



**Notice pursuant to the *Disclosure on Continuance Regulations (Federal Credit Unions)***

**Date:** October 17, 2016

**To:** Members of Coast Capital Savings Credit Union

From October 17, 2016 to November 28, 2016, the members of Coast Capital Savings Credit Union (“Coast Capital Savings”) will vote on a special resolution to authorize Coast Capital Savings to make an application to become a federal credit union. Members of Coast Capital Savings are encouraged to reflect on the information in this Notice when considering their vote. Votes can be submitted during the voting period using one of the voting methods available.

In accordance with the *Disclosure on Continuance Regulations (Federal Credit Unions)* (the “Regulations”), this Notice is provided to inform Coast Capital Savings members of changes to deposit insurance coverage that would apply to their deposits held with Coast Capital Savings in the event that Coast Capital Savings becomes a federal credit union and, on that same day, a member of Canada Deposit Insurance Corporation (“CDIC”).

Deposit insurance automatically applies to eligible deposits held at financial institutions that are members of deposit insurance protection agencies. It protects depositors’ savings in case of financial institution failure.

Deposits held with Coast Capital Savings are currently insured by the Credit Union Deposit Insurance Corporation (“CUDIC”), which insures deposits held at credit unions incorporated in British Columbia. If Coast Capital Savings becomes a federal credit union, it will automatically become a member of CDIC and CUDIC deposit insurance

coverage will cease to apply. CDIC insures deposits held by its member institutions, which include banks, federal credit unions, trust and loan companies, and retail associations.

**What is covered in this Notice**

In accordance with the Regulations, this Notice includes the following:

- **Continuation day:** information about the day on which current CUDIC deposit insurance coverage for deposits held with Coast Capital Savings would end and CDIC deposit insurance coverage would begin;
- **Current CUDIC deposit insurance coverage:** a description of the CUDIC coverage that currently applies to deposits held with Coast Capital Savings;
- **Transitional CDIC coverage:** a description of the CDIC coverage that would apply during the transition period to pre-existing deposits held with Coast Capital Savings; and
- **Standard CDIC coverage:** a description of the CDIC coverage that would apply after the transition period to deposits held with Coast Capital Savings and how this coverage differs from the pre-continuance CUDIC deposit insurance coverage applicable to Coast Capital Savings.

Additional information has been provided to Coast Capital Savings members regarding the special resolution to authorize an application to become a federal credit union and the changes to deposit insurance that would result from becoming a federal credit union. This information is also available at any Coast Capital Savings branch and the Coast Capital Savings Web site: [www.coastcapitalsavings.com/vote](http://www.coastcapitalsavings.com/vote). The information includes examples to help members understand the changes to deposit insurance coverage.

**Important qualifications**

The information included in this Notice is current as of the date of this Notice. Deposit insurance coverage offered by CUDIC and/or CDIC may change in the future.

The publication of this Notice and a positive vote by the members of Coast Capital Savings to apply to become a federal credit union do not guarantee that approval will be granted by Canada's Minister of Finance and other regulatory bodies or that becoming a federal credit union will occur on the dates referenced in this Notice or in any other document or that it will occur under the conditions stated in this Notice or in any other document.

**Continuation day**

The continuation day is the date that Coast Capital Savings would become a federal credit union, as indicated in the letters patent issued by Canada's Minister of Finance granting Coast Capital Savings' continuance. On that same day, Coast Capital Savings would become a member of CDIC, CUDIC deposit insurance coverage would end and CDIC deposit insurance coverage would begin.

**Current CUDIC deposit insurance coverage**

Until the continuation day, the full amount of deposits held with Coast Capital Savings is insured by CUDIC as described in Table 1.

**Table 1: CUDIC deposit insurance coverage**

	Deposits Held in One Name	Deposits in a Trust Account	Deposits in an RRSP	Deposits in an RRIF	Deposits in a TFSA	Deposits in More Than One Name (Joint Deposits)
<b>Deposits fully insured</b>						
Savings accounts (including foreign currency deposits)	✓	✓	✓	✓	✓	✓
Chequing accounts (including foreign currency deposits)	✓	✓	N/A	N/A	N/A	✓
GIC and other term deposits (including foreign currency deposits, and irrespective of term to maturity)	✓	✓	✓	✓	✓	✓
Non-equity shares and declared but unpaid dividends on such shares	✓	✓	✓	✓	✓	✓
Money orders, certified cheques, traveller's cheques, debentures, bank drafts and prepaid letters of credit in respect of which a credit union is primarily liable	✓	✓	N/A	N/A	N/A	✓

**What is NOT covered by CUDIC deposit insurance:**

(1) membership shares issued by a credit union; (2) equity shares issued by a credit union; (3) shares issued by other corporations; (4) mutual funds; (5) bonds, notes, treasury bills, and debentures issued by governments or corporations; (6) money orders, certified cheques, traveller's cheques, debentures, drafts, and prepaid letters of credit in respect of which a credit union is not primarily liable; and (7) principal protected notes.

### **Transitional CDIC coverage**

Starting on the continuation day, deposit insurance coverage for deposits held with Coast Capital Savings would be covered by CDIC so long as deposits are eligible for CDIC coverage. CUDIC deposit insurance would no longer apply, including to those deposits not eligible for CDIC coverage.

**A transition period would begin** on the continuation day. During this transition period, any “pre-existing deposits” – deposits that were made with Coast Capital Savings before it became a federal credit union and that remain outstanding on the continuation day – would be insured by CDIC to the same extent as the current CUDIC deposit insurance coverage described above. During this period CDIC deposit insurance coverage would not apply to:

- deposits in a foreign currency or that are payable outside Canada;
- deposits in respect of which the Government of Canada is a preferred claimant; and
- investments in non-equity shares and declared but unpaid dividends on those shares (Coast Capital Savings’ Class P non-equity shares are the only non-equity shares issued by Coast Capital Savings that are outstanding on the date of this Notice).

### **The transition period would end:**

- 180 days after the continuation day, in the case of pre-existing demand deposits; and
- on the date of maturity, in the case of a pre-existing deposit that is to be repaid on a fixed day (i.e., a term deposit or a GIC).

For example, and bearing in mind the above-noted exceptions to CDIC coverage, if the continuation day was January 1, 2018, any eligible pre-existing deposit that is not for a fixed period would have unlimited coverage until June 29, 2018, inclusive, minus any amount withdrawn from the eligible pre-existing deposits during this period. Any eligible pre-existing deposit that is for a fixed term, bearing in mind the above-noted exceptions to CDIC coverage, would have unlimited coverage until the end of that fixed term.

The CDIC transitional coverage does not apply to deposits that are made with Coast Capital Savings on or after the continuation day. During the transition period, these deposits would be treated as separate deposits from any pre-existing deposits and would be covered in accordance with the CDIC standard deposit insurance coverage that is described in the next section.

Once the transition period ends, the CDIC standard deposit insurance coverage that is described in the next section would apply to all eligible deposits with Coast Capital Savings. For the purpose of determining deposit insurance coverage per insurance category, eligible pre-existing deposits would be combined with eligible deposits made on or after the continuation day.

### **Standard CDIC coverage**

CDIC’s standard deposit insurance coverage would apply to all eligible deposits that are made with Coast Capital Savings after the continuation day. This is the same deposit insurance coverage that applies to all CDIC member institutions.

There are certain differences between the deposit insurance coverage provided by CDIC and CUDIC:

- **Coverage limit:** CDIC provides deposit insurance coverage for all eligible deposits up to a maximum amount of \$100,000 for each of the categories, in each of its member institutions (please refer to Table 2 located below). This means that, if you have deposits in more than one category, you will be insured for up to \$100,000 in each of those categories, for each CDIC member institution. CUDIC provides deposit insurance for the full amount of the deposits.
- **Term deposits or GICs with a term exceeding five years:** CDIC’s standard deposit insurance coverage does not protect deposits that have a term of more than five years. For example, coverage is available for a five-year term deposit but not for a seven-year term deposit. CUDIC provides coverage for deposits regardless of the length of any fixed repayment period.

**Table 2: CDIC standard deposit insurance coverage**

	Deposits Held in One Name	Deposits in a Trust Account	Deposits in an RRSP	Deposits in an RRIF	Deposits in a TFSA	Deposits Held for Paying Realty Taxes on Mortgaged Property	Deposits in More Than One Name (Joint Deposits)
<b>Deposits insured up to \$100,000 (principal and interest combined), per category listed above. Must be in Canadian currency and payable in Canada.</b>							
Savings accounts	✓	✓	✓	✓	✓	✓	✓
Chequing accounts	✓	✓	N/A	N/A	N/A	N/A	✓
GIC and other term deposits (with original terms to maturity of five years or less)	✓	✓	✓	✓	✓	N/A	✓
Money orders, certified cheques, traveller's cheques, bank drafts and prepaid letters of credit in respect of which a CDIC member institution is primarily liable	✓	✓	N/A	N/A	N/A	N/A	✓
Debentures issued as proof of deposit for CDIC member institutions (other than banks)	✓	✓	✓	✓	✓	N/A	✓

- **Deposits in foreign currencies:** CDIC does not provide deposit insurance coverage for any deposits in a foreign currency or any deposits that are payable outside Canada. This is different from the deposit insurance provided by CUDIC, which covers all deposits regardless of currency.
- **Government of Canada as a preferred claimant:** CDIC does not provide deposit insurance coverage for deposits in respect of which the Government of Canada is a preferred claimant. No such restriction is expressed in respect of CUDIC deposit insurance.
- **Investments in non-equity shares:** CDIC does not provide deposit insurance coverage for money invested in non-equity shares. CUDIC provides insurance coverage for money invested in non-equity shares and dividends declared on such shares that have not been paid. Coast Capital Savings' Class P non-equity shares are the only non-equity shares issued by Coast Capital Savings that are outstanding on the date of this Notice. For clarity, Coast Capital Savings' membership shares and Class B equity shares are not insured by either CUDIC or CDIC.

**What is NOT covered by CDIC Deposit Insurance:**

(1) membership shares issued by a federal credit union; (2) any shares issued by a federal credit union; (3) GIC and other term deposits that are repayable only after a period of greater than five years; (4) deposits in foreign currencies and deposits that are payable outside Canada; (5) debentures issued by a federal credit union; (6) shares issued by other corporations; (7) mutual funds; (8) bonds, notes, treasury bills, and debentures issued by governments or corporations; (9) money orders, certified cheques, traveller's cheques, drafts, and prepaid letters of credit in respect of which a federal credit union is not primarily liable; and (10) principal protected notes (with some exceptions).

**Questions**

Specific examples as to how transitional coverage works are available on request at [www.coastcapitalsavings.com/vote](http://www.coastcapitalsavings.com/vote). If you have any questions on deposit insurance, you can also visit the following Web sites:

- Credit Union Deposit Insurance Corporation: [www.cudicbc.ca](http://www.cudicbc.ca)
- Canada Deposit Insurance Corporation: [www.cdic.ca](http://www.cdic.ca)