



The Process for the Redemption of Shares in Co-operative Banks in different EU Member States

-A comparative Overview-

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Germany: BVR

Types procedures	The most frequent procedure for the redemption of shares is the one due to termination of membership. Partial redemption without termination of membership (In case a member has more than one share for redemption) follows the same procedure. Slightly different procedures for redemption exist, for instance, in case of the death of a private member or the liquidation of a corporate member.
Launch of redemption procedure	Members have to introduce a formal request for the termination of membership (or partial redemption of member shares) at the cooperative bank. In case of death of a private member or the liquidation of a corporate member no request is required.
Delay for request and frequency of redemptions	Termination of membership and redemption of shares is possible only at the end of the business year (= redemption only once a year). A valid request is subject to a notice period of some months (typically 3) before the end of the business year. At the end of the business year membership ends, too. Shares are redeemed some months later (after the the general assembly), but only once a year.
Effects of valid request to terminate membership/redemption	Timely introduction of a request to terminate membership leads to termination of membership at the end of the business year. In case of death of a private member or the liquidation of a corporate member the termination of membership becomes effective at the end of the business year without formal request. As a consequence of termination of membership the claims of the member are to be settled (normally repayment of shares). When a member gives back only a part of his shares (and stays member), his claims will be settled in the same way.
Body decisions required for repayment (Governance)	According to the German co-operative law, any repayment of shares requires the previous approval of the annual accounts by the general assembly of the co-operative bank (§ 73 GenG). Moreover, in order to meet new equity criteria, the model charter of German co-operative banks requires that the redemption is approved by the executive directors <u>and</u> the supervisory board (§ 10 of Mustersatzung (model charter)). Typically, executive directors and supervisory board take these decisions shortly before the general assembly. There are no conditions for directors and supervisory board to decide either way. The general assembly cannot challenge the directors' and the board's decision, but it can raise questions.
Delay for payout	The payout of the member has to be done not later than 6 months after the termination of membership (at the end of the business year). Therefore, general assemblies are typically held during May and June (i.e. 5 to 6 months after the end of the business year).
Repayment	Once repayment is agreed by directors and supervisory board and the annual accounts are approved by the general assembly, the bank will payout and settle the member's claim (= value of the share). Typically, the payout is done shortly after the general assembly, if not even on that very day.
Leaving Members Liability	The company charter may stipulate that if the annual accounts indicates losses, which are not absorbed by equity, leaving members, even after termination of membership may remain liable for any claims against the co-operative for a certain time period



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by | The aforementioned mechanisms are based on the German co-operative law and the BVR model charter for cooperative banks (Mustersatzung). They are applied by all 1121 German cooperative banks



Austria: Raiffeisen & Volksbanken

Types procedures	Like in Germany the most frequent procedure for the redemption of shares is the one due to termination of membership. Partial redemption without termination of membership (in case a member has more than one share redemption) follows the same procedure. Slightly different procedures for redemption exist in case of the death of a private member or the liquidation of a corporate member.
Launch of redemption procedure	Members have to introduce a written request for the termination of membership (or redemption of a member share) at the cooperative bank. In case of death of a private member according to the new model charters of Austrian Raiffeisen resp. Volksbanken his shares and membership are passed to those heirs who apply for membership and are accepted by the board. Only if no heir becomes a member within one year after the transfer of the title in the heritage proceedings it comes to an automatic termination of membership at the end of the current business year and like in the case of the liquidation of a corporate member no request is required.
Delay for request and frequency of redemptions	Termination of membership and redemption of shares is possible only at the end of the business year (= redemption only once a year). A valid request is subject to a notice period of at least one month before the end of the business year.
Effects of valid request to terminate membership/redemption	Timely introduction of a request to terminate membership leads to termination of membership at the end of the business year. In case of the liquidation of a corporate member the termination of membership becomes effective at the end of the business year without formal request. As a consequence of termination of membership the claims of the member are to be settled (normally repayment of shares). When a member gives back only a part of his shares (and stays member), his claims will be settled in the same way.
Body decisions required for repayment (Governance)	According to the Austrian co-operative law, repayment of shares does not always require the previous approval of the board. Regarding the CRR-proposal to ensure the eligibility of cooperative shares as common equity tier 1 capital there is no legal basis for a right to refuse the redemption by the management board. But in order to meet new common equity tier 1-criteria, the new model charters of Austrian Raiffeisen resp. Volksbanken co-operative banks give the institution the ability to limit the redemption according to Art. 27 (2) b CRR-proposal and Art. 8 of the EBA Draft-RTS on Own Funds. Some Raiffeisen cooperative-banks have instead introduced a general statutory prohibition to reduce the share capital under a certain level, thus making sure that this level is also accepted as equity under IAS 32 (IFRIC 2).
Delay for payout	Legal: Article 79 Austrian Cooperative Act foresees an at least one year waiting period after the end of the business year, in which the membership was terminated. Statutes (Raiffeisen + Volksbanken): following the legal basis – installing a one year waiting period
Repayment	Typically the payout is done the day after the end of the waiting period (unless this day is not a business day – following business day convention).
Leaving Members Liability	Legal: Articles 76 and 78 Austrian Cooperative Act a leaving member in case of insolvency or liquidation remains liable with his cooperative shares and an additional commitment of at least the same amount for a period of three years after his/her withdrawal. Statutes can multiply and (for cooperative banks only)



	according to Section 23 (10a) of the Austrian Banking Act also cancel the commitments.
Application banks	by The aforementioned mechanisms are based on the Austrian co-operative law and the new Raiffeisen resp. Volksbanken model charters for cooperative banks (Mustersatzung). They will probably be applied by all Austrian Raiffeisen and Volksbanken cooperative banks.



Finland: OP-Pohjola

	Two types of coop shares: member certificate shares and supplementary shares. Supplementary shares are only available to members at discretion of the bank.
Types procedures	Member certificate redemption is normally done due to termination of membership. Supplementary shares can be redeemed at the discretion of the owner.
Launch of redemption procedure	Members have to introduce a formal request for the termination of membership or redemption of supplementary shares at the cooperative bank
Delay for request and frequency of redemptions	Termination of the membership or request to redeem supplementary shares can be done at any time. For member shares the redemption is made one year after the end of business year during which the termination of membership was made (the minimum delay is one year, the maximum delay is two years). For supplementary shares the redemption is made six months after the end of business year during which the termination of membership was made (the minimum delay is six months, maximum delay is 1,5 years). There is also a rapid redemption process of member shares in case membership is transferred to another member bank of the group. In this case redemption is made immediately.
Effects of valid request to terminate membership/redemption	Membership is terminated immediately when member's request to terminate membership is received. Redemption schedule is described above.
Body decisions required for repayment (Governance)	Pursuant to the Finnish Cooperatives Act and the model charter for cooperative banks, redemption of shares can only be made if the balance sheet of the cooperative bank shows a distributable surplus. The refundable capital is calculated on the basis of the annual accounts of the financial year during which the membership ended. The board of directors and the managing director of the cooperative bank are responsible for that the annual accounts, including the balance sheet, are correctly prepared, and they must sign the annual accounts. The supervisory board of the cooperative bank shall hold the annual general meeting of the cooperative bank with a decision on the annual accounts. The annual accounts are approved by the annual general meeting of the cooperative bank. The bank has always the possibility to refuse the redemption of member shares, decision to refuse redemption is made by the board. The refusal of redemptions is not restricted in any way and bank may withdraw the refusal when situation is favorable. <i>Due to CRD4, launch of a new supplementary share is considered, which would have the redemption delay in line with member shares and possibility to refuse redemption as the member shares.</i>
Delay for payout	See redemption schedule above.
Repayment	Payout is done shortly (within few days) after delay time is full. Repayment is typically the value of the share. In case bank is unable to repay full amount of the share, a partial repayment over following three years is possible.
Leaving Members	None



Liability	
Application banks	by OP-Pohjola model charter for cooperative banks which is based on the Finnish Cooperatives Act and the Finnish Cooperative Bank Act. Model charter is applied by all OP-Pohjola cooperative member banks.



France: Credit Mutuel, Credit Agricole & BPCE

Types procedures	Termination of membership; partial redemption without termination of membership; death of a member; or exclusion.
Launch of redemption procedure	Redemption request by the member; or decision by the Board.
Delay for request and frequency of redemptions	No delay for request.
Effects of valid request to terminate membership/ redemption	Full redemption entails termination of membership.
Body decisions required for repayment (Governance)	Board decision: unconditional right to refuse redemption. Legislative and regulatory framework: except if authorized by the central body, capital floor of 75% of the highest level of capital ever attained; net redemptions threshold of 4% of own funds and 10% of excess of own funds, submitted to authorization of the French supervisory authority. Ratification ex post in General Assembly.
Delay for payout	After Board decision, depending on the banks, either 1 month after General Assembly or not beyond 5 years after termination of membership.
Repayment	Redemption under the responsibility of the Board with variable delays: depending on the banks, redemption after Board decision or after General Assembly or immediate redemption if the net subscription is positive
Leaving Members Liabiltiy	Members remain liable until the liquidation of ongoing operations at the time when they leave, and during a period of 5 years.
Application by banks	French Law : Loi 47-1775 sur la coopération; Code de commerce (Article 231-6) ; Code monétaire et financier. Arrêté du 29 décembre 2010 modifiant le règlement 90-02.



Italy: Banche di Credito Cooperativo (“BCCs”)

Types procedures	The most frequent procedure for the redemption of shares refers to the termination of membership and, more specifically, to the exercise of the right of withdrawal. This is stipulated, specifically for cooperative companies, by art. 2532 par. 1, of the Italian Civil Code: withdrawal occurs for reasons of <i>i)</i> law or <i>ii)</i> the statute of the company. Art. 13 of the of the BCCs’ Model Statute encompasses different cases of withdrawal, stipulated by general company law, by the Banking Law as well as other peculiar cases. Share redemption may also occur upon the death of members, should their non-member heirs not have requested the transfer of shares or should the Board of Directors not have authorized it (Art. 12 of the Model Statute). No partial redemption is possible in any case whatsoever.
Launch of redemption procedure	According to Art. 13, par. 2, of the BCCs Model Statute, members must address a declaration for termination of membership to the Board of Directors (“BoD”). The Board of Directors must examine the request within 60 days from receipt and must then inform the member of its decision.
Delay for request and frequency of redemptions	The request may be presented at any time.
Effects of valid request to terminate membership/redemption	Termination of membership becomes effective at the time of the communication by the BoD to the member who filed the request. However, the effects of the termination - such as share liquidation/payout - are delayed in order to protect the capital of the bank from the impact of the member’s withdrawal.
Body decisions required for repayment (Governance)	Except for the cases of withdrawal provided by general company law (e.g. transfer of registered office, change of object of company, etc.), <u>the Board of Directors shall evaluate the request - with due opinion of the Board of Auditors (“BoA”) - taking into account the economic and financial situation of the bank.</u> Thus, except in the cases of general company law, the member does not dispose of a right of withdrawal, but only a right to demand the assessment of certain requirements upon which the request might be accepted. The cases of withdrawal due to general company law, however, are always linked to decisions taken by the BoD and the General Assembly (often with high majority), and are related to the modification of fundamental aspects of the company. Furthermore, the payout requires the approval of the annual accounts by the general assembly.
Delay for payout	According to Art. 15, par. 2, of the Model Statute the payout must be carried out within 180 days from the approval by the General Assembly of the balance sheet of the fiscal year in which the termination of membership has occurred. This period of 180 is generally fully used. Thus, the overall delay of the payout is between around 240 and 540 days.
Repayment	Leaving members or the assignees of a deceased member are only entitled to the repayment of the face value of their share and of the paid in share premium. The above mentioned repayment amounts, however, are deducted of the uses made for coverage of losses resulting from previous fiscal years and from the balance sheet of the fiscal year in which the member’s termination has occurred.
Leaving Members Liability	none



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The described mechanisms are based on the Italian cooperative law (contained in the Civil Code) and the BCC Model Statute officially approved by the Italian Supervisory Authority. They are applied by the generality of the 440 Italian BCCs.



Poland: KZBS

Types procedures	Under the Polish law, the procedure for the redemption of shares is generally restricted only to the members who terminate their membership in the cooperative. Only if the member has more shares than the amount required by the statute, he may ask for the redemption of facultative shares. The redemption procedure is also applied in case of a member's death (if the shares are not taken over by a heir).
Launch of redemption procedure	In order to initiate the procedure of redemption a member must submit a written request for the termination of shares. In case of death of the member, the share redemption procedure is triggered by law.
Delay for request and frequency of redemptions	The redemption of shares in the cooperative is taking effect after the expiry of the termination of the notice period. The length of notice period is specified in the company statute (usually it is three months). Redemption of shares as a result of termination's notice does not automatically mean the payout of redeemed shares.
Effects of valid request to terminate membership/redemption	Membership expires after a notice period specified in the company statute. As a result of expiry of the notice period member acquires a claim for payout of the shares after approval of the financial statement for the year in which termination's notice period of the shares expired. Shares are not a subject of the payout if losses of the cooperative in a given year require the share capital.
Body decisions required for repayment (Governance)	The payout of redeemed shares requires the general assembly's approval of the annual financial statement for the year in which termination's notice period of the shares expired (if shares are not reserved by the General Assembly to cover the losses of the cooperative). Currently the payout of the redeemed shares does not require the explicit consent of the Board or Supervisory Board of the cooperative. In order to comply with future regulatory standards it is planned to introduce statutory regulations requiring in the future acceptance of the Board or Supervisory Board of the cooperative for the payout of the shares.
Delay for payout	The payout of redeemed shares requires the general assembly's approval of the financial statement for the year in which termination's notice period of the shares expired (if shares are not reserved by the General Assembly to cover the losses of the cooperative). Payout should be made within the period specified in the Statute. Usually it is taking place within one month from the General Assembly approval of the financial statement for the year in which termination's notice period of the shares expired.
Repayment	The payout should be made within the period specified in the Statute. Usually it is taking place within one month from the General Assembly's approval of the financial statement for the year in which termination's notice period of the shares expired.
Leaving Members Liability	Only if there is, within one year from the date of the expiry of membership, a notice of bankruptcy or liquidation proceedings of the cooperative, the former member shall be liable as if he were still a member, even though shares were paid out
Application by banks	Above rules of proceedings result from the Cooperatives Law and in particular from Articles 21 to 26 of the Cooperatives Law.



Portugal: Crédito Agrícola

Types procedures	The reduction in equity can be carried out in three ways by: <ol style="list-style-type: none"> Presentation of the request for termination of membership based on the will of the member and this implies the return of all equity held by associate Presentation of a request for a reduction in the holding without termination of membership, based on the will of the associate Termination of membership due to the death of the member, when his or her heirs do not want or are not able to be an associate.
Launch of procedures	The procedure starts with the presentation of a written request.
Delays for presentation of the request and frequency	The request for termination of membership or reduction in the holding without termination of membership must be presented at least 90 days before the end of the fiscal year. On the date of this request, there must have passed at least a three-year period from the date since the person requesting termination or reduction acquired the holding to be divested, though this period is not taken into account if the request for withdrawal is the result of death.
The effects of presentation of request	The law provides that the request for termination of membership or reduction of the shares comes into effect at the end of the fiscal year. The statutes of the Crédito Agrícola, moreover, specify that this is conditional on approval of the accounts for the year by the Annual General Assembly.
Decisions required before payment (Governance)	It is incumbent on the governing body (Board of Directors) to ensure that: <ol style="list-style-type: none"> The conditions exist for payment The Annual General Assembly has approved the accounts (which has to happen before March 31st). There are no circumstances that warrant suspension of payment. (Redemption of shares cannot be refused, but suspended) The Board of Directors may suspend the payment under the following circumstances: <ul style="list-style-type: none"> - If the Bank belongs to the Integrated Agricultural Credit System, headed by Caixa Central (includes 84 regional Agricultural Credit Banks), payment may be suspended whenever it would mean that the Bank would not be able to comply with any legally binding liquidity ratios, as applicable to the Integrated Agricultural Credit System or whenever it would cause "grievous problems" to said system - however, it is surmised that payment must occur as soon as those obstacles are removed. - In any case, when such payment is liable to cause "grievous problems" to the Cooperative Bank; in this case the shareholder may opt to withdraw his/her request - it is surmised that payment must occur as soon as it can be performed without causing such "grievous problems"; - In specific situations related to succession or exclusion of members.
Time limit for payment	In the specific case of Crédito Agrícola, the statutes of the Caixas Agrícolas stipulate that payment shall be made in three equal instalments over three years, except in the case where the governing body choses a shorter period. If there is no statutory provision, the period is one year.
Payment	The amount that will be paid out will be determined as per the statutes, with the provision that the total cannot be more than the book value of the holding less



	deduction of mandatory reserves.
Liability of the associate requesting withdrawal	Associates are only liable for the capital paid up, and this responsibility ceases upon termination of membership.
The framework applicable to banks	The procedures detailed above will be found in the regulations governing the Crédito Agrícola (Regime Jurídico do Crédito Agrícola Mútuo) approved in the Decree Law 24/91 of 11 January, and (when expressly mentioned) the standard form of statutes in force at the local banks (Caixas de Crédito Mútuo).



Spain: UNACC	
Types procedures	<p>There are legal requirements (article 7.6 of the Law 13/1989 of May 26th) applying to the redemption of cooperative shares, that will only take place when it does not result in an insufficient coverage of compulsory capital, reserves and solvency ratio.</p> <p>Termination of membership. The Statutes usually foresee just exceptional cases in which redemption of cooperative shares in case of termination of membership is not possible. These cases are related to redemptions that result in an insufficient coverage of compulsory capital, reserves and solvency ratio; on the other side, when the redemption is not allowed by binding legislation. The governing board decides on the request of termination of membership and consequent redemption of cooperative shares.</p> <p>Capital reduction. In order to comply with legal requirements, the Statutes must set the minimum amount of capital of the credit cooperative. In cases when the situation forces to reduce that minimum amount of capital, there are different proceedings to follow, consisting in the agreement of the General Assembly to determine: the amount of capital to be reduced, the reasons why the reduction of capital is needed, the timeframe in which the reduction will take place, and, if it is necessary, the redemption of cooperative shares. Due to the public financial information sent to the Bank of Spain and published by Unacc (read more...) we can assume that there has not been any reduction of capital like this in recent years.</p>
Launch of redemption procedure	Formal request of the member who wants to terminate his membership, or the agreement on the reduction of minimum capital of the General Assembly.
Delay for request and frequency of redemptions	Some Statutes require that the formal request of the member who wants to terminate his membership should include an accreditation of the amount of cooperative shares to be redeemed, to be submitted to the Governing board three months in advance to the approval of the yearly financial statements (by the General Assembly).
Body decisions required for repayment (Governance)	<p>Some statutes provide that should the amount of redemption of shares exceed a set percentage of capital, these redemptions will be subject to a favorable agreement of the Governing Board of the credit cooperative.</p> <p>Most of the statutes of credit cooperative societies include the general principle that the redemptions of social contributions are subject (including the cases of capital reduction) to the prior favorable agreement of the Governing Board. In other words, we can say that the Governing Board has an unconditional right to refuse the redemption of cooperative shares. This right is specifically designed to warranty the loss absorbing capacity of cooperative shares.</p>
Delay for payout	<p>1 year at maximum (although some statutes distinguish between 1 year deadline for the redemption of the cooperative shares of a dead member, to his heirs, or five year for any other reason justifying the termination of membership).</p> <p>Some statutes foresee a compensation for this delay consisting on the application of the legal annual interest rate of money (established yearly)</p>
Leaving Members Liability	