



**SECURITIES ACT (CREDIT UNIONS) EXEMPTION NOTICE  
(NO. 2) 1997**

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PURSUANT to the Securities Act 1978, the Securities Commission gives the following notice.

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NOTICE

**1. Title, commencement, and expiry**—(1) This notice may be cited as the Securities Act (Credit Unions) Exemption Notice (No. 2) 1997.

(2) This notice comes into force on 1 October 1997.

(3) This notice expires on the close of 30 September 2002.

**2. Interpretation**—(1) In this notice, unless the context otherwise requires,—

“Act” means the Securities Act 1978:

“Credit union” means a credit union within the meaning of section 2 of the Friendly Societies and Credit Unions Act 1982:

“Regulations” means the Securities Regulations 1983:

“Second Schedule” means the Second Schedule of the Regulations.

(2) Any term or expression that is not defined in this notice, but that is defined in the Act or the Regulations, has the meaning given to it by the Act or the Regulations.

**3. Exemption**—Every credit union and every person acting on its behalf are exempted from—

(a) Section 33 (2) of the Act:

(b) Section 37A (1) (d) of the Act and clauses 1 (3) and 11 of the Second Schedule:

(c) Sections 51 and 52 of the Act:

(d) Section 54 of the Act:

(e) Section 53E (1) of the Act and clause 36 (1) of the Second Schedule—in respect of any debt securities of which the credit union is the issuer.

**4. Conditions relating to audit**—(1) The exemption granted by clause 3 (e) is subject to the conditions that—

(a) The credit union ensures that its accounting records are audited at least once every 6 months by an auditor who is a member of the Institute of Chartered Accountants of New Zealand and who holds a certificate of public practice; and

(b) Any interim financial statements that are set out or referred to in a registered prospectus under the Second Schedule or accompany a certificate under section 37A (1A) of the Act are audited; and

- (c) The credit union has authorised its auditor to inform the Registrar of Friendly Societies and Credit Unions if, in the opinion of the auditor, there is good reason to suspect that the credit union is in breach of the Act or the Regulations or the terms of the offer of debt securities or that the assets of the credit union are not sufficient or likely to be sufficient to discharge the amounts of any debt securities as they become due; and
- (d) The auditor of the credit union has undertaken to inform the Registrar of Friendly Societies and Credit Unions if, in the auditor's opinion, there is good reason to suspect any matter described in paragraph (c); and
- (e) Every registered prospectus that relates to debt securities of which the credit union is the issuer and that is distributed by or on behalf of that credit union contains, and every certificate under section 37A (1A) of the Act is accompanied by, a copy of a report by an auditor who is a member of the Institute of Chartered Accountants of New Zealand and who holds a certificate of public practice signed by that auditor (either in the auditor's own name or in that of the auditor's firm), stating—
- (i) The work done by the auditor; and
  - (ii) The scope and limitations of the audit; and
  - (iii) The existence of any relationship (other than that of auditor) which the auditor has with, or any interests which the auditor has in, the credit union; and
  - (iv) Whether the auditor has obtained all information and explanations that he or she has required; and
  - (v) Whether, in the auditor's opinion, as far as appears from an examination of them, proper accounting records have been kept by the credit union; and
  - (vi) Whether or not, in the auditor's opinion, the financial statements that are required by clauses 16 to 31 of the Second Schedule and that are required to be audited—
    - (A) Comply with the Regulations; and
    - (B) Subject to the Regulations, comply with generally accepted accounting practice; and
    - (C) Give a true and fair view of the state of affairs of the credit union as at the date of the financial statements and of the results and cash flows of the credit union for the period to which they relate, taking into account information or explanations of the kind referred to in section 14 (2) of the Financial Reporting Act 1993 (if any)—and, if they do not, the respects in which they do not; and
  - (vii) Whether the amounts stated pursuant to clauses 7 (2), 7 (3), 8 (2), 8 (3), and 12 of the Second Schedule have been taken from audited financial statements, and whether or not the amounts have been correctly taken; and
- (f) Every prospectus, and every certificate under section 37A (1A) of the Act, delivered to the Registrar for registration under the Act by or on behalf of a credit union has endorsed on it, or attached to it, or is accompanied by—
- (i) The signed audit report required to be contained pursuant to paragraph (e); and

(ii) A statement, dated not earlier than 7 days before the specified date or the date of the certificate, as the case may be, and signed by the auditor (either in the auditor's own name or in that of the auditor's firm), that the auditor consents to the report appearing in or accompanying the registered prospectus or certificate in the form in which it appears.

(2) A report under paragraph (e) of subclause (1) is not required to contain the information required by subparagraphs (i) to (vi) of that paragraph to the extent that that information is contained in a report by an auditor (being an auditor of a kind referred to in that paragraph) that is registered under the Financial Reporting Act 1993.

(3) The exemption granted by clause 3 (a) is subject to the condition that, if the auditor's report on the most recent financial statements of a credit union is qualified or refers to a fundamental uncertainty (within the meaning of the most recent auditing standard issued by the Institute of Chartered Accountants of New Zealand), no allotment of any securities is made to a subscriber unless the subscriber has, before subscribing for the securities, been given or sent a written statement that—

- (a) The financial statements are subject to an audit report that is qualified or that refers to a fundamental uncertainty; and
- (b) Explains the qualification or the fundamental uncertainty; and
- (c) Describes where a copy of the registered prospectus that relates to the securities, and of the most recent financial statements of the credit union, can be obtained, free of charge, on request.

**5. Condition relating to certificates**—The exemption granted by clause 3 (d) is subject to the condition that the credit union sends, or causes to be sent, to each holder of debt securities of which the credit union is the issuer—

- (a) At any time on request; and
- (b) At least once every 6 months,—  
a written statement that properly evidences the amount, nature, and ownership of all debt securities allotted by the credit union, whether before or after the date on which this notice comes into force, and held by the security holder.

Dated at Wellington this 29th day of September 1997.

The Common Seal of the Securities Commission was affixed in the presence of:

[L.S.]

M. R. H. WEBB,  
Member.

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## EXPLANATORY NOTE

*This note is not part of the notice, but is intended to indicate its general effect.*

This notice, which comes into force on 1 October 1997 and expires on 30 September 2002, replaces the Securities Act (Credit Unions) Exemption Notice 1997. The notice is required as a result of the coming into force, on 1 October 1997, of new disclosure and other requirements under the Securities Act 1978.

The notice exempts, subject to conditions, credit unions issuing debt securities from various provisions of the Securities Act 1978 and the Securities Regulations 1983.

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Issued under the authority of the Acts and Regulations Publication Act 1989.

Date of notification in *Gazette*: 30 September 1997.

This notice is administered in the Securities Commission.