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| BULLETIN NUMBER: | CU-17-002 |
| TITLE: | ACCESS TO STATUTORY ADEQUATE LIQUID ASSETS |
| LEGISLATION: | SECTION 67 OF THE <i>FINANCIAL INSTITUTIONS ACT</i> |
| DATE: | June 2017 |
| DISTRIBUTION: | BC CREDIT UNIONS |

PURPOSE

This bulletin sets out the Financial Institutions Commission's (FICOM) position and expectations regarding credit union access to deposits comprising adequate liquid assets managed by Central 1 Credit Union (Central 1).

BACKGROUND INFORMATION

Section 67(1) of the *Financial Institutions Act* (FIA) requires a financial institution to ensure that it has adequate liquid assets and an adequate capital base at all times to conduct its business in accordance with the regulations.

The *Liquidity Requirement Regulation* (LRR) requires a credit union to hold, at all times, deposits, including accrued interests, equal to 8 per cent of its deposits and other debt liabilities¹, with Central 1 to satisfy the adequate liquid assets requirement in accordance with the FIA.

A credit union should have in place an appropriate liquidity risk management policy and a sound liquidity contingency plan to prudently manage its liquidity, ensuring compliance with the legislation and the regulatory requirements.

MORE INFORMATION

It is FICOM's position that a credit union does not need to seek FICOM approval before accessing its deposits held at Central 1 if a crisis develops.

¹ The largest credit unions are required to hold deposits equal to 1.5 per cent of the aggregate value of all credit union assets in British Columbia with Central 1 and prescribed liquid assets, inclusive of the deposits held with Central 1, in an amount that is at least equal to 8 per cent of the credit union's aggregate deposits and other debt liabilities.

However, as soon as a credit union determines it may require access to these deposits, the credit union must immediately notify FICOM. The notification should include the rationale for access and a remedial plan to bring the credit union's deposits to the level prescribed by the LRR within a reasonable time frame.

Any draw on deposits that brings a credit union's deposits below the statutory minimum constitutes a breach of the legislation and may result in FICOM taking regulatory action. In determining whether and what action will be taken, FICOM will consider the necessity of the draw on deposits and the robustness of proposed remedial actions to bring the credit union's deposits back to the statutory minimum.

At the Financial Institutions Commission, we issue information bulletins to provide technical interpretations and positions regarding certain provisions contained in the *Financial Institutions Act*, *Credit Union Incorporation Act*, and *Insurance Act*, regulations and other pertinent legislation. While the comments in a particular part of an information bulletin may relate to provisions of the law in force at the time they were made, these comments are not a substitute for the law. The reader should consider the comments in light of the relevant provisions of the law in force at the time, taking into account the effect of any relevant amendments to those provisions or relevant court decisions occurring after the date on which the comments were made. Subject to the above, an interpretation or position contained in an information bulletin generally applies as of the date on which it was published, unless otherwise specified.