

NOTICE PURSUANT TO THE DISCLOSURE ON CONTINUANCE REGULATIONS (FEDERAL CREDIT UNIONS)



To: Members of Innovation Credit Union

From November 22, 2017 to December 8, 2017, the members of Innovation Credit Union ("Innovation") voted on a special resolution to authorize Innovation Credit Union to make an application to become a federal credit union. The outcome was an 82% vote in favour, officially announced on December 12th, 2017.

The positive vote from members gave consent to the Board of Directors and Management team to begin the process of applying for a federal credit union charter. The application process began in 2018. Since that time, the Board of Directors and Management have worked with both Federal and Provincial regulators to complete the application and review work required to receive approval to continue operation as a federal credit union.

In accordance with the *Disclosure on Continuance Regulations (Federal Credit Unions)* [the "Regulations"], this Notice is provided to inform Innovation Credit Union members of changes to deposit insurance coverage that will apply to their deposits held with Innovation when Innovation becomes a federal credit union and, on that same day, a member of the 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 Innovation Credit Union have been insured by the Credit Union Deposit Guarantee Corporation ("CUDGC"), which insures deposits held at credit unions incorporated in Saskatchewan. When Innovation becomes a federal credit union, it will automatically become a member of the CDIC and CUDGC deposit insurance coverage will cease to apply. The CDIC insures deposits held by its member institutions, which include banks, federal credit unions, trust and loan companies.

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 CUDGC deposit insurance coverage for deposits held with Innovation would end and CDIC deposit insurance coverage would begin;
- **Current CUDGC deposit insurance coverage:** a description of the CUDGC coverage that currently applies to deposits held with Innovation;
- **Transitional CDIC coverage:** a description of the CDIC coverage that would apply during the transition period to pre-existing deposits held with Innovation; and
- **Standard CDIC coverage:** a description of the CDIC coverage that would apply after the transition period to deposits held with Innovation and how this coverage differs from the pre-continuance CUDGC deposit insurance coverage applicable to Innovation Credit Union.

Important qualifications

Deposit insurance coverage offered by CDIC may change in the future. Please visit www.cdic.ca for more information.

Continuation day

The continuation day is the date that Innovation will become a federal credit union, as indicated in the letters patent issued by Canada's Minister of Finance granting Innovation Credit Union continuance. On that same day, Innovation Credit Union will become a member of the CDIC, CUDGC deposit insurance coverage will end and CDIC deposit insurance coverage will begin.

Credit Union Deposit Guarantee Corporation (CUDGC) deposit insurance coverage

Until the continuation day, the full amount of deposits held with Innovation Credit Union, including accrued interest, is insured by CUDGC as described in Table 1. The insurance applies to all forms of personal, business and trust deposits held in Saskatchewan credit unions. The insurance covers all deposits in Saskatchewan credit unions regardless of membership, citizenship, or residence of the depositor.

Table 1: Credit Union Deposit Guarantee Corporation (CUDGC) deposit insurance coverage

	Deposits held in one name	Deposits in more than one name (joint deposits)	Deposits in a trust account	Deposits in an RRSP	Deposits in a RRIF	Deposits in a TFSA
Deposits fully insured						
Savings accounts*	✓	✓	✓	✓	✓	✓
Chequing accounts*	✓	✓	✓	Not applicable	Not applicable	Not applicable
GIC and other terms*† regardless of term to maturity	✓	✓	✓	✓	✓	✓
Money orders, certified cheques, traveler's cheques, drafts, and prepaid letters of credit in respect of which a credit union is primarily liable	✓	✓	✓	Not applicable	Not applicable	Not applicable

*Including the Canadian dollar equivalent of foreign currency deposits

†Including the principal on index-linked term deposits and the return once the credit union is holding it

What is NOT covered by the CUDGC deposit insurance: (1) membership shares issued by a credit union; (2) investment shares issued by a credit union; (3) securities and 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, traveler's cheques, debentures, drafts, and prepaid letters of credit in respect of which a credit union is not primarily liable; and (7) the return on index-linked term deposits before it is paid to the credit union; safety deposit box contents and other securities held for safekeeping.

Transitional CDIC coverage

CDIC provides **transitional coverage** (the same coverage you have now) starting on the day we become a federal credit union and ending after **180 days. Term deposits are also fully insured until they mature or are redeemed.**

We can work with you during this transitional period to ensure you receive the most coverage available once we fully transition to CDIC.

The CDIC transitional coverage does not apply to deposits that are made with Innovation Credit Union 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.

Standard CDIC coverage

The CDIC's standard deposit insurance coverage would apply to all eligible deposits that are made with Innovation Credit Union 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 the CDIC and CUDGC:

- **Coverage limit:** The 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). 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 that you have deposits with.
- **Government of Canada as a preferred claimant:** The CDIC does not provide deposit insurance coverage for deposits in respect of which the Government of Canada is a preferred claimant.

Table 2: CDIC standard deposit insurance coverage

	Deposits held in one name	Deposits in a trust account	Deposits in an RRSP	Deposits in a RRIF	Deposits in a TFSA	Deposits in more than one name (joint deposits)	Deposits in RESP	Deposits in RDSP
Deposits insured up to \$100,000 (principal and interest combined) per category listed above. Must be payable in Canada.								
Savings accounts (including foreign currency deposits)	✓	✓	✓	✓	✓	✓	✓	✓
Chequing accounts (including foreign currency deposits)	✓	✓	Not applicable	Not applicable	Not applicable	✓	Not applicable	Not applicable
GIC and other term deposits* (regardless of term to maturity)	✓	✓	✓	✓	✓	✓	✓	✓
Money orders, certified cheques, bank drafts, and prepaid letters of credit in respect of which a CDIC member institution is primarily liable	✓	✓	Not applicable	Not applicable	Not applicable	✓	Not applicable	Not applicable
Debentures issued as proof of deposit for CDIC member institutions (other than banks)	✓	✓	✓	✓	✓	✓	✓	✓

* An index-linked deposit would be insurable only if the principal is fully repayable (at maturity or otherwise).

What is NOT covered by standard CDIC Deposit Insurance coverage: (1) membership shares issued by a federal credit union; (2) any shares issued by a federal credit union; (3) deposits that are payable outside Canada; (4) debentures issued by a federal credit union; (5) shares issued by other corporations; (6) mutual funds; (7) bonds, notes, treasury bills, and debentures issued by governments or corporations; (8) money orders, certified cheques, drafts, and prepaid letters of credit in respect of which a federal credit union is not primarily liable; (9) principal protected notes (with some exceptions); (10) safety deposit box contents; (11) securities held for safekeeping; and (12) travelers' cheques.

Example: CUDGC deposit insurance

Sally Smith currently has these Innovation CUDGC products:

Product	Amount	Amount insured by CUDGC
Deposits held in one name		
No-Fee Account	\$5,000	\$5,000
Savings Account	\$45,000	\$45,000
US Account	\$5,000	\$5,000
3-Year Term Deposit	\$75,000	\$75,000
Deposits in RRSPs		
5-Year Term Deposit	\$175,000	\$175,000
Investments		
Mutual Fund	\$80,000	Not eligible

CDIC transitional coverage

For the first 180 days after becoming a federal credit union:

- All Sally's pre-existing deposit accounts, minus any withdrawals she makes, will be eligible for deposit insurance through CDIC.
- All Sally's pre-existing term deposits will be fully eligible for CDIC insurance until they mature or she redeems them.
- Any new eligible deposits Sally makes are separately insured by CDIC's standard coverage.

Product	Amount	Amount eligible for CDIC insurance
Deposits held in one name		
No-Fee Account	\$5,000	\$5,000
Savings Account	\$45,000	\$45,000
US Account	\$5,000	\$5,000
3-Year Term Deposit	\$75,000	\$75,000, until maturity
Deposits in RRSPs		
5-Year Term Deposit	\$175,000	\$175,000, until maturity
Investments		
Mutual Fund	\$80,000	Not eligible

CDIC standard coverage

After the 180 day transition period:

- Sally's deposit accounts are covered by CDIC's standard coverage.
- Sally's term deposits are fully eligible for CDIC insurance until they mature or she redeems them. After that, CDIC standard coverage will apply.

Product	Amount	Amount eligible for CDIC insurance before term deposits mature	Amount eligible for CDIC insurance after term deposits mature
Deposits held in one name			
No-Fee Account	\$5,000	\$55,000	\$100,000
Savings Account	\$45,000		
US Account	\$5,000		
3-Year Term Deposit	\$75,000	\$75,000, until maturity	
Deposits in RRSPs			
5-Year Term Deposit	\$175,000	\$175,000, until maturity	\$100,000
Investments			
Mutual Fund	\$80,000	Not eligible	Not eligible

After the transition period, some of Sally's deposits would exceed eligible CDIC coverage limits. We could help her maximize her coverage using a strategy such as putting funds into a TFSA or putting funds into a joint account with her spouse.

If you have any questions on deposit insurance, you can also visit the Canada Deposit Insurance Corporation website: www.cdic.ca.

We always welcome your questions and feedback.

Call us @ **1.866.446.7001**
www.innovationcu.ca

