

Letter from the President and the CEO



2016 was an eventful year. We reached a number of milestones associated with meeting the goals outlined in SaskCentral's 2016 Business Plan. These were national collaboration and enhancing the service experience of Saskatchewan credit unions.

Our success would not have been possible without a highly engaged workforce. Changes experienced at SaskCentral have meant — and will mean — an altered structure and different operations. Human Resource programs introduced during the year have aided in change management; nevertheless, it is the exemplary level of engagement and agility on the part of our employees that is allowing us to effect the needed transformation smoothly and with no loss of service.

Most of the transition we are experiencing is a result of our work around national collaboration. This goal is embodied in SaskCentral's strategic vision that "SaskCentral will work toward the achievement of a nationally unified, internationally capable co-operative financial network."

Several events over the last few years have highlighted the need to see this vision become reality.

One critical regulatory change was the passing of Bill C-43 and the 2014 announcement by the

federal government that the Office of the Superintendent of Financial Institutions (OSFI) would no longer be the regulator for provincial centrals. This action required the respective provincial government to take on that regulatory role.

With the support of the provincial government and sponsorship of the Ministry of Justice, *The Credit Union Central of Saskatchewan Act, 2016* was passed and received royal assent in June and came into effect January 15, 2017. This act brings SaskCentral under the regulation of Credit Union Deposit Guarantee Corporation (CUDGC). During 2016, we participated with CUDGC and the Saskatchewan Financial Consumer Affairs Authority in drafting new standards that would guide SaskCentral operations. We look forward to working closely with CUDGC to ensure the ongoing stability of credit unions and safety of their members' deposits.

Another event that had a significant impact came from the changes undertaken by Credit Union Central of Canada (CUCC), with the input and participation of SaskCentral and the other provincial centrals. In January of 2016, CUCC formally completed its re-incorporation, moving out of the regulatory umbrella of OSFI and away from the wholesale financial services activities it had previously performed, repositioning itself, along with a new name — Canadian Credit Union Association (CCUA) — as strictly the national trade association for Canadian credit unions.

For credit unions and provincial centrals, these changes highlighted the need to develop long-term solutions in a number of core areas, including clearing and settlement, and payments. In the clearing and settlement area, SaskCentral fully supports the excellent work that has been progressing led by Central 1

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Credit Union (Central 1) and with the participation of the other centrals. Discussions with provincial regulators have been constructive, and the year has seen clearing and settlement recommendations nearing completion.

On the payments front, progress was made conducting a thorough valuation of the payments operations by the centrals. That work has now been completed. Our joint venture, CUPS, has been approved by the SaskCentral Board to become a part of the national payments strategy. This anticipates direct credit union ownership of a national PayCo that will be positioned to efficiently handle payments for credit unions across Canada.

Integration with CCUA was another focus area, and one that promises to reduce duplication within our system and deliver a number of dues funded services more efficiently. This initiative has required extensive work, carried out in close collaboration with CCUA and Central 1. In 2016, business cases and transition plans were completed for three work areas within SaskCentral which were identified to be integrated with CCUA operations: Governance and Compliance, Government Relations and Member Experience.

In 2016, SaskCentral also conducted extensive research on behalf of Peer Group 3 credit unions on alternative service models. While several models were examined, the credit union decision was that SaskCentral and Central 1 would look for partnership opportunities within their suites of discretionary fee-for-service products and services. SaskCentral and Central 1 will receive input and guidance on the partnership through an advisory committee drawn from the credit unions of Saskatchewan, BC and Ontario.

A final area receiving close attention has been the Concentra Financial initiative to become incorporated under the *Bank Act*. With over 84% ownership of the company, SaskCentral conducted due diligence to ensure that our share capital in Concentra is protected.

Following this our board and Concentra shareholders approved this continuance in 2016, enabling Concentra to proceed with its work with the federal regulators to complete the transition. We are confident the change envisioned will give Concentra wider access to capital sources and support its continuance as a key supplier of wholesale financial services.

This is a lengthy strategic list with completion check marks, each one of which represents a significant undertaking. The year has truly been transformative for SaskCentral. More importantly, these accomplishments are helping to define and shape the future of the credit union system. We are seeing exemplary co-operation within our system, greater participation by credit unions in our strategic investments, and a clear path to a sustainable national wholesale service model.

These are important milestones, not only for SaskCentral, but for the entire credit union system.



Russ Siemens,
President



Keith Nixon,
CEO