



**-NOTICE OF ADOPTION**

**COMMISSION RULE CU - 001 - General**  
*Credit Unions Act*

**AND**

**COMMISSION RULE CU - 002 - Networking**  
*Credit Unions Act*

**Introduction**

On 16 October 2019, the Financial and Consumer Services Commission (Commission) approved Financial and Consumer Services Commission Rule CU-001 *General* and Rule CU-002 *Networking* (the Rules) under the *Credit Unions Act*, S.N.B. 2019, c.25 (the Act)

The Rules will come into effect on **1 January 2020**. Pursuant to section 8 of New Brunswick Regulation 2014-18 under the *Financial and Consumer Services Commission Act* (O.C. 2014-21), a rule comes into force on the day the rule is published electronically by the Commission or on such later date as is specified in the rule.

**Background**

On 14 August 2019, the Commission approved publication for comment of Rule CU-001 *General* and Rule CU-002 *Networking* (the Rules) which were published electronically on the Commission website on 14 August 2019 and in the 28 August 2019 edition of The Royal Gazette. The 60-day consultation period ended on 15 October 2019. One comment letter was received from Atlantic Central on behalf of all New Brunswick Credit Unions. The comments mainly related to interpretation of the Rules. After consideration, the Commission determined that no changes to the Rules were necessary. A summary of the comments received together with our responses are contained in Appendix A – *Summary of comments and FCNB responses*.

On 1 November 2019, the Minister of Finance and Treasury Board consented to the making of Rules CU-001 *General* and Rule CU-002 *Networking*.

**Substance and Purpose of the Rules**

The purpose of Rule CU-001 *General* is to replace General Regulation 94-5 under the *Credit Unions Act*, S.N.B. 1992, c. C-32.2 which will be repealed on 1 January 2020. The rule deals with administrative and operational matters to be adhered to by credit unions in relation to sound business and financial policies, practices and procedures.

The purpose of Rule CU-002 *Networking* is to replace Networking Regulation 2001-53 under the *Credit Unions Act*, S.N.B. 1992, c. C-32.2 which will be repealed on 1 January 2020. The rule establishes the requirements for credit unions who choose to enter into networking arrangements with other financial institutions and prescribed bodies corporate to provide financial products and services to credit union members.

### **Questions**

If you have any questions, please refer them to:

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## SUMMARY OF COMMENTS AND FCNB RESPONSES

Comments on proposed credit union rules CU-001 (General) and CU-002 (Networking)		
<u>Issue</u>	<u>Summarized Comment</u>	<u>FCNB Responses</u>
<b><u>Comments received on rule CU-001 <i>General</i></u></b>		
<b>Definition of “residential property”</b>	The definition of “residential property” has been modernized to increase the number of private dwellings from three to four to be consistent with the Canadian Mortgage and Housing Corporation (CMHC) rules. However, credit unions are proposing that to better align with CMHC’s requirements, the definition could be further improved by removing the requirement for one of the dwelling to be occupied by an owner of the property.	The definition in the rule is now harmonized with the current regulations under the Nova Scotia <i>Credit Unions Act</i> . The regulations in Nova Scotia are currently under review. FCNB staff is proposing to monitor the results of the Nova Scotia review and determine if further changes are required to Rule CU-001 at that time.
<b>Inactive Accounts (section 4)</b>	Credit unions have indicated significant short-term challenges in being able to transfer all accounts that have been inactive for 10 years to NBCUDIC as of the targeted proclamation date of 1 January 2020. Credit unions requested that the process not come into force until January 2021.	Transitional provisions 296(1) and 296(2) of the new <i>Credit Unions Act</i> allow the Superintendent to grant any or all credit unions up to a one-year exemption to comply with any provision of the <i>Act</i> or the regulation, including the rules. The Superintendent will work with the credit unions on the matter of timing to implement the new process set forth in section 4 of the rule. No change to proposed Rule CU-001 is necessary.
<b><u>Comments received on rule CU-002 <i>Networking</i></u></b>		
<b>Restrictions on the promotion of an insurance company, agent or broker (section 11)</b>	The restriction set forth in section 11 of the rule provides that the promotion of an insurance company, agent, or broker can only occur if, amongst other things, the promotion takes place outside of the premises of the credit union and is directed to (i) all of the holders of credit cards or charge cards issued by the credit union to whom statements of account are sent on a regulator basis, (ii) all of the credit union’s members who are	The current restrictions on the promotion of an insurance company under the Networking Regulation will be continued under section 11 of proposed Rule CU-002.  Correspondence will be issued to Atlantic Central and to the chair of the Credit Union Managers Association to clarify acceptable practices in relation to section 11(1) of proposed Rule CU-002. No change to proposed Rule CU-002 is necessary.

	<p>natural persons and to whom statements of account are sent on a regular basis, or (iii) the general public.</p> <p>The credit unions have interpreted this restriction, currently found in the Networking Regulation, to mean that the CEO of a credit union is prohibited from signing promotional letters intended for its members with respect to an insurance company, agent, or broker. Credit unions have advised that this current practice does not give them the ability to make a personal connection with their members and appears to be a source of confusion for its members.</p>	
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**FINANCIAL AND CONSUMER SERVICES COMMISSION  
RULE CU-001 GENERAL**

**PART 1  
PRELIMINARY MATTERS**

**Definitions**

**1. (1)** In this Rule

“Act” means the *Credit Unions Act*; (*Loi*)

“capital” means the capital as identified in the credit union’s financial statements prepared in accordance with generally accepted Canadian accounting principles, the primary source of which is the *CPA Canada Handbook* of the Chartered Professional Accountants of Canada; (*capitaux propres*)

“commercial loan” means a loan made to an individual, a partnership, co-operative, corporation or any other organized body in respect of the development, production and sale of goods or services, or the sale of goods and services, where the loan is secured by the assets of the business or where repayment of the loan is primarily dependant on the cash flow generated by the business, or both, and includes a loan made in respect of forestry, farming or fishing and a commercial line of credit loan; (*prêt commercial*)

“regulatory capital” means, in relation to a credit union, the following, unless the credit union has an accumulated deficit, in which case it means the amounts determined under paragraphs (a) and (b) minus the accumulated deficit,

- (a) the value of the consideration paid for membership shares and any other shares issued by the credit union that are not redeemable within one year,
- (b) the book value of any surplus shares issued by the credit union, and
- (c) the retained earnings of the credit union; (*capital réglementaire*)

“residential property” means real property, the primary use of which is residential, consisting of a building that is used, or is to be used, as no more than four private dwellings at least one of which is, or is to be, occupied by an owner of the real property; (*bien résidentiel*)

“spouse” means either of two persons who are married to each other, or are cohabiting in a conjugal relationship. (*conjoint*)

- (2) The definitions contained in the Act apply to this Rule, unless the terms in question are defined in this Rule.

### **Prescribed credit unions**

2. For the purposes of the definition of “credit union” of the Act, the following credit unions are prescribed:
- (a) Advance Savings Credit Union Ltd.
  - (b) Bayview Credit Union Ltd.
  - (c) Beaubear Credit Union Ltd.
  - (d) Blackville Credit Union Ltd.
  - (e) Citizens Credit Union Ltd.
  - (f) New Brunswick Teachers’ Association Credit Union Ltd.
  - (g) Omista Credit Union Ltd.
  - (h) Progressive Credit Union Ltd.
  - (i) The Credit Union Ltd.

### **Prescribed group insurance plans**

3. For the purposes of paragraph 28(2)(b) of the Act, the following group insurance plans are prescribed:
- (a) Credit Union Creditor Insurance; and
  - (b) Credit Union Savings Insurance.

## **PART 2 OPERATING STANDARDS**

### **Inactive Accounts**

4. (1) Subject to subsection (2), the credit union shall pay to the Corporation where a deposit has been made in a credit union that is payable in Canadian currency and in respect of which no transaction has taken place and no statement of account has been requested or acknowledged by the member during a period of ten years,
- (i) in the case of a deposit made for a fixed period, from the day on which the fixed period terminated, and

- (ii) in the case of any other deposit, from the day on which the last transaction took place or a statement of account was last requested or acknowledged by the member, whichever is later.
- (2)** The credit union shall pay to the Corporation not later than the thirty-first day of December in each year an amount equal to the principal amount of the deposit, plus interest, if any, calculated in accordance with the terms of the deposit and payment accordingly discharges the credit union from all liability in respect of the deposit.

#### **Limited Payments of Deceased Member**

- 5.** For the purposes of subsection 57(1) of the Act, a credit union may pay up to twenty thousand dollars out of the deposit account of a deceased member to a person described in that section.

#### **Loans**

- 6.** Loans made by a credit union to its members shall be classified and shown on the records of the credit union as follows:
- (a) personal loans, including personal lines of credit loans;
  - (b) real estate mortgage loans on the security of residential property;
  - (c) loans to the Government of the Province or a Crown corporation or agency of the Province, or to a municipality, rural community, school board, regional health authority or a university in the Province, and loans the repayment of which is guaranteed by the Government of Canada or of a province or territory of Canada;
  - (d) commercial loans;
  - (e) real estate mortgage loans on the security of property other than residential property; and
  - (f) loans to corporations or other organized bodies operated on a not for profit basis.
- 7. (1)** A credit union shall not make loans of a kind referred to in paragraphs 6(d), (e) and (f) unless the Superintendent has authorized the credit union to make loans of that kind.
- (2)** The Superintendent shall not authorize a credit union to make loans of a kind referred to in subsection (1) unless it is satisfied that the credit union
- (a) has the necessary expertise to make such loans,
  - (b) maintains a level of capital adequate to justify the credit risk incurred in the making of such loans,
  - (c) has established appropriate criteria for assessing applications for such loans, and
  - (d) has established adequate procedures for monitoring and managing such loans.

- (3)** Where the Superintendent has authorized a credit union to make loans of a kind referred to in paragraphs 6(d), (e) and (f), the total amount of the loans that may be made by the credit union and may be outstanding at any time shall not exceed fifty per cent of the total assets of the credit union.
  - (4)** Notwithstanding subsection (2), where the Superintendent authorizes a credit union to make loans of a kind referred to in paragraphs 6(d), (e) and (f), the Superintendent may specify that the total amount of the loans that may be made by the credit union and may be outstanding at any time shall be an amount less than that permitted under subsection (3) if, in the opinion of the Superintendent, to permit the credit union to make such loans in the total amount permitted under subsection (3) might prejudice the interests of the members of the credit union.
  - (5)** For the purposes of subsection (3), a credit union may exclude from the calculation under that subsection any loan that is fully secured by a deposit with that credit union or with a credit union that is a member of Atlantic Central.
- 8.** A credit union shall not make a real estate mortgage loan on the security of property referred to in paragraph 6(b) or (e) for the purpose of purchasing, renovating or improving the property or to refinance a real estate mortgage loan on the property unless
- (a)** the amount of the indebtedness, together with the amount of the indebtedness under other mortgage loans on the security of the property mortgaged that rank equally with or in priority to the real estate mortgage loan,

    - (i)** in the case of the purchase of the property, does not exceed eighty per cent of the purchase price or the fair market value of the property, whichever is less at the time the real estate mortgage loan is granted,
    - (ii)** in the case of the renovation or the improvement of the property or the refinancing of a real estate mortgage loan, does not exceed eighty per cent of the fair market value of the property at the time the real estate mortgage loan is granted, or
    - (iii)** exceeds eighty per cent of the amount determined under subparagraph (i) or (ii), as the case may be, and the excess is guaranteed or insured by the Government of Canada or of a province or territory of Canada, or is otherwise guaranteed or insured in a manner and to an extent approved by the Superintendent, and
  - (b)** the income from all sources that is available to the borrower is sufficient to repay the principal and interest of the real estate mortgage loan and any fees and taxes related to it.

#### **Loan Policies**

- 9. (1)** The loan policies established by a credit union under subsection 58(1) of the Act shall provide for the following:



- (a) the maximum amount of the loans that may be made to a member of a credit union and that may be outstanding at any time;
  - (b) the manner in which loans to directors, officers and employees of the credit union are to be dealt with;
  - (c) the manner in which loans made by the credit union are to be considered and approved;
  - (d) the extent to which, and the manner in which, loans made by the credit union are to be secured;
  - (e) the circumstances, if any, in which unsecured loans may be made to a member of the credit union and the maximum amount of the unsecured loans that may be made to a member and that may be outstanding at any time;
  - (f) the policy, if any, established by the credit union under subsection (5) in relation to overdrafts; and
  - (g) any terms, conditions, restrictions or limitations established by the Superintendent in relation to the lending activities of the credit union and such other matters as may be required by the Superintendent.
- (2)** The loan policies established by a credit union may provide for any matters, in addition to those required under subsection (1), in relation to the loans that may be made by, and the lending activities of, the credit union, if the loan policies so established are not inconsistent with the *Act* and this Regulation and any terms, conditions, restrictions or limitations established by the Superintendent.
- (3)** The loan policies established by a credit union shall, subject to the *Act* and this Rule and any terms, conditions, restrictions or limitations established by the Superintendent, be established in accordance with prudent lending standards.
- (4)** The loan policies established by a credit union shall be reviewed annually by the directors of the credit union.
- (5)** A credit union may permit a member to make an overdraft on a deposit account of the member if
- (a) the credit union establishes a policy in relation to overdrafts, specifying the circumstances in which overdrafts may be made by a member of the credit union and the maximum amount of overdrafts that may be made by a member and that may be outstanding at any time,
  - (b) the policy is approved by the Superintendent and is incorporated into the loan policies established by the credit union, and
  - (c) the overdraft is made in accordance with that policy.

## Conflicts of Interest

- 10.** A director, officer or employee of a credit union shall disclose his or her interest in loans described in the following paragraphs before the loans are made by the credit union:
- (a) a loan to a body corporate in which the director, officer or employee of the credit union or the spouse or a dependent child of the director, officer or employee holds directly or indirectly more than ten per cent of the voting shares of the share capital of the body corporate;
  - (b) a loan to a body corporate in which a group, composed exclusively of directors, officers or employees of the credit union or the spouses or dependent children of the directors, officers or employees, or any combination of them, holds directly or indirectly more than fifty per cent of the share capital of the body corporate, if the director, officer or employee or his or her spouse or dependent child is a member of that group; and
  - (c) any other loan to a body corporate in respect of which the director, officer or employee of the credit union can reasonably be considered to have a conflict of interest.

## Liquidity

- 11. (1)** A credit union shall maintain liquid assets in an amount not less than ten per cent of its total liabilities as calculated, at the end of each calendar year quarter, in accordance with generally accepted Canadian accounting principles, the primary source of which is the *CPA Canada Handbook* of the Chartered Professional Accountants of Canada.
- (2)** A credit union shall maintain eighty per cent of the minimum amount required under subsection (1) or such greater amount as may be specified in the by-laws of Atlantic Central in the liquidity fund established by it for that purpose.
- (3)** A credit union shall maintain, in cash on hand or in deposits redeemable on demand, the amount equal to the difference between the amount required to be maintained by the credit union as liquid assets under subsection (1) and the amount required to be maintained in the liquidity fund under subsection (2).
- 12.** Atlantic Central may make a loan to a member credit union out of the liquidity fund in an amount not greater than 10 percent of the amount required to be maintained by the credit union as liquid assets under subsection 11(1) if:
- (a) Atlantic Central establishes a policy authorizing the making of such loans and specifying the circumstances in which such loans may be made and any terms, conditions, restrictions or limitations to which such loans are subject,
  - (b) the policy is filed with and approved by the Superintendent, and
  - (c) the loan is made in accordance with that policy.

## Investment Policies

13. (1) For the purposes of section 62 of the Act, a credit union may, subject to subsection (2), make investments authorized by the investment policies established by the credit union for that purpose if the investment policies are approved by the Superintendent.
- (2) A credit union may make investments only in accordance with prudent investment standards.
- (3) For the purposes of subsection (2), prudent investment standards are those that a reasonable and prudent person would apply in respect of a portfolio of investments so as to avoid undue risk of loss and to obtain a reasonable return on the investments made.
- (4) Notwithstanding subsection (1), a credit union shall not make an investment in real estate for a credit union's own use if the total cost of that investment, together with the total cost, less any accumulated depreciation, of any investments of that kind already held by the credit union, would exceed fifty per cent of the regulatory capital of the credit union, unless that investment is approved by the Superintendent.

## Allowance for Doubtful Accounts

14. (1) For the purposes of section 63 of the Act, a credit union shall maintain an allowance for doubtful accounts in an amount determined in accordance with generally accepted Canadian accounting principles, the primary source of which is the *CPA Canada Handbook* of the Chartered Professional Accountants of Canada.
- (2) The amount of the allowance for doubtful accounts shall be reported in the financial statements of the credit union referred to in subsection 122(1) of the Act.

## Regulatory Capital Requirements

15. A credit union shall maintain a level of regulatory capital in an amount not less than 5% of the total assets of the credit union.
16. (1) If at the end of any fiscal year a credit union has not maintained the level of regulatory capital required under section 15, the Corporation may provide financial assistance to the credit union within 4 months after the end of that fiscal year in an amount sufficient to enable the credit union to establish the required level of regulatory capital.
- (2) If the Corporation provides financial assistance to a credit union under subsection (1) it may do so on the terms and conditions that the Superintendent considers appropriate.
- (3) Subsections (1) does not apply where the Superintendent determines that the credit union should be liquidated or amalgamated with another credit union under the Act.
- (4) Nothing in this section limits the authority of the Corporation to provide financial assistance to a member credit union at any time other than the time referred to in subsection (1) in circumstances as the Superintendent, in his or her opinion, considers not contrary to the public interest.

## **Borrowing**

- 17. (1)** The amount that may be borrowed by a credit union under section 65 of the Act shall be an amount not more than ten per cent of the total amount of the deposits of its members and the regulatory capital of the credit union, or such greater amount as may be authorized by the Superintendent.
- (2)** Notwithstanding subsection (1), the amount of any loan made to the credit union under section 12 shall not be included in the calculation of the amount that may be borrowed by the credit union under subsection (1).

## **Audit Committee**

- 18. (1)** The directors of a credit union shall establish an audit committee consisting of a chairperson and at least two other members to be selected in the manner determined by the directors or established in the by-laws of the credit union.
- (2)** The chairperson of the audit committee shall be selected from among the directors of the credit union.
- (3)** The members of the audit committee other than the chairperson shall be selected from among the members of the credit union. Members of the audit committee should be financially literate and sufficiently versed in financial matters so as to understand the credit union's accounting practices and policies, and financial statements.
- (4)** Employees of the credit union shall not be members of the audit committee.
- 19. (1)** The duties and powers of the audit committee are as follows:
- (a)** to meet with the auditor of the credit union before the commencement of the audit to review the audit plan and to ensure that the audit committee understands the scope of the audit;
  - (b)** to review the financial statements of the credit union referred to in paragraph 122(1)(a) of the Act and any other information placed before the members of the credit union in accordance with paragraph 122(1)(c) of the Act;
  - (c)** to review the following with the auditor or any person making an inspection or examination under the Act:
    - (i)** a report made under subsection 137(1), 139(1) or 220(1) of the Act in respect of the audit, inspection or examination;
    - (ii)** any restrictions on the scope of the audit, inspection or examination; and
    - (iii)** any problems or conflicts experienced by the auditor or person making the inspection or examination in the performance of the audit, inspection or examination;

- (d) to report and to make recommendations to the directors of the credit union in respect of the matters referred to in paragraphs (b) and (c);
  - (e) to report to the directors of the credit union any significant changes in the accounting policies and practices of the credit union;
  - (f) review the nature and extent of the auditor's evaluation of the internal control systems of the credit union;
  - (g) review the recommendations made by the auditor to the management of the credit union and the response made by management to the recommendations;
  - (h) review the audited financial statements of the credit union's subsidiaries, if there are subsidiaries;
  - (i) meet with the internal auditor or the officer or employee, agent or consultant of the credit union acting in a similar capacity if any, and with management of the credit union, to discuss the effectiveness of the internal control procedures established for the credit union; and
  - (j) to do such other things as may be required or authorized by the directors of the credit union.
- (2) The audit committee shall keep minutes of its proceedings and shall submit to the directors at each meeting of the directors the minutes of the audit committee's proceedings during the period since the last meeting of the directors.

### **PART 3 ANNUAL RETURN REQUIREMENT**

#### **Annual Return**

- 20. (1)** For the purposes of subsection 121(1) of the Act, a credit union shall, within four months after the end of each fiscal year, complete and file a return with the Superintendent showing, as of the end of the preceding fiscal year,
- (a) the name of the credit union,
  - (b) the address of the registered office of the credit union,
  - (c) the date when the latest annual meeting of the members of the credit union was held,
  - (d) the names, residence addresses and principal occupations of the directors of the credit union,
  - (e) the names and addresses of the officers of the credit union, including the general manager, and

- (f) such other information in relation to the credit union as may be required by this Act or the regulations or the Superintendent.

**PART 4**  
**DEPOSIT PROTECTION**

**Levy**

- 21. (1)** The amount of the total annual levy to be paid by each credit union for the purposes of subsection 193(2) of the Act shall be determined as follows:

$$A = (B/C) \times D$$

Where:

“A” is the credit union’s amount due with respect to the total annual levy determined by the Commission pursuant to subsection 193(1) of the Act;

“B” is the value of the total assets of the credit union as of the thirty-first day of December of the fiscal year preceding the current fiscal year of the Corporation;

“C” is the value of the total assets of all credit unions as of the thirty-first day of December of the fiscal year preceding the current fiscal year of the Corporation; and

“D” is the total annual levy determined by the Commission.

- (2)** For the purposes of subsection (1),
- (a) the value of the total assets of a credit union shall be the value reported by the credit union to the Superintendent, and
  - (b) the value of the total assets of all credit unions shall be the total of all values reported to the Superintendent under paragraph (a).
- (3)** For the purposes of subsection (1), where, between the thirty-first day of December of the fiscal year preceding the current fiscal year of the Corporation and the date of the levy,
- (a) two or more credit unions amalgamate and continue as one credit union, the value of the total assets of each of the amalgamating credit unions as of the thirty-first of December of the fiscal year preceding the current fiscal year of the Corporation shall be attributed to the amalgamated credit union,
  - (b) a credit union makes a sale, lease or exchange of all or substantially all of its property in accordance with section 155 of the Act to or with another credit union, the value of the total assets of the credit union making the sale, lease or exchange, as of the thirty-first of December of the fiscal year preceding the current fiscal year of the Corporation, shall be attributed to the credit union to or with whom the sale, lease or exchange was made if the Superintendent determines that the assets of the credit union making the sale, lease or exchange

are insufficient, because of the sale, lease or exchange, to pay the amount of the levy that would otherwise have been made against it, and

- (c) a credit union is in the process of liquidation or is dissolved, the value of the total assets of the credit union shall be nil unless the value of its total assets is attributed to another credit union under paragraph (b).
- (4) The Commission shall issue an order to the credit union with its amount due with respect to the annual levy as determined under subsection (1) against each credit union before the end of July or as soon as practicable thereafter.
- (5) A credit union shall pay the amount determined under subsection (1) within 30 days after the date of the levy, unless the Commission order specifies otherwise.
- (6) The amount determined under subsection (4) that is not paid in full within ninety days after the date of the order shall bear interest, at the rate charged by the Province for the late payment of accounts receivable, calculated in accordance with subsection (7).
- (7) For the purposes of subsection (6), interest shall be calculated on the balance that remains unpaid
  - (a) on the ninetieth day after the date of the order, for the preceding thirty days, and
  - (b) every thirtieth day thereafter.
- (8) If the Commission issues an order to the credit union for its amount due of an impairment levy, the payment terms and interest rates set out in subsection (5), (6) and (7) apply.

#### **Non-Liquid Assets**

- 22. For the purposes of subsections 194(1) of the Act, the book value of non-liquid assets held in the deposit protection fund of the Corporation are excluded in determining the total amount of the deposit protection fund, including, without limitation, the following:
  - (a) the aggregate book value of all investments in real estate held by the Corporation in its deposit protection fund,
  - (b) the aggregate book value of all investments held by the Corporation in the deposit protection fund that were made for the purposes of providing financial assistance to credit unions, and
  - (c) any current liabilities determined in accordance with generally accepted Canadian accounting principles, the primary source of which is the *CPA Canada Handbook* of the Chartered Professional Accountants of Canada.

#### **PART 5 COMING INTO FORCE**

- 23. This Rule comes into force on *[Insert date]*.



**FINANCIAL AND CONSUMER SERVICES COMMISSION  
RULE CU-002 NETWORKING**

**PART 1  
PRELIMINARY MATTERS**

**Definitions**

**1. (1)** In this Rule

“Act” means the *Credit Unions Act*; (*Loi*)

“affiliated life insurance company” means a life insurance company that is owned and controlled by credit unions in Canada; (*compagnie d’assurance-vie affiliée*)

“authorized types of insurance” means the types of insurance set out in subsection 8(2); (*genres d’assurance autorisés*)

“personal accident insurance” means a group insurance policy that provides insurance to a natural person whereby the insurance company undertakes to pay

- (a) one or more sums of money in the event of bodily injury to, or the death of, the person that is caused by an accident, or
- (b) a certain sum of money for each day that the person is hospitalized in the event of bodily injury to the person that is caused by an accident or in the event of an illness or disability of the person. (*assurance accidents corporels*)

**(2)** The definitions contained in the Act apply to this Rule, unless the terms in question are defined in this Rule.

**Interpretation**

- 2. (1)** For the purposes of the definition “affiliated life insurance company”, a life insurance company shall be deemed to be owned and controlled by credit unions in Canada if the voting rights that carry more than fifty per cent of the votes for the election of directors of the life insurance company and that are sufficient to elect a majority of its board of directors are held individually or jointly by credit unions or federations established or incorporated under an Act of Parliament or the legislature of a province, *Confédération Desjardins* or any successor to it, or the Canadian Credit Union Association, or any affiliated bodies corporate.



- (2) A body corporate shall be deemed to be an affiliated body corporate for the purposes of subsection (1) if the voting rights that carry more than fifty per cent of the votes for the election of directors of the body corporate and that are sufficient to elect a majority of its board of directors are held individually or jointly by any of the bodies corporate referred to in subsection (1).

**PART 2**  
**FINANCIAL INSTITUTIONS AND PRESCRIBED BODIES CORPORATE**

**Financial institutions**

3. For the purposes of subsection 26(2) of the Act and this Rule

“financial institution” means

- (a) a bank under the *Bank Act* (Canada),
- (b) an insurance company that is licensed as an insurer under the *Insurance Act*,
- (c) a loan or trust company licensed under the *Loan and Trust Companies Act*,
- (d) a credit union,
- (e) a federation,
- (f) Canadian Credit Union Association, and
- (g) *Confédération Desjardins* and any successor to it.

**Definitions of prescribed types of bodies corporate**

4. (1) In this section

“factoring corporation” means a body corporate that is restricted to acting as a factor in respect of accounts receivable, raising money for the purpose of acting as a factor and lending money while acting as a factor; (*société d'affacturage*)

“financial leasing corporation” means a body corporate that is restricted to,

- (a) engaging in financial leasing of personal property;
- (b) entering into and accepting assignments of conditional sales agreements in respect of personal property;
- (c) administering financial lease agreements and conditional sales agreements on behalf of a person; and

- (d) raising money for the purpose of financing its activities and investing the money until it is used for those activities; (*société de credit-bail*)

“income tax corporation” means a body corporate the principal activity of which is providing advice or services to a person in respect of obligations for the payment of income tax under the *Income Tax Act* (Canada) or the *New Brunswick Income Tax Act*; (*société de conseil en matière fiscale*)

“information services corporation” means a body corporate that is primarily engaged in

- (a) collecting, manipulating and transmitting information that is primarily financial or economic in nature or that relates to the business of a body corporate referred to in this section,
- (b) providing advisory and other services in the design, development and implementation of information management systems, or
- (c) designing, developing and marketing computer software,

and the activities of which may include, as an ancillary activity, the design, development, manufacture or sale of computer equipment that is not generally available and that is integral to the provision of financial services or information services related to the business of financial institutions; (*société d'information*)

“investment counselling and portfolio management corporation” means a body corporate the principal activity of which consists of

- (a) the offering of advice or advising about investments, or
- (b) the investment or control, that in any way involves the exercise of discretion and judgment by the body corporate, of money, property, deposits or securities that it does not own, and that are not deposited with it in the ordinary course of business; (*société de conseil en placement et de gestion de portefeuille*)

“loan and investment corporation” means a body corporate, other than a financial institution, the principal activity of which is investing its funds in loans and equity instruments; (*société de prêts et de placement*)

“mutual fund corporation” means a body corporate the activities of which are restricted to investing its funds, and includes a body corporate that issues securities entitling the holder to receive, on demand, or within a specified period, an amount computed by reference to the value of a proportionate interest in all or part of its net assets; (*société de fonds mutuels*)

“mutual fund distribution corporation” means a body corporate the principal activity of which is acting as an agent selling and collecting payment for interests in a mutual fund, where the purchaser is advised of the existence of any sales commissions or service fees

before he or she purchases an interest in the mutual fund and the sale proceeds, less any sales commissions and service fees, are paid to the mutual fund; (*société de courtage de fonds mutuels*)

“real property brokerage corporation” means a body corporate that is primarily engaged in

- (a) acting as an agent for vendors, purchasers, mortgagors, mortgagees, lessors or lessees of real estate, and
- (b) providing consulting or appraisal services with respect to real estate; (*société de courtage immobilier*)

“registrant” means a person registered or required to be registered under the *Securities Act* and regulations and for greater clarity includes a person who trades in a security or a derivative; acts as an adviser; acts as an investment fund manager; or acts as an underwriter. (*personne inscrite*)

### **Prescribed types of bodies corporate**

- (2) The following types of bodies corporate are prescribed for the purposes of subsection 26(2) of the Act and this Rule:
  - (a) a factoring corporation;
  - (b) an information services corporation;
  - (c) an investment counselling and portfolio management corporation;
  - (d) an income tax corporation;
  - (e) a financial leasing corporation
  - (f) a loan and investment corporation;
  - (g) a mutual fund corporation;
  - (h) a mutual fund distribution corporation;
  - (i) a real property brokerage corporation;
  - (j) a registrant;
  - (k) a body corporate that engages in two or more of the businesses or activities carried on by the bodies corporate referred to in paragraphs (a) to (j).

**PART 3  
ARRANGEMENTS**

**Purpose of arrangements**

5. Subject to this Rule, a credit union may enter into an arrangement under subsection 26(2) of the Act with a financial institution or a body corporate referred to in section 4 or a subsidiary of the credit union, for the purpose of authorizing the credit union
- (a) to act as agent for the provision of any product and service or products and services offered by the financial institution or body corporate or a subsidiary of the credit union, or
  - (b) to refer its members to the financial institution or body corporate or a subsidiary of the credit union in respect of any product and service or products and services offered by the financial institution or body corporate or a subsidiary of the credit union.

**Prior approval**

6. (1) A credit union shall not enter into an arrangement with a financial institution or body corporate referred to in section 4 or a subsidiary of the credit union without the written approval of the Superintendent.
- (2) The Superintendent shall not approve an arrangement unless the Superintendent is satisfied that
- (a) the credit union would not be exposed to excessive financial risks under the arrangement,
  - (b) the credit union is authorized under the arrangement only to act as an agent for, or to refer its members to, a financial institution or body corporate referred to in section 4 or a subsidiary of the credit union in respect of the product and service or products and services to be provided under the arrangement,
  - (c) the credit union is required under the arrangement to describe its role, in accordance with paragraph (b), in any documents or other written material provided by the credit union in respect of the product and service or products and services to be provided under the arrangement, and
  - (d) the arrangement is in accordance with the Act and this Rule in all respects.

**Disclosure to member**

7. When a credit union offers a product or service to a member under an arrangement with a financial institution or a body corporate referred to in section 4 or a subsidiary of the credit union, the credit union shall disclose the following information in writing to the member:

- (a) the identity of the financial institution or body corporate or the subsidiary of the credit union that is providing the product or service under the arrangement;
- (b) the role, as described in paragraph 6(2)(b), that the credit union will play in respect of the provision of the product or service;
- (c) where compensation is payable to the credit union in respect of the provision of the product or service, the fact that compensation is so payable and by whom; and
- (d) the nature and extent of any ownership interest the credit union or Atlantic Central has, directly or indirectly, in the financial institution or body corporate or subsidiary of the credit union.

#### **PART 4 INSURANCE**

##### **Definitions respecting authorized types of insurance**

**8. (1)** In this section

“credit or charge card-related insurance” means a policy of an insurance company that provides insurance to the holder of a credit card or charge card issued by the credit union as a feature of the card, without request and without any individual assessment of risk,

- (a) against loss of, or damage to, goods purchased with the card,
- (b) under which the insurance company undertakes to extend a warranty provided by the manufacturer of goods purchased with the card, or
- (c) against any loss arising from a contractual liability assumed by the holder when renting a vehicle, when the rental is paid for with the card; (*assurance carte de crédit ou de paiement*)

“creditor’s disability insurance” means a group insurance policy that will pay to the credit union all or part of the amount of a debt of a debtor to the credit union, in the event of bodily injury to, or an illness or disability of,

- (a) where the debtor is a natural person, the debtor or the spouse of the debtor,
- (b) a natural person who is a guarantor of all or part of the debt,
- (c) where the debtor is a body corporate, any director or officer of the body corporate, or
- (d) where the debtor is an entity other than a body corporate, any natural person who is essential to the ability of the debtor to meet the debtor’s financial obligations to the credit union; (*assurance-invalidité de crédit*)

“creditor’s life insurance” means a group insurance policy that will pay to the credit union all or part of the amount of the debt of a debtor to the credit union or, where a debt is in respect of a small business, a farm or fishery, all or part of the amount of the credit limit of a line of credit, in the event of the death of

- (a) where the debtor is a natural person, the debtor or the spouse of the debtor,
- (b) a natural person who is a guarantor of all or part of the debt,
- (c) where the debtor is a body corporate, any director or officer of the body corporate, or
- (d) where the debtor is an entity other than a body corporate, any natural person who is essential to the ability of the debtor to meet the debtor’s financial obligations to the credit union; (*assurance-vie de crédit*)

“creditor’s loss of employment insurance” means a policy of an insurance company that will pay to the credit union, without any individual assessment of risk, all or part of the amount of a debt of a debtor to the credit union in the event that

- (a) the debtor, if the debtor is a natural person, becomes involuntarily unemployed, or
- (b) a natural person who is a guarantor of all or part of the debt becomes involuntarily unemployed; (*assurance crédit en cas de perte d’emploi*)

“creditor’s vehicle inventory insurance” means a policy of an insurance company that provides insurance against direct and accidental loss or damage to vehicles that are held in stock for display and sale purposes by a debtor of the credit union, some or all of which have been financed by the credit union; (*assurance crédit pour stocks de véhicules*)

“export credit insurance” means a policy of an insurance company that provides insurance to an exporter of goods or services against a loss incurred by the exporter because exported goods or services are not paid for; (*assurance crédit à l’exportation*)

“group insurance policy” means a contract of insurance between an insurance company and a credit union that provides insurance severally in respect of a group of identifiable members each of whom holds a certificate of insurance; (*police d’assurance collective*)

“group life savings insurance” means a group insurance policy that provides insurance to each member of the credit union for an amount not greater than the amount held by the member as deposits at the time of the member’s death; (*assurance collective d’épargne payable au décès*)

“line of credit” means a commitment on the part of a credit union to lend to a debtor, without a predetermined repayment schedule, one or more amounts, where the aggregate amount outstanding does not exceed a predetermined credit limit which limit does not exceed the reasonable credit needs of the debtor; (*marge de crédit*)

“mortgage insurance” means an insurance policy that provides insurance to a credit union against loss caused by a default on the part of a debtor, who is a natural person, under a loan from the credit union that is secured by a mortgage on real property or on an interest in real property; (*assurance hypothèque*)

“small business” means a business that is, or if it were incorporated would be, a small business corporation within the meaning of subsection 248(1) of the *Income Tax Act* (Canada); (*petite entreprise*)

“travel insurance” means

- (a) a policy of an insurance company that provides insurance to a natural person in respect of a trip by the person away from the place where the person ordinarily resides, without any individual assessment of risk, against
  - (i) loss that results from the cancellation or interruption of the trip,
  - (ii) loss of, or damage to, personal property that occurs while on the trip, or
  - (iii) loss that is caused by the delayed arrival of personal baggage while on the trip, and
- (b) a group insurance policy that provides insurance to a natural person in respect of a trip by the person away from the province in which the person ordinarily resides,
  - (i) against expenses incurred while on the trip that result from an illness or the disability of the person that occurs on the trip,
  - (ii) against expenses incurred while on the trip that result from bodily injury to, or the death of, the person caused by an accident while on the trip,
  - (iii) whereby the insurance company undertakes to pay one or more sums of money in the event of an illness or the disability of the person that occurs on the trip, or of bodily injury to, or the death of, the person that is caused by an accident while on the trip,
  - (iv) against expenses incurred by the person for dental care necessitated by an accident while on the trip, or
  - (v) in the event that the person dies while on the trip, against expenses incurred for the return of that person’s remains to the place where the person was ordinarily resident before death, or for travel expenses incurred by a relative of that person who must travel to identify that person’s remains. (*assurance voyage*)

### Authorized types of insurance

- (2) For the purposes of this Rule, the following are authorized types of insurance:
- (a) credit or charge card-related insurance;
  - (b) creditor's disability insurance;
  - (c) creditor's life insurance;
  - (d) creditor's loss of employment insurance;
  - (e) creditor's vehicle inventory insurance;
  - (f) export credit insurance;
  - (g) group life savings insurance;
  - (h) mortgage insurance;
  - (i) travel insurance.

### Arrangements respecting insurance

9. (1) A credit union or a subsidiary of the credit union shall not enter into an arrangement with an insurance company except as provided in this section.
- (2) A credit union or a subsidiary of the credit union may enter into an arrangement with an insurance company under which the credit union or a subsidiary of the credit union may administer an authorized type of insurance and personal accident insurance for its members.
- (3) A credit union may enter into an arrangement with an affiliated life insurance company under which the credit union may, in addition to the activities authorized under subsection (2), refer its members directly to that company in respect of the provision of any product and service or products and services offered by that company.
- (4) Subsections (2), and (3) do not apply to a subsidiary of a credit union that is licensed as an insurer under the *Insurance Act*.

## PART 5 RESTRICTIONS

### Advice respecting insurance

10. (1) No credit union or a subsidiary of a credit union shall provide advice to its members in respect of insurance unless it is an authorized type of insurance or a service in respect of an authorized type of insurance.



- (2) Notwithstanding subsection (1), a credit union or a subsidiary of a credit union may provide advice in respect of insurance that is not an authorized type of insurance or a service in respect of an authorized type of insurance if
- (a) the advice is general in nature,
  - (b) the advice does not relate to
    - (i) a specific risk, a particular proposal in respect of life insurance or a particular insurance policy or service, or
    - (ii) a particular insurance company, agent or broker, and
  - (c) in giving that advice, the credit union or a subsidiary of the credit union does not refer its members to an insurance company, agent or broker, except an affiliated life insurance company with which the credit union has entered into an arrangement under subsection 9(3).
- (3) Subsections (1) and (2) do not apply to a credit union subsidiary that is licensed as an insurer under the *Insurance Act*.

#### **Restrictions on the promotion of an insurance company**

11. (1) No credit union or a subsidiary of a credit union shall promote an insurance company, agent or broker unless
- (a) the insurance company, agent or broker deals only in authorized types of insurance,
  - (b) the insurance company is an affiliated life insurance company with which the credit union or a subsidiary of the credit union has entered into an arrangement under subsection 9(3), or
  - (c) the promotion takes place outside the offices of the credit union or its subsidiary and is directed to
    - (i) all of the holders of credit cards or charge cards issued by the credit union or its subsidiaries to whom statements of account are sent on a regular basis,
    - (ii) all of the credit union's members or all of its subsidiary's clients who are natural persons and to whom statements of account are sent on a regular basis, or
    - (iii) the general public.

- (2) Subsection (1) does not apply to a subsidiary of a credit union that is licensed as an insurer under the *Insurance Act*.

#### **Restrictions on the promotion of an insurance policy**

12. (1) No credit union or a subsidiary of a credit union shall promote an insurance policy provided by an insurance company, agent or broker, or a service in respect of an insurance policy, unless
- (a) the policy is in respect of an authorized type of insurance or the service is in respect of such a policy,
  - (b) the policy is a personal accident insurance policy or the service is in respect of such a policy and the promotion takes place outside the offices of the credit union or its subsidiary,
  - (c) the promotion is in respect of a policy to be provided by an affiliated life insurance company with which the credit union or a subsidiary of the credit union has entered into an arrangement under subsection 9(3) and the promotion does not refer to the credit union or its subsidiary by name or otherwise, or
  - (d) the promotion takes place outside the offices of the credit union or its subsidiary and is directed to
    - (i) all of the holders of credit cards or charge cards issued by the credit union to whom statements of account are sent on a regular basis,
    - (ii) all of the credit union's members or its subsidiary's clients who are natural persons and to whom statements of account are sent on a regular basis, or
    - (iii) the general public.
- (2) Paragraphs (1)(a), (b), and (d) do not apply to a subsidiary of a credit union that is licensed as an insurer under the *Insurance Act*

#### **Exclusions from promotions**

13. A credit union or a subsidiary of a credit union shall exclude from a promotion referred to in paragraph 11(c) or 12(d) any person
- (a) in respect of whom the promotion would violate an Act of Parliament or of the legislature of a province,
  - (b) who has notified the credit union or a subsidiary of the credit union in writing that the person does not wish to receive promotional material from the credit union, or

- (c) who is a holder of a credit card or charge card that was issued by the credit union or its subsidiaries and in respect of which the account is not in good standing.

#### **Restrictions on providing information**

- 14. (1)** No credit union or a subsidiary of a credit union shall
- (a) provide, directly or indirectly, an insurance company, agent or broker with any information respecting
    - (i) a member of the credit union or a client of its subsidiary,
    - (ii) an employee of a member of the credit union or an employee of a client of its subsidiary,
    - (iii) where a member of the credit union or a client of its subsidiary is an entity with members or clients, any such member or client, or
    - (iv) where a member of the credit union or a client of its subsidiary is a partnership, any partner of the partnership, or
  - (b) permit any other financial institution or body corporate with which the credit union or its subsidiary has entered into an arrangement to provide, directly or indirectly, an insurance company, agent or broker with any information that the financial institution or body corporate receives from the credit union respecting
    - (i) a member of the credit union or a client of its subsidiary,
    - (ii) an employee of a member of the credit union or an employee of a client of its subsidiary,
    - (iii) where a member of the credit union or a client of its subsidiary is an entity with members or clients, any such member or client, or
    - (iv) where a member of the credit union or a client of its subsidiary is a partnership, any partner of the partnership.
- (2)** Subsection (1) does not apply in respect of a credit union or a subsidiary of a credit union, Atlantic Central or a loan or trust company that is a subsidiary of Atlantic Central if
- (a) the credit union or a subsidiary of the credit union, Atlantic Central or loan or trust company, as the case may be, has established procedures to ensure that the information referred to in that subsection will not be used by an insurance company, agent or broker to promote the insurance company, agent or broker or to promote an insurance policy or a service in respect of the policy, and
  - (b) the insurance company, agent or broker, as the case may be, has given a written undertaking to the credit union or to its subsidiary, to Atlantic Central or to the

loan or trust company that the information will not be used to promote the insurance company, agent or broker or to promote an insurance policy, or a service in respect of the policy.

- (3)** Notwithstanding subsections (1) and (2), a credit union or a subsidiary of a credit union may provide to an affiliated life insurance company with which it has entered into an arrangement under subsection 9(3)
- (a) the name, telephone number and address of a member of the credit union or of a client of the subsidiary, as the case may be, if the provision of that information is authorized by the member or client in writing, or
  - (b) a complete list of the names of the members of the credit union or of the clients of the subsidiary, as the case may be, and their telephone numbers and addresses.

#### **Restrictions on telecommunications devices**

- 15.** A credit union or a subsidiary of a credit union shall not provide a telecommunications device that is primarily for the use of its members, or the clients of the subsidiary, as the case may be, and that directly links a member or a client with an insurance company, agent or broker.

#### **Restrictions respecting premises**

- 16. (1)** No credit union shall carry on business in premises that are adjacent to an office of an insurance company, agent or broker unless the credit union clearly indicates to its members that the credit union and its premises are separate and distinct from the office of the insurance company, agent or broker.
- (2)** No subsidiary of a credit union shall carry on business in premises that are adjacent to an office of an insurance company, agent or broker unless the subsidiary clearly indicates to its clients that the subsidiary and its premises are separate and distinct from the office of the insurance company, agent or broker.
- (3)** Notwithstanding subsections (1) and (2), a credit union or a subsidiary of a credit union may permit an affiliated life insurance company with which it has entered into an arrangement under subsection 9(3) to carry on business on the premises of the credit union or its subsidiary if
- (a) the business of the affiliated life insurance company is conducted in an area that is reserved for this purpose and is appropriately and clearly identified by one or more signs, and
  - (b) agents employed or remunerated by the affiliated life insurance company are not present on the premises of the credit union or its subsidiary for more than fifty per cent of the regular business hours of the credit union or a subsidiary of the credit union in a calendar year.

## **Tied selling**

- 17. (1)** Where a debtor of a credit union applies for a loan, the credit union shall not impose undue pressure on or coerce the debtor, or require the debtor, as a condition of obtaining the loan, to transact additional or other business with the credit union or any other person.
- (2)** Notwithstanding subsection (1), a credit union
- (a)** may require a debtor to whom it makes a loan to maintain an account with the credit union for the purposes of making or receiving payments in respect of the loan, and
  - (b)** may offer more favourable terms than it otherwise would in respect of any loan or transaction to a debtor who obtains one or more loans or transacts additional business with the credit union.

## **PART 6 CONFIDENTIALITY**

- 18. (1)** A credit union that receives information pertaining to a member in respect of a particular transaction shall not
- (a)** communicate the information to another person, except as necessary in the course of the credit union's duty to the member arising out of that transaction or a similar subsequent transaction, or
  - (b)** use the information for a purpose other than in respect of that transaction or a similar subsequent transaction with the same member.
- (2)** Subsection (1) does not apply if
- (a)** the communication or use of the information is
    - (i)** authorized or required by an enactment or in a court proceeding, or
    - (ii)** authorized in writing by the member, or
  - (b)** subject to section 14, the credit union communicates the information
    - (i)** to a subsidiary of the credit union, to Atlantic Central, the Superintendent, the Corporation or to any wholly owned subsidiary of Atlantic Central, for its sole use in carrying out its activities, or
    - (ii)** to a financial institution or a body corporate under the terms of an arrangement in which the parties have agreed to comply with the

requirements of this section in respect of information pertaining to a member of the credit union.

**PART 7  
COMING INTO FORCE**

- 19.** This Rule comes into force on *[Insert date]*.