

July 2, 2020

Ref. No.: 0619

VIA EMAIL

To: Chief Executive Officers/General Managers, BC Credit Unions

RE: 2020 CUDIC Base Assessment Rate

The purpose of this letter is to notify credit unions in BC about the Base Assessment Rate (BAR) that will be used by the Credit Union Deposit Insurance Corporation to determine the 2020 deposit insurance premiums.

Credit unions across the province are assessed annually by the BC Financial Services Authority (BCFSA) in accordance with section 268 of the *Financial Institutions Act* (FIA). The assessment has two components: the BAR which represents a base rate; and an additional risk premium. Each credit union is assessed at the BAR and, if applicable, an additional risk premium if their total Assessment Score is below a defined threshold.

For the current 2020 calendar year, BCFSA has set the BAR at **three basis points** of total insured deposits and non-equity shares (see Appendix 1 enclosed for further details). This is 3.5 basis points lower than the 2019 BAR. The economic uncertainty arising from the COVID-19 pandemic and lower projected deposit growth were significant factors in establishing a lower BAR this year. BCFSA extends its appreciation to the BC credit union sector for informing this data-driven decision.

BCFSA intends to issue a 2020 Premium Assessment Notice to each BC credit union in August 2020. All deposit insurance premiums will be automatically debited from each credit union's operating account at Central 1 Credit Union in September 2020.

If you have any questions, please contact Noel Fontanilla, Manager, Risk Assessment and Pricing at Noel.Fontanilla@bcfsa.ca

Regards,

A handwritten signature in blue ink that reads "Frank Chong". The signature is written in a cursive, flowing style.

Frank Chong
Vice President and Deputy Superintendent, Regulation

Enclosure: Appendix 1: Supplemental Information on the 2020 Deposit Insurance BAR

pc: CFOs, BC Credit Unions

Appendix 1: Supplemental Information on the 2020 Deposit Insurance BAR

Table 1 below shows the assessment rates payable by credit unions based on their total assessment score.

Table 1: 2020 Base Assessment Rate and Additional Risk Premium			
Total Assessment Score	Base Assessment Rate (bps)	Additional Risk Premium (bps)	Total Assessment Rate (bps)
80 points and greater	3.00	0.00	3.00
65 points and greater, but less than 80 points	3.00	1.50	4.50
50 points and great, but less than 65 points	3.00	3.00	6.00
Less than 50 points	3.00	6.00	9.00

2020 BAR Setting Approach

The [Deposit Insurance Fund Target Policy](#) specifies that a fund size review is undertaken, at minimum, every four years. The purpose of the review is to determine if the existing Target Fund Range remains appropriate, relative to the changing conditions and risks to the Fund. The previous fund size review, which was completed in October 2014, determined the Target Fund Range of 105 to 135 bps of BC credit union deposits and non-equity shares (system deposits). The next fund size review is scheduled for completion in 2021. Further details to stakeholders will be provided within the coming months.

The 2020 BAR setting approach considered of a number of factors, including but not limited to the following:

- current CUDIC funding levels;
- credit union system deposit growth;
- impact of the COVID-19 pandemic on the financial profile of BC credit unions;
- additional risk premium payable by credit unions; and
- investment return and operating expenses of the CUDIC deposit insurance fund.