

December 10, 2018
File No.: 71000-03
Ref. No.: 1078

To: CEOs/General Managers, BC Authorized Credit Unions

Re: Deposit Composition Data Call 2018 Q2

The purpose of this letter is to summarize the findings of the deposit composition data call issued August 13, 2018. Credit unions that report wholesale and brokered deposits on their Monthly Financial and Statistical Return were asked to complete the information request detailing their deposit activities, in order for FICOM to assess liquidity and funding risks at the system level. The 2018 aggregate results are as follows, with bracketed values denoting 2017 results.

As of June 30, 2018, there are 27 credit unions (24 credit unions) reporting wholesale and brokered deposits. These credit unions have \$66.3 billion (\$60.8 billion) in total deposits, representing 94.5 per cent (94.1 per cent) of total system deposits:

- *Deposit composition:* The \$66.3 billion in total deposits are broken down into 82.2 per cent retail deposits, 9.5 per cent wholesale and 8.3 per cent brokered deposits. Compared to 2017, the share of brokered deposits increased by 1.4 percentage points but remains within the range observed over the past five years;
- *Aggregate concentration:* 76.0 per cent (75.3 per cent) of deposits are greater than \$100,000 in balance and they are held by 6.4 per cent (6.0 per cent) of members;
- *Maturity profile:* 82.9 per cent (84.7 per cent) of demand and term deposits have less than 1-year duration. Of these, brokered and wholesale deposits, which are vulnerable to higher roll-off rates, constitute 18.2 per cent (17.2 per cent); and
- *High value depositors:* On average, top 20 depositors hold 14.0 per cent (14.6 per cent) of total deposits.
 - The balance of the top 20 depositors exhibits high volatility¹; and
 - Extra-provincial deposits as a share of top 20 deposits have remained stable, decreasing marginally from 22 per cent in 2017 to 21 per cent in 2018. Extra-provincial deposits are concentrated in a small number of credit unions.

¹ An account is considered highly volatile when more than 50 per cent of the balance is withdrawn/deposited q/q.

Based on these results, we note the following vulnerabilities:

- high concentration of large depositors (i.e., with deposit balance greater than \$100K) could create liquidity stress if large balances are withdrawn;
- volatility of high value deposits could make funding liquidity harder to manage due to uncertainty in deposit inflows or outflows; and
- high percentage of short-term deposits (with less than 1-year maturity) could increase the risk of deposit run-offs.

We encourage credit unions to:

- monitor and regularly review their concentration in, and reliance on, deposits with high roll-off rates (e.g. short-term deposits, high-balance deposits, non-retail deposits, and extra-provincial deposits); and
- perform liquidity and funding stress tests and maintain and update liquidity contingency plans, which will aid in responding to periods of liquidity and funding stress.

FICOM may request deposit composition information as part of supervisory reviews. Credit unions are encouraged to maintain this information and have it available for FICOM upon request.

To secure credit union member confidentiality, FICOM destroys all sensitive information collected in the data call in a secure manner. FICOM extends its thanks to the participating credit unions for their contribution to this data call.

If you have further questions, please contact me or Annie Zhai, Research Analyst, Risk, Surveillance, and Analytics, at Annie.Zhai@ficombc.ca.

Sincerely,



Dan Oprescu
Managing Director
Risk, Surveillance, and Analytics