



BUSINESS PLAN 2014-2016

CREDIT UNION
DEPOSIT GUARANTEE CORPORATION

MESSAGE FROM THE CHAIRPERSON



I am pleased to provide the 2014-2016 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.

In preparing its business plan, the Board of the Corporation considered the strategic directions of the Department of Service Newfoundland and Labrador 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 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.

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

Julian McCarthy
Chair

TABLE OF CONTENTS

- 1. Overview2
- 2. Mandate.....3
- 3. Lines of Business3
- 4. Values.....5
- 5. Primary Clients.....6
- 6. Vision6
- 7. Mission Statement6
- 8. Issues.....7
- 9. Appendix A: Mandate.....10

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 union directors and 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.

Goals and Objectives:

GOAL 1:

By December 31, 2016, the Credit Union Deposit Guarantee Corporation will have completed an awareness campaign in support of member growth to enhance the long term viability of the System.

OBJECTIVES:

1. By December 31, 2014, the Credit Union Deposit Guarantee Corporation will have developed new materials for promotion of deposit insurance and will have advertised the deposit insurance program using print media.
2. By December 31, 2015, the Credit Union Deposit Guarantee Corporation will have distributed new deposit insurance promotional materials to credit unions and advertised deposit insurance using print media.
3. By December 31, 2016, the Credit Union Deposit Guarantee Corporation will have advertised deposit insurance using print media, completed an awareness survey and an effectiveness report.

GOAL 2:

By December 31, 2016, the Credit Union Deposit Guarantee Corporation will have completed an Enterprise Risk Management process which will strengthen its corporate governance and instill confidence in members and the general public in the Corporation's ability to carry out its mandate. This in turn will enhance indirectly the long term viability of the System.

OBJECTIVES:

1. By December 31, 2014, the Credit Union Deposit Guarantee Corporation will have completed Enterprise Risk Management training, developed and approved an Enterprise Risk Management policy and commenced identification of key risks.
2. By December 31, 2015, the Credit Union Deposit Guarantee Corporation will have identified the key risks and impacts, identified the priority risks and completed gap analysis.
3. By December 31, 2016, the Credit Union Deposit Guarantee Corporation will have developed and implemented mitigation strategies.

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

The Corporation is self-funding and is operated outside 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 Corporation is responsible for the administration of the *Credit Union Act, 2009* and Regulations, for ensuring compliance with 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 Prudential Supervisors Association (CUPSA), the Atlantic Credit Union Prudential Regulators Association, 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 Corporation is self-funding and is not 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 9 credit unions with offices in 40 locations, approximately 60,000 members and assets in excess of 1 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 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 Accountants 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. The Corporation co-ordinates and files credit union loss claims. In addition, it 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 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 Corporation's 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. 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 and secure 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

Business Plan 2011-2013 concentrated primarily on awareness of the deposit insurance guarantee and the role of the Credit Union Deposit Guarantee Corporation. Based on the results of a survey completed in 2012 and a follow-up survey completed in 2013, there was an increase in awareness about deposit insurance and the Credit Union Deposit Guarantee Corporation but the overall conclusion was that awareness efforts needed to continue.

In addition, over the last number of years good corporate governance has seen an increased focus on the current and future risks on corporations, in general, and their potential impact on operations. The Board of the Credit Union Deposit Guarantee Corporation believes it is important that it engage in an Enterprise Risk Management (ERM) process to ensure it is considering both current and future risks that may impact the operation of the Corporation.

Enterprise Risk Management (ERM) includes the methods and processes used by organizations to manage risks and seize opportunities related to the achievement of their objectives. ERM provides a framework for risk management which typically involves identifying particular events or circumstances relevant to the organization's objectives (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress. By identifying and proactively addressing risks and opportunities, organizations protect and create value for their stakeholders.

The Corporation believes awareness by credit union members and the general public that the corporation is completing an Enterprise Risk Management process will instill confidence in members and the general public in the Corporation's ability to carry out its mandate. This in turn will enhance indirectly the long term viability of the System.

Therefore, Business Plan 2014-2016 will focus on two issues: awareness and enterprise risk management. The Board of the Corporation believes these two issues are consistent with its vision of a credit union system that is strong, stable and successful.

ISSUE 1: Awareness

The Credit Union Deposit Guarantee Corporation believes that continuing awareness of the deposit insurance program will not only support member growth in the credit union system but will enhance the long term viability of the System.

GOAL:

By December 31, 2016, the Credit Union Deposit Guarantee Corporation will have developed new materials for promotion of deposit insurance, strategically advertised the deposit insurance program using print media, and completed an awareness survey and an effectiveness report.

Measure:

New promotional materials developed, print advertising completed, an awareness survey and an effectiveness report completed.

Indicators:

- New brochures developed
- New posters and decals developed
- New promotional materials distributed to Credit Unions
- Selected print advertising completed annually
- An awareness survey and an effectiveness report completed

OBJECTIVES:

By December 31, 2014, the Credit Union Deposit Guarantee Corporation will have developed new brochures, posters and decals and advertised in print media.

Measure:

Developed new deposit insurance promotional material and advertised deposit insurance using print media.

Indicators:

- New brochures developed
- New posters and decals developed
- Deposit insurance using print media advertised

By December 31, 2015, the Credit Union Deposit Guarantee Corporation will have distributed new deposit insurance promotional materials to credit unions and advertised deposit insurance using print media.

By December 31, 2016, the Credit Union Deposit Guarantee Corporation will have advertised deposit insurance using print media, completed an awareness survey and an effectiveness report.

ISSUE 2: Enterprise Risk Management (ERM)

The Credit Union Deposit Guarantee Corporation believes that it is important that it engage in an Enterprise Risk Management process to ensure both current and future risks which may impact the operation of the Credit Union Deposit Guarantee Corporation now and into the future are fully understood.

GOAL:

By December 31, 2016, the Credit Union Deposit Guarantee Corporation will have completed an Enterprise Risk Management process.

Measure:

Enterprise Risk Management process completed.

Indicators:

- Enterprise Risk Management training completed
- An Enterprise Risk Management policy developed and approved
- Key risks and impacts identified
- Key priority risks identified
- A gap analysis completed
- Mitigation strategies developed and implemented

OBJECTIVES:

By December 31, 2014, the Credit Union Deposit Guarantee Corporation will have completed Enterprise Risk Management training, developed and approved an Enterprise Risk Management policy and commenced identification of key risks.

Measure:

Enterprise Risk Management training completed, an Enterprise Risk Management policy developed and approved and identification of key risks commenced.

Indicator(s):

- Enterprise Risk Management training by the Board of Directors of the Credit Union Deposit Guarantee Corporation completed.
- An Enterprise Risk Management policy developed and approved.
- Identification of key risks commenced.

By December 31, 2015, the Credit Union Deposit Guarantee Corporation will have identified the key risks and impacts, identified the priority risks and completed gap analysis.

By December 31, 2016, the Credit Union Deposit Guarantee Corporation will have developed and implemented mitigation strategies.

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.

