

February 25, 2015
File No.: 71000-05
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To: BC Credit Union Board Chairs, CEOs

Re: Results of the Credit Union Continuance Working Group

The purpose of this letter is to inform you that the Credit Union Continuance Working Group has completed its work in analyzing the impacts of a BC credit union continuance to federal jurisdiction. Below you will find the high-level recommendations formulated by the working group regarding factors that the Financial Institutions Commission (FICOM) should consider when developing a decision-making framework for a federal continuance application.

On March 4, 2010, the federal government tabled Bill C-9, the *Jobs and Economic Growth Act*, permitting the creation of a federal credit union through amendments to the *Bank Act* and *Canada Deposit Insurance Corporation Act*. Bill C-9 received Royal Assent on July 12, 2010, and regulations implementing the federal credit union legislative framework came into force on December 19, 2012.

Credit unions are enabled to seek approval to continue to another jurisdiction under the *Credit Union Incorporation Act*, however there is currently no framework in place through which FICOM can grant approval for a credit union continuance. FICOM formed a working group composed of both industry representatives and FICOM employees to inform the development of a transparent decision-making framework for FICOM to apply in the event of a continuance application. The working group provided the following recommendations to the Superintendent of Financial Institutions:

1. Full disclosure

The regulator should consider requiring credit unions planning to continue to federal jurisdiction to provide full and meaningful disclosure to members of the potential risks and implications of continuance. Materials provided to members should be clear, written in plain language and free from any biased or inaccurate information. Examples of areas that should be addressed in disclosure include changes to deposit insurance coverage, potential changes of access to any products or services, and the rationale for continuance, supported by sound economic and risk assessment analyses.

2. Fair process

The regulator should consider requiring credit unions to ensure that the processes in place to acquire membership approval of federal continuance are fair to all parties involved. These

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- Superintendent of Financial Institutions
 - Superintendent of Pensions
 - Superintendent of Real Estate
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processes should be impartial and should pro-actively seek to involve members in all stages of the decision-making process. Credit unions should ensure that appropriate time limits are established for the continuance process and membership vote.

3. Due Diligence

The regulator should consider requiring credit unions pursuing a federal charter to undertake proper planning and consider key risks before applying to continue out of provincial jurisdiction. Credit unions should be required to prepare a business case for continuance, as well as undertake proper contingency planning and up-to-date stress testing. Proper planning should also be undertaken by other key entities, such as centrals and the deposit insurance fund, to determine the effects continuance could have on their operations and to develop proper short and long-term mitigation strategies for any potential adverse impacts.

4. Sound Transition Process

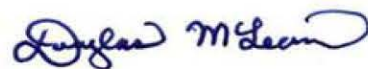
Provincial and federal regulators should work together to ensure that a sound transition process is put in place for federal continuance. In order to limit uncertainty, this process should clarify approval timelines and put an overall time limit by which credit unions must complete the transition to federal jurisdiction. Credit unions wishing to exit the British Columbia system should be required to give adequate notice of their intention to leave in order to allow adequate time for the system to adjust. Provincial and federal regulators should place emphasis on information sharing and proper communication throughout the transition process.

Using the results of the Credit Union Continuance Working Group's work, FICOM will begin development of a decision-making framework to apply in the event of a federal continuance application.

I would like to thank all working group participants for their time and contributions.

If you have any questions regarding the group's work, please do not hesitate to contact me at Doug.McLean@ficombc.ca or Molly Burns, Analyst, Policy Initiatives, at Molly.Burns@ficombc.ca.

Yours truly,



Doug McLean
Deputy Superintendent, Supervision