

Guideline

CUDIC Differential Premium System Calculation Manual

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GLOSSARY

Outlined below is an alphabetical list of specialized terms used throughout this Calculation Manual.

Term	Definition
Amendment	On February 17, 2022, Bill 37 – 2019 Financial Institution Amendment Act, 2019 came into effect through Order in Council 78-2022 and removed deposits made by savings institutions from the CUDIC deposit insurance guarantee.
Assessment Category	<p>The category assigned to a credit union based on its total assessment score. There are five categories: AA, A, BB, B, and C; where assessment category AA is the highest category while assessment category C is the lowest category.</p> <p>A higher assessment category corresponds to a higher assessment score and a lower assessment rate. A lower assessment category corresponds with a lower assessment score and a high assessment rate.</p>
Assessment Rate	The percentage of the base assessment rate payable by a credit union corresponding to a particular assessment category and total assessment score.
Assessment Score	<p>The sum of points assigned to a credit union based on its calculated risk metric value relative to the corresponding scoring range.</p> <p>A higher assessment score corresponds to a lower assessment rate while a lower assessment score corresponds to a higher risk assessment.</p>
Base Assessment Rate (“BAR”)	<p>The base rate of the differential premium assessment used to determine the annual assessment payable by each B.C. credit union.</p> <p>The BAR is established annually by the BCFSA Board of Directors (“BCFSA Board”) and is expressed in basis points (“bps”) relative to B.C. credit union segment total fiscal year-end insured deposits.</p>
Calculator Tool	<p>An Excel document (and accompanying User Guide) created by BCFSA for use by B.C. credit unions to estimate their potential deposit insurance assessment.</p> <p>The tool is located on BCFSA’s website.</p>
Deposit Insurance Assessment	<p>An assessment as defined under Section 260 (1) of the <i>Financial Institutions Act</i> (“FIA”).</p> <p>This is calculated as the product of the credit union’s fiscal year-end Insured Deposits and assessment rate.</p>
Insured Deposits	Total Deposits minus Uninsured Deposits. Uninsured Deposits include Non-Equity Shares on or after January 1, 2020 and Savings Institutions, as defined in the Amendment.
Risk Category	<p>The group of related qualitative and quantitative risk metrics assessed in order to differentiate the relative risk profile of B.C. credit unions.</p> <p>There are five risk categories: capital, asset quality, earnings, liquidity and funding, and supervisory ratings.</p>
Risk Metric	A qualitative or quantitative indicator used to assess the degree of risk associated with each risk category of a B.C. credit union.
Scoring Range	<p>The range of values of a risk metric, bounded by an upper and a lower limit, for which a corresponding assessment score will be applied.</p> <p>A fixed scoring range means a scoring range that is determined based on statutory and regulatory requirements, as well as industry best practices.</p> <p>A relative scoring range means a scoring range is determined based on a statistical analysis of the historical performance of B.C. credit unions.</p>

INTRODUCTION

The *Financial Institutions Act* (“FIA”) authorizes the Credit Union Deposit Insurance Corporation of British Columbia (“CUDIC”) to guarantee the deposits and non-equity shares of credit unions in British Columbia. This guarantee provides confidence for credit union depositors knowing that they are protected by CUDIC in the event of a credit union failure. To fulfill its obligation to depositors, CUDIC maintains an ex-ante deposit insurance fund (“CUDIC Fund”). Credible funding is determined based on the effectiveness of available regulatory and supervisory tools to mitigate losses to the CUDIC Fund from credit union failures.

The Differential Premium System (“DPS”)¹:

- Provides financial incentives to credit unions to proactively manage risks that impact the likelihood and magnitude of losses to the CUDIC Fund; and
- Seeks fairness in the deposit insurance assessment process.

It does these by assessing annual premiums relative to the risks posed to the CUDIC Fund.

The DPS aims to differentiate credit unions through risk metrics that are linked to the likelihood of loss (probability of default) and magnitude of loss (loss given default) in the event of a credit union failure. By providing financial incentives to proactively manage risks, the DPS is intended to mitigate risks to the CUDIC Fund and maintain funding, at a minimum yet credible level, to cover the financial loss of reimbursing all the depositors of a non-viable credit union.

The DPS can be separated into two components:

- The base methodology: the method for determining the total assessment score based on specific quantitative and qualitative risk metrics; and
- The premium structure: the method for determining the assessment rate as a percentage of the Base Assessment Rate which is used to calculate the deposit insurance assessment.

The process for developing the DPS began in 2016 and involved consultations with credit unions as well as a working group of segment representatives.

This manual is intended to provide each credit union with information on the DPS, such as how each metric is calculated with reference to the line numbers in the Financial and Statistical Return (“FSR”). This manual may be used in conjunction with the Calculator Tool on BC Financial Services Authority’s (“BCFSA”) website to estimate the potential credit union deposit insurance assessment.

The total assessment score from all the various risk metrics will determine the assessment category that will be assigned to a credit union. The assessment categories and their corresponding assessment rates are described in more detail in the Premium Structure section of this manual.

¹ Formerly known as the Risk-Based Premium Assessment Methodology (Methodology)

Base Methodology – Summary of Risk Metrics and Scores

Risk Category	Risk Metric	Maximum Assessment Score
Capital	Capital Adequacy Ratio	20
	Leverage Ratio	10
	Total Capital Score	30
Asset Quality	Non-Performing Loans to Total Loans	5
	Commercial 4/5 Rated Loans to Total Loans	5
	Total Assets Score	10
Earnings	Net Operating Income (excl. Assessments) to Average Assets	5
	Volatility of Net Operating Income to Average Assets	5
	Total Earnings Score	10
Liquidity & Funding	Liquidity Coverage Ratio	5
	Securitized Deposits to Total Deposits	5
	Agent Deposits to Total Deposits	5
	Total Liquidity and Funding Score	15
	Total Quantitative Score	65
Qualitative	Lower of CRR and ISR	35
	Total Qualitative Score	35
	Total Assessment Score	100

Premium Structure – Summary of Assessment Categories, Assessment Scores, and Assessment Rates

Assessment Category	Total Assessment Score (Points)	Assessment Rate (% of Base Assessment Rate)
AA	≥ 85 Points	85
A	≥ 75 and < 85 Points	100
BB	≥ 65 and < 75 Points	120
B	≥ 50 and < 65 Points	180
C	< 50 Points	250

Base Methodology – Risk Metric Calculations and Scoring

Section 268(2) of the FIA provides that deposit insurance assessments should be based on annual returns filed by the credit union with the Superintendent of Financial Institutions. Accordingly, the annual deposit insurance assessment is determined based on financial data reported on the annual returns of the prior fiscal year. The effective qualitative rating used in the DPS is the rating effective for the prior calendar year-end.

The risk metric calculations, used by the DPS to determine a credit union's assessment score and corresponding assessment category, are based on data from the Credit Union Audited Year End Financial and Statistical Return ("AFSR"), Credit Union Quarterly Financial and Statistical Return ("QFSR"), Monthly Financial and Statistical Return ("MFSR"), Credit Union Capital Adequacy Return ("CAR"), and Liquidity Coverage Ratio ("LCR") submitted to BCFSA. Line numbers used in the risk metric calculation refer to the AFSR, QFSR, or MFSR except for those indicated with * which refer to the CAR.

For detailed descriptions on data to be reported on each line number, please refer to the Reporting Instructions for Credit Union Financial and Statistical Returns (effective April 2022), the Capital Adequacy Return (effective April 2022), and Liquidity Coverage Ratio (effective October 2021)².

² [Credit Union Filing Requirements | BCFSA](#)

RISK METRICS

Quantitative Risk Metrics

Risk Category	Risk Metric	Code
Capital	1. Capital Adequacy Ratio	C1
	2. Leverage Ratio	C2
Assets	1. Non-Performing Loans to Total Loans	A1
	2. Commercial 4/5 Rated Loans to Total Loans	A2
Earnings	1. Net Operating Income (excluding CUDIC Assessments) to Average Assets	E1
	2. Volatility of Net Operating Income to Average Assets	E2
Liquidity & Funding	1. Liquidity Coverage Ratio	L1
	2. Securitizations to Total Deposits	L2
	3. Agent Deposits to Total Deposits	L3

Qualitative Risk Metrics

Qualitative risk metrics are based on the Composite Risk Ratings and Intervention Stage Ratings:

Composite Risk Rating

Low
Moderate
Above Average
High

Intervention Stage Rating

0 – Normal
1 – Elevated
2 – Early Warning
3 – Risk to Financial Viability or Solvency
4 – Future Financial Viability in Serious Doubt
5 – Non-Viability/Insolvency Imminent

RISK METRICS SCORING

Fixed Scoring: C1, C2, L1

Fixed scoring ranges are determined based on statutory and regulatory requirements, as well as industry best practices. In certain instances, fixed scoring ranges are determined by firstly establishing ranges using the historical performance of B.C. credit unions and thereafter adjusting for better alignment with industry best practices.

The scoring ranges for the following risk metrics are established using fixed ranges:

- *Capital Adequacy Ratio (C1)*: The fixed range for this risk metric was established based on current regulatory requirements. For this metric, a higher value represents less risk posed to the CUDIC Fund.
- *Leverage Ratio (C2)*: The fixed range for this risk metric was established based on relative performance within the B.C. credit union segment (see relative scoring for other metrics below) and adjusted downward to be consistent with industry best practice. For this metric, a higher value represents less risk posed to the CUDIC Fund.
- *Liquidity Coverage Ratio (L1)*: The fixed range for this risk metric was established based on supervisory expectations. For this metric, a higher value represents less risk posed to the CUDIC Fund.

Relative Scoring: A1, A2, E1, E2, L2, L3

Relative scoring ranges are determined based on a statistical analysis of the historical performance of B.C. credit unions. This involves calculating the segment mean and standard deviation for each metric using five years of historical data (see Updates to Scoring Ranges on Page 11).

The premise of the range-setting procedure is that all credit unions within a modest distance of the segment average (either above or below) should receive a moderate score of 3 out of 5 possible points (or, in the case of the metrics assigned 10 points, 6 out of 10).

The scoring ranges for the following risk metrics are established using relative scoring:

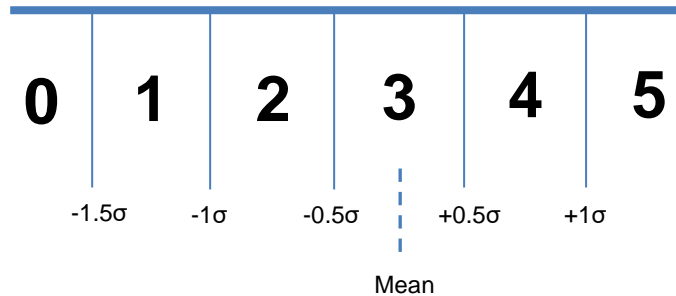
- Non-Performing Loans to Total Loans (A1);
- Commercial 4/5 Rated Loans to Total Loans (A2);
- Net Operating Income (excl. Assessments) to Average Assets (E1);
- Volatility of Net Operating Income to Average Assets (E2);
- Securitizations to Total Deposits (L2); and
- Agent Deposits to Total Deposits (L3).

Depending on the characteristic of the metric, the process of setting the range ceiling and floor varies as described in the following sections.

Scenario 1: Higher value is desirable (E1)

For this metric, a higher value represents less risk posed to the CUDIC Fund. Credit unions within 0.5 standard deviations of the segment mean (above or below) receive three out of five points (or six out of 10). Credit unions more than 0.5 standard deviations above the segment mean, but less than 1.0 standard deviation above the mean, receive four out of five points. Credit unions more than 1.0 standard deviations above the mean receive the full five points.

Similarly, thresholds for scoring two, one, or zero points were established, as illustrated below.



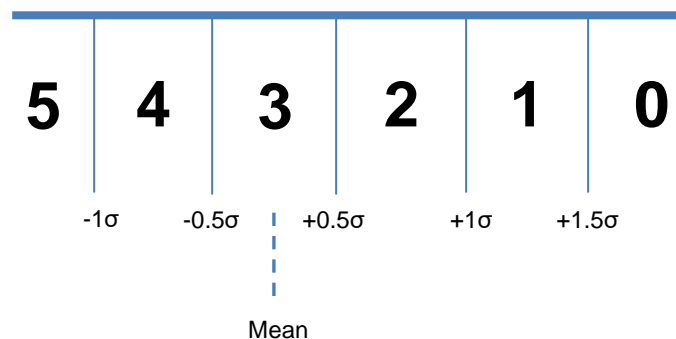
Scenario 2: Lower value is desirable (A1, A2, E2, L2, L3)

For these metrics, a lower value of each metric represents less risk posed to the CUDIC Fund. Credit unions within 0.5 standard deviations of the segment mean (above or below) receive three out of five points. Similar to the process of establishing thresholds for metrics where a higher value is desirable (see above), credit unions more than 0.5 standard deviations below the mean receive four or five points, and credit unions more than 0.5 standard deviations above the mean receive two, one, or zero points. However, an adjustment was necessary for certain metrics bounded by zero (e.g., it would be impossible to have agent deposits to total deposits of less than zero). E2 does not require an adjustment. However, A1, A2, and L3 require adjustments. See subsections below for further details.

No adjustment necessary (E2)

Credit unions more than 0.5 standard deviations below the mean, but less than 1.0 standard deviation below the mean, receive four out of five points. Credit unions more than 1.0 standard deviations below the mean receive the full five points.

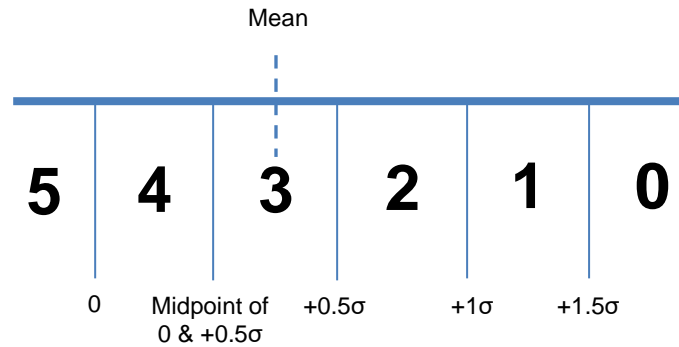
Similarly, thresholds for scoring two, one, or zero points were established, as illustrated below.



Adjustment necessary (A1, A2)

To avoid an otherwise impossible score of five, all credit unions with a value of exactly zero receive five points. The threshold for receiving four points was set by taking the midpoint (simple average) between zero and the threshold for receiving three points.

No adjustment was necessary for establishing thresholds for scoring two, one, or zero points. Scoring thresholds for this metric are illustrated below.

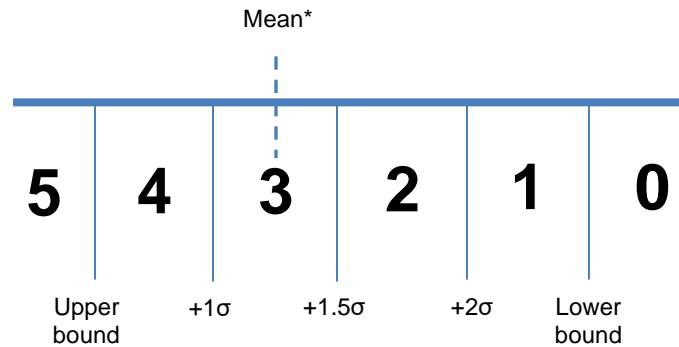


Adjustment necessary (L3)

For this metric, a lower value represents less risk posed to the CUDIC Fund. Therefore, credit unions with a lower value receive more points.

The thresholds for receiving four, three, two, one, and zero points were derived using the same process for establishing the thresholds for A1 (see above). However, the segment mean and standard deviation are calculated differently by excluding all values equal to zero.

Scoring thresholds for this metric are illustrated below.



* Mean, as well as standard deviation, calculated by excluding zero values.

Updates to Scoring Ranges

Scoring ranges for all metrics whether based on fixed scoring or relative scoring will be static (i.e., not automatically recalculated and adjusted annually). This is intended to encourage all credit unions to proactively manage their risks.

However, ongoing monitoring and periodic adjustment of ranges may be necessary to ensure ranges remain appropriate and reflect changes in circumstances (e.g., IFRS 9) and economic conditions.

Fixed Scoring Range

Fixed scoring ranges will be reviewed when there is a material change in statutory requirements, regulatory requirements, or industry best practices. Consultation for input from B.C. credit unions may be solicited before obtaining approval from the BCFSa Board on any fixed scoring range adjustment that may be necessary.

Relative Scoring Range

Relative scoring ranges will be reviewed annually and should there be excessive deviation from the distribution of credit unions amongst the risk metrics when the ranges were last established, then the ranges will be adjusted accordingly and notifications will be sent to the segment.

For the 2023 CUDIC Assessment Year, relative scoring ranges have been established using B.C. credit union segment data from 2017 to 2022.

CAPITAL

Capital Adequacy Ratio (C1)

$\text{Capital Adequacy Ratio} = \frac{\text{Credit union capital base}}{\text{Risk-weighted Assets}}$																																													
Credit union capital base	Capital Base is the sum of capital items (primary and secondary capital) after applying discounts, less deductions from capital as specified by the CRR and reported in Section 6010.																																												
Risk-weighted Assets	The aggregate amount of on-balance sheet and off-balance sheet risk-weighted assets calculated as sum of Lines 6000-110-10, 6000-120-10, 6000-130-10, and 6000-140-10.																																												
<p>Formula (per Capital Adequacy Return)</p> $\frac{\text{Line 6000-100-10}}{\text{Line 6000-150-10}}$																																													
<p>Range This metric uses a fixed scoring range established based on current regulatory requirements. A higher value represents less risk posed to the CUDIC Fund.</p>																																													
<p>Score</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Proposed Range</th> <th style="text-align: center;">Points</th> </tr> </thead> <tbody> <tr><td style="text-align: center;">≥ 13.00%</td><td style="text-align: center;">20</td></tr> <tr><td style="text-align: center;">< 13.00% and ≥ 12.74%</td><td style="text-align: center;">19</td></tr> <tr><td style="text-align: center;">< 12.74% and ≥ 12.47%</td><td style="text-align: center;">18</td></tr> <tr><td style="text-align: center;">< 12.47% and ≥ 12.21%</td><td style="text-align: center;">17</td></tr> <tr><td style="text-align: center;">< 12.21% and ≥ 11.95%</td><td style="text-align: center;">16</td></tr> <tr><td style="text-align: center;">< 11.95% and ≥ 11.69%</td><td style="text-align: center;">15</td></tr> <tr><td style="text-align: center;">< 11.69% and ≥ 11.42%</td><td style="text-align: center;">14</td></tr> <tr><td style="text-align: center;">< 11.42% and ≥ 11.16%</td><td style="text-align: center;">13</td></tr> <tr><td style="text-align: center;">< 11.16% and ≥ 10.90%</td><td style="text-align: center;">12</td></tr> <tr><td style="text-align: center;">< 10.90% and ≥ 10.63%</td><td style="text-align: center;">11</td></tr> <tr><td style="text-align: center;">< 10.63% and ≥ 10.37%</td><td style="text-align: center;">10</td></tr> <tr><td style="text-align: center;">< 10.37% and ≥ 10.11%</td><td style="text-align: center;">9</td></tr> <tr><td style="text-align: center;">< 10.11% and ≥ 9.84%</td><td style="text-align: center;">8</td></tr> <tr><td style="text-align: center;">< 9.84% and ≥ 9.58%</td><td style="text-align: center;">7</td></tr> <tr><td style="text-align: center;">< 9.58% and ≥ 9.32%</td><td style="text-align: center;">6</td></tr> <tr><td style="text-align: center;">< 9.32% and ≥ 9.06%</td><td style="text-align: center;">5</td></tr> <tr><td style="text-align: center;">< 9.06% and ≥ 8.79%</td><td style="text-align: center;">4</td></tr> <tr><td style="text-align: center;">< 8.79% and ≥ 8.53%</td><td style="text-align: center;">3</td></tr> <tr><td style="text-align: center;">< 8.53% and ≥ 8.27%</td><td style="text-align: center;">2</td></tr> <tr><td style="text-align: center;">< 8.27% and ≥ 8.00%</td><td style="text-align: center;">1</td></tr> <tr><td style="text-align: center;">< 8.00%</td><td style="text-align: center;">0</td></tr> </tbody> </table>		Proposed Range	Points	≥ 13.00%	20	< 13.00% and ≥ 12.74%	19	< 12.74% and ≥ 12.47%	18	< 12.47% and ≥ 12.21%	17	< 12.21% and ≥ 11.95%	16	< 11.95% and ≥ 11.69%	15	< 11.69% and ≥ 11.42%	14	< 11.42% and ≥ 11.16%	13	< 11.16% and ≥ 10.90%	12	< 10.90% and ≥ 10.63%	11	< 10.63% and ≥ 10.37%	10	< 10.37% and ≥ 10.11%	9	< 10.11% and ≥ 9.84%	8	< 9.84% and ≥ 9.58%	7	< 9.58% and ≥ 9.32%	6	< 9.32% and ≥ 9.06%	5	< 9.06% and ≥ 8.79%	4	< 8.79% and ≥ 8.53%	3	< 8.53% and ≥ 8.27%	2	< 8.27% and ≥ 8.00%	1	< 8.00%	0
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Leverage Ratio (C2)

Leverage Ratio	=	$\frac{\text{Credit union capital base}}{\text{Total Assets} + \text{Risk-weighted Off-Balance Sheet Exposures}}$																								
Credit union capital base	Capital Base is the sum of capital items (primary and secondary capital) after applying discounts, less deductions from capital as specified by the CRR and reported in Section 6010																									
Total Assets	Total of cash, investments, loans and leases, and other assets.																									
Risk-weighted Off-Balance Sheet Exposures	Off-balance sheet exposures refer to any business not reported on the balance sheet of the credit union and includes items such as credit commitments, transaction-related contingencies, and interest rate hedges.																									
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ASSET QUALITY

Non-performing Loans to Total Loans (A1)

$\frac{\text{12-month average of Non-performing Loans to Total Loans}}{\text{Total Loans}} = \frac{\text{Delinquent loans 91 days or more - Total allowance + Property acquired in settlement of loans}}{\text{Total Loans}}$															
Delinquent loans 91 days or more	Aggregate amount of personal and commercial loans and leases (including securitizations and lines of credit outstanding balances within authorized limits) in arrears 91 days or more – both principal and accrued interest.														
Total allowance	General and specific allowances for impairment on personal and commercial loans, leases and securitizations.														
Property acquired in settlement of loans	Property acquired in settlement of loans and leases and held for less than 7 years, net of any allowance for property losses and accumulated depreciation/amortization.														
Total loans	Gross commercial and personal loans, leases and securitizations.														
<p>Formula</p> <p>Average of monthly ratio:</p> $\frac{(1220-160-40 + 1220-260-40) - (1230-100-20 + 1230-110-20) + 1000-320-10}{(1000-200-10 + 1000-210-10)}$															
<p>Range</p> <p>This metric uses a relative scoring range established based on a statistical analysis of the historical performance of B.C. credit unions. For this metric, a lower value represents less risk posed to the CUDIC Fund.</p>															
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> 0.84%	0														

Commercial 4/5 Rated Loans to Total Loans (A2)

$\text{Quarterly average of Commercial 4/5 Rated Loans to Total Loans} = \frac{\text{Total Commercial 4 and 5 Rated Loans}}{\text{Total Loans}}$															
Total Commercial 4 and 5 Rated Loans	Aggregate amount of commercial loans rated as 4 and 5.														
Total Loans	Gross commercial and personal loans, leases and securitizations.														
<p>Formula</p> <p>Average of quarterly ratio:</p> $\frac{1260-130-20 + 1260-140-20}{(1000-200-10 + 1000-210-10)}$															
<p>Range</p> <p>This metric uses a relative scoring range established based on a statistical analysis of the historical performance of B.C. credit unions. For this metric, a lower value represents less risk posed to the CUDIC Fund.</p>															
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EARNINGS

Net Operating Income (excluding CUDIC Assessments) to Average Assets (E1)

$\frac{\text{Net Operating Income (excl. CUDIC Assessments) to Average Assets}}{\text{Average Assets}} = \frac{\text{Net Operating Income} + \text{CUDIC Assessment}}{\text{Average Assets}}$															
Net Operating Income	Income including income from subsidiary and other equity investment earnings.														
CUDIC Assessment	CUDIC Assessment paid in the reporting year.														
Average Assets	Thirteen-month average of Total Assets, beginning with prior fiscal year-end to current fiscal year end.														
<p>Formula</p> $\frac{3000-550-10 + \text{CUDIC Assessment}}{(1000-500-10_{\text{Month1}} + 1000-500-10_{\text{Month2}} \dots + 1000-500-10_{\text{Month13}})/13}$															
<p>Range</p> <p>This metric uses a relative scoring range established based on a statistical analysis of the historical performance of B.C. credit unions. For this metric, a higher value represents less risk posed to the CUDIC Fund.</p>															
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Volatility of Net Operating Income to Average Assets (E2)

Volatility of Net Operating Income to Average Assets	=	Standard deviation of (for past 5 years)	$\frac{\text{Net Operating Income}}{\text{Average Assets}}$														
Net Operating Income		Income including income from subsidiary and other equity investment earnings.															
Average Assets		Thirteen-month average of Total Assets, beginning with prior fiscal year-end to current fiscal year.															
Formula																	
Standard deviation of (for past 5 years)	=	$\frac{3000-550-10}{(1000-500-10_{\text{Month1}} + 1000-500-10_{\text{Month2}} \dots + 1000-500-10_{\text{Month13}})/13}$															
Standard deviation of ratio of net operating income to average assets																	
Determine the standard deviation of the ratio of net operating income to average assets using the following formula:																	
$\frac{\sqrt{(R_1 - \bar{R})^2 + (R_2 - \bar{R})^2 + (R_3 - \bar{R})^2 + (R_4 - \bar{R})^2 + (R_5 - \bar{R})^2}}{n - 1}$																	
Where																	
R_1 to R_5	denotes the ratio of net operating income to average assets for each of the last 5 fiscal years.																
\bar{R}	denotes the average ratio of net operating income to average assets of each of the last 5 fiscal years.																
n	is equal to 5.																
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LIQUIDITY & FUNDING

This final score for Liquidity and Funding is determined by taking the sum of the Liquidity Coverage Ratio (L1), Securitizations to Total Deposits (L2), and Agent Deposits to Total Deposits (L3) scores.

Liquidity Coverage Ratio (L1)

Liquidity Coverage Ratio	=	$\frac{\text{Stock of Unencumbered Quality Liquid Assets}}{\text{Total Net Cash Outflows Over the Next 30 Calendar Days}}$
Stock of Unencumbered Quality Liquid Assets		Level 1 + Level 2A + Level 2B – Adjustment for 40% Cap – Adjustment for 15% Cap (Refer to B.C. Liquidity Coverage Ratio Reporting Guide).
Total Net Cash Outflows Over the Next 30 Calendar Days		Total expected cash outflows – Min (total expected cash inflow, 75% of total expected cash outflows) (Refer to B.C. Liquidity Coverage Ratio Reporting Guide).
Formula		
Average of the report ratio (Line 5100-150-20) over the past four quarters to fiscal year end		
Range		
This metric uses a fixed scoring range established based on supervisory expectations and is subject to change pending finalization of the revised Liquidity Coverage Ratio Calculation Guidelines. For this metric, a higher value represents less risk posed to the CUDIC Fund.		
Score		
	Proposed Range	Points
	≥ 200.00%	5
	< 200.00% and ≥ 175.00%	4
	< 175.00% and ≥ 150.00%	3
	< 150.00% and ≥ 125.00%	2
	< 125.00% and ≥ 100.00%	1
	< 100.00%	0

Securizations to Total Deposits (L2)

$\text{Securizations to Total Deposits} = \frac{\text{Securizations}}{\text{Total Deposits}}$															
Securizations	Borrowings for securitization transactions that have been determined to be a "financing" under IFRS.														
Total Deposits	Aggregate dollar amount of demand chequing, demand regular savings, high interest savings, registered plans, other demand deposits, redeemable, non-redeemable, registered plans, other term deposits, non-equity shares and accrued interest on deposits and dividends on non-equity shares.														
Formula															
$\frac{2100-200-10 + 2100-210-10}{2000-250-10}$															
Range															
This metric uses a fixed scoring range established based on relative performance within the B.C. credit union segment and adjusted upward to better align with industry best practice. For this metric, a lower value represents less risk posed to the CUDIC Fund.															
Score															
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Agent Deposits to Total Deposits (L3)

$\text{Agent Deposits to Total Deposits} = \frac{\text{Agent Deposits}}{\text{Total Deposits}}$															
Agent Deposits	Retail, small business, and wholesale deposits sourced from unaffiliated third parties or acquired through deposit agents.														
Total Deposits	Aggregate dollar amount of demand chequing, demand regular savings, high interest savings, registered plans, other demand deposits, redeemable, non-redeemable, registered plans, other term deposits, non-equity shares, and accrued interest on deposits and dividends on non-equity shares.														
Formula $\frac{2210-110-10}{2000-250-10}$															
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Score <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Proposed Range</th> <th>Points</th> </tr> </thead> <tbody> <tr> <td>≤ 5.15%</td> <td>5</td> </tr> <tr> <td>> 5.15% and ≤ 6.48%</td> <td>4</td> </tr> <tr> <td>> 6.48% and ≤ 8.12%</td> <td>3</td> </tr> <tr> <td>> 8.12% and ≤ 9.75%</td> <td>2</td> </tr> <tr> <td>> 9.75% and ≤ 10.50%</td> <td>1</td> </tr> <tr> <td>> 10.50%</td> <td>0</td> </tr> </tbody> </table>		Proposed Range	Points	≤ 5.15%	5	> 5.15% and ≤ 6.48%	4	> 6.48% and ≤ 8.12%	3	> 8.12% and ≤ 9.75%	2	> 9.75% and ≤ 10.50%	1	> 10.50%	0
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QUALITATIVE RISK METRICS

BCFSA Supervisory Risk Assessment

Supervisory Risk Assessment = Lower of the Composite Risk Rating and Intervention Stage Rating Score																									
Composite Risk Rating ("CRR")	Assessment rating under BCFSA's Supervisory Framework, of a credit union's risk profile, after considering the assessment of its earnings and capital in relation to the overall net risk from its significant activities, and the assessment of its liquidity. The CRR is BCFSA's assessment of the safety and soundness of the credit union with respect to its depositors. CRR are: <ul style="list-style-type: none"> • Low; • Moderate; • Above Average; and • High. 																								
Intervention Stage Rating ("ISR")	Rating of the level and intensity of supervisory actions taken by BCFSA based on a credit union's risk assessment ISR are: <ul style="list-style-type: none"> • 0 – Normal; • 1 – Elevated; • 2 – Early Warning; • 3 – Risk to Financial Viability or Solvency; • 4 – Future Financial Viability in Serious Doubt; and • 5 – Non-Viability/Insolvency Imminent. 																								
Score <u>Lower of the CRR and ISR Score:</u>																									
Composite Risk Rating:	Intervention Stage Rating:																								
<table border="1"> <thead> <tr> <th>CRR</th> <th>Points</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>35</td> </tr> <tr> <td>Moderate</td> <td>30</td> </tr> <tr> <td>Above Average</td> <td>18</td> </tr> <tr> <td>High</td> <td>0</td> </tr> </tbody> </table>	CRR	Points	Low	35	Moderate	30	Above Average	18	High	0	<table border="1"> <thead> <tr> <th>ISR</th> <th>Points</th> </tr> </thead> <tbody> <tr> <td>0 – Normal</td> <td>35</td> </tr> <tr> <td>1 – Elevated</td> <td>30</td> </tr> <tr> <td>2 – Early Warning</td> <td>20</td> </tr> <tr> <td>3 – Risk to Financial Viability or Solvency</td> <td>10</td> </tr> <tr> <td>4 – Future Financial Viability in Serious Doubt</td> <td>0</td> </tr> <tr> <td>5 – Non-Viability/Insolvency Imminent</td> <td>0</td> </tr> </tbody> </table>	ISR	Points	0 – Normal	35	1 – Elevated	30	2 – Early Warning	20	3 – Risk to Financial Viability or Solvency	10	4 – Future Financial Viability in Serious Doubt	0	5 – Non-Viability/Insolvency Imminent	0
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ASSESSMENT CATEGORIES AND ASSESSMENT RATES

Assessment Category	Total Assessment Score (Points)	Assessment Rate (% of Base Assessment Rate)
AA	≥ 85 Points	85
A	≥ 75 and < 85 Points	100
BB	≥ 65 and < 75 Points	120
B	≥ 50 and < 65 Points	180
C	< 50 Points	250

The base category, Category A, will be assigned to credit unions with a Total Assessment Score greater than or equal to 75 points but less than 85 points. Credit unions in this category will pay an assessment rate equal to the Base Assessment Rate.

Credit unions with a Total Assessment Score equal to or above the threshold of 85 points will be placed in Category AA and will pay an assessment rate below the base assessment rate.

As the Total Assessment Score decreases through the categories, the assessment rate increases at an increasing rate. The intent is to provide credit unions with an incentive to maintain or improve their assessment category whilst not penalizing credit unions excessively for movement between categories in the lower levels.

PROCESS

Deposit Insurance Assessment Collection

Assessments will be collected by the end of September, 30 days after notifying credit unions. Credit unions' operating accounts with Central 1 Credit Union will be debited with the assessed amount on the assessment due date.

Confidentiality of CUDIC Assessments

Credit unions are prohibited from publicly disclosing their assessment category, assessment rate or assessment amounts. Assessment category and corresponding assessment amounts are determined based on data from FSR filed with the Superintendent, and supervisory ratings which are strictly confidential under the FIA.

Review Process

A request may be made to BCFSA Board for a reassessment in the following circumstances:

- Data errors in the FSR, CAR, and LCR filed;
- Errors in the quantitative and qualitative risk metrics calculations;
- Error in the assessment categorization; and
- Error in the assessment amount.

Requests should be made in writing and mailed to:

BC Financial Services Authority
600-750 West Pender Street
Vancouver BC, V6C 2T8

or depositinsurance@bcfsa.ca

APPENDIX 1: SUMMARY OF PROPOSED SCORING RANGES

Quantitative Risk Metrics	Scoring Ranges	Points
C1: Capital Adequacy Ratio	≥ 13.00%	20
	< 13.00% and ≥ 12.74%	19
	< 12.74% and ≥ 12.47%	18
	< 12.47% and ≥ 12.21%	17
	< 12.21% and ≥ 11.95%	16
	< 11.95% and ≥ 11.69%	15
	< 11.69% and ≥ 11.42%	14
	< 11.42% and ≥ 11.16%	13
	< 11.16% and ≥ 10.90%	12
	< 10.90% and ≥ 10.63%	11
	< 10.63% and ≥ 10.37%	10
	< 10.37% and ≥ 10.11%	9
	< 10.11% and ≥ 9.84%	8
	< 9.84% and ≥ 9.58%	7
	< 9.58% and ≥ 9.32%	6
	< 9.32% and ≥ 9.06%	5
	< 9.06% and ≥ 8.79%	4
	< 8.79% and ≥ 8.53%	3
	< 8.53% and ≥ 8.27%	2
< 8.27% and ≥ 8.00%	1	
< 8.00%	0	
C2: Leverage Ratio	≥ 7.00%	10
	< 7.00% and ≥ 6.56%	9
	< 6.56% and ≥ 6.11%	8
	< 6.11% and ≥ 5.67%	7
	< 5.67% and ≥ 5.22%	6
	< 5.22% and ≥ 4.78%	5
	< 4.78% and ≥ 4.33%	4
	< 4.33% and ≥ 3.89%	3
	< 3.89% and ≥ 3.44%	2
	< 3.44% and ≥ 3.00%	1
< 3.00%	0	
A1: Non-Performing Loans to Total Loans	= 0.00%	5
	> 0.00% and ≤ 0.24%	4
	> 0.24% and ≤ 0.48%	3
	> 0.48% and ≤ 0.66%	2
	> 0.66% and ≤ 0.84%	1
> 0.84%	0	
A2: Commercial 4/5 Rated Loans to Total Loans	≤ 0.00%	5
	> 0.00% and ≤ 0.84%	4
	> 0.84% and ≤ 1.69%	3
	> 1.69% and ≤ 2.20%	2
	> 2.20% and ≤ 2.71%	1
> 2.71%	0	

E1: Net Operating Income (excl. Assessments) to Average Assets	$\geq 0.89\%$	5
	$< 0.89\%$ and $\geq 0.75\%$	4
	$< 0.75\%$ and $\geq 0.46\%$	3
	$< 0.46\%$ and $\geq 0.32\%$	2
	$< 0.32\%$ and $\geq 0.17\%$	1
E2: Volatility of Net Operating Income to Average Assets	$< 0.17\%$	0
	$\leq 0.01\%$	5
	$> 0.01\%$ and $\leq 0.15\%$	4
	$> 0.15\%$ and $\leq 0.45\%$	3
	$> 0.45\%$ and $\leq 0.60\%$	2
L1: Liquidity Coverage Ratio	$> 0.60\%$ and $\leq 0.74\%$	1
	$> 0.74\%$	0
	$\geq 200.00\%$	5
	$< 200.00\%$ and $\geq 175.00\%$	4
	$< 175.00\%$ and $\geq 150.00\%$	3
	$< 150.00\%$ and $\geq 125.00\%$	2
L2: Securitizations to Total Deposits	$< 125.00\%$ and $\geq 100.00\%$	1
	$< 100.00\%$	0
	$\leq 6.47\%$	5
	$> 6.47\%$ and $\leq 7.59\%$	4
	$> 7.59\%$ and $\leq 9.07\%$	3
	$> 9.07\%$ and $\leq 10.07\%$	2
L3: Agent Deposits to Total Deposits	$> 10.07\%$ and $\leq 10.50\%$	1
	$> 10.50\%$	0
	$\leq 5.15\%$	5
	$> 5.15\%$ and $\leq 6.48\%$	4
	$> 6.48\%$ and $\leq 8.12\%$	3
	$> 8.12\%$ and $\leq 9.75\%$	2
	$> 9.75\%$ and $\leq 10.50\%$	1
	$> 10.50\%$	0

Qualitative Risk Metrics	Scoring Ranges	Points
Lower of Composite Risk Rating ("CRR") and Intervention Stage Rating ("ISR")	CRR	
	Low	35
	Moderate	30
	Above Average	18
	High	0
	ISR	
	0 - Normal	35
	1 - Elevated	30
	2 - Early Warning	20
	3 - Risk to Financial Viability or Solvency	10
	4 - Future Financial Viability in Serious Doubt	0
5 - Non-Viability/Insolvency Imminent	0	

APPENDIX 2: TIMING & COMPUTATIONAL METHOD

The following table lists the time period and a summary of the calculation method used to determine the assessment scores:

Category	Metric	Timing & Computational Method
Capital	C1: Capital Adequacy Ratio	Fiscal year end.
	C2: Leverage Ratio	Fiscal year end.
Asset Quality	A1: Non-performing Loans to Total Loans	Average of monthly ratio for past 12 months leading to fiscal year end.
	A2: Commercial 4/5 Rated Loans to Total Loans	Average of quarterly ratio for past four quarters leading to fiscal year end.
Earnings	E1: Net Operating Income (excluding CUDIC Assessments) to Average Assets	<ul style="list-style-type: none"> Net Operating Income: fiscal year end; CUDIC Assessments: reporting year; Average Assets: 13-month average (one month prior to fiscal year and 12 months of fiscal year).
	E2: Volatility of Net Operating Income to Average Assets	<ul style="list-style-type: none"> Standard deviation of ratio for past five years; Net Operating Income: fiscal year end; Average Assets: 13-month average (one month prior to fiscal year and 12 months of fiscal year).
Liquidity and Funding	L1: Liquidity Coverage Ratio	Average of quarterly ratio for past four quarters leading to fiscal year end.
	L2: Securitizations to Total Deposits	Fiscal year end.
	L3: Agent Deposits to Total Deposits	Fiscal year end.
Qualitative	Composite Risk Rating	Calendar year end.
	Intervention Stage Rating	Calendar year end.