

July 29, 2021

Ref. No.: 0567

VIA EMAIL

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

RE: 2021 CUDIC Base Assessment Rate

The purpose of this letter is to notify B.C. Credit Unions of the Base Assessment Rate (“BAR”) that will be used by the Credit Union Deposit Insurance Corporation (“CUDIC”) to determine the 2021 deposit insurance premiums.

Credit unions across the province are assessed annually by 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 an additional risk premium if their total Assessment Score is below a defined threshold (refer to Appendix 1 for details).

For the current 2021 calendar year, BCFSA has set the BAR at **7.5 basis points** of total insured deposits and non-equity shares¹. Strong deposit growth and lower projected investment returns, due to a continued low interest rate environment, were primary factors in calculating the current BAR. A BAR set at 7.5 basis points maintains the deposit insurance fund size. As you may recall, the prior year BAR was set at 3.0 basis points to provide some relief to B.C. Credit Unions who were faced with economic uncertainty from the global pandemic and potential revenue decline.

BCFSA will issue a 2021 Premium Assessment Notice to each B.C. credit union in August 2021. All deposit insurance premiums will be automatically debited from each credit union’s operating account at Central 1 Credit Union on September 30, 2021.

¹ Issued by the credit union before January 1, 2020

If you have any questions, please contact Antonia Prlic, Acting Director, CUDIC Operations, at antonia.prlic@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 2021 Base Assessment Rate ("BAR")

pc: CFOs, B.C. Credit Unions

Appendix 1: Supplemental Information on the 2021 Base Assessment Rate (“BAR”)

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

Table 1: 2021 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	7.50	0.00	7.50
65 points and greater, but less than 80 points	7.50	3.75	11.25
50 points and great, but less than 65 points	7.50	7.50	15.00
Less than 50 points	7.50	15.00	22.50

Fund Size Target

A [Fund Target Policy](#) guides the approach taken to establish the optimal size of the CUDIC fund and specifies the frequency of fund size reviews (approximately, every four years). An upcoming fund size review will examine 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 B.C. Credit Union deposits and non-equity shares. The next fund size review is scheduled for completion in 2022 and further details will be provided to stakeholders in September 2021.

The 2021 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 B.C. Credit Unions;
- additional risk premium payable by B.C. Credit Unions; and
- investment return and operating expenses of the CUDIC deposit insurance fund.