

FEBRUARY 2023

# **Proposed Approach: Transferring CUDIC- Insured Deposits in Registered Plan Accounts**

## **Consultation Summary Report**

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# 1. Introduction

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## BACKGROUND

In November 2022, BC Financial Services Authority (“BCFSA”) launched a consultation on the Credit Union Deposit Insurance Corporation of BC’s (“CUDIC”) proposed approach to transferring the insured deposits in registered plan accounts of a failed B.C. credit union to another B.C. credit union. The proposed approach is intended to avoid adverse tax consequences for B. C. credit union members. BCFSA released a discussion paper and online survey seeking feedback from the credit union segment on the proposed approach.

The consultation period was open for three weeks from November 1, 2022, to November 21, 2022. This report summarizes the feedback received from the B.C. credit unions, BCFSA’s response, and next steps. For information on the proposed approach, see [the consultation page](#) on BCFSA’s website.

## 2. Consultation Process Overview

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BCFSA requested feedback from the credit union segment on the proposed approach to establishing a pool of B.C. credit unions ("Transferee Pool") for the purpose of transferring registered plan deposits to a B.C. credit union in the event of a B.C. credit union failure. The consultation also provided the opportunity for others to provide feedback.

BCFSA engaged with the credit union segment by:

- Publishing a discussion paper that describes the approach to the transfer of insured deposits in registered plan accounts on the BCFSA website;
- Notifying B.C. credit unions about the launch of the consultation, followed by subsequent reminders to provide feedback; and
- Launching an online survey for B.C. credit unions to provide feedback. A total of nine questions were posed in the online survey. Questions in the survey were organized into three themes:
  - The role of the transferee;
  - Information for the Transferee Pool; and
  - Data requirements for the transfer of registered plan accounts.

## 3. Summary of Feedback

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BCFSA received 10 responses from the 34 B.C. credit unions. Respondents were of varied sizes and situated in various geographic regions across B.C.

Overall, there was general support for the proposed approach. Feedback on the transferee selection criteria and the data requirements is acknowledged and will be considered when updating related processes and data requirements.

The following table summarizes the key themes from the consultation feedback.

TABLE 1: KEY THEMES FROM FEEDBACK

Theme	Summary of Issue/Comment	BCFSA Response
<b>Feasibility of the proposed approach</b>	Eight of the 10 respondents agreed, one respondent was neutral, and one respondent disagreed with the proposed approach.	With the majority of B.C. credit unions agreeing with the proposed approach outlined in the discussion paper, BCFSA will proceed to put the requirements in place to facilitate a prompt transfer of CUDIC-insured registered plan deposits if required.
<b>Information for the Transferee Pool about the failed credit union's registered plan deposits to be provided by BCFSA</b>	<p>Respondents confirmed that the following information should be provided:</p> <ul style="list-style-type: none"> <li>• Credit union region;</li> <li>• Registered plan types;</li> <li>• Size range of registered deposits;</li> <li>• Current banking system for administering plan information;</li> <li>• Current trustee; and</li> <li>• Current administrator.</li> </ul> <p>In addition, respondents identified these additional information requirements:</p> <ul style="list-style-type: none"> <li>• Date opened;</li> <li>• Number of registered accounts;</li> <li>• Breakdown of registered plan types;</li> <li>• Rate of return; and</li> <li>• Trustee agreement.</li> </ul>	<p>Thank you for confirming.</p> <p>Information requirements for the Transferee Pool will be updated to include these additional requirements.</p>
<b>Strategic considerations for credit unions to act as transferee</b>	<p>Respondents provided the following factors:</p> <ul style="list-style-type: none"> <li>• Geographic location;</li> <li>• Potential for further relationship building with plan-holders;</li> <li>• Reputational damage;</li> <li>• Resource capacity;</li> <li>• Cost of transferring/administering;</li> <li>• Financial position;</li> <li>• Deposit insurance assessment;</li> <li>• Funding profile;</li> <li>• Ongoing merger and acquisition;</li> <li>• Time of year;</li> <li>• Current banking system updates; and</li> <li>• Union contract bargaining.</li> </ul>	This feedback will be considered to inform the planning of a deposit insurance payout of a failing B.C. credit union.

<p><b>Other criteria for selecting a transferee credit union from the pool in addition to capacity, capability, and fees</b></p>	<p>Respondents provided the following additional selection criteria:</p> <ul style="list-style-type: none"> <li>• Strong background and experience;</li> <li>• Financial stability; and</li> <li>• Proximity of plan-holders to transferee credit union.</li> </ul> <p>One respondent asked if the proposed approach for the transfer of registered products includes self-directed registered products.</p>	<p>These recommendations will be further considered and the selection criteria updated accordingly.</p> <p>The proposed approach includes money on deposit in registered products insured by CUDIC, including money on deposit in self-directed registered products.</p>
<p><b>Transferee data requirements for creating registered plan accounts</b></p>	<p>Respondents confirmed that the list of data requirements in Appendix 1 of the discussion paper is comprehensive.</p> <p>One respondent indicated personal data about the plan-holder would be required including address, social insurance number, date of birth, legal name, as well as tax free transfers within the plan, repayment of First Time Home Buyers plan, and spousal contributions.</p> <p>Another respondent requested the current registered plan contract number.</p> <p>Another respondent deferred to data requirements of Central 1.</p>	<p>Thank you for confirming.</p> <p>The stated personal data is available in the Insurance Determination Deposit data extracts. Therefore, they are not required to be included in this supplemental registered plan accounts data extract. Tax-free transfers and repayment of First Time Home Buyers plan will be added to the transferee data requirements provided in Appendix 1 of the discussion paper.</p> <p>This data is also available in the Insurance Determination Deposit data extract.</p> <p>The data requirements were developed with Central 1 Credit Union's input.</p>
<p><b>Additional feedback</b></p>	<p>One respondent stated that if the failed credit union would be able to produce the year end reporting slips at the time of wind-up, the amount of information transferred could be reduced and would result in fewer errors.</p>	<p>This feedback will be considered upon further dialogue with B.C. credit unions.</p>
<p><b>Additional feedback</b></p>	<p>One respondent inquired about the possibility of a federal credit union participating in the Transferee Pool.</p>	<p>The proposed approach as provided in the discussion paper is to maintain a Transferee Pool of B.C. credit unions. However, if CUDIC is unable to select a B.C. credit union from the Transferee Pool, CUDIC will work with the liquidator to seek a trust-authorized financial institution outside the B.C. credit union segment.</p>

<p><b>Additional feedback</b></p>	<p>One respondent expressed that CUDIC should allow the plan holder to initiate a transfer to a financial institution of their choice instead of a bulk transfer to a transferee as the retention of those transferred deposits is uncertain.</p> <p>One respondent suggested that CUDIC set up an online portal for the credit union members to initiate the transfer.</p>	<p>CUDIC's role is the payor of deposit insurance payments for the registered plan accounts and not trustee or administrator of those accounts. The bulk transfer was proposed to expedite payments of the registered plan deposits to plan-holders.</p> <p>To assist B.C. credit unions in the Transferee Pool to assess the potential retention rate of transferred deposits prior to expressing interest, CUDIC intends to provide the registered plan depositor profile and other relevant information.</p> <p>This will be a future consideration as CUDIC's payment methods evolve.</p>
<p><b>Additional feedback</b></p>	<p>One respondent recommended that prior to the beginning of this registered transfer process, all merger opportunities should be exhausted.</p>	<p>BCFSA will consider the options provided in the <i>Financial Institutions Act</i> to resolve a failing credit union:</p> <ul style="list-style-type: none"> <li>• Amalgamation;</li> <li>• Disposition of assets and liabilities to another credit union; and</li> <li>• Wind up and deposit insurance payout (including the transfer of registered plan deposits).</li> </ul>
<p><b>Additional feedback</b></p>	<p>One respondent expressed concern about the one-week turnaround.</p>	<p>The operational difficulty to meet the one-week turnaround is acknowledged. To resolve this concern, within one week, the transferee will only be expected to open the proportion of registered plan deposit accounts prioritized by CUDIC, and the remainder within a mutually agreed time period thereafter.</p>

## Consultation Outcomes and Next Steps

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BCFSA thanks those who took the time to participate in the consultation. Feedback will be used to finalize the proposed approach and establish the requirements outlined in the discussion paper.



Accordingly, a Request for Information is enclosed, inviting B.C. credit unions to indicate their interest in joining the Transferee Pool. We request that interested B.C. credit unions respond to the Request for Information by 2 p.m. on February 28, 2023, to be added to the Transferee Pool.



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