

APPLICATIONS

(Note Links underlined in Blue)

Applications

In accordance with the Credit Unions and Caisses Populaires Act (the “Act”), a credit union must apply to DICO for approval of any of the following transactions:

- [Group Capital Agreement: Section 84 of the Act](#)
- [Borrow from another Credit union: Section 188 of the Act](#)
- [Acquire or establish a subsidiary: Subsection 200 \(1\)](#)
- [Invest in another Credit Union: Subsection 201.1 \(1\)](#)
- [Asset Purchase or Sale in excess of 15% of the assets of the credit union: Subsection 204\(5\)](#)

All applications must be supported by appropriate documentation and submitted for approval prior to the completion of the contemplated transaction.

Service Standard

DICO will acknowledge all applications within 5 days of receipt. DICO will communicate its decision to the applicant within 30 days after receipt of all required documentation (90 days for an application for approval of a Group Capital Agreement).

GROUP CAPITAL AGREEMENT
Section 84 of the Act

Section 84 of the Act requires each credit union to maintain adequate and appropriate forms of capital.

Under subsection 84(3) of the Act, two or more credit unions may enter into an agreement with a league for the purposes of satisfying the requirements for capital adequacy subject to the Regulations and with the approval of DICO.

Application

An application for group capital must include the following supporting documentation:

- Copy of proposed group capital agreement
- Copy of by-laws of group participants
- Business case and supporting rationale for group capital including purpose and benefit to the credit union, members and shareholders as applicable

The business case must include three year projections for each institution and the league for each of the following items:

- Total assets
- Total risk weighted assets
- Total loans
- Regulatory capital (\$ amount and %)

Where capital is projected to decline below the regulatory minimum for any institution during this period, full details of the source, timing, nature and level of recapitalization is required.

Criteria

DICO will consider and may approve an application for group capital where:

- The group capital agreement must satisfy the requirements of the Regulations and provides that:
 - The league will invest sufficient monies in a credit union within 30 days after an order is issued under section 86 (1) so that a credit union satisfies the capital requirements of section 84
 - The credit unions that are in the group agree to jointly and severally indemnify the league for the amount invested in a credit union to satisfy the capital requirements of section 84
 - A credit union can withdraw from the group only upon eighteen months notice and only if all the credit unions in the group have satisfied the capital requirements of section 84 for the 12 months preceding the withdrawal
- The group capital agreement contains a satisfactory implementation plan and recapitalization plan
- The by-laws of each participant in the group authorize participation in the group and includes an indemnity to the league for any amounts invested under the terms of the agreement
- The league is not subject to an order under subsection 279 (1) or 294 (1) of the Act
- The league has satisfied the conditions of any order of DICO issued under subsection 85 (4), 86(1), 187 (1), 189 (4), 191 (2), 197.0.1 (1), 200 (1), 200 (2), 200 (3), 200 (4), 200 (5), 201.1 (2), 202.1 (1), 204 (7), 231 (2), 234 (1), 235 (1) or 240 (1) of the Act.
- There are no circumstances that are likely to result in any unacceptable increase in risk to DICO

Evidence

DICO will review evidence that constitutes a reasonable basis when considering an application for approval of group capital including:

- Financial performance and condition as reported by credit unions in the group
- Audited financial statements
- Results of an Examination

Service Standard

An application for group capital will be acknowledged within 5 business days of receipt.

DICO will communicate its decision to the applicant in writing within 90 business days of receipt of the application.

Non-Approval

Where an application for group capital is not approved by DICO, comprehensive supporting rationale will be provided to the applicants.

REVOKE APPROVAL OF A GROUP CAPITAL AGREEMENT

Section 84(4)

Under subsection 84(4) of the Act, DICO's approval of a group capital agreement may be revoked on a prescribed ground by an Order of DICO.

Criteria

DICO may revoke its approval of a group capital agreement in any of the following circumstances:

- The League fails to recapitalize any member of the group capital agreement within 30 days after an Order is issued to the member requiring it to do so
- The League fails to comply with any other Order of DICO issued under subsection 85 (4), 86(1), 187 (1), 189 (4), 191 (2), 197.0.1 (1), 200 (1), 200 (2), 200 (3), 200 (4), 200 (5), 201.1 (2), 202.1 (1), 204 (7), 231 (2), 234 (1), 235 (1) or 240 (1) of the Act.
- The League is subject to an Order under subsection 279 (1) or 294 (1) of the Act.

Where the league fails to recapitalize any member of the group capital agreement within 10 business days, DICO will issue an Order against the group member under 86 (1) (a) of the Act to comply with minimum capital requirements within 30 days.

Notice will be provided to the league specifying that not complying with the terms of the group capital agreement requiring the league to recapitalize the member within 30 days of an Order is a prescribed ground for revoking the agreement. A copy of the notice will be provided to each credit union in the group.

Evidence

Evidence of non-compliance with the requirements will be dependent on the prescribed grounds of the Order. Where the league fails to recapitalize the member of the group, DICO will rely upon the most current financial statements for the periods concerned.

Order

Where DICO revokes its approval of a group capital agreement it shall do so by an Order pursuant to subsection 84(5) and provide comprehensive supporting rational and evidence to the each union and league. An Order issued pursuant to subsection 84(5) is subject to the provisions outlined in 240.1 - 240.5 which include the right of appeal.

BORROW FROM ANOTHER CREDIT UNION

Section 188 of the Act

Under section 188 of the Act, a credit union may not borrow from another credit union without the written approval of DICO.

Application

An application to borrow from another credit union must include the following supporting documentation:

- Board resolution authorizing the borrowing
- Business case and full supporting rationale for the loan including:
 - Purpose, amount and term of the loan
 - Benefit to the credit union, members and shareholders as applicable
 - amount and term of loan
 - Nature and valuation of security including independent qualified appraisal where appropriate
 - Business plan and budget for current financial year
 - Financial projections indicating the impact to the credit union's capital and liquidity for the term of the loan
 - Impact on growth and viability with/without borrowing for the term of the loan
 - Alternative funding options, such as investment share capital or asset sale

Criteria

DICO will consider and may approve an application for approval to borrow from another credit union where:

- The credit union can demonstrate that the proposed borrowing is in the best interests of the members of the credit union;
- The loan has been approved by the credit union's Board of directors;
- The terms and security are appropriate for its purpose;
- The loan will not result in any unacceptable increase in risk to the credit union or DICO;
- The credit union has sufficient capacity to repay the loan in accordance with its terms; and
- The credit union is in full compliance with all sections of the Act and Regulations, DICO By-law #5 and any conditions of deposit insurance

Evidence

DICO will review evidence that constitutes a reasonable basis when considering an application to borrow from another credit union including:

- Financial performance and condition as reported by the credit union
- Audited financial statements
- Results of an Examination

Service standard

An application to borrow from another credit union will be acknowledged within 5 business days of receipt.

DICO will communicate its decision to the applicant in writing within 30 business days after all required information has been received.

Non-Approval

Where an application to borrow from another credit union is not approved by DICO, comprehensive supporting rationale will be provided to the applicant.

ACQUIRE OR ESTABLISH A SUBSIDIARY

Subsection 200(1)

Under subsection 200(1) of the Act, a credit union may establish or acquire a prescribed subsidiary only with the approval of DICO subject to such conditions as may be imposed by Order.

Application

Applications to acquire or establish a prescribed subsidiary must include the following supporting documentation:

- Board Resolution authorizing the investment
- Undertaking to provide financial statements of the subsidiary and access to any other information as required by DICO
- Business case and full supporting rational including:
 - Purpose of subsidiary
 - Benefits and risks to the credit union members and shareholders as applicable
 - Amount of investment
 - Nature and extent of business activities of the subsidiary
 - Management expertise of subsidiary
 - Qualified third party valuation supporting purchase price (acquisition)
 - Cost/benefit analysis of proposed transaction
 - Financial projections of the subsidiary for first/next three years
 - Financial projections of credit union for next three years
 - Impact on capital and liquidity
 - Business plan and budget for current financial year

Criteria

DICO will consider and may approve an application to acquire or establish a subsidiary where:

- The credit union can demonstrate that it will be in the best interests of the members and shareholders of the credit union;
- The investment will not result in any unacceptable increase in risk to the credit union or DICO;
- The credit union is in full compliance with all sections of the Act and Regulations, DICO By-law #5 and any conditions of deposit insurance; and
- The acquisition or establishment of the subsidiary is not considered to be primarily for the purpose of allowing the credit union to avoid limits under the Act and Regulations on its investments.

Evidence

DICO will review evidence that constitutes a reasonable basis when considering an application for approval to acquire or establish a subsidiary including:

- Financial performance and condition as reported by the credit union
- Audited financial statements
- Results of an Examination

Service standard

An application to acquire or establish a prescribed subsidiary will be acknowledged within 5 business days of receipt.

DICO will communicate its decision to the applicant in writing within 30 business days after all required information has been received.

Order (Non-Approval or Conditions of Approval)

Where an application to acquire or establish a prescribed subsidiary is not approved by DICO or DICO imposes conditions to its approval, it shall do so by Order pursuant to subsection 200(3), 200(4) or 200(5) of the Act and provide comprehensive supporting rational and evidence to the credit union.

An Order issued pursuant to subsection 200(3), 200(4) and 200(5) is subject to the provisions outlined in 240.1 – 240.5 which include the right of appeal.

INVEST IN ANOTHER CREDIT UNION
Subsection 201.1 (1) of the Act

Under subsection 201.1(1) of the Act, a credit union shall not invest in another credit union without the approval of DICO.

Application

Applications for an investment in another credit union must include the following supporting documentation:

- Board resolution authorizing the investment
- Investment Policy
- Investment Board Report for latest board meeting
- Business case and full supporting rationale for the loan including:
 - Amount, term and nature of the investment including redemption features and stated investment yield
 - Benefit to the credit union, members and shareholders as applicable
 - Business plan and budget for current financial year
 - Financial projections indicating the impact to the credit union's capital and liquidity for the anticipated term of the investment

Criteria

DICO will consider and may approve an application to invest in another credit union where:

- The credit union can demonstrate that it will be in the best interests of the members of the credit union;
- The investment has been approved by the Board of directors;
- The purpose of the investment is to provide short term funding to another credit union where other funding means are not appropriate;
- The investment will not result in any unacceptable increase in risk to the credit union or DICO;
- The credit union has adequate capital and liquidity, and
- The credit union is in full compliance with all sections of the Act and Regulations, DICO By-law #5 and any conditions of deposit insurance

Evidence

DICO will review evidence that constitutes a reasonable basis when considering an application for approval of an investment in another credit union including:

- Financial performance and condition as reported by the credit union
- Audited financial statements
- Results of an Examination

Service standard

An application to invest in another credit union will be acknowledged within 5 business days of receipt.

DICO will communicate its decision to the applicant in writing within 30 business days after all required information has been received.

Order (Non-Approval)

Where an application for approval to invest in another credit union not approved by DICO, it shall do so by Order pursuant to subsection 201.1(2) and provide comprehensive supporting rational and evidence to the credit union.

An Order issued pursuant to subsection 201.1 (2) is subject to the provisions outlined in 240.1 – 240.5 which include the right of appeal.

**REVOKE APPROVAL TO ACQUIRE OR ESTABLISH A
PRESCRIBED SUBSIDIARY
Subsection 200(5) of the Act**

Under subsection 200(5) of the Act, DICO may revoke its approval to acquire or establish a prescribed subsidiary.

Criteria

DICO shall issue an Order to revoke its approval to acquire or establish a subsidiary when it has obtained satisfactory evidence that one or more of the following criteria has been met:

- The credit union has failed to comply with the conditions of approval imposed by DICO
- The credit union does not comply with the restrictions on subsidiaries set out in the Act and Regulations
- The activities of the subsidiary is no longer considered substantially similar to a prescribed subsidiary

Evidence

DICO will consider evidence that constitutes a reasonable basis for revoking the approval to acquire or establish a subsidiary including:

- Financial performance and condition as reported by the credit union
- Audited financial statements
- Results of an Examination

Order

Where DICO revokes its approval to acquire or establish a prescribed subsidiary it shall do so by Order pursuant to subsection 200(5) and will provide comprehensive supporting rationale and evidence to the credit union.

An Order issued pursuant to subsection 200(5) is subject to the provision outlined in 240.1 – 240.5 which include the right of appeal.

**ASSET PURCHASE OR SALE IN EXCESS OF 15% OF THE
ASSETS OF THE CREDIT UNION
Subsection 204(5) of the Act**

Under subsection 204(5) of the Act, a credit union may not proceed with an asset purchase or sale where the market value of the assets represent 15% or more of the value of the credit union's assets unless there is an agreement that has been approved by DICO.

Application

Applications to approve an agreement for the purchase or sale of assets must include the following supporting documentation:

- Valid purchase and sale agreement, including terms and conditions of the transaction and appropriate valuation of assets, etc.
- Required authorizations (e.g. Board approvals, by-law requirement satisfied, special resolution where appropriate)
- Audited financial statements for both the vendor and the purchaser
- Current interim financial statements for both the vendor and the purchaser
- If applicable, merger plan with proposed dates for each step of the process and financial projections (3-years) for merged entity
- Business case and full supporting rationale including:

Purchasing Credit Union

- Strategic plan
- Business plan and budget incorporating proposed purchase
- Cost/benefit analysis of proposed purchase
- Type, valuation and quality of assets to be purchased
- Valuation methodology and source
- Commercial loan concentration schedule incorporating purchased assets
- Commercial loan risk rating of purchased assets if applicable
- Delinquency schedule of purchase assets if applicable

Selling Credit Union (only if assets are NOT sold to another credit union)

- Strategic plan
- Business plan and budget incorporating proposed purchase
- Cost/benefit analysis of proposed purchase
- Type, valuation and quality of assets to be purchased
- Valuation methodology and source

Criteria

DICO will consider and may approve an agreement for the purchase or sale of assets where:

- The credit union can demonstrate that the purchase or sale is in the best interests of members and shareholders;
- The financial condition and performance of the purchaser is satisfactory;
- The credit union has undertaken appropriate due diligence in determining the valuation of assets to be purchased or sold;
- The consideration represents fair value based on the quality of assets involved;
- The purchaser is in full compliance with all sections of the Act and Regulations, DICO By-law #5 and any conditions of deposit insurance; and
- The purchase or sale will not result in any unacceptable increase in risk to the credit union or DICO

Evidence

DICO will consider evidence that constitutes a reasonable basis for the approval of an agreement for the purchase or sale of assets including:

- Financial performance and condition as reported by the credit union
- Audited financial statements
- Results of an Examination

Service standard

An application for approval of an agreement for the purchase and sale of a credit union's assets will be acknowledged within 5 business days.

DICO will communicate its decision to the applicant regarding approval within 30 business days after all required information has been received.

(Order) Non-Approval

Where an application to approve an agreement for the purchase or sale of a credit union's assets is not approved by DICO, it shall do so by Order pursuant to subsection 204(7) and provide comprehensive supporting rationale to the applicant.

An Order issued pursuant to subsection 204(7) is subject to the provisions outlined in 240.1 - 240.5 which includes the right of appeal.