

## Back to School...Back to Election Speculation

Brigitte Goulard, Vice President, Policy, CUCC

Parliamentarians left Ottawa last Spring amidst speculation of an election and returned this month singing the same tune. I invite you to read Anne Dance's **Hill Happenings** for an overview of what is catching people's attention up on Parliament Hill.

The article, **A Federal Option for Credit Unions** explains the important consultation that is currently taking place across the country on the proposed policy position of a federal charter for credit unions. System comments and feedback are being solicited by the end of September and we hope to engage a large of number of credit unions in the discussion.

This summer's parliamentary recess gave us the opportunity to make a few changes to the Policy and Advocacy Report. Based on constructive comments from one of our readers – you will now find a Table of Contents on the front page, to help you navigate what has at time been a lengthy report.

Each edition will also include a new feature, **Research Bits** highlighting some of the reports that are available to Centrals and credit unions through Canadian Central's various subscriptions and memberships. We hope this new piece will prove useful.

Until next month, happy return to work!

## Provincial Update - Ontario

Brigitte Goulard, Vice President, Policy, CUCC

Ontario and Quebec held their second joint meeting of their Cabinets on Friday September 11<sup>th</sup> and signed an Ontario-Quebec Trade and Cooperation Agreement that would strengthen their common economic zone in central Canada. The Agreement covers several sectors, including financial services, energy cooperation, economic cooperation and regulatory cooperation.

Details regarding the impact this Agreement might have on the Ontario credit union system were not available at the time of the press release but will be the subject of a future article in the *Policy and Advocacy Report*.

## What's Inside?

page

<a href="#">A Federal Option for Credit Unions</a>	2
<a href="#">Pension Reform Update</a>	2
<a href="#">New on CUCC Website</a>	3
<a href="#">Progress Report: Federal Hog Industry Loan Loss Reserve Fund</a>	3 - 4
<a href="#">Consultation on Mortgage Insurance Business and Disclosure Regulations</a>	4
<a href="#">Webinar Announcement: C.U.s &amp; New Canadian Agricultural Loans Act Program</a>	4
<a href="#">Hill Happenings</a>	5
<a href="#">Research Bits</a>	5 - 6
<a href="#">Your Statistical Report</a>	6 - 8
<ul style="list-style-type: none"><li>• National Affiliated System Results Q2</li><li>• National System Results The Largest 100 C.U.s/C.P.s</li></ul>	



## A Federal Option for Credit Unions

Brigitte Goulard, Vice President, Policy, CUCC

On June 4th, 2009, Canadian Central's Board of Directors expressed support for the development of a proposal whereby credit unions that wish to do so, would be able to operate on an inter-provincial, or national basis, by way of a federal credit union charter. Such a charter would allow credit unions to pursue cross-border strategies as a means of strengthening their operations and providing services to their members. It would also allow credit unions to diversify sources of funding, spread their geographical and sectoral exposure and, in so doing, reduce their exposure to regional or geographic risk.

This issue is being raised at this time in view of factors such as continued growth and structural changes in the Canadian credit union systems which are giving greater immediacy to the issue of cross-border credit unions.

In order to engage the credit union system at large in this important discussion, Canadian Central with the assistance of the Legislative Affairs Committee developed, during the course of the summer, a Consultation Paper. The Paper suggests five key principles that would need to be reflected in any government policy aimed at legislating a federal credit union charter. It is important, for instance, that such a charter have the capacity to enable a credit union to better serve its present and future members. It is also important that a federal charter have the effect of strengthening and not destabilizing the Canadian credit union system.

The Paper also discusses a number of key issues that pertain to the specific contents of a federal credit union legislative proposal. For example, federal credit unions must be able to differentiate themselves from the banks through their use of words "credit union" in their names, and through their adherence to cooperative principles. The legislative framework must ensure that federal credit unions benefit from at least the same business powers as the banks, must also recognize the

distinctive organizational structure of financial cooperatives, and allow for the same tax treatment as provincially-incorporated credit unions.

The Consultation Paper was distributed to provincial Centrals in late August and was subsequently distributed to credit unions within each province.

Credit unions are invited to participate in the consultation process by either sending in their written comments directly to Canadian Central at [goulardb@cucentral.com](mailto:goulardb@cucentral.com)

A copy of the Consultation Paper can be found at: [http://www.cucentral.ca/Federal\\_9sept09](http://www.cucentral.ca/Federal_9sept09)  
**Comments are requested for October 9, 2009.**

## Pension Reform Update

Anne Dance, Policy Analyst, CUCC  
 Gary Rogers, Vice President, Financial Policy, CUCC

The recent economic downturn awoke many government officials and other pension stakeholders to the significant challenges faced by the Canadian pension system. Yet, while the current economic recession clearly played a part in eroding retirement income assets, the number of Canadians with adequate private pension plan coverage, particularly Defined Benefit (DB) pensions, has been declining over the past few years.

Recently, Nova Scotia, Ontario and Alberta/B.C. released studies recommending reforms to existing pension standards. Following in the wake of these provincial studies, the joint Federal-Provincial Research Working Group (RWG) on Retirement Income Adequacy is currently examining Canadians' retirement savings plans and making recommendations on how to improve them.

Solutions currently under consideration by the RWG include:

- The ABC pension plan, a Defined Contribution target-benefit plan. Employer and/or employee contributions are based on targeted retirement

benefits, but eventual retirement benefits are contingent on the market performance of pension plan investments.

- A private-sector solution supported by the insurance sector, allowing small and medium businesses to combine under one plan administered by insurance firms.
- A “super-fund” solution that would enable Canada’s largest pension funds to offer their services to smaller pension funds.
- Renewed support for RRSP-based retirement plans.

The RWG will report its findings to the country's finance ministers in Whitehorse on December 17-18, 2009.

While the impetus for nation-wide pension reform is considerable, such a plan would likely take years to develop even if consensus is reached. Nevertheless, several provinces, including B.C., have committed themselves to pension system reforms. As they emerge, these changes could have a significant impact on credit union members and credit union products such as RRSPs and RRIFs.

As pension reform blueprints are released over the next few months, Canadian Central will continue to keep credit unions informed about this issue.

## New on CUCC Website

The following Issue Papers were updated:

1. **Crime Prevention Office and Access to the Grid Network** <http://www.cucentral.ca/Crime> 27aug09
2. **Electronic Funds Transfer Code of Practice -** <http://www.cucentral.ca/EFT> 27aug09
3. **Identity Theft Legislation** <http://www.cucentral.ca/IdentityTheft> 14aug09



## Progress Report: Federal Hog Industry Loan Loss Reserve Fund

Robert Martin, Director, Research, CUCC

In August the Government of Canada announced a support and restructuring program for Canada’s troubled hog industry. The announcement is made up of three components including:

- The creation of a government backed Hog Industry Loan Loss Reserve Fund to support private sector loans to “viable” hog producers. Through the fund the government will share loan loss risk with private sector financial institutions – including credit unions. This aspect of the program is still in the “design phase” and is the subject of negotiations between the government, the banking sector and credit unions (see below).
- The creation of a \$17 million “International Pork Marketing Fund” that will assist Canada Pork International to help develop markets; and,
- The establishment of a \$75 million Hog Industry Transition Program to help producers seeking to transition out of the industry.

Throughout August and early September, Credit Union Central of Canada, the Canadian Bankers Association and the government have been in discussions regarding the parameters that will govern the Hog Industry Loan Loss Reserve Fund. Canadian Central is supported in these discussions by members of Credit Union Central of Canada’s national Agriculture Sub-Committee of the Legislative Affairs Committee. Current discussions are focusing on the Government of Canada’s proposed Contribution Agreement that sets out the Program’s legal requirements that will bind participating financial institutions and the Government.

In the event of an election being called in late September or early October, the Program will likely be put on hold. If the election results in an entirely new

government the Program could be placed in limbo for a considerable period as a new government seeks to review the program in light of its own priorities.

Further information about the plan can be found here: [http://www.agr.gc.ca/cb/index\\_e.php?s1=n&s2=2009&page=n90815b](http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2009&page=n90815b)

## Consultation on Mortgage Insurance Business and Disclosure Regulations

Jan Hopper, Senior Policy Advisor, Consumer Affairs, CUCC

The Federal Department of Finance published proposed Mortgage Insurance Business Regulations and Mortgage Insurance Disclosure Regulations on August 8, 2009 for a 30 day consultation period. These regulations, when finalized, will give effect to legislative provisions found in January's federal Budget Bill.

The proposed regulations will have limited direct impact on the credit union system as they only apply to federally regulated financial institutions including banks, authorized foreign banks, trust and loan companies, retail associations, Canadian insurance companies and Canadian Societies. Nonetheless, the credit union system did participate in the consultation and the proposed regulations were reviewed by Canadian Central's Legislative Affairs Committee and the National Lenders Committee.

In brief, the proposed regulations seek to restrict federally regulated lenders from charging borrowers more than the true cost of mortgage insurance and increase transparency in the mortgage insurance business. To those ends, the proposed Mortgage Insurance Business Regulations will:

- establish that lenders cannot charge borrowers more for a mortgage insurance policy than the "actual cost" to the lender;
- define what can be included in the determination of "actual cost" and will take into

account such things as discounts and rebates to the lender;

- require the lender to disclose details of the "actual cost" to the consumer; and
- require the lender to disclose the beneficiary under the insurance policy and any existing business relations between the lender and the insurer.

Compliance with these two sets of regulations will be split between the Office of the Superintendent of Financial Institutions (OSFI) and the Financial Consumer Agency of Canada (FCAC).

For further information see:

<http://www.gazette.gc.ca/rp-pr/p1/2009/2009-08-08/html/reg2-eng.html> and <http://www.gazette.gc.ca/rp-pr/p1/2009/2009-08-08/html/reg3-eng.html>

### Credit Union Central of Canada Invites You to Attend a Webinar!

#### Topic: Credit Unions and the New Canadian Agricultural Loans Act Program

In June the Federal Government passed legislation that established the Canadian Agricultural Loans Act (CALA) Program. The CALA builds on and replaces the previous Farm Improvement and Marketing Co-operative Loans Act (FIMCLA) Program. The CALA Program is a financial loan guarantee program that aims to give farmers easier access to credit. Farmers can use these loans to establish, improve, and develop farms; while agricultural co-operatives may also access loans to process, distribute, or market the products of farming. If you wish to learn how this new Program can assist your credit union please join us for this webinar.

#### Presenters:

**Glenda Taylor** - Assistant Director, Financial Guarantee Programs Division, Agriculture and AgriFood Canada  
**Bob Shalla** - Program Manager, CALA Agriculture and Agri-Food Canada Financial Guarantee Programs Division

**Date & Time:** September 18th, 2009 1:00 p.m. (Eastern Daylight Time) - (PDT, 10:00 am; MDT, 11:00 am; CDT, 12 noon, ADT 2:00 pm; NDT, 2:30 pm)

#### How to Register:

Please follow the instructions below to attend.

1. Click [HERE](#).
2. Click "Register".
3. Enter your information on the registration form - then click "Submit". *Once the host approves your registration, you will receive a confirmation email with instructions on how to join the event.* **QUESTIONS?** Contact [webinars@cucentral.com](mailto:webinars@cucentral.com)



Credit Union  
Central of Canada

## Hill Happenings

Anne Dance, Policy Analyst, CUCC

Parliamentarians might have only returned from their summer break yesterday, but Canadian politics have simmered energetically over the past month. In late August, Liberal Leader Michael Ignatieff emerged from a caucus meeting in Sudbury declaring that his party could no longer support the Conservative government. Since then, as the four largest parties manoeuvre for public support and quietly ramp up their election machines, we have witnessed more twists and turns than a prime time drama.

The Conservatives have warned that a fall election could endanger the delivery of their stimulus package, including the cancellation of financial programs, while digging the country further into the debt. Some economists, on the other hand, argue that the necessary tax credit legislation could easily be passed in time for the winter tax season, and that an election could serve as a localized stimulus package of its own!

Credit unions and issues relevant to our system have featured prominently in election speculation: NDP leader Jack Layton reassured the Canadian public in a recent *Globe and Mail* interview that not only was his party ready to fight an election, but the party was set to borrow the usual funding from its bank - nay, credit union, he corrected himself - should the writ be dropped. Layton also named his party's price for propping up the isolated Tories: introducing consumer protection legislation (including credit card reforms), passing pension protection legislation, and enhancing employment insurance benefits.

Election-obsessed pundits and politicians alike are fixated on September 30th, in part because the Liberals have suggested the party will introduce a motion of non-confidence on the first opposition day, which is scheduled during that week. The same week, the government must table the accountability "Report Cards" demanded by the Liberals, and the foundering bipartisan EI panel releases its report.

Meanwhile, the Senate Banking, Trade and Commerce Committee will meet on September 16th and 17th to

set their agenda and discuss the present state of the domestic and international financial system. Their House of Commons counterpart, the Standing Committee on Finance, will be conducting pre-budget consultations around the country beginning September 14th. As of yet, the House Committee has not decided when it will release its report on credit card fees.

As well as naming former Manitoba Premier Gary Doer Canadian Ambassador to the United States, Prime Minister Harper recently appointed nine new senators, including: Claude Carignan, Jacques Demers, Doug Finley, Linda Frum Sokolowski, Kelvin Ogilvie, Dennis Patterson, Don Plett, Judith Seidman, and Carolyn Stewart-Olsen. While none of the new residents of the "Chamber of Sober Second Thought" have a credit union background, Dr. Ogilvie and Mr. Demers' dedication to education and literacy and Ms. Frum Sokolowski and Ms. Seidman's continued commitment to community service could make them valuable allies for the credit union system.

In the event of an election, there would also be a significant number of new faces in the House of Commons. Indeed, over 65 new MPs were elected during 2008 federal election and new MPs sat on the three most relevant committees for credit unions: Agriculture, Finance, and Industry.

Canadian Central looks forward to keeping you updated on the ever-changing political scene in Ottawa, particularly emerging election developments and parliamentary activities related to the financial sector.

## Research Bits

Les Czarnota, Researcher, Information Services

Credit Union Central of Canada subscribes to various research firms on behalf of the Canadian credit union system. This allows affiliated members to access the research directly and search for relevant material to fulfill an information need. Many reports are available from two organizations – the US-based Council on Financial Competition and the Ottawa-based Conference Board of Canada. The next installment of



this regular column will look at the Conference Board of Canada.

The Council on Financial Competition serves the needs of retail financial services executives from around the world. Each year the Council on Financial Competition publishes several major reports on the most successful strategies in serving the financial services marketplace. The Council website includes access to strategic studies as well as a library of custom research briefings.

The Council usually published 3 to 4 research studies annually. In 2009, three studies have been released – “Customer Experience Improvement Playbook”, “Realizing Greater Revenue from Service” and “Boosting Branch Sales in Tough Times”.

Numerous shorter research briefs are available on many retail banking topics.

This issue will highlight an August 2009 brief by the Council on Financial Competition entitled “Driving Revenue through Cross-Sales at the Front Line”. This 13 page report identifies 11 competencies that FIs must develop to successfully cross-sell at the front line. These competencies are grouped under four headings:

- How to identify cross-sales leads in the moment by allowing customers to voice their needs.
- How to align leads with staff skill by separating lead generation from sales conversion.
- How to help customers frame their needs by disclosing the financial decisions and trade-offs they must make.
- How to transparently connect needs to products by making the appropriate solution obvious to customers.

Credit Union Central of Canada holds a membership in this organization on behalf of the system. To access the research, the Council on Financial Competition now requires an individual registration using your email address as your user name. The domain names of all of the Centrals and the Top 30 credit unions in Canada have already been added to the approved list.



To register go to the home page of the Council on Financial Competition at:

<https://cfc.executiveboard.com/Public/Default.aspx>

On the right side under the Log In section is a "Getting Started" area, the first part of which is "Is Your Company Already a Member?" Click on "Get a User Name and Password" and an entry screen will appear for your name and email address. Fill in the appropriate information. Hit "Submit" and an email confirmation will be sent within 24 hours (although the actual time is more like minutes).

The email confirmation note shows that the Council on Financial Competition has recognized you as affiliated with Credit Union Central of Canada and will contain further instructions to choose a password. Once that is done, you will be able to access all of the Council's research.

To log in (if you already have registered) go to the homepage:

<https://cfc.executiveboard.com/Public/Default.aspx>.

On the right side is the Log In section - type in user username (email) and password.

If you are unable to access the site, please contact: Les Czarnota, Researcher, Information Services, Credit Union Central of Canada, 416-232-3485 or [czarnotal@cucentral.com](mailto:czarnotal@cucentral.com).

## Your Statistical Report

### National Affiliated System Results – Q2

Sandra Brizland, Research Analyst, CUCC

National affiliated system results for the 2nd quarter of 2009 were recently released by Canadian Central. The Canadian credit union system's balance sheet remains strong heading into the second half of 2009. System assets, savings/deposits and loans all recorded solid gains in the first six months of this year, with both assets and deposits/savings expanding at a somewhat slightly faster pace than growth reported in the first

quarter. Loan growth was comparable to first quarter. Some key findings in the Q2 system results are:

- System assets are currently \$117.1 billion, compared with \$109.1 billion at the same time last year;
- The slowdown in loan growth appears to have levelled in second quarter as the 6.6 per cent annualized growth was comparable to growth reported at first quarter; loan volume stands at \$96.8 billion at the end of Q2;
- Deposits/savings growth continues its upward trend from the previous quarter, with an annualized growth rate of 10.5 per cent; total deposits/savings with credit unions increased to \$106.3 billion at Q2;
- While the impact of the recession continues to be evident with the decline in credit union earnings' growth, much of the drop occurred in the first quarter; profits for the system in the first half of the year were recorded at \$236.04 million, a decline of 23.5 per cent from the \$308.55 million reported a year ago.
- At the end of Q2, the number of credit unions stood at 427 (down from 449 a year ago), the number of locations was 1,733 (down from 1,741 in Q2 2008), and the number of members was 5,080,835 (an increase from 5,045,266 at the end of Q2 2008).

To see the full report:

[http://www.cucentral.com/Results\\_10sept09](http://www.cucentral.com/Results_10sept09)

## National System Results – The Largest 100 Credit Unions/Caisses Populaires (outside Quebec)

Sandra Brizland, Research Analyst, CUCC

As of second quarter 2009, the 497 credit unions and caisses populaires outside of Quebec reported combined assets of close to \$127.7 billion, a six-month increase of 2.9 per cent over fourth quarter of 2008.

The largest 100 credit unions and caisses populaires dominate asset growth within the system, reporting a six-month growth rate of 3.5 per cent over year-end 2008 results. After the first six months of 2009 the largest 100 credit unions reported assets of almost \$104.6 billion. An amalgamation between three large credit unions at the start of the fiscal year allowed other credit unions to join the top 100 group at second quarter. This group of credit unions now accounts for 81.9 percent of total system assets in the country (excluding Quebec).

While the appearance of the largest 10 credit unions has been modified slightly, the impact is significant. Not only has the amalgamation that occurred on the first day of the Alberta system's fiscal year between Servus Credit Union, Community Credit Union and Common Wealth Credit Union made room for a new addition to the elite top 10, but this union has also resulted in a jump in both growth and control of total system assets of this group. A combination of the Alberta merger and the addition of Affinity Credit Union in Saskatchewan joining the top 10 have resulted in this group increasing their control of system assets to 42 per cent, compared to 39 per cent six months ago. Assets soared 10.3 percent in this period, reaching \$53.6 billion – an increase of almost \$5 billion from the \$48.6 billion recorded at year-end 2008.

Clearly the Alberta merger had the largest impact on the top 5 group of largest credit unions. Substantial gains in assets of 15.5 per cent over fourth quarter were recorded. This small group of credit unions now account for 32 per cent of all system assets in the country (excluding Quebec), with combined assets of \$41.2 billion.

Credit unions ranked 11 to 100 recorded a six-month decrease of 2.7 per cent in assets, while assets in the remaining part of the system remained virtually unchanged, with a .05 per cent decline.

With another large merger occurring on the first day of the third quarter, changes are again expected in the year-end 2009 Largest 100 listing. On July 1st, Heartland Credit Union, Agassiz Credit Union, Altona Credit Union and Dufferin Credit Union in Manitoba joined forces to become Access Credit Union. Access Credit Union has assets of about \$1.2 billion. With three of these four former credit unions in the existing top 100 listing, significant changes are once again anticipated in the next issue of the top 100.

Regional representation on the list is as follows: B.C., 26; Alberta, 11; Saskatchewan, 11; Manitoba, 18; Ontario, 29; New Brunswick, 3; Nova Scotia and Newfoundland at one each.

To see the full report:  
[http://www.cucentral.com/Top100\\_10sept09](http://www.cucentral.com/Top100_10sept09)

**The *Policy and Advocacy Report* is published by Credit Union Central of Canada. For editorial or general inquiries please contact:**

Brigitte Goulard  
 Vice President, Policy  
[goulardb@cucentral.com](mailto:goulardb@cucentral.com)  
 (613) 238-6747 extension 300

Credit Union Central of Canada  
 300 The East Mall, Suite 500, Toronto, ON M9B 6B7  
 (416) 232-1262  
[www.cucentral.ca](http://www.cucentral.ca)

<b>Ranking 2Q09</b>	<b>Ranking 4Q08</b>	<b>Top 10 Credit Unions</b>
1	1	<b>Vancity</b>
2	2	<b>Coast Capital Savings</b>
3	3	<b>Servus Credit Union</b>
4	4	<b>Meridian Credit Union</b>
5	5	<b>Envision Credit Union</b>
6	7	<b>Conexus Credit Union</b>
7	8	<b>Steinbach Credit Union</b>
8	9	<b>Assiniboine Credit Union</b>
9	10	<b>First Calgary Savings</b>
10	11	<b>Affinity Credit Union</b>