

Policy No.
73000-10-01

CUDIC Deposit Insurance Fund Target Policy

Creation Date October 2014	First Approval Date October 28, 2014	Approval Date
--------------------------------------	--	----------------------

Purpose & Intent

The Credit Union Deposit Insurance Corporation of British Columbia (CUDIC) guarantees all deposits and non-equity shares held in British Columbia (BC) credit unions, in accordance with section 266 of the *Financial Institutions Act* (FIA). An ex-ante deposit insurance fund is maintained in accordance with section 267 of the FIA.

Annual contributions to the deposit insurance fund are determined by the Financial Institutions Commission (Commission) in accordance with section 268 of the FIA.

The Commission considers that the Target Fund Policy should:

- contribute to depositor confidence and financial system stability;
- be transparent to CUDIC’s key stakeholders: credit union depositors, credit unions and Government;
- be credible but not overly complex so that it can be readily understood by CUDIC’s stakeholders; and
- be consistent but also be flexible enough that changing conditions and assumptions can be incorporated over time.

Policy Statements

A credit union’s capital is the first line of defence in absorbing losses and maintaining stability. The Commission balances the need for a credible fund size that contributes to depositor confidence and system stability, with the cost to the insured credit unions own capital base of holding the reserve.

The Commission sets a **Target Fund Range** and reviews that range, at a minimum, every four years.

The Commission also sets a **Funding Timeline** which includes a **Target Point** within Target Fund Range and a minimum time to reach that Target Point. The Target Point and Funding Timeline are reviewed annually.

In setting and reviewing the Target Fund Range and Funding Timeline the Commission is guided by:

- current international guidelines for deposit insurers issued by the Basel Committee on Banking Supervision (BCBS) and the International Association for Deposit Insurers (IADI); and
- current national guidelines for Canadian credit union deposit insurers as set out by the Credit Union Prudential Supervisors Association (CUPSA).

Definitions

Target Fund Range – the upper and lower boundaries setting the size of the ex-ante deposit insurance fund that the Commission deems appropriate, measured as a percentage of deposits and non-equity shares, held in BC credit unions.

Target Point – the point within the Target Fund Range on which the Commission bases the Funding Timeline.

Funding Timeline – the minimum time the Commission deems appropriate to transition from the current fund size to the Target Point.