, then the matter will be added to the agenda of the next General Meeting, at which a vote will be held to either ratify or overturn the Nominations Committee decision (decided by a majority show of hands).

Details of all the nominees for election to the Board of Directors or Supervisory Committee who will appear on the ballot paper will be made available publically on the Scottish Police Credit Union website at least 14 days prior to the General Meeting at which their nomination will be considered and physical copies will be issued along with the ballot papers at the General Meeting itself.

In the absence of extenuating circumstances, all nominees for election to the Board of Directors or Supervisory Committee must attend the General Meeting at which their nomination will be considered (**Rule 4.6 (a)**).

4.6 Election Process

Prior to the meeting, the Board of Directors will appoint a “returning officer” (normally an independent person such as the external auditor).

Upon arrival at the General Meeting, Members will be issued with meeting papers which will include details of those standing for election and a ballot paper.

Prior to the vote taking place the Chair will:

a) Confirm that each nominee is present at the meeting. If a nominee is not present and the Chair has been advised of extenuating circumstances, the Chair will hold a vote, based on a show of hands, as to whether the nomination should be allowed to proceed to or be dropped from the election (if the Chair has not been advised of extenuating circumstances for non-attendance the Chair will advise the attendees that the nomination is withdrawn and that any votes cast for that person will be void); and

b) Confirm that the nomination has been ratified by the Nominations Committee.

c) Allow each nominee present to speak to their application. Where a nominee is not present, no other person will be allowed to speak on their behalf; and

d) Provide an opportunity for any member attending the General Meeting to state why they believe that any of the candidates are ineligible to stand for election by virtue of the fact that their nomination contravenes any of the Rules or the criteria for a fit and proper person (**Rule 7.3**).

Following which, members will be asked to cast their vote in a secret ballot. The actual voting procedures being determined, in advance, by the Board of Directors.

The Member receiving the most votes will be duly elected to the post. Where there is more than one vacancy, the Member receiving the second highest number of votes will be duly elected to the second post and so on until all the posts are filled.

The Returning Officer will announce the result of the election at the General Meeting.

If for any election the number of nominees does not exceed the number of vacancies to be filled, a proposal to dispense with the election procedure and to declare that all nominees are duly elected may be proposed to the annual general meeting.

If such a proposal is carried by a majority vote of the Members present at the meeting, the chairperson shall declare that the nominees for that election are duly elected.

4.7 Casual Vacancies

A casual vacancy on the Board of Directors shall, as soon as is practicable, be filled by co-opting a Member possessing the necessary competence to perform the vacated role. Having satisfied themselves regarding the fitness and propriety of the Member, the Nominations Committee will propose the co-option and this will be ratified (or otherwise) by a majority vote of the Elected Directors at an appropriately convened meeting.

Members who have been selected to fill a casual vacancy but have not yet been certified or approved (as appropriate) under the regulatory regime will be referred to as Nominated Directors and will hold office for the remaining term of that office. They will become Elected Directors once they have been certified or approved (as appropriate) under the regulatory regime.

Any Member who is co-opted as a Director shall hold office only until the vesting day following their co-option (**Rule 7.1**). Co-opted Directors may stand for election at the Annual General Meeting following their co-option under the **Rules 4.4** and **4.5**

5. Board of Directors Operation

5.1 Management of the Credit Union

Subject to the law, pertinent regulation and these Rules, the Board of Directors shall manage the general business and control of the affairs of the Credit Union and shall be responsible for performing all of the duties ordinarily performed by the Board of Directors.

As per **Rule 3.1**, the responsibilities of the Board shall be laid out in a Delegated Authority (or like named) policy agreed from time to time by the Board of Directors, which shall be provided to all newly elected members of the Board or prospective members of the Board.

The Board of Directors will maintain policies which cover the management of conflicts of interest; Director's duties and responsibilities; Director's training; Director's expenses; and whistleblowing.

5.2 Election of Officer Bearers

a) Executive Directors

Executive Directors are defined as those Directors who have taken personal responsibility for prescribed responsibilities under the regulatory regime.

As soon as possible following the annual general meeting, the Board of Directors shall elect from among its number with the exception of the Chief Executive a president who shall be chairperson, a vice-president who shall be vice chairperson, a treasurer and a secretary of the Credit Union. A person so elected shall hold office until the election of their successor.

Subject to **Rule 5.2 (d)** the posts of Chairperson and Vice Chairperson will be held throughout that Directors term (or terms) of office (**Rule 7.1**)

b) Non-Executive Directors

Non-Executive Directors are defined as those Directors who have not taken personal responsibility for prescribed responsibilities under the regulatory regime.

Unless the Director vacates office or there is a majority vote by the Board of Directors to the contrary, all such elected posts are held until immediately after the next AGM. At the close of the AGM the posts are automatically vacated,

triggering new elections to be conducted at the first meeting of the Board of Directors following the AGM.

c) Voting Rights

Office bearers do not hold any special voting rights other than as noted in **Rule 5.10**.

d) Removal from Office

Notwithstanding the removal from the office of Director (**Rule 7.7**) the Board of Directors may, by a majority vote, remove a Director from the office of Chairperson, Vice Chairperson, Secretary or any other elected post as per **Rule 5.2(b)** in circumstances where the Board of Directors consider that the person no longer retains the Board's confidence in the execution of the role.

5.3 Frequency of Meetings

The Board of Directors will normally meet quarterly, but may meet more frequently if the needs of the business require it to do so.

5.4 Timing of Meetings

The date, time and place of such meetings shall be decided from time to time by the Board. All meetings shall be called in such a manner as the Board shall determine.

5.5 Special Meetings

The Chairperson, or in their absence the Vice-Chairperson, may call a special meeting of the Board of Directors at any time.

The Chairperson, or in their absence the Vice-Chairperson, shall call a special meeting of the Board of Directors on receipt of a request in writing signed by at least 3 Directors.

The Chairperson, or in their absence the Vice-Chairperson, shall determine the date, time and place of such a meeting, unless the Board of Directors prescribe otherwise by resolution.

5.6 Quorum

No business shall be transacted at a meeting of the Board of Directors unless a quorum is in attendance (**Rule 5.7**).

A majority of the number of the Elected Directors (**Rule 5.1**) at any time shall constitute a quorum.

If a quorum is not present then the meeting will be adjourned to any date not less than 2 or more than 30 days from the day of the meeting at which the adjournment took place. The quorum for such an adjourned meeting shall be 3 Directors or such greater number as the Board may determine by resolution.

5.7 Attendance

A Director is deemed to be in attendance when that person and all those attending the meeting are in a position to communicate with each other.

The Board of Directors may invite non-Directors to attend and participate in all or part of a meeting, however, as per **Rule 5.10**, only Elected Directors have voting rights.

5.8 Authority

The authority of the Board of Directors resides within a meeting of the Board which has been properly called and is quorate (**Rule 5.6**).

Outside of a Board meeting, Director(s) shall only have the specific authority to act in a specified area as may from time to time be delegated within a meeting of the Board of Directors.

In addition, the Board of Directors may delegate any of their powers to Sub-Committees established as provided for in **Rule 5.12**.

All acts carried out by any meeting of the Board, or of any committees or by any Director acting in pursuance of any authority duly given shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment or qualification of any Director, be valid as if such Director had been duly appointed or qualified.

5.9 Meeting Chair

Subject to any specific provision contained in these Rules, the Chair or, in their absence the Vice-Chair, shall preside at meetings of the Board of Directors.

If 15 minutes has elapsed after the time appointed for the beginning of a Board meeting and neither the Chairperson nor the Vice-Chairperson is either present or willing to act, then, provided the meeting is quorate in accordance with **Rule 5.6**, the other Directors shall elect one of their number, who is present, to Chair that meeting.

5.10 Voting

A Director is able to exercise the right to speak at any meeting of the Board of Directors at which they attend.

Matters arising at any meeting of the Board of Directors shall be decided by the consensus of the Elected Directors.

Where either:

- there is no consensus; or
- where these Rules require a vote; or
- where any Elected Director requests a vote to be held,

a decision will be made by a majority of votes (by a show of hands) unless these

Rules require otherwise.

Each Elected Director, including the Chair of the meeting, shall have only one vote on any matter. In the event of an equality of votes, the Chair of the meeting shall have a casting vote.

Only Elected Directors have a vote on any matter. Other meeting attendees (e.g. the Executive, auditors) may be asked to contribute to the discussion but will not have a vote.

5.11 Binding Decisions

The Board of Directors works on the basis of “cabinet responsibility” and therefore any properly executed decision made by the Board is binding on all of the Directors regardless of their initial dissent, their abstinence from a vote or their failure to attend the meeting at which the decision was made.

If a Director feels they are unable to abide by a decision of the Board they can:

- Once (and once only) ask that the Board reconsider the decision; or failing that
- Attempt to call a Special General Meeting under **Rule 3.4**; or
- Resign as a Director.

5.12 Sub-Committees

The Board has the authority to delegate some of its work to Sub-Committees. Sub-Committees may be temporary or “standing”.

The membership of Sub-Committees shall be determined from time to time by the Board and shall consist of Directors and other individuals as the Board think appropriate.

Sub-Committees shall have clear terms of reference and Standing Orders where appropriate and conform in all respects to these terms, including any requirements regarding reporting to the Board of Directors.

6. Supervisory Committee

The Credit Union shall have a Supervisory Committee and the Board of Directors and the Supervisory Committee shall establish and agree the Terms of Reference which shall include the qualification for membership and the terms under which the committee operates.

The Supervisory Committee shall;

- be notified of all meetings of the Credit Union and be entitled to attend all such meetings;
- report each year to the annual general meeting.
- have the power to recommend to the Board that the Internal Audit function be outsourced.

- be responsible for ensuring that the internal audit function is performed in accordance with prescribed terms of reference.

6.1 Eligibility for Nomination to the Supervisory Committee

Members of the supervisory committee must be members of the Credit Union but may not be at the same time;

- a member of the Board of Directors;
- a member of any other permanent committee of the Credit Union; or
- be employed by the Credit Union,

Supervisory Committee members shall be elected in accordance with the provisions of **Rules 4.5 & 4.6**.

6.2 Casual Vacancies

If a vacancy occurs on the supervisory committee, its remaining number shall have the power to co-opt a replacement for the remaining term of office.

6.3 Suspension from Board of Directors

The supervisory committee may, by a unanimous vote of the entire membership at a special general meeting called for the purpose, suspend from office any Officer of the Credit Union who, in the opinion of the supervisory committee is guilty of a persistent or serious breach of the law in relation to the Credit Union, these Rules or the policies laid down by the Board of Directors.

Whether or not it suspends any Officer, the Supervisory Committee may by unanimous decision convene a meeting of the Board of Directors or a special general meeting of the Credit Union to consider such an action, at which meetings such Officer(s) shall be given an opportunity of state their case and/or be represented.

6.4 Suspension from the Supervisory Committee

The Board of Directors may, by a majority vote of the entire membership of the Board at a special meeting called for the purpose, suspend from office the Supervisory Committee or any of its members, for any grave and sufficient reason.

Whenever a member(s) of the supervisory committee has been suspended from office under this rule, and within 7 days of said suspension has not submitted their resignation, the Board of Directors shall convene a special general meeting of the Credit Union to be held not later than 30 days after the suspension.

Under Rule 6.3 and 6.4 if a majority of the members present at such a meeting so signify by secret ballot they may:

- ratify the suspension and remove from office the person so suspended and shall determine the manner in which the vacancy caused by the suspension shall be filled, and shall fill the vacancy at such meeting;
- rescind the suspension;

- Remove from office any other Officer of the Credit Union (whether or not he or she has been suspended by the Board of Directors) and determine the manner in which the vacancy caused by the removal shall be filled.

Provided, however, that no person shall be removed from office under this rule without being given an opportunity of being represented or being heard at a special general meeting of which he or she shall be given 14 days' notice in writing.

6.5 Removal from office

All Supervisory Committee members shall commit to the delivery of the internal audit programme. Any committee member who is considered to have failed to discharge their duties in this office shall be deemed to have vacated their office and shall be disbarred from holding future office.

Any member in such circumstances shall be removed from office by a joint motion of the Supervisory Committee and Board of Directors. The motion shall be heard at a joint meeting of the Board of Directors and the Supervisory Committee and the member will have the opportunity to be present and be heard at this meeting.

7. Directors

7.1 Terms of Office

Director's terms of office run for three years and commence on the 1st February (the "vesting date"). Elections for vacancies commencing 1st February are held at the preceding AGM.

Following successful election (**Rules 4.5 and 4.6**), a Director will be appointed for a period of three years commencing the 1st February following the date of election.

Nominated directors can only take up post on the vesting date if they have, to the satisfaction of the Nominations Committee, demonstrated that they are fit and proper (**Rule 7.3**) and, have subsequently been certified or approved (as appropriate) under the regulatory regime.

Where fitness and propriety or regulatory certification/approval has not been attained by the vesting date, the appointment will commence immediately those criteria are satisfied but the total term of office will be reduced in order that it terminates on the third anniversary of the original vesting date.

If an Associate Director or a Nominated Director fails to demonstrate that they are fit and proper (**Rule 7.3**) or subsequently fails to obtain certification or approval under the regulatory regime, within three months of the scheduled vesting date (**Rule 7.1**), their election is automatically declared null and void and a vacancy is immediately created.

At the end of the first three-year term, a Director automatically vacates office unless they have stood for election and been re-elected for a second three year term at the preceding AGM.

Unless agreed by the Board of Directors, there is no restriction on the number of

times (consecutive or otherwise) any member can hold the post of Director.

Unless agreed otherwise by the Board of Directors, there will be a restriction of two, three year terms on the number of consecutive times any Director can hold one of the following elected posts;

- Chair / Vice Chair
- Secretary / Assistant Secretary
- Treasurer / Assistant Treasurer

7.2 Representation

Directors are appointed as individuals and are appointed to represent all of the Members.

Whilst Directors may be associated with a third party (e.g. a corporate member or a Select Employer) they may not either seek election as a representative of that third party nor, following election, seek to represent that interest to the detriment of other members (**Rule 7.4**).

Any Director deemed by their peers to contravene this Rule may be considered for removal from office under **Rule 7.7**.

At no time will the percentage of Corporate Representatives elected to the Board of directors exceed 20% of the total number Directors declared by the members in **Rule 4.2**.

7.3 Competence

On behalf of the Board of Directors, the Nominations Committee will maintain and implement recruitment, training and competence policies which require Directors to develop and maintain an understanding of the different areas of the business and the main prudential risks and controls to an appropriate standard and to demonstrate their fitness and propriety to hold the role of Director in the Credit Union.

The Nominations Committee will determine:

- A minimal standard of competence, fitness and propriety which potential directors must demonstrate before being permitted to stand for election; and
- A required standard of competence, fitness and propriety (and a personalised development path reflecting this) which potential directors must achieve within a set period following taking up post (and maintain throughout their tenure).
- Failure of Directors to either meet or maintain these standards will lead to removal from office (**Rule 7.7**).

The Directors in situ at 12th December 2018 will not be required to evidence their compliance with the required standards during their remaining term however they will not be eligible to stand for a further term unless they evidence compliance with the standards.

7.4 Conflict of Interest

The Board of Directors will maintain a Conflict of Interest Policy and Procedures which provides for the appropriate case-by-case management of any situation whereby a Director could be deemed to have a conflict of interest.

7.5 Vacation of Office

A Director automatically vacates office at the end of their three-year term (**Rule 7.1**) but will be eligible to stand for election again.

A Director may vacate their office by resigning in writing to the Chair of the Board of Directors (or by such other communication as is appropriate in the circumstances).

Any Director who, without special leave of absence, fails to attend 3 consecutive meetings shall, if the Board of Directors so resolve, be deemed to have vacated their office with immediate effect. Any request for special leave of absence must be considered at duly constituted meeting of the Board of Directors.

At any point during their appointment a Director must immediately resign their post if:

- they cease to be a member of the Credit Union; or
- their Approved Person status is withdrawn or suspended by the Regulator or they know of any substantive reason why they may no longer be regarded as 'fit and proper' to be authorised as an Approved Person by the Regulator; or
- they become an employee (except the position of Chief Executive), of Scottish Police Credit Union (or any other) Credit Union; or
- they become a Director or Employee of a Credit Union Trade Body to which Scottish Police Credit Union is not affiliated;
- are currently declared bankrupt or have currently entered into a Debt Arrangement Scheme, Trust Deed or any such other legal arrangement with their creditors;
- are disqualified under the Directors Disqualification Act 1986;
- are convicted of any offence involving fraud or dishonesty;
- are judged by a medical practitioner to be physically or mentally incapable of acting in the role of a Director;
- by reason of their mental health, become subject to a court order which wholly or partly prevents them from personally exercising any powers or rights which that person would otherwise have.

If any of the above circumstances apply, but the Director either does not, or is

unable to resign with immediate effect, the Board of Directors can remove them by a majority vote (**Rule 7.7**).

7.6 Suspension from Office

A Director may be suspended from office, pending investigation, by a majority vote of the Board of Directors (**Rule 5.10**) if the Board considers that the Director:

- may have materially breached the Credit Union's Rule Book or Policies; or
- may have brought the Credit Union into disrepute; or
- may have failed to adhere to the required standard of behaviour as required of Directors (**Rule 7.3**); or
- may have failed to obtain or maintain the required level of competence (**Rule 7.3**)
- may have failed to adhere to or have failed to complete the agreed training requirements for Directors (**Rule 7.3**); or
- may have breached **Rule 7.2**; or
- the Board considers that they may have an insurmountable conflict of interest; or
- the Board considers that the director is being wilfully obstructive to the governance of the Credit Union

The reason for the vote (i.e. the charge) will be fully documented in the minute and the suspended Director will be sent a letter notifying them of the suspension, the charge and any arrangements for the investigation within 48 hours of the vote being taken.

The period of suspension must not exceed 30 days. The Board will immediately commission an investigating team (the composition of which will be agreed as appropriate to each case).

During the period of suspension, the Director, other than providing evidence to the investigation, must not carry out any Credit Union duties, seek to represent the Credit Union in any capacity or seek to influence any other Director, employee or member of the investigating team. Contravention of this could lead to a separate charge and suspension.

No later than 20 days after the date of suspension, the Board will convene a meeting, in the absence of the suspended Director, to consider the findings of the investigation. Immediately following this meeting, a letter will be issued to the suspended Director outlining the findings of the investigation and inviting them to a Board meeting to discuss the findings and to determine the Board's decision.

The suspended Director will be given the opportunity to speak at this meeting. This meeting is to be held with 10 days of the letter being issued. Where the proposed date and time of the meeting is not suitable for the suspended Director, reasonable effort will be made to accommodate a change in the date or time

subject to:

- i. if, due to the unavailability of the suspended Director, the meeting cannot be held within 30 days of the date of suspension, then the suspension remains in place until the meeting can be convened; and
- ii. in the event that reasonable efforts to accommodate the availability of the suspended Director do not result in an agreed meeting date within 40 days of the date of suspension, the Board is at liberty to hold the meeting and make a binding decision in the absence of the suspended Director.

If the Board, by majority vote, decides that they are satisfied that the charge against the suspended Director is valid, they will move to remove the Director from office in accordance with **Rule 7.7**.

Should a Director voluntarily resign during this process, then, with the exceptions of cases which relate to matters which may have to be reported to the police, the Regulator or other authority, the Board may decide, by majority vote, to end the proceedings without conclusion.

7.7 Removal from Office

A Director may be removed from office by a resolution of a majority of the Members of the Credit Union present at a Special General Meeting called for that purpose by the Board of Directors or by the Members or at the Annual General Meeting provided that such a Director shall be given at least 14 days' notice of the meeting and of the intention to remove them from office.

The Board of Directors, by a majority vote (**Rule 5.10**), may propose to remove a Director from office if:

- the Director has materially breached the Credit Union's Rule Book or Policies; or
- the Director is considered to have brought the Credit Union into disrepute; or
- the Director has failed to adhere to the required standard of behaviour as required of Directors (**Rule 7.3**); or
- the Director has failed to obtain or maintain the required level of competence (**Rule 7.3**).
- the Director has failed to adhere to or have failed to complete the agreed training requirements for Directors (**Rule 7.3**); or
- the Director has breached **Rule 7.2**; or
- the Board considers that the Director has an insurmountable conflict of interest.
- the Board considers that the director is being wilfully obstructive to the governance of the Credit Union

The period between the Board voting to remove a Director and the General Meeting, must not exceed 6 months and during that period the Director is suspended and must not carry out any Credit Union duties, seek to represent the Credit Union in any capacity or seek to influence any other Credit Union Director or employee. Contravention of this could lead to a separate charge and suspension.

7.8 Appeals against Removal from Office

A Director may not appeal a decision made by the majority of Members at a General Meeting where the vote arises under **Rule 7.7**.

Where a Director wishes to appeal a decision by the majority Board of Directors to terminate their Directorship under **Rules 7.5 or 7.7**, the Director may appeal this decision to the Members by:

- making an application, under the requirements of **Rule 3.4**, for a Special General Meeting to be held to consider the termination; or
- where the Director is unable to meet the requirements of **Rule 3.4** and call a Special General Meeting, the Director will have the right to have their appeal heard at the next Annual General Meeting.

The decision made by the majority of Members attending any such General Meeting is final.

7.9 Compensation and Expenses

No member of the Board of Directors, nor any member of a committee of the Credit Union, shall be paid for their services other than such reasonable out of pocket expenses as may be approved by a majority vote of the Board of Directors.

The Board of Directors will maintain a "Directors Expenses Policy" (or other similarly named policy) and Directors will be reimbursed for reasonable out of pocket expenses incurred whilst carrying out their duties.

7.10 Confidentiality

A Director of the Credit Union shall not disclose to any person any information regarding any transaction of a Member of the Credit Union except in so far as may be necessary for the proper conduct of the business of the Credit Union, and in keeping with the Statement of Principles of Approved Persons (or any such successor regulation).

On appointment, all Directors of the Credit Union shall sign a confidentiality agreement to ensure the confidentiality of all business conducted by the Credit Union.

The Directors shall comply with the General Data Protection Regulations 2018 and Data Protection Act 2018 or any subsequent legislation concerning the protection of data and comply with the Credit Union's Data Protection Policy.

7.11 Indemnity

Subject to terms and conditions, any Director of the Credit Union shall be indemnified by the Credit Union against all costs, losses and expenses which such Director may incur or become liable for by reason of any contract entered into or any act or thing done by him or her in discharging their duties as authorised by the Board of Directors, and the Board is empowered to pay the amount of such indemnity out of the funds of the Credit Union.

8. Shares

8.1 Shares

As per **Rule 2.2**, with the exception of Interest Bearing Shares (**Rule 8.3**) and Deferred Shares (**Rule 8.4**), deposits made with the Credit Union are in the form of Dividend Bearing Shares.

As these shares represent the business' capital as provided by the business' owners, there is no guaranteed or fixed return on these deposits. Instead the owners of the business share in the allocation of the surpluses generated by the business (**Rule 10.1**).

Unless otherwise prefixed or implied, all references to "shares" in this Rule Book refer to Dividend Bearing Shares.

The nominal value of each share shall be £1.00.

A Member must purchase and hold at least one £1 share in the Credit Union.

Shares can be withdrawn subject to the provisions of **Rule 8.5**. Shares shall not be transferable and the Credit Union shall not issue to a Member a share certificate denoting ownership of a share.

8.2 Minimum and Maximum Shareholdings

The minimum shareholding required to remain in membership of the Credit Union shall normally be £5.

No Member, including Corporate Members shall have, or claim an interest in, shares held in all accounts in their name in the Credit Union exceeding 1.5% of the total non-deferred shares of the Credit Union.

The Board of Directors may from time to time determine a lower maximum, which will be reported to the Members at the next Annual General Meeting.

Where a Member's total shareholdings exceeds the stated limit, for whatever reason, then the Member will be notified in writing asking them to bring their total share balance to within the limit applicable at the time within one month of the date of the letter.

In the event that no arrangements have been made within the stated timescale, the Credit Union will make a payment of the excess by cheque to the last known address of the Member.

All amounts held separately in individual accounts shall be amalgamated for this purpose.

Corporate Members shall not have, nor claim an interest in, shares of the Credit Union exceeding 25% (or such other amount as may be prescribed by law) of the total shareholding of the Credit Union.

For the purpose of these Rules, the total shareholdings in the Credit Union shall be taken to be the total non-deferred shareholdings as shown in the most recent annual return to have been sent to the Regulator.

8.3 Interest Bearing Shares

The Credit Union may issue Interest Bearing Shares provided that it complies with the Regulator's requirements regarding the necessary systems and controls and capital requirements and has specific permission from the Regulator to issue such shares.

Where shares are Interest Bearing Shares, the payment of interest is to be treated as a business expense before the calculation of the surplus out of which any dividend may be paid (**Rule 10.1**).

- Interest Bearing Shares shall not be eligible for a dividend.
- The nominal value of each Interest Bearing Share shall be £1.00.

- Interest Bearing Shares can be withdrawn subject to the provisions of **Rule 8.5**.

- Interest Bearing Shares shall not be transferable and the Credit Union shall not issue to a Member a share certificate denoting ownership of a share.

When the Credit Union issues Interest Bearing Shares, a Member must be informed that interest, not dividend, will be paid on said shares.

If the Credit Union ceases to meet the criteria to pay interest on shares (and any requirements set by law or the regulator), their shares will, at sole discretion of the Credit Union, be converted to Dividend Bearing Shares.

If a Member's shares are converted to Dividend Bearing Shares the Member must be informed using an operating procedure as determined by the Board of Directors.

8.4 Deferred Shares

The Credit Union may issue Deferred Shares for the purposes of increasing its reserves. Deferred Shares are issued by the Credit Union under the terms and obligations as set out in an Issue Document.

Deferred Shares may be dividend or interest bearing as defined in the Issue Document.

Upon purchase, the Credit Union shall issue a share certificate showing ownership of Deferred Shares.

For any Deferred Shares issued to a Member the Credit Union must transfer an equivalent amount (in whole pounds) to its reserve account.

Deferred Shares cannot be withdrawn.

Deferred shares are transferable, but only to another Member of the Credit Union using an operating procedure agreed by the Board of Directors.

Deferred Shares may be repayable by the Credit Union but only in the circumstances set out in the issue document.

Deferred Shares do not hold the right to any additional votes in the Credit Union and shall not count towards the required minimum shareholding or the maximum shareholding specified in **Rule 8.2**.

As per **Rule 8.6**, Deferred Shares are not covered by the Financial Services Compensation Scheme (or any successor scheme).

8.5 Withdrawal Restrictions

Excluding Deferred Shares (**Rule 8.4**), Shares may be withdrawn on any day when payment for shares may be made. However, if required, the Credit Union may require up to sixty days' notice from a Member to withdraw shares.

For loans taken out before 8th January 2012, if a withdrawal of Non-Deferred Shares would reduce a Member's paid up shareholding (excluding Deferred Shares) in the Credit Union to less than their total liability (including contingent liability) to the Credit Union, whether as a borrower, guarantor or otherwise, the Board of Directors shall have the discretion to consider a Non-Deferred Share withdrawal request.

This discretion may be exercised through the drawing up of a policy and procedure for use by Officers and employees of the Credit Union.

For loans taken out after 8th January 2012, the terms of the loan must include provision as to whether, for the duration of the loan, the borrower is permitted to withdraw Non-Deferred Shares where their paid-up shareholding (excluding Deferred Shares) in the Credit Union is, or following the withdrawal would be, less than their total liability (including contingent liability) to the Credit Union, whether as a borrower, guarantor or otherwise.

The Board of Directors shall have the power to vary the terms of the loan agreement with the agreement of the borrowing Member.

8.6 Financial Services Compensation Scheme

Members' shares and Juvenile Deposits are protected by the Financial Services Compensation Scheme (or any successor scheme), subject to the current terms of the Scheme that may be in existence.

Deferred Shares are not covered by the Financial Services Compensation Scheme (or any successor scheme).

9. Loans

9.1 Loans

The Credit Union may make loans to Members eligible to receive them.

No individual under 18 years shall be eligible to receive a loan from the Credit Union.

A Member who holds Deferred Shares in the Credit Union may not borrow on the strength of that shareholding nor use Deferred Shares to guarantee the repayment of another Member's loan.

The Credit Union shall not, at any time, make a loan to a Member if the making of such a loan would bring the total amount outstanding on loans to Members above such a limit as may be prescribed by law or Regulations established by the Regulator.

The Credit Union shall not at any time make a loan to a Corporate Member, if the making of such a loan causes the total loans to Corporate Members to be in excess of the limit of 10% of the aggregate of the outstanding balances on all loans (or such other amount as prescribed by law).

9.2 Lending Policy

The Board of Directors shall determine from time to time the Lending Policy of the Credit Union which shall apply to all Members.

The Lending Policy shall include clear procedures for the appropriate management of loan applications from Directors, Approved Persons and members of staff of the Credit Union, or from their relatives or family members, in order to ensure that no conflict of interest occurs.

The Board of Directors shall determine from time to time the rate of interest to be charged on loans which shall apply to all Members.

The Credit Union will not make a loan to a Director, Officer, Approved Person or employee of the Credit Union, or to any relative or family member of them, on terms more favourable than those available to other Members of the Credit Union.

9.3 Joint Loans

The Credit Union may, subject to **Rule 2.7** allow joint loans. Two Members agreeing to take out a loan on a joint account shall be held jointly and severally liable for repayment of the loan.

9.4 Guarantors

Any Member of the Credit Union can use their shareholdings (excluding Deferred Shareholdings) to guarantee another Member's loan with the exception of Directors, Officers and employees of the Credit Union who are prohibited from acting as a guarantor for a Member's loan under any circumstances.

As per **Rule 9.5**, guaranteeing another Member's loan automatically grants the Credit Union rights re the Guarantor's shares, etc. in the event of the default of the loan.

9.5 Repayment of Debts

The Board of Directors is responsible for ensuring that suitable policies and procedures are established to ensure the repayment of all debts due to the Credit

Union.

All sums due from any Member shall be recoverable from him or her, their executors or administrators, as a debt due to the Credit Union.

While a Member has a debt, or a debt they have guaranteed, the Credit Union shall have a lien on their accounts including any shares, interest rebate and dividend which will allow the Credit Union to offset any sum in the Member's accounts against their debt.

9.6 Insuring Members' loans

The Board of Directors shall enter into arrangements with a person carrying on the business of loan protection insurance for the purpose of providing insurance coverage on the liability of any Member of the Credit Union.

10. Application of Surplus Reserves

10.1 Calculation of Surplus or Loss

In ascertaining the surplus or loss resulting from the operation of the Credit Union during any year of account, the Credit Union shall apply the pertinent accounting standards as defined by the Regulator, Legislation and the Accounting Standards Board (or any such successor body).

In calculating surplus or loss resulting from the operation of the Credit Union during any year of account, operating expenses will include the payment of interest on Interest Bearing Shares.

10.2 Application of Surplus Reserves

The Credit Union shall establish and maintain reserves in accordance with the prudential rules on capital adequacy established by the Regulator.

The Credit Union may establish and maintain reserves over and above the Regulator's prudential requirements at a level as set from time to time by the Board of Directors.

Following compliance with the capital adequacy requirements established by the Regulator and the Board of Directors and subject to the delegated authority requirements noted below, the Credit Union may allocate any reserves in the following manner:

- a) A transfer to reserves to build the institutional capital base of the Credit Union;
- b) After (a) the payment to Members of dividends on the amount of their paid up Dividend Bearing Shares; and
- c) after (a) and (b), as a rebate of interest paid by or due from Members who have received loans from the Credit Union, such rebate being proportional to the interest paid by or due from such Members during that year of account; and
- d) subject to the delegated authority (below) as a payment for social, cultural or charitable purposes.

Subject to the following delegated authority:

The Board of Directors has the delegated authority to declare interim and final (bonus) dividends on all Dividend Bearing Share Accounts and to establish differentiated dividend rates on Different Term Share Accounts, subject to any regulatory restrictions on the Credit Union's operations. The dividend rates paid during the year will be tabled at the subsequent AGM, for noting by the membership; and

Any proposal to rebate interest paid or due for payment on loans will be tabled at the AGM for member approval; and

Any proposed payment for social, cultural or charitable purposes which is in excess of the lower of £20,000 or 10% of the reported annual surplus before dividend will be tabled at the AGM for member approval.

Approval for any payment for social, cultural or charitable purposes which falls below these thresholds is delegated to the Board of Directors subject to being tabled at the subsequent AGM for noting by the Membership.

10.3 Application of Dividend

The rates of dividend are determined by the Board of Directors on an annual basis and shall be recommended to the membership at the Annual General Meeting. No dividend declared and authorised for payment by the members at the Annual General Meeting shall exceed the rate recommended by the Board of Directors.

There shall be no maximum amount of dividend payable on dividend bearing shares except on dissolution (**Rule 10.5**).

Provided that a dividend on dividend bearing shares has been recommended by the Board of Directors, a rebate of loan interest may be recommended and declared for approval at the Annual General Meeting. No loan interest rebate declared and authorised for payment by the members at the Annual General Meeting shall exceed the rate recommended by the Board of Directors.

A dividend due to a Member is calculated based on a daily closing balance of shares held during the period to which the dividend applies.

Dividends are declared and paid annually.

Where a Member has left the Credit Union prior to the date of declaration of dividend, then no dividend is payable for any part of that year or any subsequent period.

10.4 Payment of Dividend

Subject to the provisions of **Rule 9.5**, dividends on Dividend Bearing Shares and interest rebates due to any Member will be placed to the credit of their share balance unless the application of such dividend and/or interest rebate would increase their shareholding in the Credit Union to an amount exceeding the maximum shareholding permitted by **Rule 8.2**.

In which case the Member will be asked to nominate an account out with the Credit Union to which the dividend will be paid.

10.5 Dividend on Dissolution

If a decision has been made to dissolve the Credit Union then the dividend payable on Dividend Bearing Shares shall not exceed 8% or any other rate as may be specified by order made by the Treasury.

Any reserves remaining following such a dividend will be applied in accordance with **Rule 1.7**.

11. Member Accounts

11.1 Inspection of Member Accounts

Any Member or person having an interest in the funds of the Credit Union may, by giving reasonable notice, inspect their own account(s) during office hours at the registered office or at any place where the same are kept.

11.2 Printed Statement of Accounts

A printed statement of account shall be issued to each Member at least annually, except where the Member has opted in favour of on-line access to their accounts.

A printed statement of account shall be issued to each Member upon their reasonable request.

11.3 Transactions

Any person may pay money into a Member's account on account of shares or a reduction of loan or interest.

Only the Member may enter into a loan agreement or make a withdrawal from their share account.

As well as formal notices of power of attorney, the Credit Union shall have the discretion to accept an authenticated request in writing from an incapacitated Member permitting a named person to conduct transactions on the Member's behalf.

The Credit Union shall take all reasonable steps to assure itself of the validity of each request made in writing and shall be indemnified by the Member in the event of a subsequent dispute.

11.4 Member Death, Incapacity and Other Claims on Assets

In the event of the death or incapacity of a member or any other claim on their assets, the Credit Union has the authority to pay out to any such valid claim, subject to the satisfactory application of the Credit Union's risk based, operational procedures.

12. Regulatory Returns, Accounts and Auditors

12.1 Regulatory Returns

The Credit Union will comply with all Regulatory Return requests.

12.2 Availability of Audited Accounts

The Credit Union will keep a copy of the latest audited balance sheet, together with the report of the auditor, displayed in a conspicuous place at the registered office.

The Credit Union shall make available on the Credit Union's website a copy of the last audited accounts of the Credit Union.

For Members without access to the internet, the Credit Union shall consider any reasonable request to supply a hard copy to the Member (without charge).

12.3 Auditor

A Registered Auditor shall be appointed by the Board of Directors in each year of account to audit the Credit Union's accounts and balance sheet. The appointment of an auditor shall be ratified by a majority vote of the members at an Annual General Meeting.

The appointed auditor shall be entitled to attend any general meeting of the Credit Union, to receive all notices of the communications relating to any general meeting which any Member of the Credit Union is entitled to receive. They are also entitled to be heard at any meeting which they attend on any part of the business of the meeting which concerns them as appointed auditor.

12.4 Inspection of Accounts

All books of account and other records of the Credit Union shall at all reasonable times be available for inspection by the appointed auditor, internal auditor, Regulator and the Board of Directors and any other independent body as appointed by the Board of Directors for such purposes.

13. Glossary

In these Rules, the following terms shall, unless the context requires otherwise, have the following meanings attached to them:

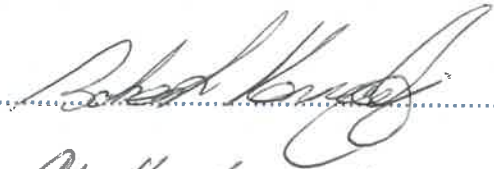
Note: Words importing the singular or plural include the plural or singular respectively and those importing masculine or feminine include the feminine and masculine respectively.

Elected Director	A Director who has been elected and has been approved by the Regulator.
Approved Person	An individual authorised by the Regulator to perform a controlled function within the Credit Union.
Board and Board of Directors	Equivalent to and interchangeable with the legislative and regulatory term "Committee of Management".
Casual Vacancy	A mid-term vacancy on the Board of Directors caused by the death, resignation, expulsion, etc. of a Director
Chief Executive	The Chief Executive Officer of the Credit Union
Controlled Function	Any activity which requires authorisation by the Regulator.
Co-Opted Director	A Director who is appointed via the Casual Vacancy process (Rule 4.7)
Corporate Member	A Member who fulfils the criteria of Rule 2.6
Corporate Representative	The person nominated to represent an incorporated Corporate Member.
Credit Union	Scottish Police Credit Union Ltd.
Deferred Shares	As defined by section 31A of the Credit Unions Act 1979
Deposits	As defined by the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 – SI2001/544 (or any successor Act).
Designated Representative	The person nominated to represent an unincorporated Corporate Member.
Qualifying Member	A member who fulfils the criteria of Rule 2.3
Director	A member of the Board of Directors of the Credit Union.
Dividend Bearing Share	A share issued on terms which entitle the shareholder to dividend but no interest.
Nominated Director	A Director who has been elected but has not yet been approved by the Regulator.
Executive Director	A director who has taken personal responsibility for prescribed responsibilities under the regulatory regime.
Fit and Proper	As defined by the Regulator
General Meeting	A Meeting of Members as per Rule 3.3
Interest Bearing Share	A share issued on terms which entitle the shareholder to interest but no dividend.
Issue Document	The document produced in accordance with any issue of Deferred Shares of the Credit Union which defines the terms and condition of issue.

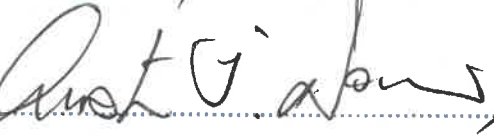
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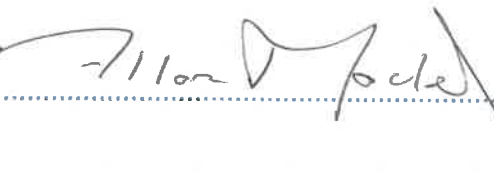
Junior Saver	A young saver as defined by Rule 2.5
Juvenile Deposits	Deposits made or held by Junior Savers
Lien	The right to take another’s property (e.g. savings) if an obligation (e.g. loan repayment) is not discharged.
Member	Has the meaning attached to it under Rules 2.1 to 2.9 of these Rules and, unless the context requires otherwise, includes individuals, corporate bodies and designated representatives of unincorporated associations and partnerships.
Nominated Director	A Director who has been elected but has not yet been approved by the Regulator.
Non-Qualifying Member	A member who fulfils the criteria of Rule 2.8
Operating Procedures	The Credit Union’s internal methodology for conducting its business as applied by its employees.
Partner	The person nominated to represent an unincorporated Corporate Member.
Reasonable Efforts	The level of effort required to satisfy the “reasonable efforts” criteria is made on a case by case basis by the Credit Union giving consideration to the importance and materiality of the matter in hand.
Reasonable Request	Any request which the Credit Union considers not being mischievous, vexatious, etc. and which will not, in the opinion of the Credit Union, inflict a cost on the Credit Union which is disproportionate to the perceived benefit to the member.
Recognised Supervisory Body	A body authorised to regulate and register Registered Auditors
Relative	As is defined in the Credit Union’s Conflict of Interest Policies
Registered Auditor	A firm that undertakes regulated audit work and that is registered with a Recognised Supervisory Body.
Regulator	The Prudential Regulation Authority and the Financial Conduct Authority (or their successor bodies).
Relevant Authorities	The Prudential Regulation Authority and the Financial Conduct Authority (or their successor bodies) or any other such relevant body.
Rule	Any provision within the Credit Union’s Rule Book as approved by the Regulator.
Shares	Unless otherwise prefixed or implied, references to “shares” in this Rule Book refer to Dividend Bearing Shares
Website	The website operated by the Credit Union with a URL of www.scottishpolicecu.co.uk or other such URL as deemed appropriate.
Writing	The representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

Signed

..... **Secretary**

..... **Director**

..... **Director**

..... **Director**

