

A decorative graphic consisting of four diamonds stacked vertically, colored from top to bottom: dark blue, light blue, orange, and dark blue.

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# **Update on PACE Administration Proceedings**

## Presentation to AGM of PACE Savings & Credit Union Limited

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Financial Services Regulatory Authority of Ontario



## Who is FSRA?

- Effective June 8, 2019 – DICO was amalgamated with FSRA which is the new financial services regulator for Ontario (excluding capital markets)
- FSRA assumed all of DICO's powers re: regulation of credit unions; EVP of Credit Unions and Prudential and his team transitioned over from DICO to FSRA
- This change has no impact on PACE's administration proceedings
- It is still "business as usual" for PACE's members



## Why did DICO/FSRA Commence Administration Proceedings?

- As a result of certain governance concerns, DICO/FSRA placed PACE under its administration
  - Former CEO and former President were removed and replaced on an interim basis
  - PACE Board was relieved of its duties and FSRA (nee DICO) has been providing oversight during administration
- The concerns related to two aspects of PACE's governance:
  - PACE's management processes and controls
  - PACE's board governance
- Due to ongoing and anticipated litigation, no further comment on these issues can be made (pending before the court)



## What is the current state of PACE Credit Union?

- Before and after the Administration Order, DICO/FSRA undertook comprehensive investigation
- Interim-CEO continued that review
- Results of the investigation and review are reflected in the audited financial statements presented today
- Based on the audited financial statements, which are being presented today, PACE continues to be profitable, surpass minimum regulatory capital requirements and has demonstrated satisfactory liquidity
- PACE's interim management, under the oversight of the Administrator, continues to work towards exiting administration by improving PACE's internal governance and management processes and controls, as well as by identifying, evaluating and rationalizing business activities which are not core to PACE's ability to serve its members



## When Will PACE Be Released From Administration?

- Not possible at this time to determine when PACE will be fully released from Administration:
  - However, the Administrator is monitoring the progress
  - Administrator's objective is to take appropriate steps and allow sufficient time to ensure the protection of all stakeholders' interests
- In light of our assessment of the current litigation and the governance, management and control improvements that are necessary to more effectively protect the interests of PACE stakeholders and the need to follow an orderly procedure to constitute the Board, the current expectation is that release from administration will not be before 2020
  - When the administration order is removed, FSRA expects to maintain heightened scrutiny for a period of time to ensure an orderly transition to normal operations and governance (e.g., via a supervision order)
- The Administrator expects to communicate with members this autumn about the timing and process to release PACE from administration



Thank you.  
Questions?