

Dillon, Brian FIN:EX

From: Mitchell, Jay FIN:EX
Sent: Monday, October 6, 2008 4:40 PM
To: Dillon, Brian FIN:EX
Cc: Robinson, Andy FIN:EX; Clark, Alan FIN:EX; Alley, Andrew FIN:EX; Toovey, Kari FIN:EX
Subject: RE: Deposit Insurance Coverage

Brian, in response to your questions:

Can you advise us how much of that would be covered by a guarantee/indemnity in the \$100,000 to \$250,000 range?
We **estimate** that about 15% would be uninsured if the coverage increased to \$250,000 but this is just an estimate.

If legislation goes forward to allow for an increase by regulation in the \$100,000 level, should we also be allowing for the 3/10 of 1% to be subject to regulatory power to increase the amount?

Yes, you should be allowing for the 3/10 of 1% to be subject to regulatory power.....we need to be able to act quickly to replenish the fund. In addition, you should also consider providing for regulatory power for the issuance of debentures (section 268(1)) as well as regulatory power when the fund is impaired (section 271(1)(b)).

Does CUDIC now charge the full 3/10?

No, we assessed 28.72 bps in 2005 after Stab Central declared a substantial dividend. That is the most we have ever assessed.

What has CUDIC historically charged?

See attached file.



CUDIC

essment History.)

Hope this information is helpful.

From: Dillon, Brian FIN:EX
Sent: Monday, October 06, 2008 9:51 AM
To: Mitchell, Jay FIN:EX
Cc: Robinson, Andy FIN:EX; Clark, Alan FIN:EX; Alley, Andrew FIN:EX; Toovey, Kari FIN:EX
Subject: FW: Deposit Insurance Coverage

Jay:

Further to the below e-mail exchange, about 35% of deposits are uninsured by the current \$ 100,000 threshold. Can you advise us how much of that would be covered by a guarantee/indemnity in the \$100,000 to \$250,000 range? (In percentage and dollar terms)

Also, the current assessment that CUDIC can ask from credit unions under section 268 is fixed at 0.3 % ("the commission by order may assess each credit union an amount not exceeding 3/10 of 1% of the total of all deposits with the credit union as at the date of the credit union's immediately preceding financial year end").

If legislation goes forward to allow for an increase by regulation in the \$100,000 level, should we also be allowing for the 3/10 of 1% to be subject to regulatory power to increase the amount? Does CUDIC now charge the full 3/10? What has CUDIC historically charged?

Thanks,

Brian

From: Clark, Alan FIN:EX
Sent: Thursday, October 2, 2008 11:58 AM
To: Robinson, Andy FIN:EX
Subject: RE: Deposit Insurance Coverage

tk....

From: Robinson, Andy FIN:EX
Sent: Thursday, October 02, 2008 11:55 AM
To: Clark, Alan FIN:EX
Cc: Trumpy, Chris FIN:EX
Subject: RE: Deposit Insurance Coverage

We have been discussing this internally. While we would need legislation to formally increase the limit, the government could announce its intention to increase the limit effective immediately. In the event that there was a call on the insurance, It would then be on the hook for anything above \$100,000.

I will discuss with Chris

Andy

From: Clark, Alan FIN:EX
Sent: Thursday, October 2, 2008 10:39 AM
To: Robinson, Andy FIN:EX
Cc: Trumpy, Chris FIN:EX
Subject: Deposit Insurance Coverage

I am concerned that when the US goes to \$250,000 deposit insurance coverage, (probable tonight) that CDIC will be under pressure to increase coverage for banks and trust companies. My understanding is that CDIC can make changes through regulation. Ontario can do likewise. If that occurs BC credit unions will find themselves competing with:

- Banks and Trust companies at 250;
- Alberta CU's at unlimited; and
- Washington State at 250.

In addition all credit unions between here and Quebec could end up at unlimited.

This could start a run on cu deposits above the deposit insurance limit. Our numbers indicate some 35 per cent of deposits exceed the 100,00 threshold, any erosion of this could create significant problems for our c.u's.

My sense is we need to develop our policy as to what we would do if the coverage increases for Can. banks/rustics and how do we work around the fact our coverage limit is in the legislation.

FYI - our call center is fielding a very large number of calls regarding deposit insurance coverage.

W. Alan Clark
Superintendent and Chief Executive Officer
Financial Institutions Commission
Province of British Columbia

604 953-5350

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CREDIT UNION ASSESSMENTS

Year	Assessment Rate (%) excl. SCCU
1980	0.0300
1981	0.0400
1982	0.1050
1983	0.0700
1984	0.0700
1985	0.1300
1986	0.1300
1987	0.1300
1988	0.1300
1989	0.1300
1990	0.1000
1991	-
1992	-
1993	-
1994	-
1995	-
1996	-
1997	0.0500
1998	0.0500
1999	0.0250
2000	0.0200
2001	0.0200
2002	0.0200
2003	-
2004	-
2005	0.2872
2006	0.0500
2007	0.0300
2008	0.0500

Dillon, Brian FIN:EX

From: Alley, Andrew FIN:EX
Sent: Thursday, October 9, 2008 5:54 PM
To: Salling, Tammy L FIN:EX
Cc: Toovey, Kari FIN:EX; Dillon, Brian FIN:EX
Subject: FW: Deposit Insurance

Hi Tammy - I'm providing a hard copy of this to Andy and I notice it may need a little formatting still. Would you please do that in the morning (as Gina and Leanne will not be here? Thx AA

From: Alley, Andrew FIN:EX
Sent: Thursday, October 9, 2008 5:50 PM
To: Clark, Alan FIN:EX
Subject: Deposit Insurance

Hi Alan - Please find attached a note to the Minister plus a draft news release on the above. These have been drafted to support a decision on whether to

S16

S16 Please let us know if you have any comments on the note or draft news release. Andrew



Deposit Insurance
Note.doc

DRAFT

Ministry of Finance

BRIEFING DOCUMENT*Andrew
events have
passed this by
I think.***To:** Honourable Colin Hansen
Minister of Finance**Date Requested:** October 7, 2008
Date Required:**Initiated by:** Andy Robinson, ADM
Strategic & Corporate Policy Division**Date Prepared:** October 9, 2008**Ministry Contact:** Andrew Alley
A/Director
Financial and Corporate
Sector Policy Branch**Phone Number:** 250 387-7364
Email: Andrew.Alley@gov.bc.ca

182102

TITLE: Credit Union Deposit Insurance**PURPOSE:**☒ (X) REQUEST FOR INFORMATION**COMMENTS:**

- The ongoing financial crisis has led some foreign jurisdictions to raise deposit insurance limits.

S13, S16

- This information note provides background information on the issue, includes a suggested draft news release and notes a number of issues that will need to be considered.

DATE PREPARED: October 9, 2008

TITLE: Credit Union Deposit Insurance

ISSUE:

S13, S16

S13, S16

s14

NEXT STEPS:

S13

Draft News Release

S13, S16

Dillon, Brian FIN:EX

From: Dillon, Brian FIN:EX
Sent: Friday, October 10, 2008 3:09 PM
To: Toovey, Kari FIN:EX
Subject: FW: Other Province responses to liquidity and CUs

From: Alley, Andrew FIN:EX
Sent: Friday, October 10, 2008 2:47 PM
To: Robinson, Andy FIN:EX
Cc: Dillon, Brian FIN:EX
Subject: Other Province responses to liquidity and CUs

Hi Andy,

S13, S16

AA

Dillon, Brian FIN:EX

From: Dillon, Brian FIN:EX
Sent: Tuesday, October 14, 2008 11:01 AM
To: Dillon, Brian FIN:EX; Robinson, Andy FIN:EX; Alley, Andrew FIN:EX
Cc: Toovey, Kari FIN:EX
Subject: RE: S16

October 1 in the third para should be October 31. Sorry for the confusion.

From: Dillon, Brian FIN:EX
Sent: Tuesday, October 14, 2008 10:33 AM
To: Robinson, Andy FIN:EX; Alley, Andrew FIN:EX
Cc: Toovey, Kari FIN:EX
Subject: S16

S13, S16

Brian

Dillon, Brian FIN:EX

From: Dillon, Brian FIN:EX
Sent: Tuesday, October 14, 2008 4:33 PM
To: Robinson, Andy FIN:EX; Alley, Andrew FIN:EX
Cc: Toovey, Kari FIN:EX
Subject: BC and Federal deposit insurance

The attached table includes relevant extracts from the deposit protection rules for BC Credit Unions and for federally insured banks and trust companies. My reading of the federal rules (found in the Canada Deposit Insurance Corporation Act) is that the federal rules, though somewhat differently worded, provide the same protection as BC's. Namely, all accounts are aggregated, except that joint accounts are treated separately, as are registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs). (One difference, separate federal protection for "mortgage tax accounts", seems relatively minor in the deposit insurance scheme.)

This conclusion is supported by the following Q&As copied from the CDIC website:

"How much is insured by CDIC?"

CDIC insures from \$1 to \$100,000. We calculate your insured savings by combining the amounts in:

- **savings and chequing accounts**
- GICs and other term deposits that mature in 5 years or less
- money orders, certified cheques, travellers' cheques and bank drafts issued by CDIC members (that are payable to you and not yet cashed)
- debentures (only those issued by loan companies)

More than \$100,000 in savings?

CDIC insures as much as \$100,000 in each of six categories. Savings held: in one name, jointly in more than one name, in a trust account, in an RRSP, in a RRIF and in a mortgage tax account."

Let me know if you need more info.

Brian



Table respecting
deposit prote...

Table respecting deposit protection in BC and Canada

British Columbia – Financial Institutions Act and Regulations	Canada – Canada Deposit Insurance Corporation Act
<p>Guarantee of credit union deposits 266 (1) In this section:</p> <p>"depositor" includes 2 or more depositors, considered together as a single unit, who own a separate deposit in a credit union;</p> <p>"guarantee" means the guarantee of the deposit insurance corporation under subsection (2).</p> <p>(2) In the event of a credit union failing, neglecting or refusing to pay to a depositor of the credit union all or part of any of the depositor's deposits in the credit union, as and when payable, redeemable or withdrawable, then payment out of the fund of the deposit is guaranteed, subject to and in accordance with this section and the regulations, by the deposit insurance corporation in an amount that does not exceed \$100 000 for each prescribed separate deposit of the depositor.</p> <p>(3) In the event of failure, neglect or refusal described in subsection (2), a depositor of the credit union, by written notice that is in a form satisfactory to the commission and is delivered to the deposit insurance corporation, may claim the deposit to the extent guaranteed under the guarantee.</p> <p>(4) As soon as practical after receipt of notice in accordance with subsection (3) of a depositor's claim under the guarantee, if</p>	<p>Definitions</p> <p>2. In this Act,</p> <p>...</p> <p>"deposit" and "depositor" «dépôt » et «déposant »</p> <p>"deposit" and "depositor" mean respectively a deposit and a depositor as defined in the schedule;</p> <p>...</p> <p>Duty to insure</p> <p>12. The Corporation shall insure each deposit with a member institution except</p> <p>(a) a deposit that is not payable in Canada or in Canadian currency;</p> <p>(b) a deposit in respect of which Her Majesty in right of Canada would be a preferred claimant; and</p> <p>(c) so much of any one deposit as exceeds one hundred thousand dollars.</p> <p>R.S., 1985, c. C-3, s. 12; 2005, c. 30, s. 101.</p> <p>SCHEDULE</p> <p>(Section 2)</p> <p>Definitions</p> <p>1. In this schedule,</p>

<p>the commission is satisfied as to the correctness of the amount claimed, the deposit insurance corporation must pay out of the fund to the depositor the amount to which the depositor is entitled under the guarantee.</p> <p>(5) The deposit insurance corporation may deduct from an amount to which a depositor is entitled under the guarantee any indebtedness of the depositor to the defaulting credit union.</p> <p>(6) On payment under subsection (4) by the deposit insurance corporation of the amount to which a depositor is entitled under the guarantee,</p> <p>(a) neither the deposit insurance corporation nor the defaulting credit union is obliged to see to the proper application of the payment,</p> <p>(b) the deposit insurance corporation and the fund are discharged from further liability to the depositor for the separate deposits for which payment is made, and</p> <p>(c) the deposit insurance corporation is subrogated for the amount paid to all the rights and interests of the depositor as against the credit union in respect of the separate deposits for which payment is made.</p> <p>Credit Union Deposit Guarantee Regulation'</p> <p>Separate deposit</p> <p>2 (1) Subject to subsection (2), each of the following constitutes a separate deposit in a credit union for the purpose of applying the \$100 000 limit in section 266 (2) of the Act:</p> <p>(a) the aggregate of all deposits that</p>	<p>"date of deposit" «date du dépôt »</p> <p>"date of deposit" means, with respect to any moneys constituting a deposit, the day on which credit for the moneys is given to the account of the depositor or the day on which an instrument is issued for such moneys by the member institution, as the case may be;</p> <p>"depositor" «déposant »</p> <p>"depositor" means a person whose account has been or is to be credited in respect of moneys constituting a deposit or part of a deposit or a person to whom a member institution is liable in respect of an instrument issued for moneys constituting a deposit or part of a deposit;</p> <p>"loan company" «société de prêt »</p> <p>"loan company" means a member institution to which the Trust and Loan Companies Act applies and that is not a trust company pursuant to subsection 57(2) of that Act;</p> <p>"person" «personne »</p> <p>"person" includes an association of persons and a government;</p> <p>"subordinated note" [Repealed, 2007, c. 6, s. 421]</p> <p>"subordinated shareholder loan" [Repealed, 2007, c. 6, s. 421]</p> <p>"trust company" «société de fiducie »</p> <p>"trust company" means a member institution to which the Trust and Loan Companies Act applies and that is a trust company pursuant to subsection 57(2) of</p>
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<p>(i) are shown in the records of the credit union as trust accounts, and</p> <p>(ii) deposited in trust for the benefit of the same beneficiary</p> <p>whether or not the identity of the beneficiaries is disclosed in the records of the credit union;</p> <p>(b) the aggregate of all deposits that are shown in the records of the credit union as joint accounts to the credit of the same joint depositors;</p> <p>(c) the aggregate of all deposits that are shown in the records of the credit union as registered retirement savings plans under the Income Tax Act (Canada) to the credit of the same depositor;</p> <p>(d) the aggregate of all deposits that are shown in the records of the credit union as registered retirement income funds under the Income Tax Act (Canada) to the credit of the same depositor;</p> <p>(e) the aggregate of all deposits that are not referred to in paragraphs (a) to (d) that are credited to the same depositor in the records of the credit union.</p> <p>(2) Where funds are deposited in trust for the benefit of the same beneficiary in more than one pooled trust account and the beneficiaries of each of those accounts are not identical, the funds deposited for that beneficiary in each of those accounts constitute a separate deposit in a credit union for the purpose referred to in subsection (1).</p>	<p>that Act.</p> <p>Definition of "deposit"</p> <p>2. (1) Subject to subsection (2), for the purposes of this Act and the by-laws of the Canada Deposit Insurance Corporation, "deposit" means the unpaid balance of the aggregate of moneys received or held by a federal institution or provincial institution, from or on behalf of a person in the usual course of the deposit-taking business of the institution, for which the institution</p> <p>(a) has given or is obligated to give credit to that person's account or has issued or is obligated to issue a receipt, certificate, debenture (other than a debenture issued by a bank to which the Bank Act applies), transferable instrument, draft, certified draft or cheque, traveller's cheque, prepaid letter of credit, money order or other instrument in respect of which the institution is primarily liable, and</p> <p>(b) is obligated to repay the moneys on a fixed day, on demand by that person or within a specified period of time following demand by that person,</p> <p>including any interest accrued or payable to that person.</p> <p>Included moneys</p> <p>(1.1) For greater certainty, an unpaid balance of moneys received or held by an institution from or on behalf of a mortgagor in respect of realty taxes on mortgaged property is a deposit. The moneys are considered to be repayable on the earlier of the due date of the taxes or the date the mortgage is discharged.</p> <p>Excluding moneys</p> <p>(2) The following moneys are excluded</p>
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	<p>from the moneys referred to in subsection (1):</p> <p>(a) moneys received or held by the institution if the date of deposit is or was on or after April 17, 1967 unless the institution is or was obligated, or may by the demand of that person become obligated, to repay the moneys on or before the expiration of five years after the date of the deposit; and</p> <p>(b) moneys held by the institution that were received by it when it was not a federal institution or provincial institution.</p> <p>Where more than one repayment day</p> <p>(2.1) For the purposes of subsection (2), where an institution is, in respect of deposit moneys received or held by it, obligated to repay the moneys to a person on a fixed day and also is or may become obligated to repay the moneys</p> <p>(a) on an earlier date by virtue of a right of withdrawal, reinvestment or other right afforded to the person by the terms under which the moneys were solicited or received or are held, only the fixed day shall be considered, or</p> <p>(b) on a later date by virtue of a right afforded to any person to extend the term of the deposit at a rate or rates of interest determined at the time the moneys were solicited or received, the later date is deemed to be the fixed day</p> <p>in determining whether the institution is or may become obligated to repay the moneys on or before the expiration of five years after the date of the deposit, whether or not the right is exercised.</p> <p>Right to extend</p>
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	<p>(2.2) For greater certainty, a right referred to in paragraph (2.1)(b) does not include a right to renew or reinvest a deposit at a rate or rates of interest prevailing on the date of renewal or reinvestment.</p> <p>Obligation deemed</p> <p>(3) For the purposes of subsection (1), if a trust company has deposited moneys in its own guaranteed trust fund on behalf of itself as trustee, it shall be deemed to be obligated to repay the moneys to the same extent as it would have been obligated to repay the moneys had the moneys been deposited by a trustee other than itself.</p> <p>(4) [Repealed, 2001, c. 9, s. 216]</p> <p>Idem</p> <p>(5) Notwithstanding subsection (1), for the purposes of deposit insurance with the Corporation, where moneys are or were received by a member institution on or after April 1, 1977 for which the institution has issued or is obligated to issue an instrument evidencing a deposit, other than a draft, certified draft or cheque, traveller's cheque, prepaid letter of credit or money order,</p> <p>(a) the moneys do not constitute a deposit unless the instrument and records of the institution specify the person entitled, at the date of issue of the instrument, to the repayment of the moneys evidenced thereby;</p> <p>(b) the person referred to in paragraph (a) shall be deemed to be the depositor in respect of the moneys unless particulars of a transfer of the instrument are entered in the records of the institution, in which case the most recent transferee shown in the records shall be deemed to be the depositor; and</p> <p>(c) the entry of a transfer in the records of a member institution is ineffective for the</p>
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	<p>purposes of paragraph (b), if the entry is made subsequent to the termination or cancellation of the policy of deposit insurance of the member institution.</p> <p>Idem</p> <p>(6) Notwithstanding subsection (1), moneys received by a member institution on or after January 1, 1977, for which the institution has issued or is obligated to issue an instrument of indebtedness, other than a draft, certified draft or cheque, traveller's cheque, prepaid letter of credit or money order, do not constitute a deposit where the instrument is payable outside Canada or in a currency other than Canadian currency.</p> <p>Joint or trust deposit</p> <p>3. (1) Where a member institution is obligated to repay moneys to a depositor who is acting as trustee for another or as joint owner with another, if the trusteeship or joint interest is disclosed on the records of the institution, the deposit of the depositor acting as trustee or as joint owner with another shall be deemed for the purposes of deposit insurance with the Corporation to be a deposit separate from any deposit of the depositor acting in his own right or acting in another joint or trust capacity with the institution.</p> <p>Joint owners</p> <p>(1.1) For greater certainty, where two or more persons are joint owners of two or more deposits, the aggregate of those deposits shall be insured to a maximum of one hundred thousand dollars.</p> <p>Trust deposit separate</p> <p>(2) Where a member institution is obligated to repay moneys to a depositor who is acting as trustee for a beneficiary, if the</p>
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	<p>trusteeship is disclosed on the records of the institution, the interest of the beneficiary in the deposit shall be deemed for the purposes of deposit insurance with the Corporation to be a deposit separate from any deposit of the beneficiary made with the institution in his own right for his own use and separate from any interest of the beneficiary in respect of any other trust deposit of which he is a beneficiary.</p> <p>Deposit of beneficiary</p> <p>(3) Where a member institution is obligated to repay moneys to a depositor who is acting as trustee for two or more beneficiaries, if the interest of each beneficiary in the deposit is disclosed on the records of the member institution, the interest of each beneficiary in the deposit shall be deemed for the purposes of deposit insurance with the corporation to be a separate deposit.</p> <p>Trust arrangements</p> <p>(3.01) A deposit held by a member institution for a depositor who is acting as trustee under a trust is deemed not to be a separate deposit if, in the opinion of the Corporation, the trust exists primarily for the purpose of obtaining or increasing deposit insurance under this Act.</p> <p>By-laws</p> <p>(3.1) For the purposes of subsections (1) to (3), the Board of Directors may make by-laws prescribing the time by which and the form and manner in which a joint interest, a trusteeship or the interest of a beneficiary in a deposit is to be disclosed on the records of a member institution.</p> <p>Not part of deposit</p> <p>(4) Where a member institution is obligated to repay to a person any moneys that are received or held by the institution, the amount of the moneys shall be deemed not</p>
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to constitute part of a deposit for the purposes of deposit insurance with the Corporation if the date on which the person acquires his interest in the moneys is a date subsequent to the date on which the policy of deposit insurance of the institution is terminated or cancelled.

Registered retirement savings plan deposits

(5) Notwithstanding subsection (2), for the purposes of deposit insurance with the Corporation, where moneys received by a member institution from a depositor pursuant to a registered retirement savings plan, within the meaning given that expression for the purposes of the Income Tax Act, constitute a deposit or part of a deposit by or for the benefit of an individual, the aggregate of those moneys and any other moneys received from the same depositor pursuant to any other registered retirement savings plan and that constitutes a deposit or part of a deposit by or for the benefit of the same individual shall be deemed to be a single deposit separate from any other deposit of or for the benefit of that individual.

Registered retirement income fund

(6) Notwithstanding subsection (2), for the purposes of deposit insurance with the Corporation, where moneys received by a member institution from a depositor pursuant to a registered retirement income fund, within the meaning given that expression under the Income Tax Act, constitute a deposit or part of a deposit by or for the benefit of an individual, the aggregate of those moneys and any other moneys received from the same depositor pursuant to any other registered retirement income fund and that constitutes a deposit or part of a deposit by or for the benefit of the same individual, is deemed to be a single deposit separate from any other deposit of or for the benefit of that

	<p>individual.</p> <p>Realty taxes on mortgaged property</p> <p>(7) An unpaid balance of money referred to in subsection 2(1.1) is deemed, for the purposes of deposit insurance with the Corporation, to be a deposit separate from any other deposit of that depositor with the member institution.</p> <p>R.S., 1985, c. C-3, Sch.; R.S., 1985, c. 18 (3rd Supp.), ss. 72, 73; 1991, c. 45, s. 545; 1996, c. 6, ss. 45.1, 46; 1999, c. 28, ss. 108, 109; 2001, c. 9, s. 216; 2005, c. 30, s. 108; 2007, c. 6, s. 421.</p>
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Dillon, Brian FIN:EX

From: Alley, Andrew FIN:EX
Sent: Thursday, October 16, 2008 5:17 PM
To: Keast, Gordon PAB:EX
Cc: Suenderman, Charles PAB:EX; Kendall-Craden, Rena PAB:EX; Robinson, Andy FIN:EX; Dillon, Brian FIN:EX; Toovey, Kari FIN:EX
Subject: RE: Q&As for Credit Union deposit insurance
Attachments: Questions and answers - revised Oct 16.doc; Questions and answers - revised Oct 16 (mkd-Oct15BrianAA).doc

Hi Gordon,

As promised earlier today, here are answers to the rest of the questions. I have attached a revised clean version and one with the changes marked.

Let me know if you need anything else or have any questions.

My cell is S22

Andrew

From: Alley, Andrew FIN:EX
Sent: Thursday, October 16, 2008 8:19 AM
To: Keast, Gordon PAB:EX
Cc: Suenderman, Charles PAB:EX; Dillon, Brian FIN:EX; Toovey, Kari FIN:EX
Subject: RE: Q&As for Credit Union deposit insurance

Hi Gordon,

We have reviewed the Qs and As you sent us (below) and added the additional Qs you suggested in your email yesterday afternoon.

The attached Q and A doc is reorganized so that they are grouped together by sub-topics and we edited out a few questions that we thought were redundant. The index at the front of the document have links to each topic. Have also included a marked document so that you can see the changes.

There are a few questions we need to look into a little further set out below. We will send those answers as soon as we have them.

s13

Andrew

DEPOSIT PROTECTION FOR CREDIT UNIONS IN B.C.
QUESTIONS AND ANSWERS

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s12

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S16

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s12 s13

s12 s13

S16

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S16

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s12 s13

s12 s13

s12 s13

Dillon, Brian FIN:EX

From: Alley, Andrew FIN:EX
Sent: Tuesday, October 21, 2008 3:42 PM
To: Kendall-Craden, Rena PAB:EX
Cc: Keast, Gordon PAB:EX; Robinson, Andy FIN:EX; Trumpy, Chris FIN:EX; Dillon, Brian FIN:EX; Toovey, Kari FIN:EX
Subject: Revised Qs and As for tomorrow (Wed Oct 22)

Hi Rena,

In your voice mail last Friday you asked that we send a revised set of Qs and As if we learn there is a change in the deposit insurance announcement.

s13

I have attached a revised set of Qs and As that should be used if we are correct and the announcement is unlimited deposit insurance.

Andrew



Questions and
answers - unlimi...

UNLIMITED DEPOSIT PROTECTION FOR CREDIT UNIONS IN B.C.
QUESTIONS AND ANSWERS

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Dillon, Brian FIN:EX

From: Dillon, Brian FIN:EX
Sent: Friday, October 24, 2008 11:56 AM
To: Robinson, Andy FIN:EX
Cc: Sinkwich, Jill D FIN:EX; Toovey, Kari FIN:EX; Alley, Andrew FIN:EX
Subject: Deposit insurance

Attached are the proposed drafting instructions and proposed draft briefing note to Minister on funding issues that Kari and I prepared. Jill has reviewed the BN.

If you are comfortable with the drafts, we should send to FICOM for their comments, and send to Minister early next week. I assume drafting will have to start shortly.

Cheers,

Brian



Drafting



Briefing Note

structions - deposDeposit Insuranc...

**Ministry of Finance
BRIEFING DOCUMENT**

TO: Honourable Colin Hansen
Minister of Finance

DATE REQUESTED:

DATE REQUIRED:

DATE PREPARED: October 23, 2008

Initiated By: Andy Robinson
(e.g. DM, ADM, ministerial
assistant)

Phone # /E-MAIL

Ministry Contact: Andrew Alley
responsible for issue
(e.g. director, senior
manager)

Phone #/E-MAIL:

REF #:

TITLE: Unlimited deposit insurance and funding issues

PURPOSE:

(X) DECISION REQUIRED

COMMENTS:

S13

S12 s13

Director approval: _____

ADM approval: _____

DM approval: _____

DATE PREPARED:

October 23, 2008

TITLE: UNLIMITED DEPOSIT INSURANCE AND FUNDING ISSUES**ISSUE:**

S13

BACKGROUND:

- The *Financial Institutions Act* (FIA) established the Credit Union Deposit Insurance Corporation (CUDIC) which has accumulated a large contingency fund to cover deposits in the event a credit union should fail. This fund is determined based on actuarial assessment of risks and is subject to an independent audit.
- The Financial Institutions Commission (FICOM) is responsible for the determination of the appropriate contribution to the fund, based on an analysis of relevant factors in accordance with the legislation. Credit unions are assessed this contribution and are required by law to make the contribution to the fund.

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CUDIC's most recent annual report noted that the

"target deposit insurance fund is 84 basis points of the total BC credit union deposits, based on actuarial advice and an assessment of deposit failure of risk. At March 31, 2008, the Corporation's retained earnings and accumulated other comprehensive income represent 71.0 basis points of BC credit unions at their last year-ends. Combined with the \$20 million letter of credit, the deposit insurance fund amounts to 76.4 basis points."

- Under the FIA, FICOM may annually assess credit unions up to 3/10th of 1 percent of the total of all deposits with the credit union (30 basis points). If FICOM is of the opinion the fund is impaired, it may order each year an additional amount not exceeding 1/12 of 1 percent (8.3 basis points).
- Since 1990, the assessments for credit unions have been in the range of 2 to 5 basis points, with no assessments in 1991 to 1996, 2003 and 2004. One exception is a 29 basis point assessment in 2005 reflecting a large dividend declared by Stabilization Central.

- In the event that FICOM believes the fund is impaired, FICOM must inform the Minister of Finance who must refer FICOM's report to the Lieutenant Governor in Council. The government can provide a loan guarantee to cover any impairment in the fund until credit union assessments result in a fund that meets actuarial requirements. S13

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DISCUSSION:

- The government has publicly indicated that it is not expected that any taxpayer money will be required to increase the deposit insurance limit and that increases will be funded by assessments on credit union deposits, as is currently done.
- In the United States, the recent *Emergency Economic Stabilization Act of 2008* temporarily increased bank deposit insurance from \$100,000 to \$250,000, but specifically prohibited the US deposit insurer from increasing assessments on banks to cover the temporary increase. The US legislation requires the deposit insurer to seek any needed increase in funding from the US government.
- As the US legislation was intended to address weaknesses in the financial and capital markets, and help US banks that are under severe pressure, the government did not want the increase in deposit insurance, meant to shore up confidence in US banks, to further undermine the weak capital position of many US banks by requiring large assessments to support the expanded deposit insurance.

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OPTIONS:

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APPROVED / NOT APPROVED (If appropriate)

Colin Hansen
Minister

Date

135-64 (2008)
280-20: 120

**Ministry of Finance
BRIEFING DOCUMENT**

TO: Honourable Colin Hansen
Minister of Finance

DATE REQUESTED: November 5, 2008

DATE REQUIRED: November 5, 2008

DATE PREPARED: November 5, 2008

Initiated By: Andy Robinson
Assistant Deputy Minister
Strategic and Corporate Policy

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Ministry Contact: Andrew Alley
A/Director
Financial and Corporate
Sector Policy

Phone #/E-MAIL: 250 387-7364
Andrew.Alley@gov.bc.ca

REF #: 182436

TITLE: Unlimited deposit insurance

PURPOSE:

(X) DECISION REQUIRED

COMMENTS:

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S13

Director approval: 

ADM approval: 

DM approval: 

Briefing Document

Page 2

DATE PREPARED: November 5, 2008

TITLE: Unlimited Deposit Insurance

ISSUE:

s12 s13

BACKGROUND:

- Measure 1 of the Economic Plan announced by the Premier on October 22, 2008 is a change to provide unlimited deposit insurance protection for credit union deposits. Legislation to implement this change will proceed in the Fall 2008 session.

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Pages 53 through 58 redacted for the following reasons:

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Briefing Document

Page 9

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Colin Hansen,
Minister

Nov 10. 2008
Date

Attachment

**Financial Institutions Commission
BRIEFING DOCUMENT**

To:	Honourable Colin Hansen Minister of Finance	DATE REQUESTED:	July 18, 2008
		DATE REQUIRED:	July 18, 2008
		DATE PREPARED:	July 18, 2008
Initiated by:	W. Alan Clark Superintendent and Chief Executive Officer Financial Institutions Commission	Phone # E-MAIL:	604. 953-5300 Alan.Clark@ficombc.ca
Contact:	W. Alan Clark Superintendent and Chief Executive Officer Financial Institutions Commission	Phone # E-MAIL:	604. 953-5300 Alan.Clark@ficombc.ca
		REF #:	Cliff #: 177918 CEO #: 08-0020

TITLE: New Regulatory Tools Are Required to meet the Challenges of
Regulating Financial Institutions in the Twenty-First Century

PURPOSE: DECISION

COMMENTS:

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TITLE: New Regulatory Tools Are Required to meet the Challenges of Regulating Financial Institutions in the Twenty-first Century.

COMMENTS: Currently the regulatory framework that exists to manage troubled credit unions is inadequate given the size and complexity of the British Columbia credit union system today. This document seeks to bring the issue to the attention of the Minister in hopes of creating new regulatory tools to be used in managing a troubled or failing credit union.

ISSUE:

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BACKGROUND

- The Financial Institutions Act (the "Act") was initially proclaimed in September 1990. The Act, upon its inception, was the most progressive in Canada. It was rewritten in 2003-05 to reduce regulatory requirements; however, no thought was given to updating the regulatory tools available to mitigate the risk of a failing credit union.
- At the beginning of 1989, the credit union system was considerably different in size, both in assets and the number of credit unions, as the following chart shows.

Comparisons between 1988 and 2008

	Number of C.U.'s	Average Size (millions)	Under Supervision
1988 - Dec	116	\$68.8	18
2008 - June	48	\$897	12

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- Currently, three provinces' legislation permits inter-provincial credit union activities. They are:
 1. British Columbia;
 2. Manitoba; and
 3. Ontario.

Both Manitoba and Ontario require that a reciprocal rights agreement exist before permitting extra-provincial activity, however, B.C.'s legislation is a little less formal.

Pages 63 through 69 redacted for the following reasons:

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**MINISTRY OF FINANCE
FINANCIAL AND CORPORATE SECTOR POLICY BRANCH
Overview Briefing Note**

Legislation

Financial Institutions Act – amendments to implement **unlimited deposit insurance** for depositors of credit unions.

Nature of the Amendments

Measure 1 of the Economic Plan announced by the Premier on October 22, 2008 is a change to provide unlimited deposit insurance protection for credit union deposits.

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UNLIMITED DEPOSIT PROTECTION FOR CREDIT UNIONS IN B.C.
QUESTIONS AND ANSWERS

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Unlimited Deposit Protection for Credit Unions in BC
Questions and Answers for Committee Debate

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Unlimited Deposit Protection for Credit Unions in BC
Questions and Answers for Committee Debate

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Questions and Answers for Committee Debate

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Unlimited Deposit Protection for Credit Unions in BC
Questions and Answers for Committee Debate

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SECTION 14

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SECTION 15

Pages 105 through 106 redacted for the following reasons:

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SECTION 16

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SECTION 17

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SECTION 18

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SECTION 19

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SECTION 20

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Ministry of Finance
BRIEFING DOCUMENT

To: Chris Trumpy
Deputy Minister of Finance
Ministry of Finance

Date Prepared: October 24, 2007

Initiated by: Jim Hopkins
Assistant Deputy Minister
Provincial Treasury
and Registries

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Reference: 172908

Title: Credit Union Deposit Insurance Corporation of BC –

S12

For Decision

VH.
AS. WB

→ Darshi

Title: Credit Union Deposit Insurance Corporation of BC –

S12

Background:

- The Credit Union Deposit Insurance Corporation of BC (CUDIC) operates a deposit insurance fund to guarantee deposits with credit unions up to prescribed limits. CUDIC is governed by provisions of the **Financial Institutions Act**.

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Pages 130 through 134 redacted for the following reasons:

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