

## Corporate Profile

**S**askCentral is the liquidity manager and key consulting service supplier for Saskatchewan credit unions. SaskCentral also maintains business relationships with, and investments in, a number of co-operative entities on behalf of Saskatchewan credit unions, including Concentra Bank, Credit Union Payment Services (CUPS), CU CUMIS Wealth Holdings LP (CUC Wealth) and Celero Solutions.



# Corporate Profile

## Corporate Profile

### Liquidity Management

SaskCentral manages liquidity on behalf of Saskatchewan credit unions directly and through investees. Through aggregating statutory liquidity deposits, SaskCentral facilitates clearing and settlement, supports daily cash flow management and coordinates emergency liquidity support.

### Statutory Liquidity Deposits

By regulation, credit unions hold 10% of their deposits with SaskCentral. These are known as statutory liquidity deposits. For investments backing deposits, SaskCentral invests in liquid assets which support clearing and settlement, daily cash flow management and emergency liquidity.

Credit unions select from a variety of term options and interest options for their statutory liquidity deposits. In March, 2018, SaskCentral restructured statutory liquidity deposits to provide credit quality options that align with Credit Union Deposit Guarantee (CUDGC) Liquidity Adequacy Requirements.

### Clearing and Settlement

The movement of funds between financial institutions is known as clearing and settlement. This process occurs daily at three levels – the credit union level, the provincial level and the national level.

CUPS manages the daily clearing and settlement operations for credit unions. Settlement operations include processing of paper-based deposits and clearings, cheque and document imaging, and electronic services such as automated funds transfers and wire transfers. Daily balances are cleared through SaskCentral; the net Saskatchewan cash flow is aggregated with other provinces and the Canadian net amount is settled with the Bank of Canada.

At the national level, Payments Canada sets the requirements for accessing the Bank of Canada and outlines roles and responsibilities. Credit union centrals are represented by one central, Central 1, which acts as the

Group Clearer. A Group Clearing Joint Venture oversees the functioning of the Group Clearer and consists of representatives from Central 1, Alberta Central, SaskCentral and Credit Union Central of Manitoba. Through the Joint Venture, credit unions access the Large Value Transfer System for electronic payments and the Automated Clearing and Settlement System for paper based payments. Centrals pledge collateral to the Bank of Canada and, in return, the Bank of Canada issues a current account and a line of credit to facilitate the flow of funds to or from financial institutions.

### Daily Cash Flow Management

SaskCentral offers several products and services to help credit unions manage daily cash flow requirements, including an overnight account, a line of credit, and cash services.

SaskCentral provides credit unions a line of credit for normal liquidity needs and bridge financing for unexpected liquidity requirements. In addition, credit unions may access commercial paper markets by leveraging SaskCentral's commercial paper program, which is supported by SaskCentral's investment grade rating of R1-low with DBRS.

SaskCentral funds these products and services by using three funding tools. Repurchase agreements allow SaskCentral to generate cash by selling securities to major Canadian banks with the agreement to repurchase within days. The commercial paper program allows SaskCentral to issue short-term securities to generate cash. Finally, SaskCentral has a line of credit with a major Canadian bank.

### Emergency Liquidity Support

SaskCentral provides funding and centralized coordination on an emergency basis. This includes identification of triggers, roles and responsibilities, and communication protocols.

Emergency funding is both sufficient and available. Sufficiency is demonstrated through liquidity coverage stress testing whereby potential credit union outflows are

# Corporate Profile

evaluated against funding sources. In normal times, funding sources include repurchase agreements, the commercial paper program and a secured line of credit. In an emergency, these sources are augmented by SaskCentral's stock of High Quality Liquid Assets (HQLA).

Availability of emergency funding is evaluated by examining the underlying characteristics of HQLA. Fundamental characteristics include credit standing, degree of subordination and duration risk. Market-related characteristics include market breadth, market depth, price volatility and flight to quality. Operational characteristics include freedom from encumbrances, independence from other lines of business and ability of the liquidity manager to control HQLA.

## Concentra Bank

Concentra Bank offers additional products to aid liquidity management, including a line of credit, an overnight account and the ability to sell commercial loans to other credit unions through Concentra Bank's syndication program. Concentra Bank also provides guidance and administrative support for mortgage securitization.

Credit unions may place excess funds above their statutory liquidity deposits with Concentra Bank. These are referred to as excess deposits.

## National Consulting Services

SaskCentral's highly specialized consultants offer a wide range of back office support services so credit unions can focus on their members. The SaskCentral National Consulting team supports credit unions in creating, designing, implementing and sustaining solutions that work. Consulting services include:

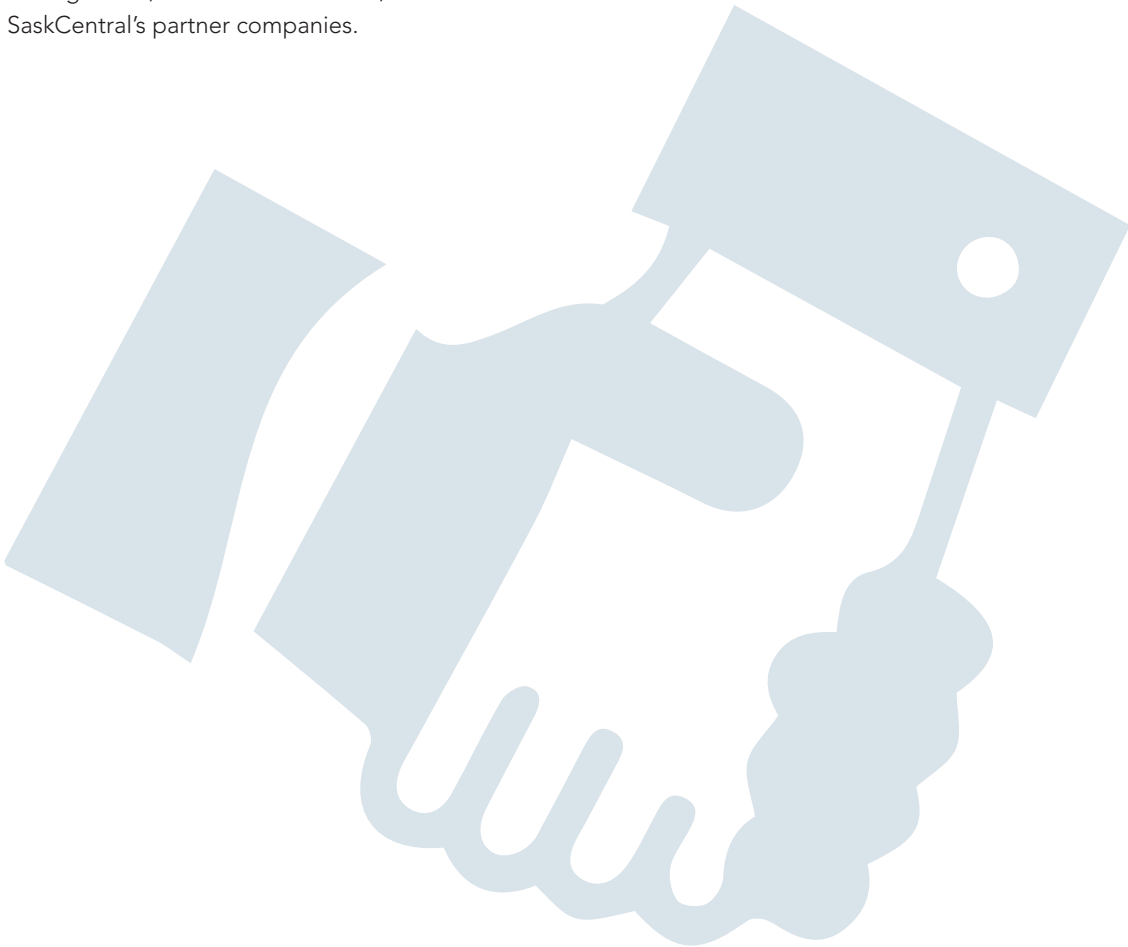
- **Anti-Money Laundering Compliance Support:**  
Helps credit unions navigate the changing landscape of Anti-Money Laundering and Terrorist Financing Compliance in a customizable and cost effective way.
- **Banking and Related Services:**  
Assists credit unions with contract negotiations, legal reviews, invoicing and monitoring service levels for the eroWORKS® Retail Banking Solutions.

- **Card Issuance Services:**  
Provides support and management services to credit unions using Everlink Card Issuance for Member Card® debit card production; includes assistance with billing, card inventory, debit card carrier letters and PIN station compliance.
- **Deposit & Lending Compliance:**  
Provides credit unions with reliable and comprehensive legislative and compliance support of deposit and lending products.
- **Digital Banking Services:**  
Positions credit unions to offer the latest digital banking solutions by providing business management services, support and oversight.
- **Fraud Management:**  
Provides leadership in coordinating, developing and delivering fraud awareness information, enhancing the credit union's ability to effectively manage fraud.
- **Internal Audit:**  
Supports credit unions with effective internal audit services customized specifically for credit unions.
- **Operational Training:**  
Provides educational sessions designed to equip front-line staff with the skills to be successful in today's competitive environment.
- **Procurement Services:**  
Supports credit unions by finding scalable and customizable software solutions, using a consistent methodology to determine the best solution to meet the needs of members, while reducing duplication.
- **Strategic Planning & Risk Management:**  
Helps credit unions with effective planning and risk management using an integrated framework that is customized and scalable to the credit union's needs.

# Corporate Profile

## Member Relations

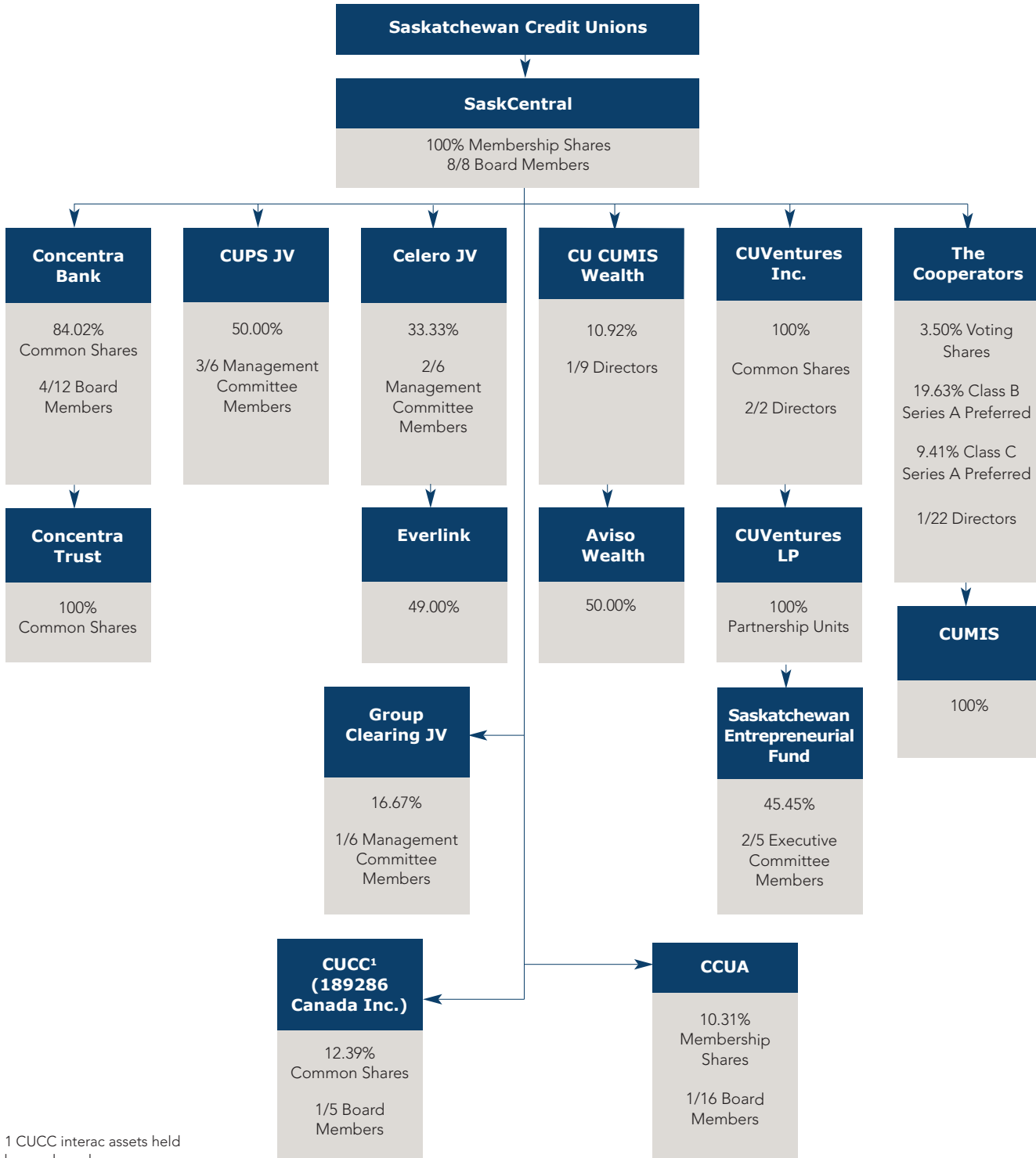
Member Relations acts as the primary point of contact through which credit unions can address strategic and operational topics related to SaskCentral and its investee organizations. Through this contact, the team gathers information on the ongoing needs, interests, challenges and future strategies of credit unions, and then ensures the information is channeled directly to SaskCentral management, executive and board, as well as to SaskCentral's partner companies.



# Corporate Profile

## Strategic Partners

SaskCentral holds an ownership position in strategic partners as a means of ensuring access to the products and services Saskatchewan credit unions need to provide full service to their members. SaskCentral's ability to influence investee strategies is tied to its ownership interest in the investee.



1 CUCC interac assets held by numbered company.

# Corporate Profile

## Concentra Bank

*Share ownership by SaskCentral: 84.0%*

Concentra Bank is Canada's only Schedule 1 chartered bank focused on providing financial services to Canada's credit union system.

Concentra partners with credit unions to deliver wholesale and trust financial services focused on enhancing credit unions' competitive advantage and success. Concentra provides a comprehensive suite of financial and commercial banking services nationwide to credit unions, corporate clients, and deposit agents.

Concentra is owned exclusively by its credit union partners. With deep roots in the cooperative system, Concentra is built on shared values and its commitment to the success of credit unions from coast to coast.

## Credit Union Payment Services (CUPS)

*Joint venture participation by SaskCentral: 50.0%*

CUPS is a joint venture of SaskCentral and Alberta Central and provides aggregated payment processing, clearing and settlement functions to credit unions, enabling them to provide their members with innovative, flexible and cost competitive services.

## Celero Solutions

*Share ownership by SaskCentral: 33.3%*

Celero Solutions is a joint venture between Alberta Central, Manitoba Central and SaskCentral. Celero provides reliable, innovative and cost effective information technology solutions to its owner organizations, prairie credit unions and third party clients, resulting in aggregated lower technology costs to Saskatchewan credit unions. Celero owns 49% of Everlink Payment Services Inc.

## CU CUMIS Wealth Holdings LP (CUC Wealth)

*Share ownership by SaskCentral: 10.9%*

Aviso Wealth, which is owned by CUC Wealth (50%) and Desjardins (50%), supports credit unions in meeting the wealth needs of their members by integrating wealth management services across Canada. The broadly based

wealth management business is positioned to compete, provide wealth management products and services for members, enable and enhance member experience, and allow credit unions to take advantage of growth opportunities.

## Group Clearing Joint Venture (GCJV)

*Joint venture participation by SaskCentral: 16.7%*

Group Clearing is a joint venture of SaskCentral, Central 1, Alberta Central and Credit Union Central of Manitoba that provides governance and oversight to group clearing strategies, activities, and risks on behalf of credit unions across the country.

## Canadian Credit Union Association (CCUA)

*Share ownership by Saskatchewan Credit Unions (Class A): 17.0%*  
*Share ownership by SaskCentral (Class B): 10.3%*

CCUA is the national trade association for the Canadian credit union system, representing Canada's credit unions, caisses populaires outside Quebec and provincial credit union central organizations. CCUA is the first national credit union governed organization in Canada and works on behalf of its members in three key areas: advocating for legislation that supports credit unions; raising awareness for credit unions with government, media and the public; and delivering expert insights to credit unions to inform their strategies.

## CUCC (legal name 189286 Canada Inc)

*Share ownership by SaskCentral: 12.4%*

CUCC provides payments support and specific activities in Interac to the national credit union system.

## The Co-operators Group Limited

*Share ownership by SaskCentral: 3.5%*

The Co-operators is a 100% Canadian-owned and operated company insuring over 2 million people Canada-wide. Its member owners are co-operatives, credit unions and like-minded organizations, representing a variety of sectors and regions across the country. The Co-operators supports and funds the development of community-oriented cooperatives and social enterprises, and works to contribute to communities across Canada.

## Corporate Profile

The Co-operators owns CUMIS, which partners with credit unions to deliver a wide range of insurance, wealth management and investment services. CUMIS' principal companies are CUMIS Life Insurance Company and CUMIS General Insurance.

### **CUVentures Inc.**

*Share ownership by SaskCentral: 45.5%*

Investment in CUVentures enables credit unions to make an aggregate investment in the Saskatchewan Entrepreneurial Fund (SEF) and APEX Investment Fund, supporting and enhancing economic development and job creation across Saskatchewan, while providing a commercial rate of return on investment.

### **Business Models**

Business models of SaskCentral and investees fall on a spectrum from low profit (service utility) to profit maximization.

Service utility models recognize that profits come from credit unions in the form of lower deposit rates, higher assessments or higher fees. As long as capital and liquidity are adequate, the organization strives to maximize rates paid to credit unions and minimize assessments and fees charged to credit unions. Pricing of products and services is just sufficient to cover operating costs. SaskCentral has adopted a service utility business model.

### **Governance**

Governance processes balance investee needs to operate within their own environment with credit union needs as users and owners. SaskCentral's ability to influence investee strategies is tied to its ownership interest in the investee.

Saskatchewan credit unions are represented on Concentra's board and on management committees for CUPS and Celero. In addition, SaskCentral's CEO sits on CUPS and Celero management committees as a representative for SaskCentral, and SaskCentral's executive are engaged with Concentra through regular meetings and participation in joint working groups. SaskCentral's CFO also sits on the CUC Wealth Board. This representation provides opportunities to engage strategic investees where credit union concerns are identified (e.g. service, profitability).

SaskCentral provides updates to the board on investee's financial and non-financial measures through the quarterly Strategic Investment Management (SIM) Portfolio Report. Occasionally, investees present to the SaskCentral board at quarterly board meetings.

### **How Investee Earnings Are Distributed to Credit Unions**

**CUPS** – Net earnings are settled with SaskCentral in February following year-end. CUPS earnings are included in income available for distribution in SaskCentral's dividend.

**Co-operators Group Limited** – Patronage dividends based on credit union usage are paid to SaskCentral and are included in income available for distribution in SaskCentral's dividend. Preferred Class B Series A shares pay 5.0% and are received annually. Preferred Class C Series A shares pay 3.0% and are received semi-annually. The member loyalty payment is received annually and can fluctuate significantly, based on the earnings of Co-operators.

**CUVentures LP** – CUVentures LP cash earnings are included in income available for distribution in SaskCentral's dividend.

**Concentra Bank** – Net earnings or losses are retained by SaskCentral through an equity position and are not distributed to credit unions. Concentra's cash dividend is flowed through to credit unions when received.

**Celero Solutions** – Net earnings or losses, excluding Everlink, are settled with SaskCentral following year-end. Celero's earnings or losses are flowed through to credit unions through a distribution model based on usage, and are not included in SaskCentral's dividend.

**CUC Wealth** – Agreements with Aviso Wealth require that at least 90% of the earnings must be flowed through to credit unions. CUC Wealth has, at its discretion, the ability to flow through the remaining earnings to its owners. Any earnings received from CUC Wealth are included in income available for distribution in SaskCentral's dividend.

**Central 1** – SaskCentral has invested \$7 million in subordinated debt with Central 1 for the purpose of capitalizing the Group Clearing Joint Venture to support clearing and settlement activities. Subordinated debt interest is included in income from core operations.

# Corporate Profile

## Executive Team



### **Keith Nixon, CEO**

- Joined SaskCentral: 1987
- Time in the credit union system: 38 years
- Fellows designation for the Credit Union Institute of Canada
- Certificate in Administration, University of Regina
- Board member: Canadian Credit Union Association



### **Debbie Lane, EVP and Chief People Officer**

- Joined SaskCentral: 1992
- Chartered Professional in Human Resources (CPHR) designation
- Member: Saskatchewan Association of Human Resource Professionals (SAHRP)
- Member: Credit Union National Benefits Board (chair); Children's Wish Foundation of Saskatchewan Advisory Board (chair)



### **Sheri Lucas, EVP Finance, CFO, CRO**

- Joined SaskCentral: 2007
- CPA, CA: Office of the Provincial Auditor, Saskatchewan
- Past employers: Saskatchewan Wheat Pool; Crown Investments Corporation of Saskatchewan
- Award: 100 Most Powerful Women in Canada for 2012
- Board member: CUC Wealth