



Ontario

Deposit Insurance
Corporation of Ontario

Société ontarienne
d'assurance-dépôts

Annual Information Meeting

March 30, 2017

Réunion d'information annuelle

Le 30 mars 2017

Steve Blakely

Chair of the Board

Président du Conseil



DICO's Board of Directors

Conseil d'administration de la SOAD



From L to R *Top Row:* Jim Houston, Helen Young, Steve Blakely, Monique Tremblay, John Ferreira
Bottom Row: Gail Di Cintio, Carmen Rossiter, Don Dalicandro

2016 Highlights

2016 – *Faits saillants*

- ✓ All depositor funds were protected
- ✓ Maintained confidence in the sector
- ✓ Sector experienced solid growth and profitability
- ✓ Consolidation continued – down by 11 credit unions
- ✓ Continued to enhance prudential oversight processes
- ✓ Insurance fund at \$226.0 M (79 bps of insured deposits)

2016 Highlights

2016 – *Faits saillants*

Internal Initiatives

- Refreshing HR Strategy
- Internal Audit function
- Executive Compensation Framework
- Optimizing Organizational Structure

DICO Strategic Objectives

Objectifs stratégiques de la SOAD

- ❑ **Proactive and balanced regulation and risk management**
Réglementation proactive et équilibrée et la gestion des risques
- ❑ **Sound Corporate Governance**
Bonne gouvernance corporative
- ❑ **Effective Public and Stakeholder Awareness**
Sensibilisation efficace du public et des intervenants
- ❑ **Strong Partnerships**
Partenariats solides

More details are available on DICO's website

□ **Focus on Governance:**

- Consultation on Liquidity Guidance and Stress Testing and tools
- Enhancements to Director and Audit Committee Handbooks
- Expansion of applicability of ICAAP and Stress Testing guidance to CU's >\$500 million to \$1 billion
- New in-house web-based reporting tool

□ **Deposit Insurance Reserve Fund (DIRF)**

- DIRF target – 100 bps of insured deposits in 2023
- Recoveries on past claims continue

□ **CUCPA Revisions**

- Phase 1 changes submitted to government review process
- Work continues on more fulsome rewrite

□ **New Regulatory Authority**

- Prudential and solvency regulator
- Consumer protection
- Deposit insurer responsibilities separate
- Creation of secretariat to facilitate transition
- Timing still to be determined

- ❑ **Proactive risk based prudential regulation**
 - Establishing guidance and expectations
 - Examining regularly and providing feedback
 - Avoiding potential losses by intervening early
 - Assisting boards in long term strategic planning

- ❑ **Working with stakeholders**

- ❑ **Continued focus on credit union sustainability & sector stability**

Ombudsman's Report

Rapport de l'ombudsman

Beryl Roberto

DICO Ombudsman

Ombudsman de la SOAD



Guy Hubert

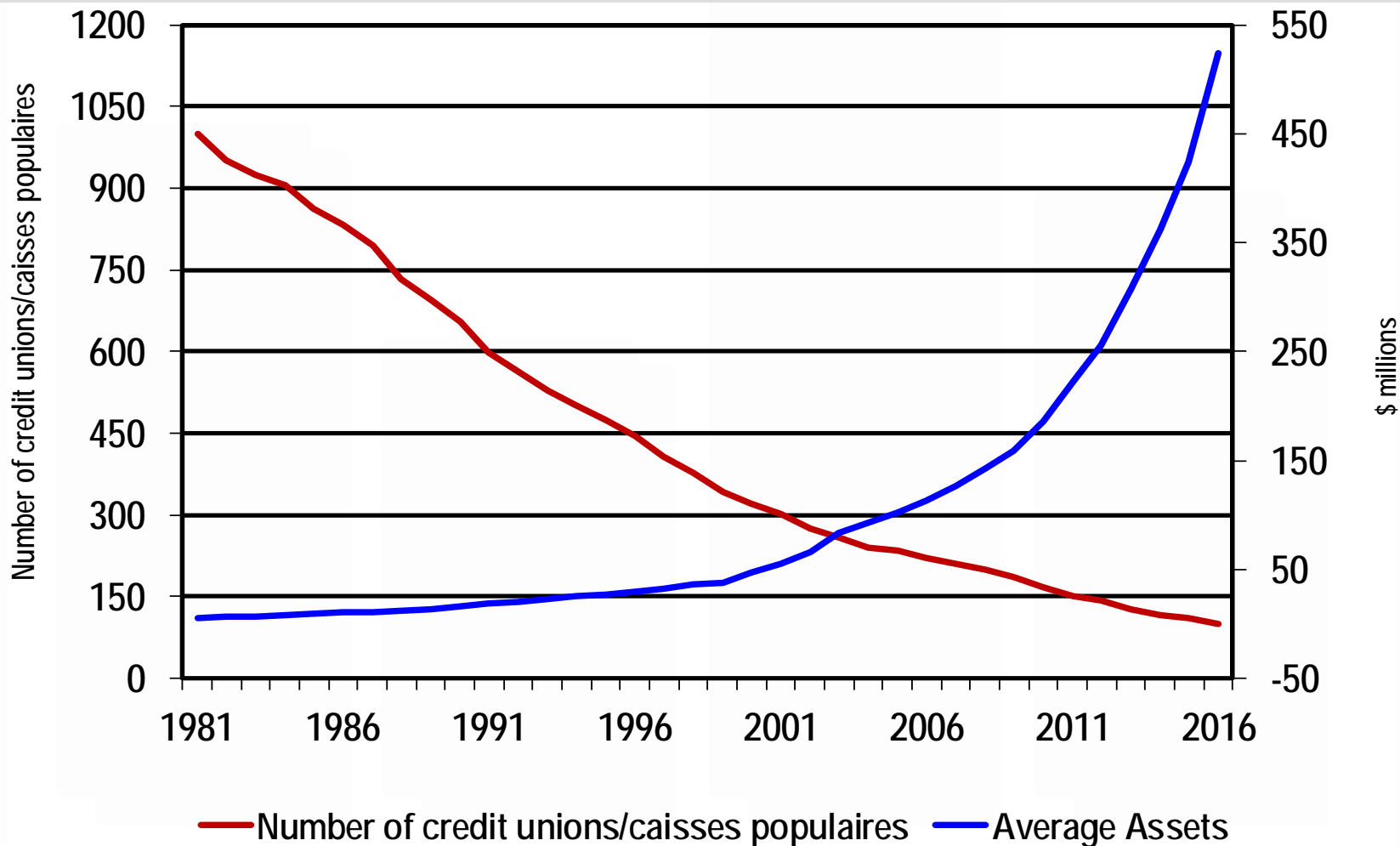
President and CEO (Acting)

*Président et chef de la direction
(Intérim)*



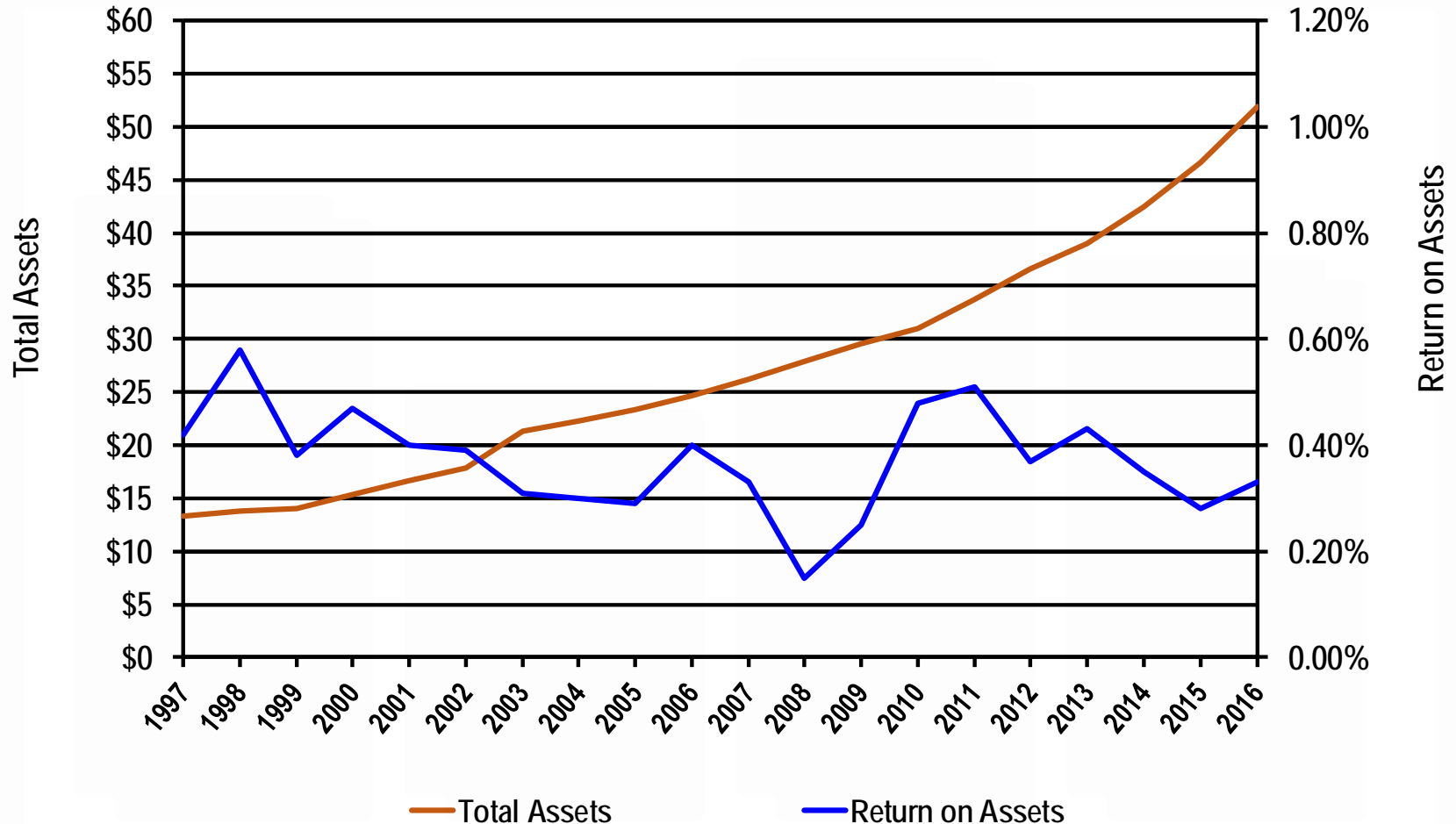
Sector Consolidation 1980 - 2016

Consolidation du secteur 1980 - 2016



Sector Performance

Rendement du secteur



Other Provinces

Autres provinces

	Number of Credit Unions/ Caisses Populaires	Assets (\$ Billions)	ROA (bps)
British Columbia	42	72.1	34
Alberta	24	24.4	49
Saskatchewan	46	21.5	66
Manitoba	35	28.3	47
Québec	300	157.8	77
Ontario	99	51.9	33

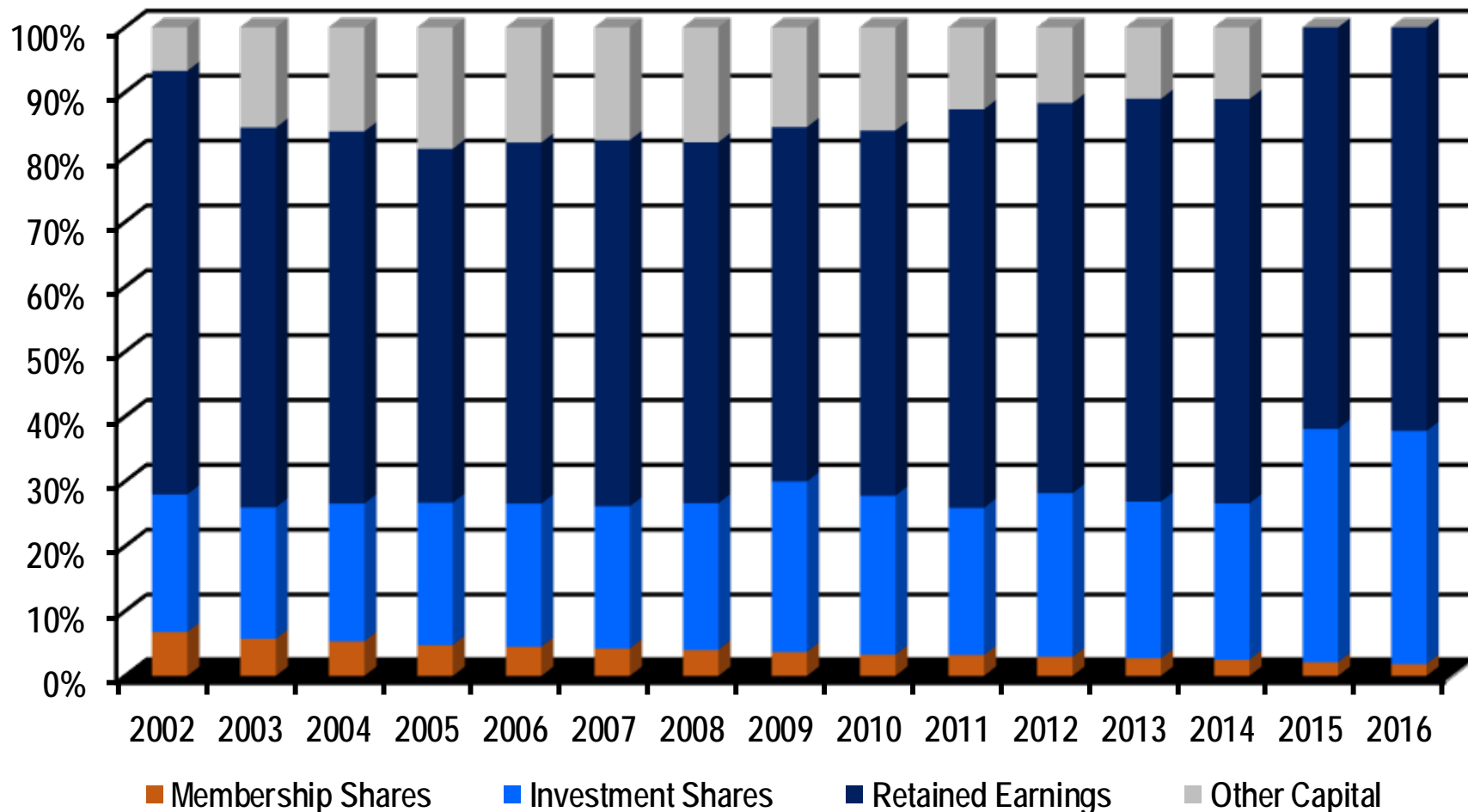
Ontario Sector Profile 4Q16

Profil du secteur de l'Ontario au 4T16

	Credit Unions	Caisses Populaires	Total Ontario
Number of Institutions	74	25	99
Assets (\$Billions)	\$ 45.1	\$6.8	\$51.9
Capital (% assets)	6.66%	9.00%	6.97%
ROA (bp % assets)	27	70	33
ROA before dividends	36	75	41
Efficiency Ratio	83.4%	67.8%	81.0%

Capital Composition 2002 - 2016

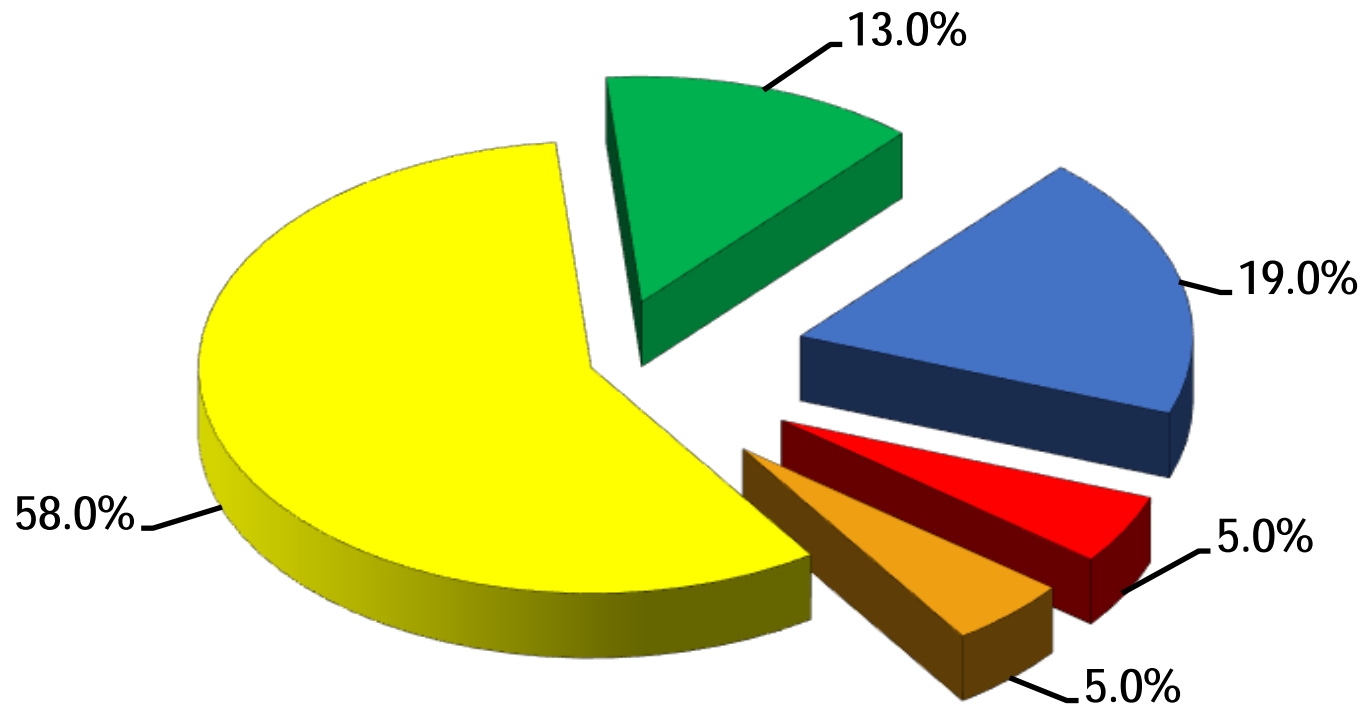
Composition du capital entre 2002 – 2016



Sector Profile by Risk Level (% of assets)

Profil du secteur selon le niveau de risque (% de l'actif)

2016



■ High

■ Moderate-High

■ Moderate

■ Low-Moderate

■ Low

Examination Findings: By-law #5

Résultats des inspections : Règl. N° 5

Governance: Board

Directors Training & Qualification

Overall Adequate

Governance: Audit Committee

Enterprise Risk Management

Overall Adequate

Internal Audit

Some Improvement Needed

Governance: Management

Commercial Lending

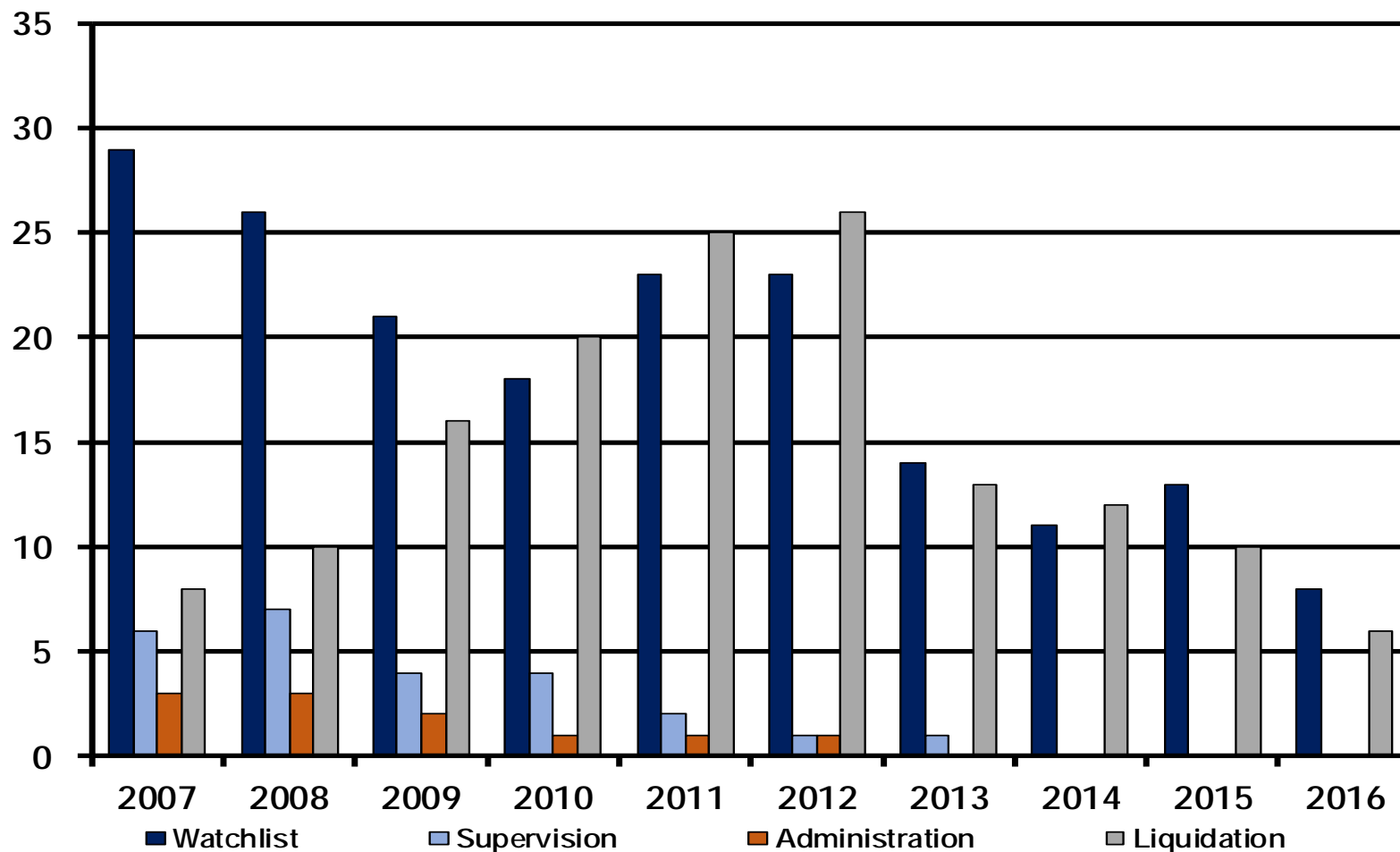
Some Improvement Needed

Capital & Liquidity management

Some Improvement Needed

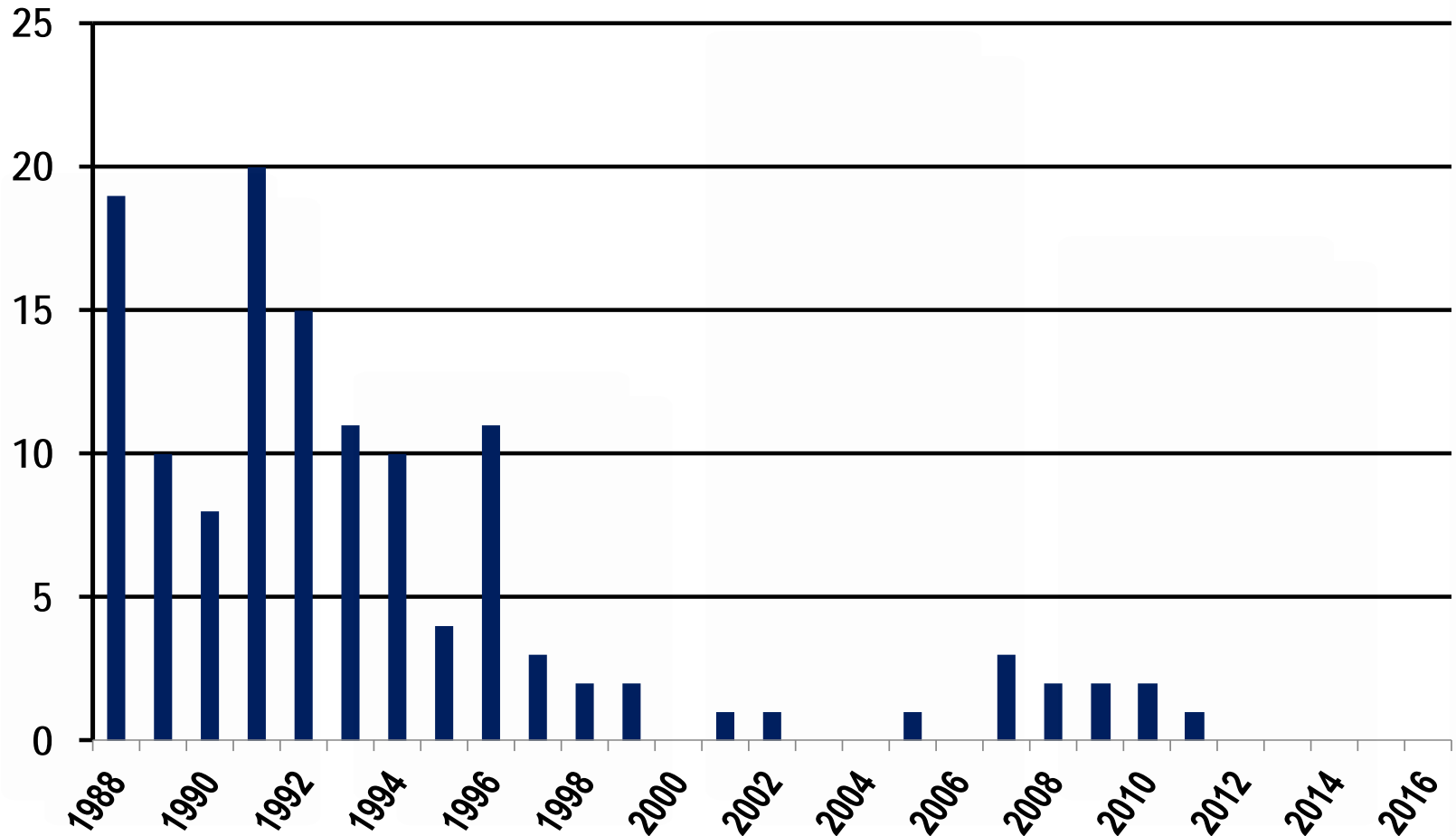
Intervention Levels by Program

Niveaux d'intervention selon le programme



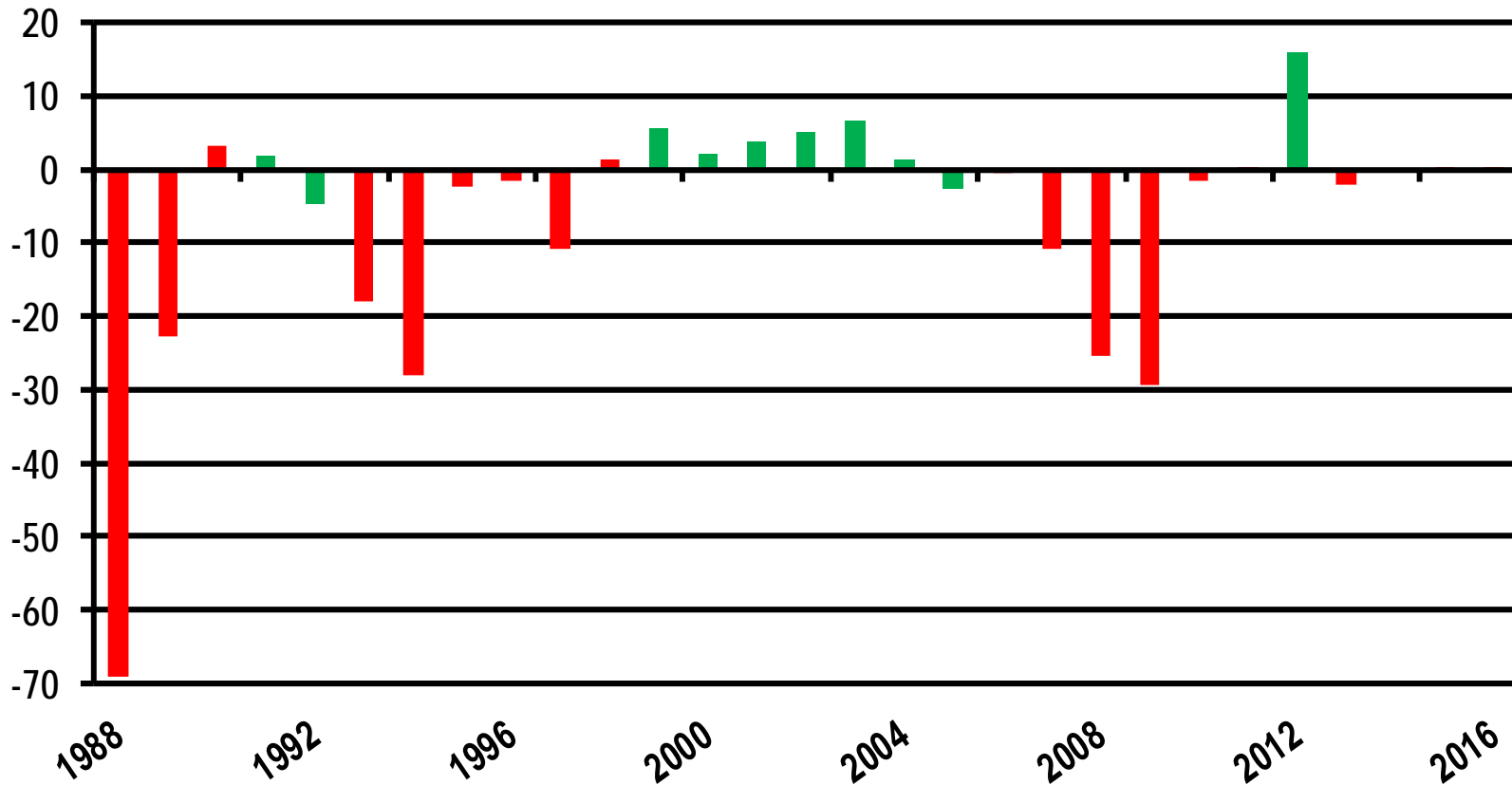
Number of Failed Credit Unions/Caisses Populaires

Nombre de faillites de caisses populaires/Credit Union



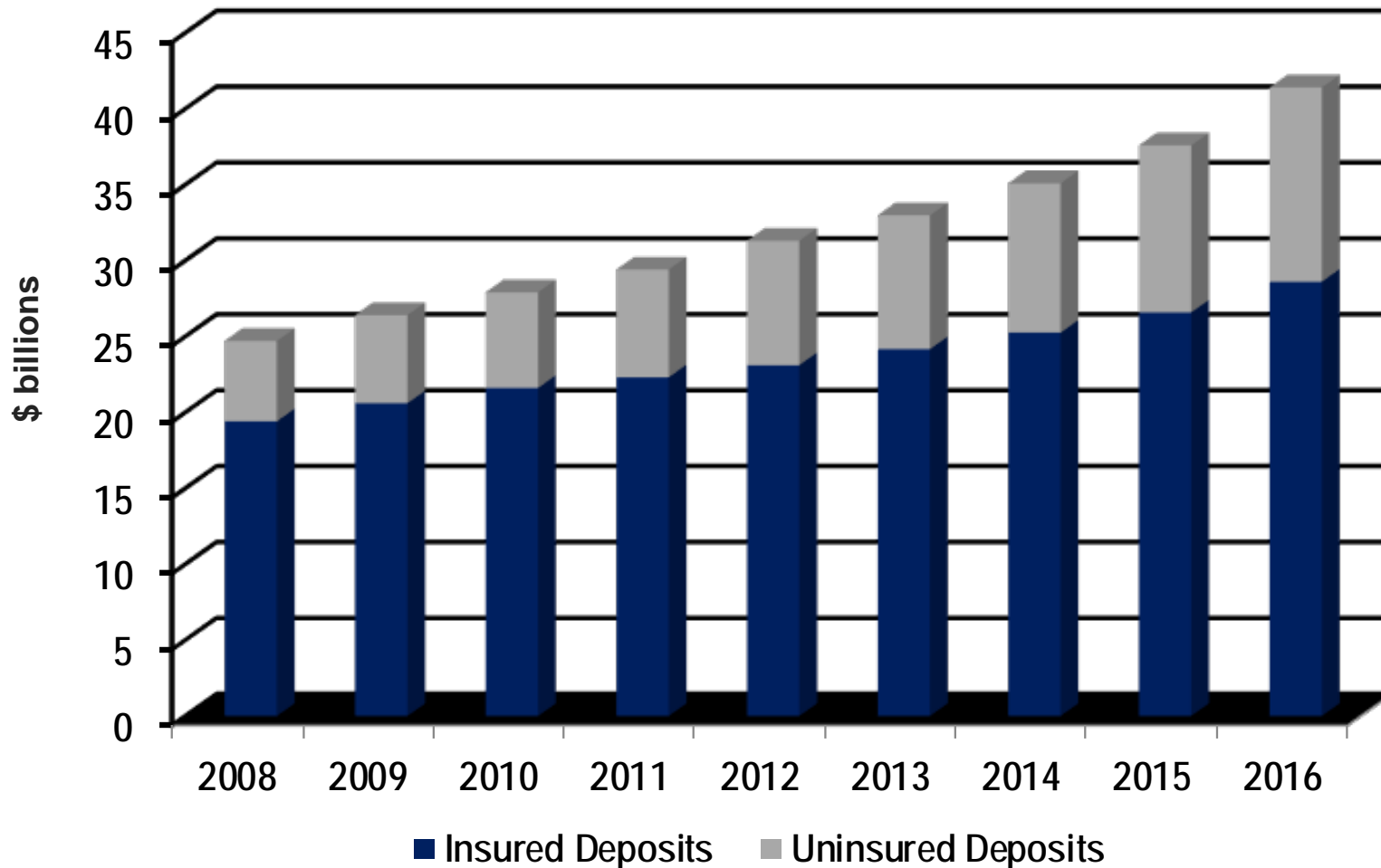
Losses to the Fund (Severity - By Year \$M)

Pertes au Fonds (Gravité - par année en millions \$)



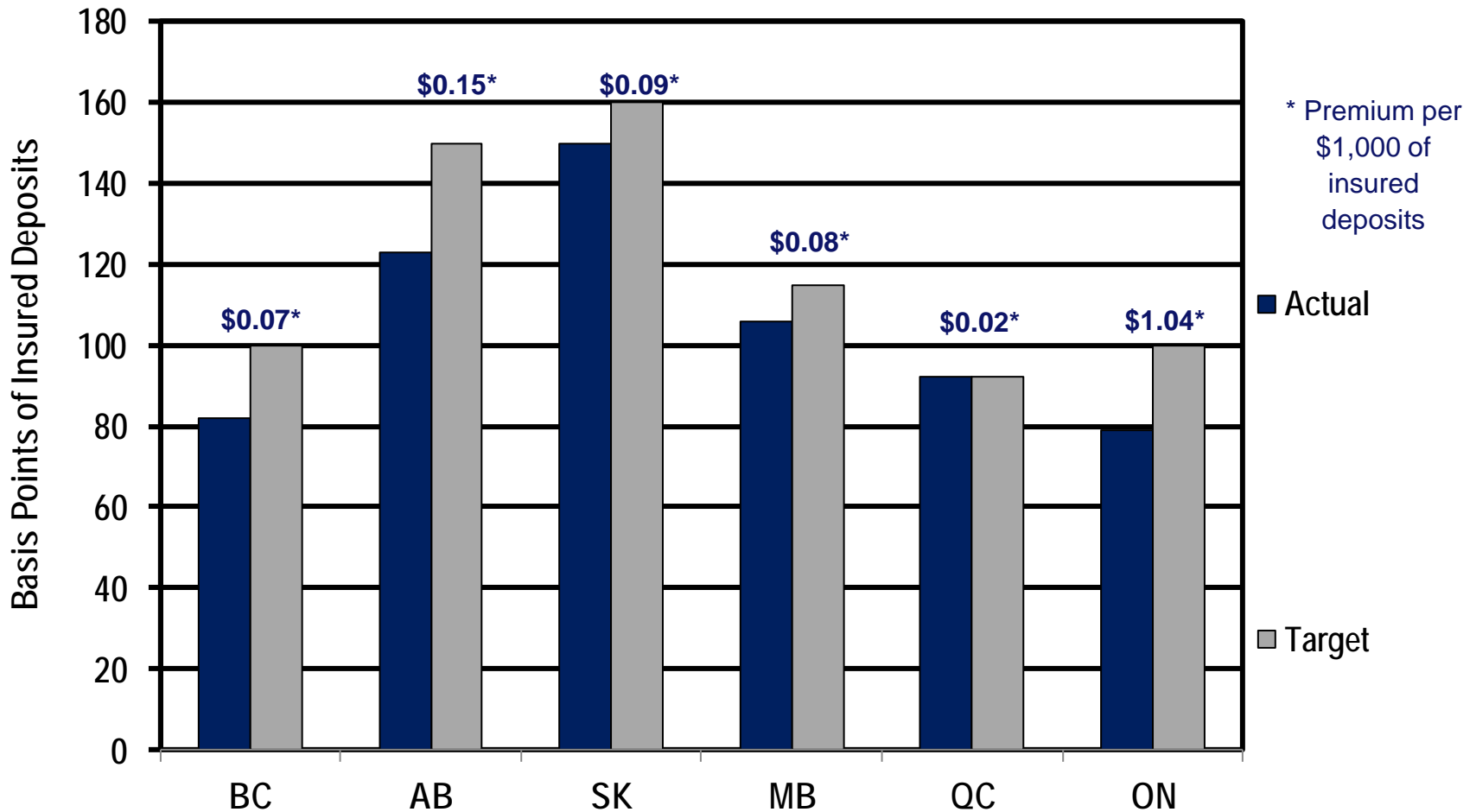
Current Deposit Profile: 2008 - 2016

Profil des dépôts : 2008 - 2016



Reserve Fund Comparison with Other Provincial Jurisdictions (Dec. 31, 2016)

Fonds de réserve : comparaison avec celui des autres provinces (31 déc. 2016)



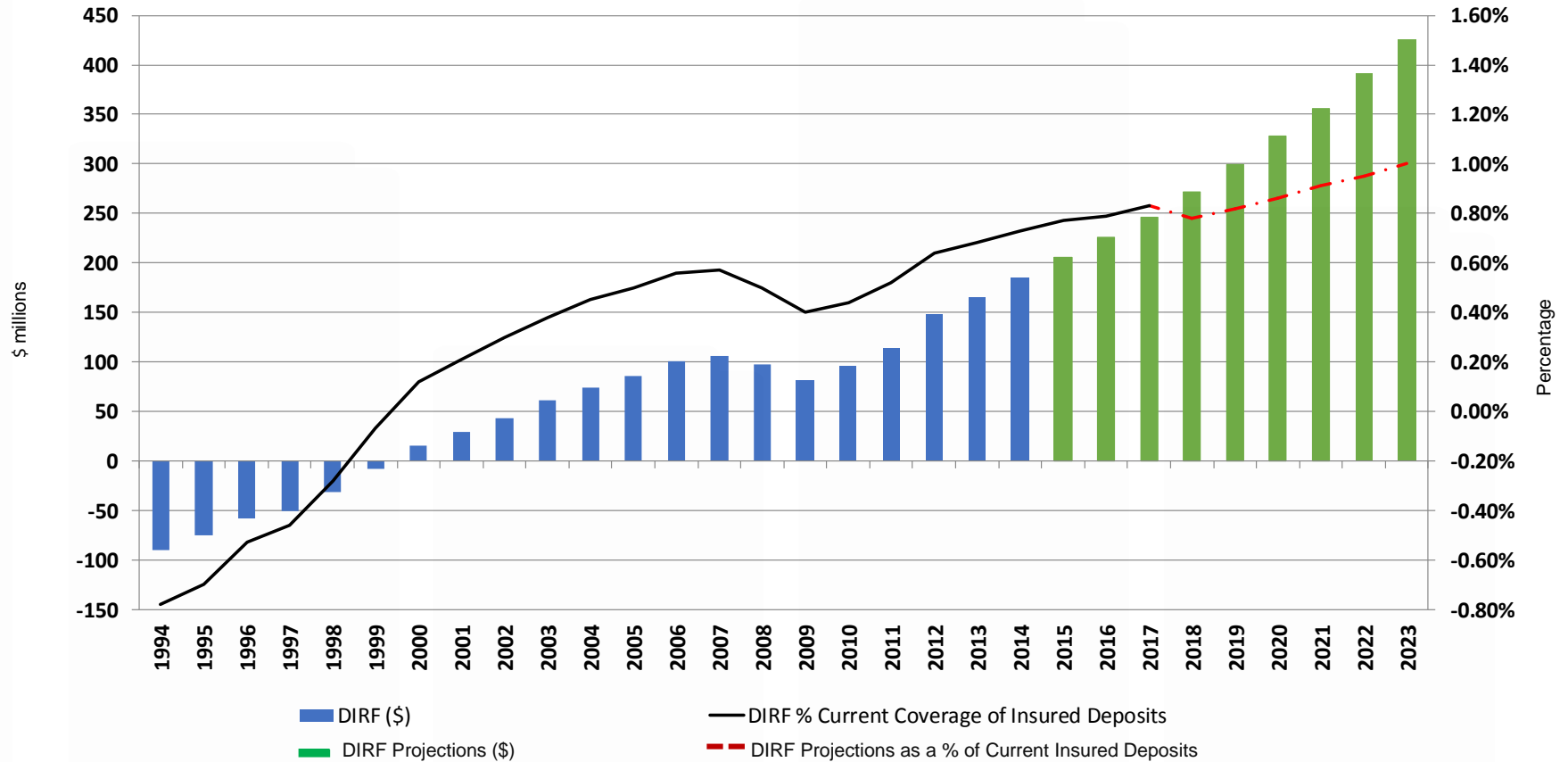
Key Strategies for 2017

Principales stratégies pour 2017

- Support the Ministry with the Legislative reviews
- Support the Financial Regulatory Services Modernization Secretariat as it works to implement transition plan
- Issue enhanced Liquidity Guidance
- Develop guidance on Securitization
- Enhance Lending Guidance and Loan Provisioning
- Revise guidance and deposit insurance materials to reflect changes to the CUCPA
- Enhance examination practices

Trend in Reserve Fund

Évolution du Fonds de réserve



□ **Legislative Review**

- Implementation: Phase 1
- Phase 2 – TBD

□ **Key Proposals**

Phase 1:

- Increase deposit insurance coverage to \$250,000 (2018)
- Permit inter-provincial credit union loan syndications
- Permit wholly owned insurance brokerages
- Remove differentiated rules for smaller credit unions

Phase 2:

- Adopt capital rules based on BASEL III principles
- Enhance corporate governance and consumer protection

□ **Mandate Review**

- Appointment of Secretariat and planning – 2017
- Appointment of Board
- Hiring of management
- Implementation – TBD

□ **Key Preliminary Proposals**

- Integrated single regulatory agency – Financial Services Regulatory Authority (FSRA)
- Distinct functions – market conduct, pensions and prudential regulation for all Ontario financial services
- DICO's prudential regulatory functions transferred to FSRA
- Deposit insurance stays with DICO

Steve Blakely

Chair of the Board

Président du Conseil



Closing Remarks

Remarques de clôture

Steve Blakely

Chair of the Board

Président du Conseil



Thank you.

Merci.