



# BUSINESS PLAN 2017-2019

**CREDIT UNION**  
DEPOSIT GUARANTEE CORPORATION



## MESSAGE FROM THE CHAIRPERSON



I am pleased to provide the 2017-2019 business plan of the Credit Union Deposit Guarantee Corporation (the Corporation), a crown corporation reporting to the Minister of the Department of Service Newfoundland and Labrador, with responsibility for the regulation of credit unions in the Province.

The Corporation is a Category 2 entity under the *Transparency and Accountability Act* that requires such public bodies as the Credit Union Deposit Guarantee Corporation to prepare a three year performance based plan.

The strategic directions of Government applicable to Service NL were considered in the development of this plan.

This business plan provides an overview of the Credit Union Deposit Guarantee Corporation and identifies the strategic goal and objectives to be accomplished during the next three years. The Board of the Corporation is accountable for the preparation of this plan and for achievement of the goal and objectives contained therein.

A handwritten signature in black ink that reads "Julian McCarthy". The signature is written in a cursive, flowing style.

Julian McCarthy  
Chair

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# PLAN AT A GLANCE

## Vision

Newfoundlanders and Labradorians have access to a credit union system that is strong, stable and successful.

## Goals and Objectives:

### GOAL:

By December 31, 2019, the Credit Union Deposit Guarantee Corporation will have completed a comprehensive review of credit union legislation and made recommendations to the Minister to ensure credit union legislation reflects the current needs of the credit union system in Newfoundland and Labrador.

### OBJECTIVES:

1. By December 31, 2017, the Credit Union Deposit Guarantee Corporation will have reviewed legislation and prepared a summary of potential changes.
2. By December 31, 2018, the Credit Union Deposit Guarantee Corporation will have researched Credit Union legislation in other jurisdictions and consulted with stakeholders.
3. By December 31, 2019, the Credit Union Deposit Guarantee Corporation will have prepared a final summary of changes, held regional meetings with credit unions, and made recommendations to the Minister.

# 1. OVERVIEW

The Corporation is responsible for the administration of the *Credit Union Act, 2009* and its regulations, for the stabilization of the credit union system, and for providing deposit insurance to credit union members. It monitors and examines the financial affairs of credit unions and works with credit unions to resolve deficiencies identified through this process. The Corporation may impose financial and governance standards for credit unions and enforce sound business practices. It has the authority to place credit unions under supervision and to act as administrator and/or liquidator, pursuant to the *Credit Union Act, 2009*.

The Corporation has seven employees, six situated in Marystown and one in St. John's (four male and 3 female). The Board has six directors (five male and one female) with three directors selected from Credit Union System nominees (Appendix B). The Chief Executive Officer is also the Superintendent of Credit Unions and Secretary/Treasurer of the Board.

The Corporation maintains a deposit guarantee fund for its purposes, which represents the accumulated assessments paid by credit unions, as well as the accumulated operating surplus of the Corporation. The Corporation is self-funding and does not access public funds for its operating needs.

In addition, the Corporation administers various credit union insurance programs provided by the Credit Union Bonding Program, a national credit union risk sharing insurance program managed by CUMIS Insurance. These insurance programs include Fidelity Bonding, Directors Liability and Corporate Reimbursement, Corporate Errors and Omissions, Employment Practices Liability, Privacy Liability and On-line Banking.

The Corporation is an active participant in national and regional credit union related organizations. Management represents the Corporation on the National Risk Management Committee, the Credit Union Prudential Supervisors Association (CUPSA), and the International Credit Union Regulators Network (ICURN).

The Corporation's revenues are generated from deposit insurance assessments (66%), premiums from other insurance programs (20%) and investment income (14%). The Corporation's primary operating expenses are salaries and benefits (50%), insurance costs (25%) and other operating costs (25%) such as travel and administration. The Board of Directors of the Corporation is responsible for the approval of the budget and expenditures of the Corporation.

The credit union system in Newfoundland and Labrador is comprised of 9 credit unions with offices in 36 locations, approximately 60,000 members and assets in excess of 1.2 billion dollars. The system employs 334 people.

## 2. MANDATE

The mandate of the Credit Union Deposit Guarantee Corporation is outlined in Section 134 of the *Credit Union Act, 2009* as contained in Appendix A. Its mandate is to protect the qualifying investments of credit union members. The Corporation facilitates the financial stability of the credit union system by requiring credit unions to comply with legislation and exercise sound business practices.

## 3. LINES OF BUSINESS

The Credit Union Deposit Guarantee Corporation provides the following lines of business to its primary clients:

1. Regulation of Credit Unions
2. Deposit Insurance
3. Stabilization

### Regulation

The Corporation regulates credit unions through its examination, monitoring and enforcement activities.

#### *Examination*

Every two years or more frequently, if required, the Corporation examines credit unions for compliance with legislation and sound business practices.

The Corporation also performs monthly desk audits using an inquiry program accessing the credit union's on-line data base which identifies any potential high risk transactions which are investigated.

#### *Monitoring*

Monthly, quarterly, and annually, the Corporation receives financial statements and other regulatory reports from credit unions which are reviewed and, if necessary, remedial action is taken. Annually, the Corporation also reviews independent audited statements of credit unions prepared by accountants licensed under the *Chartered Professional Accountants and Public Accountants Act*.

#### *Enforcement*

Credit unions that remain non-compliant are assessed fines and penalties pursuant to legislation and/or are placed under supervision by the Corporation.

## **Deposit Insurance**

The Corporation provides deposit insurance on deposits of credit union members equal to a maximum \$250,000 per insured deposit. There are six insured deposits, including:

- Basic deposits
- Joint deposits
- Registered Retirement Savings Plans (RRSP'S)
- Registered Retirement Income Funds (RRIF'S)
- Tax Free Savings Accounts (TFSA'S)
- Trust accounts

## **Stabilization**

The Corporation stabilizes credit unions through supervision, training and risk management activities.

### *Supervision*

Credit Unions experiencing on-going difficulties are placed under supervision. The degree of supervision depends on the severity of the problem. The supervision process could involve requiring a credit union to prepare a plan to address the problem creating the difficulty and monitoring for compliance, or replacing the Board of Directors and merging the credit union with another credit union or eventually winding up a credit union.

### *Training*

Under legislation, the Corporation may prescribe the minimum level of training for a director or officer of a credit union. The Corporation encourages training of directors in good corporate governance practices by financially supporting director training.

### *Risk Management*

The Corporation administers six insurance policies on behalf of the credit union system. The six policies are Bonding, Directors Liability and Corporate Reimbursement, Corporate Errors and Omissions, Employment Practices Liability, Privacy Liability and On-line Banking. The Corporation also serves as the provincial representative on the Master Policy Holder Committee and the National Risk Management Committee.

Under the risk management program, all employees and directors of credit unions are required to complete and file a fidelity bond application. For each employee, a criminal record check is completed (CPIC) and a credit bureau report is obtained. A bonding application may be conditionally approved if the applicant's credit bureau shows abnormal financial stress. This program is administered by the Corporation. In addition, the Corporation co-ordinates and files credit union loss claims. It facilitates training for



credit unions in good risk management practices in areas covered by the policies. This training includes such areas as cash, custody, control procedures, debit card fraud, identity theft, credit card fraud, employee dishonesty, robbery prevention, phishing, skimming, cheque fraud, cyber risks, wire transfer fraud, money laundering and privacy legislation requirements.

## 4. VALUES

The Corporation believes in carrying out all its responsibilities in a co-operative, equitable, respectful and professional manner. It encourages staff to reach their full potential through ongoing training and development. The following values are those that the Board has identified to focus on during this planning cycle.

**Accountability:**

Each employee will work to ensure that the commitments of the business plan are fulfilled and the results of the plan are released in a timely and accurate manner.

**Professionalism:**

Each employee will avail of learning opportunities to ensure that they have the appropriate skills and knowledge required for their job responsibilities.

**Respect:**

Each employee will consider the opinions and points of view of others.

**Confidentiality:**

Each employee will take all necessary precautions to safeguard client information within the context of their legal responsibilities.

## 5. PRIMARY CLIENTS

The Credit Union Deposit Guarantee Corporation identifies its primary clients as those individuals, groups, or organizations who are the primary users and/or beneficiaries of the Corporations lines of business and include the following:

1. Credit Unions
2. Credit Union Members

## 6. VISION

Newfoundlanders and Labradorians have access to a credit union system that is strong, stable and successful.

## 7. ISSUE

### **Legislative Review**

Business plan 2017-2019 will focus on one issue, ensuring legislation is appropriate to the needs of the regulator, the Credit Union Deposit Guarantee Corporation, so that it can effectively regulate the credit union sector and secondly, to ensure legislation is flexible enough to allow credit unions to compete in an ever-changing financial industry environment without negatively impacting the strength, stability and success of the credit union system. There has been a direct correlation between effective credit union legislation and the success of the Credit Union Deposit Guarantee Corporation and the credit union system over the years. The Credit Union Deposit Guarantee Corporation believes there is a need to complete another review of the credit union act and regulations given the growth of the Newfoundland and Labrador credit union system and changes that have occurred in the financial industry since 2009.

### **GOAL:**

By December 31, 2019, the Credit Union Deposit Guarantee Corporation will have completed a comprehensive review of credit union legislation and made recommendations to the Minister.

#### *Indicators:*

- *Credit Union Act, 2009* and its regulations reviewed
- Summary of potential legislative changes prepared
- Credit union legislation in other jurisdictions researched
- Stakeholders consulted
- Final summary of changes prepared
- Regional meetings on final changes held
- Changes recommended to the Minister

**OBJECTIVES:**

By December 31, 2017, the Credit Union Deposit Guarantee Corporation will have reviewed legislation and prepared a summary of potential changes.

*Indicators:*

- *Credit union Act, 2009* and *Credit Union Regulations, 2009* reviewed
- Summary of legislative changes prepared

By December 31, 2018, the Credit Union Deposit Guarantee Corporation will have researched credit union legislation in other jurisdictions and consulted with stakeholders.

By December 31 2019, the Credit Union Deposit Guarantee Corporation will have prepared a final summary of legislative changes, held regional meetings with credit unions and made recommendations to the Minister.

## 8. APPENDIX A - MANDATE

### **Legislated Mandate** (Source: Credit Union Act, 2009 Chapter C-37.2)

134. The duties of the guarantee corporation are:

- (a). to provide, for the benefit of persons having deposits with credit unions in the province, deposit insurance against loss of part or all of those deposits by making payments to the depositors to the extent and in the manner authorized by this Act;
- (b). in those circumstances that the guarantee corporation considers appropriate, to provide assistance to credit unions for the purpose of stabilization or for the orderly liquidation of a credit union;
- (c). to protect deposits in credit unions against impairment arising from financial losses and insolvency by
  - (i.) promoting the development and implementation of sound business practices and sound financial policies and procedures by credit unions; and,
  - (ii). establishing and implementing loss prevention programs and other controls;
- (d). to act as supervisor of a credit union; and,
- (e). to do those other things that may be required or authorized by this Act or the regulations.

## 9. APPENDIX B – DIRECTOR PROFILES



**Julian McCarthy**  
Chair

Julian McCarthy is the Assistant Deputy Minister of Consumer and Commercial Affairs, Department of Service NL, Government of Newfoundland and Labrador. He has held this position and has been Chair of the Board for the Credit Union Deposit Guarantee Corporation since April of 2011. Mr. McCarthy has been employed with the provincial government for 30.5 years and has a Bachelor of Commerce (honors) degree from Memorial University.



**Clayton Handrigan**  
Vice-Chair

Clayton Handrigan is a retired educator, having spent 30 years as a teacher, guidance counselor, and an administrator. He holds a Bachelor of Arts (Education) degree and a Bachelor of Arts degree from Memorial University and a Master of Education degree from the University of Toronto. He served on the Board of Directors of the Newfoundland and Labrador Credit Union for 12 years, three of which he was the President and Chair of the Board. Mr. Handrigan is a Credit Union System nominee and has served as a member of the Credit Union Deposit Guarantee Corporation for ten (10) years. His current term will expire December 15, 2019.



**William Langthorne**  
CEO/Superintendent of Credit Unions  
Secretary Treasurer

William Langthorne is the Chief Executive Officer of the Credit Union Deposit Guarantee Corporation, Superintendent of Credit Unions, and Secretary Treasurer of the Board. Mr. Langthorne has been employed with the Credit Union Deposit Guarantee Corporation since 1988. Mr. Langthorne is a Certified General Accountant and has a Bachelor of Arts Degree with a major in Economics and a minor in Business.



**Maureen McCarthy**

Maureen McCarthy is Director of Pensions, Department of Finance, Government of Newfoundland and Labrador. Ms. McCarthy is a Certified Management Accountant and has a Bachelor of Commerce (Honors) degree from Memorial University. Ms. McCarthy has been on the Board of the Credit Union Deposit Guarantee Corporation since 2000 as a Government appointee.



**Ray Andrews**

Ray Andrews is a consultant dealing with fisheries policy and planning. He graduated with a Bachelor of Science (Biology) in 1970 from Memorial University. Mr. Andrews was Deputy Minister of Fisheries, a Director of the Canadian Saltfish Corporation, Vice-Chair of the Fisheries Loan Board, a member of the Northern Cod Task Force, director of the Marine Institute Board of Governors and Chairperson of the Newfoundland and Labrador Fisheries Development Corporation. Mr. Andrews is a Credit Union System Nominee and has been on the Board of the Credit Union Deposit Guarantee Corporation for nine (9) years. His current term will expire March 5, 2018.



**Brendan Doyle**

Brendan Doyle is a retired educator, with tenure as a teacher, department head, guidance counsellor, administrator, program specialist, and President of Newfoundland and Labrador Teachers' Association. He holds a Bachelor of Arts degree from St. Francis Xavier University, a Bachelor of Education and Master of Education in Administration degrees from Memorial University of Newfoundland, and a Master of Education in Guidance and Counselling from the University of New Brunswick. Mr. Doyle served ten years on the Board of Directors of Codroy Valley/Leading Edge Credit Union. Mr. Doyle is a Credit Union System nominee and has been on the Board of the Credit Union Deposit Guarantee Corporation for two years. His current term will expire on March 5, 2017.



