

# Presentation to the PACE Special Members Meeting

# FSRA

Financial Services Regulatory  
Authority of Ontario

## - Returning to Member – Controlled Governance

Mark White  
CEO of FSRA, as Administrator  
January 27, 2020



Ontario

## INTRODUCTION

- Tonight I will provide you with an update on:
  - Timelines
  - Administration & Supervision
  - Returning to Member-Controlled Governance
- You will also get an update from Rubina Havlin, Interim PACE CEO, on the continuing financial strength of PACE
- PACE Credit Union continues to be stable and financially sound
- Deposits continue to be insured through the deposit fund administered by FSRA



## TIMELINE AND ADMINISTRATION

2017	<ul style="list-style-type: none"> <li>• Deposit Insurance Corporation of Ontario (DICO) examines PACE</li> </ul>
Sept. 28, 2018	<ul style="list-style-type: none"> <li>• DICO placed PACE Savings &amp; Credit Union Limited under Administration due to governance issues and to protect the members.</li> </ul>
June 8, 2019	<ul style="list-style-type: none"> <li>• DICO amalgamated with the Financial Services Regulatory Authority (FSRA)</li> </ul>
June 21, 2019	<ul style="list-style-type: none"> <li>• PACE AGM</li> </ul>
Nov. 22, 2019	<ul style="list-style-type: none"> <li>• FSRA Letter to all Members</li> </ul>
Nov. 25, 2019	<ul style="list-style-type: none"> <li>• FSRA Tele-town hall with Members</li> </ul>
Jan 27, 2020	<ul style="list-style-type: none"> <li>• Special Members meeting</li> </ul>
Feb. 3, 2020	<ul style="list-style-type: none"> <li>• Adjournment of Special Members meeting (if required)</li> </ul>
Winter, 2020	<ul style="list-style-type: none"> <li>• Board in place / transition (Administration to Supervision)</li> </ul>
April 2020	<ul style="list-style-type: none"> <li>• PACE AGM</li> </ul>

**Administration** is the most intrusive form of regulatory intervention.

- It is a direct intervention, by FSRA, to protect the interest of members and the public.
- FSRA effectively acts as a credit union's board of directors, and may act as management, to correct problems or issues discovered previously and to return the credit union to soundness and stability.

**Supervision** is a lighter, although still serious, form of intervention

- The credit union remains governed by its Board, but where the Regulator attends Board meetings and provides oversight (e.g. concurrence to resolutions)

## NEW BOARD OF DIRECTORS

- In a November 22, 2019 mailing to members and in the November tele-town hall, FSRA outlined our next steps to return PACE to member-control:
  - FSRA will search for directors for PACE
  - PACE members will meet to hear the results of the search and consider the Directors proposed by FSRA
- As the regulator of credit unions in Ontario, FSRA require high standards of business conduct and effective governance to protect the rights and interests of credit union members.
- To remove PACE from Administration, a new Board of Directors needs to be put into place - one which has the necessary governance and other professional skills to help ensure the long term success of the credit union.
  - It is FSRA's responsibility to ensure it has confidence in the PACE Board before PACE leaves Administration



## PROCESS

- “FSRA, as administrator, will work with *Odgers Berndtson*, a leading professional executive search firm being retained by PACE, to recommend candidates for the Board. We will present the recommended slate of Director candidates, and any other candidates duly nominated, for a vote by the PACE membership. *Provided FSRA is confident that the elected Board has the ability to provide PACE with the required leadership and governance, FSRA will end administration and return PACE to member-controlled governance.*”

- Letter to Members, November 22, 2019



## TODAY'S MEETING

---

- “On January 27, 2020, FSRA plans that PACE will host a special members meeting. This will provide members an opportunity to approve any necessary by-law changes to put a newly constituted Board in place.”
  - “If Odgers Berndtson has completed its work on recommending a slate of Director candidates, we will present the recommended slate of Director candidates, as well as any other duly nominated candidates, for approval by the PACE members. An update on PACE’s financial status will also be provided at this special meeting.”
- Letter to Members, November 22, 2019

## SPECIAL MEMBERS MEETING - NOTICE

### NOTICE OF SPECIAL MEMBERS MEETING PACE SAVINGS & CREDIT UNION LIMITED



NOTICE IS HEREBY GIVEN that a special meeting of the members of PACE Savings & Credit Union Limited (the "Credit Union") will be held at the following time and in the following place, for the purposes set out below:

#### MEETING DATES, TIME, AND PLACE

Monday, January 27, 2020 at 7:00 p.m. and in the event that all of the items below cannot be effectively addressed within the time allotted, the meeting will be adjourned to continue on Monday, February 3<sup>rd</sup> at 7:00 p.m.

Members of the Credit Union will meet on both dates at the Bellvue Manor, 8083 Jane Street, Vaughan, Ontario.

Registration begins at 5:00 p.m. PACE will offer registration online at [pacecu.ca](http://pacecu.ca). Members are asked to bring valid photo ID to the venue. Light refreshments will be provided.

#### PURPOSE:

The purpose of the special meeting, which may adjourn and continue on February 3<sup>rd</sup>, is to:

1. Receive a financial update for the Credit Union for the 2019 fiscal year.
2. Receive from the Financial Services Regulatory Authority of Ontario ("FSRA") as administrator of the Credit Union, an update on the process to return the Credit Union to member-controlled governance and a proposed slate of candidates for the Board of Directors.
3. Vote on a special resolution to confirm an amendment to the Credit Union's by-law to: (i) change the number of directors from 12 to between 7 and 11; and (ii) remove the requirement that a person be a member of the Credit Union or a predecessor credit union for at least 1 year in order to be eligible as a director.
4. Elect the Board of Directors of the Credit Union.

Date: January 8, 2020



[pacecu.ca](http://pacecu.ca)

Mark E. White  
Chief Executive Officer  
Financial Services Regulatory Authority  
as Administrator for PACE Credit Union Limited.

- Notice was placed in 11 newspapers, distributed in branches, posted on the web and emailed to members.
- Process to get to today's meeting has been different than what has happened before at PACE meetings – this is because PACE is under Administration.
- If all of the items cannot be dealt with effectively at the January 27<sup>th</sup> meeting, we will continue the meeting on February 3<sup>rd</sup> to allow the members a full opportunity to consider the information and make an informed decision.





## SPECIAL MEMBERS MEETING - PURPOSE

---

We are pleased that tonight we are seeking your support to begin the return of PACE governance back to the members.

- Members will be voting on changes to the by-laws regarding the size of Board to allow for flexibility.
- To permit the solution of the best available Directors, the by-laws will be amended to remove the minimum period of membership in PACE.
- Presenting a proposed slate of directors, including providing you with information on the recruitment and selection process.
- FSRA's confidence with a new the Board of Directors is a key requirement to release PACE from Administration.
  - The proposed slate have the required skills, experience and background.





## APPENDIX: CREDIT UNIONS AND CAISSES POPULAIRES ACT - ADMINISTRATION

- **295 (1)** As an administrator, the Chief Executive Officer may exercise the following powers:
  - Carry on, manage and conduct the operations of a credit union.
  - Preserve, maintain, realize, dispose of and add to the property of a credit union.
  - Receive the income and revenues of the credit union.
  - Exercise the powers of the credit union and of the directors, officers and committees.
  - Exclude the directors of the credit union and its officers, committee members, employees and agents from the property and business of the credit union.
- (2) In exercising its powers under paragraph 6 of subsection (1), the administrator does not require the consent of the members or shareholders of a credit union.

### Release from administration

- (4) The Chief Executive Officer may release a credit union from administration on such conditions as the Chief Executive Officer may impose.

## APPENDIX: CREDIT UNIONS AND CAISSES POPULAIRES ACT - SUPERVISION

- **279 (1)** The Chief Executive Officer may order a credit union subject to the supervision of the Chief Executive Officer in any of the following circumstances:
  - The Chief Executive Officer, on reasonable grounds, believes that the credit union is conducting its affairs in a way that might be expected to harm the interests of members or depositors or that tends to increase the risk of claims by depositors against the Authority.
- (4) The Chief Executive Officer may rescind an order on the application of the credit union or on the Chief Executive Officer's own initiative if there are reasonable grounds for believing that the credit union is no longer in need of supervision.

## APPENDIX: CREDIT UNIONS AND CAISSES POPULAIRES ACT – SUPERVISION – CONTINUED

**280** (1) If a credit union is subject to the supervision of the Chief Executive Officer, the Chief Executive Officer may,

- a. order the credit union to correct any practices that the Chief Executive Officer feels are contributing to the problem or situation that caused the credit union to be ordered subject to its supervision;
- b. order the credit union and its directors, committee members, officers and employees to not exercise any powers of the credit union or of its directors, committee members, officers and employees;
- c. establish guidelines for the operation of the credit union;
- d. order the credit union not to declare or pay a dividend or to restrict the amount of a dividend to be paid to a rate or amount set by the Chief Executive Officer;
- e. attend meetings of the credit union's board and its audit committee; and
- f. propose by-laws for the credit union and amendments to its articles of incorporation.

### **Approval of by-laws, etc.**

- (2) No by-law, policy or resolution relating to the business, affairs or management of a credit union passed or made by the board during the time the credit union is subject to supervision is of any effect until approved in writing by the Chief Executive Officer.