



Business Plan 2011-2013

CREDIT UNION
DEPOSIT GUARANTEE CORPORATION

MESSAGE FROM THE CHAIRPERSON



I am pleased to provide the business plan for 2011-2013 of the Credit Union Deposit Guarantee Corporation (the Corporation), a crown corporation reporting to the Minister of the Department of Government Services, with responsibility for the regulation of credit unions in the Province of Newfoundland and Labrador.

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.

In preparing its business plan the Board of the Corporation considered the strategic directions of the Department of Government Services and has determined that the Corporation has no direct role to play in those directions, as they are related to specific areas that the Department is addressing.

This business plan provides an overview of the Credit Union Deposit Guarantee Corporation and identifies the strategic goals 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 goals and objectives contained therein.



Lillian Joy
Chair (Acting)



PLAN AT A GLANCE

Vision

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

Mission

By December 31, 2016, the Credit Union Deposit Guarantee Corporation will have improved the awareness of credit unions, directors, employees and the general public of its legislative responsibilities and the superior deposit protection it offers in support of increased confidence in the credit union system and member growth.

Goal and Objectives:

Goal One:

By December 31, 2013, the Credit Union Deposit Guarantee Corporation will have completed a credit union member and public awareness campaign and prepared a report on the success of the campaign.

Objectives:

1. By December 31, 2011, the Corporation will have designed and completed a credit union member and public pre awareness campaign survey and developed a credit union member and public awareness campaign program to commence 2012.
2. By December 31, 2012, the Corporation will have commenced a credit union member and public awareness campaign.
3. By December 31, 2013, the Corporation will have ended its awareness campaign, completed a credit union member and public post awareness survey and evaluated its success.

Goal Two:

By December 31, 2013, the Corporation will have enhanced the level of knowledge of credit union directors and employees with respect to the Corporation's legislative responsibilities and the deposit insurance program.

Objectives:

1. By December 31, 2011, the Corporation will have developed and delivered regional training sessions on the legislative responsibilities of the Corporation and the deposit insurance program.
2. By December 31, 2012, the Corporation will have developed and provided tools to support delivery of information to members on the Corporation's legislative responsibilities and the deposit insurance program.
3. By December 31, 2013, the Corporation will have assessed the knowledge level of directors and employees on the legislative responsibilities of the Corporation and the deposit insurance coverage and prepared an evaluation report.



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1. OVERVIEW

The Credit Union Deposit Guarantee Corporation provides protection for deposits of credit union members in Newfoundland and Labrador. The Corporation maintains a deposit guarantee fund for this purpose, 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 revenues for its operating needs.

The Corporation is responsible for the administration of the *Credit Union Act, 2009* and Regulations, for ensuring compliance of the Act and Regulations by credit unions, for the stabilization of the credit union system and 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 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 and Privacy Liability.

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 Stabilization/Insurers Committee, the Atlantic Stabilization Funds/Insurers Committee, the National Credit Union Regulators Committee and the International Regulators Forum.

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 Corporation is self funding and is not a part of government's budgetary process. 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 11 credit unions with offices in 40 locations, approximately 57,000 members and assets in excess of 820 million dollars. The system employs 333 people.



2. MANDATE

The mandate of the Credit Union Deposit Guarantee Corporation is informed through 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.

Monitoring

Monthly, quarterly and annually the Corporation receives reports from credit unions that 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 *Public Accountancy Act*.

Enforcement

Credit Unions who 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

Pursuant to Section 26 of the *Credit Union Regulations, 2009*, the Corporation may prescribe the minimum level of training for a director of a credit union. During the past number of years the Corporation has been encouraging training of directors in good corporate governance practices by financially supporting director training and facilitating an annual directors' conference.

Risk Management

The Corporation administers five insurance policies on behalf of the credit union system. The five policies are Bonding, Directors Liability and Corporate Reimbursement, Corporate Errors and Omissions, Employment Practices Liability and Privacy Liability. The Corporation also serves as the provincial representative on 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. This program is administered by the Corporation. In addition the Corporation co-ordinates and files credit union loss claims and facilitates training to 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, 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 fullest 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 Board's performance-based plan are fulfilled and the annual report on the results of this 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 Board's lines of business, and include the following:

- Credit Unions
- Credit Union members



6. VISION

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

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*Business
Plan*

7. MISSION STATEMENT

The Credit Union Deposit Guarantee Corporation believes there is a need to raise the awareness of the Corporation's legislative responsibilities and the superior insurance protection it offers to ensure credit union members and the general public are aware that credit unions are a safe alternative to other financial institutions. The Corporation believes this will result in increased confidence in the credit union system and support membership growth.

By December 31, 2016, the Credit Union Deposit Guarantee Corporation will have improved the awareness of credit unions, directors, employees and the general public of its legislative responsibilities and the superior deposit protection it offers in support of increased confidence in the credit union system and member growth.

Measure:

Improved awareness of the Corporation's responsibilities under the *Credit Union Act, 2009* and the superior deposit protection.

Indicators:

- Pre and post awareness credit union member and public campaign surveys completed.
- Credit union member and public awareness campaign completed.
- Results report completed.
- Regional information sessions completed.
- Support tools developed.



8. ISSUES

After taking into consideration the areas that the Corporation could influence as well as new and emerging risks in the financial industry, the board of the Corporation identified two issues. These issues are consistent with the Corporation's vision of a credit union system that is strong, stable and successful.

ISSUE 1: Awareness campaign

The Credit Union Deposit Guarantee Corporation believes there is a need for an awareness campaign to support confidence in the credit union system and member growth which should enhance the strength and success of the credit union system.

GOAL:

By December 31, 2013, the Credit Union Deposit Guarantee Corporation will have completed a credit union member and public awareness campaign and prepared a report on the success of the campaign.

Measure:

Completion of a credit union member and public awareness campaign and evaluated its success.

Indicators:

- Credit union member and public pre awareness campaign survey completed.
- Credit union member and public awareness campaign completed.
- Credit union member and public post awareness campaign survey completed.
- Results report completed.

OBJECTIVES:

1. By December 31, 2011, the Credit Union Deposit Guarantee Corporation will have designed and completed a credit union member and public pre awareness campaign survey and developed a credit union member and public awareness campaign program to commence 2012.

Measure:

Designed and completed a credit union member and public pre-awareness campaign survey and developed a credit union member and public awareness campaign program.



Indicators:

- Survey firm identified.
 - Credit union member and public pre awareness campaign survey designed.
 - Credit union member and public survey completed and report prepared.
 - Credit union member and public awareness campaign program developed.
2. By December 31, 2012 the Corporation will have commenced a credit union member and public awareness campaign.
 3. By December 31, 2013 the Corporation will have ended its credit union member and public awareness campaign, completed a post credit union member and public awareness survey and evaluated its success.

ISSUE 2: Knowledge Transfer

The Credit Union Deposit Guarantee Corporation under the *Credit Union Act, 2009* assumed greater responsibility for the regulation of credit unions. Also the Corporation identified through its on site visits that, in general, there is a lack of understanding among directors and credit union staff relating to the Corporation's responsibilities and the deposit insurance program.

During the last planning cycle the Corporation focused on providing general information sessions for directors and managers on changes to the act and regulations. In this planning session the corporation plans to focus specifically on the responsibilities and authority of the Corporation to ensure there is an understanding of the legislative protections available to safeguard the assets in credit unions.



GOAL:

By December 31, 2013, the Credit Union Deposit Guarantee Corporation will have enhanced the level of knowledge of credit union directors and employees with respect to the Corporation’s legislative responsibilities and the deposit insurance program.

Measure:

Enhance knowledge of credit union directors and employees.

Indicators:

- Pre information session survey completed on credit union directors and employees.
- Information sessions provided to credit union directors and employees.
- Post information session survey completed on credit union directors and employees.
- Results report completed.

OBJECTIVES:

1. By December 31, 2011, the Corporation will have developed and delivered regional training sessions on the legislative responsibilities of the Corporation and the deposit insurance program.

Measure:

Regional training sessions delivered.

Indicators:

- Presentations completed on the Corporations legislative responsibilities and the deposit insurance program.
- Regional training sessions completed.

2. By December 31, 2012, the Corporation will have developed and provided tools to support delivery of information to members on the Corporation’s legislative responsibilities and the deposit insurance program.

3. By December 31, 2013, the Corporation will have assessed the knowledge level of directors and employees on the legislative responsibilities of the Corporation and the deposit insurance coverage and prepared an evaluation report.



9. 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.



