FSRA
Financial Services Regulatory Authority of Ontario

Proposed New Differential Premium Score Methodology to Calculate Annual Deposit Insurance Premiums

Technical Consultation Paper

Contents

Executive Summary

The Financial Services Regulatory Authority of Ontario ("FSRA") is an independent regulatory agency created to improve consumer, credit union members and pension plan beneficiary protections in Ontario. FSRA's objects when it comes to the credit unions and caisses populaires (CU) sector (articulated in Section 3(4) of the *Financial Services Regulatory Authority of Ontario Act, 2016*) include:

(a) to provide insurance against the loss of part or all of deposits with CUs;
(b) to promote and otherwise contribute to the stability of the CU sector in Ontario with due regard to the need to allow CUs to compete effectively while taking reasonable risks; and
(c) to pursue the objects set out in clauses (a) and (b) for the benefit of persons having deposits with CU and in such manner as will minimize the exposure of the Deposit Insurance Reserve Fund (DIRF) to loss.

FSRA's 2022-2025 Annual Business Plan (ABP) outlines FSRA's core strategy for the fiscal years 2022-2023, 2023-2024 and 2024-2025 and the priorities for this fiscal year (2022-2023). The priorities outlined in the ABP focus on consumer protection and regulatory effectiveness and efficiency, including delivering good value for money.

Within FSRA's priorities, Priority 5.2 for the CU sector is to "enhance the financial stability structures". FSRA will continue to promote the resiliency of the CU sector through the enhancement of safety net structures such as the Deposit Insurance Reserve Fund and the Differential Premium Score (DPS) methodology. Under this priority, one of the key deliverables includes initiating consultations with the CU sector on a proposed new DPS methodology and working with the Ministry of Finance as necessary.

This consultation paper supports Priority 5.2 and outlines FSRA's proposal for the key elements of a new Deposit Premium Score methodology. The proposal reflects that the *Credit Unions and Caisses Populaires Act, 2020* came into force and FSRA's Risk Based Supervisory Framework and Capital Adequacy, Liquidity Adequacy and Sound Business and Financial Business Practices Rules were implemented. It provides additional information with respect to how the effectiveness of a CUs risk management practices, including the governance and controls supporting and overseeing those practices, and its capital would be assessed when calculating its deposit insurance premium rate and total premiums.

Consultation questions are included on page 12 and stakeholders are asked to submit their feedback no later than January 23, 2023.

Background and Purpose

Subsection 224(1) of the *Credit Unions and Caisses Populaires Act, 2020* (*Act*) requires FSRA to maintain a DIRF. In addition, FSRA has a statutory mandate related to the DIRF to provide insurance against the loss of part or all of deposits with CUs and to pursue the objects set out in the *Financial Services Regulatory Authority of Ontario Act, 2016* for the benefit of persons having deposits with CUs and in such manner as will minimize the exposure of the Deposit Insurance Reserve Fund (DIRF) to losses.

The DIRF is funded through deposit insurance premiums that are calculated in accordance with the formula set out in section 110 of Ontario Regulation 105/22 (Regulation) and FSRA's Differential Premium Score Determination (DPSD) document.

FSRA is proposing a new Differential Premium Score methodology (DPSM). The DPSM recognizes the implementation and benefits of the Risk Based Supervisory Framework (RBSF), issuance of the Sound Business and Financial Practices Rule, Capital Adequacy Rule (CAR) and Liquidity Adequacy Rules (collectively, FSRA Rules) and FSRA guidance. However, FSRA does not intend to request the Ministry to make changes to the formula used for calculating deposit insurance premiums in the Regulation.

The rationale for the new DPSM remains the same: it is to link the "riskiness" of an individual CU with the level of deposit insurance premiums paid by that CU, where corporate governance is assessed and measured through the newly introduced RBSF and capital metrics are consistent with the CAR. The DPSM will be more equitable and effective in assessing corporate governance and capital in determining deposit insurance premiums. It will also result in increased transparency to CUs.

The purpose of this consultation paper is to explain the key elements of the proposed DPSM and to obtain stakeholder comments.

Overview of the Risk Based Supervisory Framework

The RBSF is the framework that FSRA uses to assess risk profiles of credit unions with specific focus on each credit union's risk management practices, including the governance and controls supporting and overseeing those practices. Among other things, the RBSF supports the corporate governance provisions of the Act and Regulations. RBSF consists of three essential components: the Risk Assessment Process, the Risk Management Process, and the Supervisory Process (see RBSF guidance for details).

Risk Assessment Process

The elements of the RBSF enable a common approach to risk assessment across CUs and over time. These elements are applied in the following sequence:

1. Significant Activities and Importance
2. Inherent Risk
3. Quality of Controls and Oversight
4. Residual Risk
5. Prudential Summary Residual Risk (PSRR), Market Conduct Summary Residual Risk (MCSRR), and Summary Residual Risk (SRR)
6. Capital and Earnings, Liquidity, and Resilience
7. Overall Risk Rating (ORR)

Risk Management Process

The Basel Committee on Banking Supervision (BCBS) is the international body responsible for developing the Core Principles for Banking Supervision that regulatory bodies can use to assess their supervisory systems and identify areas for improvement. Principle 15 - Risk Management Process, states that "the supervisor determines that Financial Institutions have a comprehensive risk management process (including effective Board and senior management oversight) to identify, measure, evaluate, monitor, report and control or mitigate all material risks on a timely basis and to assess the adequacy of their capital and liquidity in relation to their risk profile and market and macroeconomic conditions." FSRA adheres to this principle by using the following supervisory process to assess the risk profiles of CUs.

Supervisory Process

FSRA uses a defined process to guide its CU-specific supervisory framework that includes the following steps:

1. Developing a supervisory strategy and planning supervisory work
2. Executing supervisory work
3. Updating risk assessments
4. Reporting and communication to CUs
5. Determining the Intervention Level
6. Determining the level of supervisory engagement

Relationship between ORR and Intervention Level

A Risk Matrix is used to facilitate a holistic assessment of a CU and to record all the ratings for the various elements of the RBSF. For each of the elements in the matrix, supervisors apply a rating based on a five-level scale (refer Appendix B in the RBSF guidance) where the criteria are tailored to each element. This assessment culminates in an ORR, which represents the overall risk profile of the CU, after considering the impact of Capital (including earnings), Liquidity, and Resilience on its SRR. The ratings from the Capital, Liquidity and Resilience assessments are used to determine modification needed to the SRR, if any, to arrive at ORR. The ORR reflects FSRA's assessment of the safety and soundness and conduct of the CU. The five risk ratings for the ORR are: "Low", "Low-Moderate", "Moderate", "Moderate-High" and "High".

The ORR of a CU is used in determining the level of intervention or remediation FSRA takes to address identified prudential or conduct issues. FSRA has also developed an Intervention Guide (refer Appendix C of the RBSF guidance) to address situations where FSRA has concerns with the CU's vulnerabilities or when viability or solvency are of concern. The Intervention Guide communicates the stage at which an action/intervention (Intervention Level) would typically occur. It also provides a mapping of the typical combinations of ORRs and Intervention Levels.

After determining the Intervention Level, proportionality (based on size, complexity and risk profile of the CU) is applied to determine the level of supervisory engagement (i.e., FSRA resources and attention placed on the CU). FSRA will have a higher level of supervisory engagement with bigger and/or more complex CUs whose failures could materially impact the Ontario CU sector. As well, FSRA will have a higher level of supervisory engagement with CUs that are riskier.

FSRA uses a combination of the ORR and Intervention Level to assess the overall risk profile, including the governance and controls supporting and overseeing the risk management practices, of the CU. FSRA will use this combination as a driver of the DPSM when it calculates deposit insurance premiums.

Determination of Differential Premium Score (DPS) to Calculate Annual Premiums

The Regulation provides the methodology to calculate a CU's annual premium. As noted, FSRA does not plan to request the Ministry to make changes to the Regulation to accommodate the DPSM.

The following is an extract from the Regulation:

110 (4) The annual premium payable by a credit union or central for a financial year that begins on or after January 1, 2022, is calculated as follows:

1. If the differential premium score of a credit union or central is 90 or over, its premium is $0.75 per $1,000 of the funds described in subsection (5) for a credit union and in subsection (6) for a central.

2. If the differential premium score of a credit union or central is 0, its annual premium is $2.25 per $1,000 of those funds.

3. If the differential premium score of the credit union or central is between 0 and 90, its annual premium is the rate per $1,000 of those funds calculated using the formula,

A = 0.75 ($1.75 – [B / 90 × $0.75])

in which,
"A" is the rate, and
"B" is the credit union or central's differential premium score.

New Differential Premium Score Methodology

This section provides the definitions for the components of the DPSM, the rationale for the DPS Level and Capital Premiums and how the DPSM will be implemented. The proposed DPSM will continue to be based on two measures:

1. **Corporate Governance of the CU**
The ORR and Intervention Level as determined by the RBSF provide better tools and insights about the governance of the CU. They also support the provisions of the FSRA Rules. Using the CU's ORR and its Intervention Level from the RBSF, a new metric is determined, called the "DPS Level". There are nine DPS Levels (refer Appendix 1) in the DPSM. DPS Level assessments will account for approximately 70% of the total premium assessed to a CU.

2. **Capital**
The quantity and quality of the capital of the CU will represent the remaining approximately 30% of the total premium. The capital component of the premium will be determined based on:

   a. Quantity: the CU's total capital ratio (as defined in the CAR) and
   b. Quality: the CU's retained earnings as a percentage of its risk weighted assets (as defined in the CAR).

The weightings in the proposed DPSM differ from the current DPSD where 64% of the premium is based on risk weighted capital and 36% is based on the supervisory assessment of a CU's corporate governance. This change reflects the better tools available to FSRA under the RBSF and Rules and that in many cases it is non-capital issues that cause a financial institution to fail.

In order to adhere to the calculation methodology outlined in the Regulation, the results from the three metrics (DPS Level, Capital (quantitative) and Capital (qualitative)) are aggregated into a single differential premium score ("B" in the Regulation). Appendices 1 and 2 are used to determine differential premium scores as follows:

1. A DPS Level is determined in Appendix 1 using a CU's ORR and Intervention Level;

2. A CU's Capital (quantitative) and Capital (qualitative) are used in Appendix 2 to determine its Capital Combination Number;

3. A differential premium score ("B") is determined using a CU's DPS Level and its Capital Combination Number.

Benefits of the New DPSM

The proposed methodology is aligned with principles-based regulation and risk-based supervision, the Act, FRSA Rules, the RBSF and FSRA guidance. The benefits of the new methodology include:

- A CU's ORR is representative of the full breadth to its corporate governance and enables a broader assessment of its risks. The ORR provides a comprehensive, accurate and consistent rating of the risk profile of the CU; hence it is the best indication of how likely it is for the CU to fail and impact the DIRF.
- Introduction of a "quality of capital" metric. This recognizes that (and benefits) a CU with a higher level of quality capital has an increased ability to absorb unexpected losses hence is less likely to impact the DIRF. It also aligns with the requirements set out in the CAR.
- The DPSM is intended to maintain premiums assessed to the sector at the same level as the current DPSD methodology. This is based on actual 2021 insured deposits, capital levels, insurance premium assessments and an assumed average DPS Level 3 under RBSF.
- As of June 30th, 2022, the balance of the DIRF was $383 million or 80 bps of insured deposits. Under the DPSD and as proposed in the DPSM, it is anticipated the target of 100 bps of insured deposits would be achieved by 2025-2026. To the

extent the target size changes because of periodic adequacy assessments, enhancements to data, changes to risk tolerance or material losses, components of the DPSM can be adjusted as required.

Rationale for Proposed Premiums

The lowest premiums for each of the components (representing the lowest risk or the highest capital values) would result in a total premium to a credit union of $0.75 per $1,000 of insured deposits. This contemplates an approximate split of 70% for the RBSF based component (DPS Level) and 30% for the Capital components. Importantly, this base rate is unchanged from the current one as calculated under DPSD. It also aligns with FSRA's current plan of achieving the DIRF target of 100 bps of insured deposits by 2025/2026.

The following table provides the breakdown of the base rate premium:

DPSM Base Rate Calculation

Component	Source	Base	Premium Rate	Premium Rate as % of Total
DPS Level	RBSF	Level 1	$0.5250	70%
Capital (Quantitative)	Total Capital Ratio	>14 %	$0.1125	30%
Capital (Qualitative)	Retained Earnings Ratio	>5.5%	$0.1125	
Total Premium Rate			**$0.7500**	

Depending on the actual values for each of the components, the split between the DPS Level and the Capital components will vary and may be slightly higher or lower than the 70/30 split in the base rate calculation. Appendix 3 provides examples of the premium rates for various combinations of DPS Level and Capital components. Appendix 4 provides the actual splits of "DPS Level" premium and "Capital" premium for each of the examples outlined in Appendix 3.

Rationale for "DPS Level" Premiums

To properly reflect the severity of a CU being assessed as a higher risk (as the risk level increases, the DPS Level number increases), the premium rates should increase to reflect this additional risk (but not in a linear relationship). Therefore, premiums are higher and the gaps between them larger as the DPS Level increases from level 1 to 7 reflecting the greater risk of failure of the CU and consequently higher risk to the DIRF. This non-linearity is to incent CUs to take reasonable risks within acceptable tolerances and recognizes the higher probability of failure as risk profiles increase.

However, beyond a certain point (DPS Level 7), assessing disproportionately higher premiums to CUs experiencing difficulties would be overly onerous, and doesn't add value or provide meaningful incentives to de-risk. This will not satisfy the goals of protecting the DIRF and promoting the stability of the sector. Consequently, the proposed premium rate increases between DPS Levels 7 and 8 and between Levels 8 and 9 are diminishing.

The following table provides the premium rates to be used for the DPS Level component of the overall premium calculation:

DPS Level	**Premium Rate** (per $1,000 of insured deposits)	**Increase in Premium Rate** over Previous DPS Level
1	$0.525	0
2	$0.540	$0.015
3	$0.560	$0.020
4	$0.590	$0.030
5	$0.640	$0.050
6	$0.740	$0.100
7	$0.860	$0.120
8	$0.920	$0.060
9	$0.950	$0.030

Rationale for "Capital" Premiums

1. Quantity of Capital: Based on the Total Capital Ratio as defined in the CAR .

The highest premium rate occurs when the total capital ratio is less than or equal to 8.0% (the minimum required in the CAR); the premium rate is $0.5775 per $1,000 of insured deposits. As the capital ratio increases, the premium rate decreases until it reaches its lowest level. This occurs when the total capital ratio is greater than 14.0%; the premium rate is $0.1125 per $1,000 of insured deposits. The following table provides premium rates for each 0.5% range band of the total capital ratio.

Total Capital Ratio		**Premium Rate for Capital (Quantity)** (per $1,000 of insured deposits)	**Decrease in Premium Rate** over Previous Capital Level
From	**To**		
0.0%	8.0%	$0.5775	0
>8.0%	8.5%	$0.4775	$0.100
>8.5%	9.0%	$0.4075	$0.070
>9.0%	9.5%	$0.3475	$0.060
>9.5%	10.0%	$0.2875	$0.060
>10.0%	10.5%	$0.2375	$0.050

>10.5%	11.0%	$0.1975	$0.040
>11.0%	11.5%	$0.1725	$0.025
>11.5%	12.0%	$0.1525	$0.020
>12.0%	12.5%	$0.1375	$0.015
>12.5%	13.0%	$0.1275	$0.010
>13.0%	13.5%	$0.1225	$0.005
>13.5%	14.0%	$0.1175	$0.005
>14.0%		$0.1125	$0.005

2. Quality of Capital: Based on the level of Retained Earnings as a percentage of Risk Weighted Assets.

The lowest premium rate occurs when retained earnings as a percentage of risk weighted assets is 5.5% or greater; the premium rate is $0.1125 per $1,000 of insured deposits. As the ratio of retained earnings to risk weighted assets decreases, the premium rate increases until it reaches its highest level. This occurs when the retained earnings ratio is less than 3.0% (the minimum required in the CAR); the premium rate is $0.3625 per $1,000 of insured deposits. The following table provides premium rates for each 0.5% range band of the retained earnings ratio.

Retained Earnings % of Total Regulatory Capital		**Premium Rate for Capital (Quality)** (per $1,000 of insured deposits)	**Decrease in Premium Rate** over Previous Retained Earnings Level
From	**To**		
	<3.0%	$0.3625	0
3.0%	3.5%	$0.2625	$0.10
>3.5%	4.0%	$0.1925	$0.07
>4.0%	4.5%	$0.1525	$0.04
>4.5%	5.0%	$0.1325	$0.02
>5.0%	5.5%	$0.1225	$0.01
>5.5%		$0.1125	$0.01

DPSM Impact on CU Sector

The new DPSM is not intended to increase premiums assessed to the sector in aggregate. Based on 2021 insured deposits, CU capital levels and insurance premium assessments, and assuming a DPS Level of 3 for all CUs, sector premium assessments would remain at the current amount.

However, within the sector, some CUs could see lower premiums and some higher ones. This is because the new RBSF methodology better evaluates risk and the DPSM measures both the amount and quality of capital.

Transition Period

Assessments of CUs under the RBSF commenced in April 2022. It is expected that it will take approximately two to three years to assess all CUs under the RBSF. It is therefore appropriate to have a "transition period" for implementing the new methodology.

During the transition period, the assessment of premiums will be as follows:

1. For CUs that have not yet been assessed under the RBSF: the calculation will remain the same as under the current DPSD.

2. For CUs that have been assessed under the RBSF: until all CUs have been assessed under the RBSF, premiums will be the lesser of the amount calculated under the current DPSD or the proposed DPSM.

One benefit of this transition period is it will provide CUs time to understand the RBSF implications and if appropriate to adjust their capital and governance/RBSF inputs. Another benefit is a CU assessed under the new RBSF methodology would benefit from a lower premium but not incur a higher one until all credit unions have been assessed on the same basis.

Once all CUs have been assessed using the new RBSF, the current methodology (DPSD) will be discontinued, and all CU premiums will be determined using the proposed methodology (DPSM).

Consultation Questions

To help inform our work, FSRA is seeking stakeholder input into the approach. In your submissions, we ask that you consider the questions listed below. Please provide feedback by January 23, 2023.

1. Please provide general feedback on the Differential Premium Score Methodology (DPSM) as articulated in this consultation paper and whether in your opinion it effectively supports the Risk Based Supervisory Framework (RBSF).

2. Do you have specific comments about the proposed components (DPS Level, Capital Quantity and Capital Quality) or their premium rates?

3. Other comments and feedback.

All comments and feedback received will be posted to the FSRA consultation web page.

Appendix 1: Determination of DPS Levels

Using the ORR[1.] and Intervention Levels[1.], determine a new metric, called the "DPS Level". There are nine DPS Levels in the table that follows:

Intervention Level	DPS Level				
	Overall Risk Rating (ORR)				
	Low	Low-Moderate	Moderate	Moderate-High	High
1	1	2	3		
2			4	5	
3				6	
4				7	8
5					9

[1.] "Overall Risk Rating" and "Intervention Level" are defined in the RBSF.

Appendix 2: Determination of Differential Premium Score (DPS)

Table 1: "Capital Combination Number"

Step 1: A "Capital Combination Number" is determined in Table 1 at the intersection of a CU's "Total Capital Ratio"[1] and "Retained Earnings Ratio"[2].

Capital Combination Number							
	Total Capital Ratio						
Retained Earnings Ratio	Up to 8.0%	>8.0% to 8.5%	>8.5% to 9.0%	>9.0% to 9.5%	>9.5% to 10.0%	>10.0% to 10.5%	>10.5% to 11.0%
Up to 3.0%	**75**	**74**	**72**	**67**	**62**	**57**	**55**
>3.0% to 3.5%	**73**	**70**	**64**	**60**	**54**	**48**	**42**
>3.5% to 4.0%	**71**	**63**	**59**	**53**	**45**	**38**	**32**
>4.0% to 4.5%	**69**	**61**	**55**	**48**	**40**	**32**	**25**
>4.5% to 5.0%	**67**	**60**	**53**	**45**	**37**	**28**	**22**
>5.0% to 5.5%	**66**	**57**	**51**	**43**	**35**	**26**	**20**
> 5.5%	**65**	**56**	**50**	**41**	**33**	**24**	**18**

	Total Capital Ratio						
Retained Earnings Ratio	>11.0% to 11.5%	>11.5% to 12.0%	>12.0% to 12.5%	>12.5% to 13.0%	>13.0% to 13.5%	>13.5% to 14.0%	>14.0%
Up to 3.0%	**52**	**49**	**48**	**47**	**46**	**45**	**44**
>3.0% to 3.5%	**39**	**36**	**34**	**32**	**31**	**30**	**29**
>3.5% to 4.0%	**27**	**23**	**22**	**20**	**19**	**18**	**16**
>4.0% to 4.5%	**21**	**17**	**14**	**12**	**11**	**10**	**9**
>4.5% to 5.0%	**17**	**13**	**10**	**8**	**7**	**6**	**5**
>5.0% to 5.5%	**15**	**11**	**8**	**6**	**5**	**4**	**3**
> 5.5%	**13**	**9**	**6**	**4**	**3**	**2**	**1**

[1] "Total Capital Ratio" has the meaning given to it in the CAR.

[2] "Retained Earnings Ratio" is calculated by dividing the retained earnings of a credit union by its Risk Weighted Assets. "Risk Weighted Assets" has the meaning given to it in the CAR.

Table 2: Determination of Differential Premium Scores ("B")

Step 2: A "differential premium score" ("B" in the premium methodology outlined in the O. Reg. 105/22) is determined in Table 2 at the intersection of a CU's "Capital Combination Number" (from Step 1) and the "DPS Level".

Differential Premium Score ("B")									
	DPS Level								
Capital Combination Number	1	2	3	4	5	6	7	8	9
1	**90**	**88**	**84**	**80**	**72**	**56**	**36**	**27**	**22**
2	**89**	**87**	**84**	**79**	**71**	**55**	**36**	**26**	**21**
3	**88**	**86**	**83**	**78**	**70**	**54**	**35**	**25**	**20**
4	**88**	**85**	**82**	**77**	**69**	**53**	**34**	**24**	**20**
5	**87**	**84**	**81**	**76**	**68**	**52**	**33**	**24**	**19**
6	**86**	**84**	**80**	**76**	**68**	**52**	**32**	**23**	**18**
7	**85**	**83**	**80**	**75**	**67**	**51**	**32**	**22**	**17**
8	**84**	**82**	**79**	**74**	**66**	**50**	**31**	**21**	**16**
9	**84**	**81**	**78**	**73**	**65**	**49**	**30**	**20**	**16**
10	**83**	**80**	**77**	**72**	**64**	**48**	**29**	**20**	**15**
11	**82**	**80**	**76**	**72**	**64**	**48**	**28**	**19**	**14**
12	**81**	**79**	**76**	**71**	**63**	**47**	**28**	**18**	**13**
13	**80**	**78**	**75**	**70**	**62**	**46**	**27**	**17**	**12**
14	**80**	**77**	**74**	**69**	**61**	**45**	**26**	**16**	**12**
15	**79**	**76**	**73**	**68**	**60**	**44**	**25**	**16**	**11**
16	**77**	**75**	**72**	**67**	**59**	**43**	**24**	**14**	**9**
17	**77**	**75**	**72**	**67**	**59**	**43**	**24**	**14**	**9**
18	**76**	**74**	**71**	**66**	**58**	**42**	**23**	**13**	**8**
19	**76**	**73**	**70**	**65**	**57**	**41**	**22**	**12**	**8**
20	**75**	**72**	**69**	**64**	**56**	**40**	**21**	**12**	**7**
21	**74**	**72**	**68**	**64**	**56**	**40**	**20**	**11**	**6**
22	**73**	**71**	**68**	**63**	**55**	**39**	**20**	**10**	**5**
23	**71**	**68**	**65**	**60**	**52**	**36**	**17**	**8**	**3**
24	**70**	**68**	**64**	**60**	**52**	**36**	**16**	**7**	**2**
25	**70**	**68**	**64**	**60**	**52**	**36**	**16**	**7**	**2**
26	**68**	**66**	**63**	**58**	**50**	**34**	**15**	**5**	**0**
27	**68**	**65**	**62**	**57**	**49**	**33**	**14**	**4**	**0**
28	**67**	**64**	**61**	**56**	**48**	**32**	**13**	**4**	**0**
29	**66**	**64**	**60**	**56**	**48**	**31**	**12**	**3**	**0**
30	**65**	**63**	**60**	**55**	**47**	**31**	**12**	**2**	**0**
31	**64**	**62**	**59**	**54**	**46**	**30**	**11**	**1**	**0**
32	**64**	**61**	**58**	**53**	**45**	**29**	**10**	**0**	**0**
33	**62**	**60**	**56**	**52**	**44**	**26**	**8**	**0**	**0**
34	**62**	**60**	**56**	**52**	**44**	**28**	**8**	**0**	**0**
35	**60**	**58**	**55**	**50**	**42**	**26**	**7**	**0**	**0**
36	**60**	**57**	**54**	**49**	**41**	**25**	**6**	**0**	**0**
37	**59**	**56**	**53**	**48**	**40**	**24**	**5**	**0**	**0**

Table 2 (cont'd): Differential Premium Scores ("B")

Differential Premium Score ("B")									
	DPS Level								
Capital Combination Number	1	2	3	4	5	6	7	8	9
38	**57**	**55**	**52**	**47**	**39**	**23**	**4**	**0**	**0**
39	**56**	**54**	**51**	**46**	**38**	**22**	**3**	**0**	**0**
40	**56**	**53**	**50**	**45**	**37**	**21**	**2**	**0**	**0**
41	**52**	**50**	**47**	**42**	**34**	**18**	**0**	**0**	**0**
42	**52**	**50**	**47**	**42**	**34**	**18**	**0**	**0**	**0**
43	**51**	**48**	**45**	**40**	**32**	**16**	**0**	**0**	**0**
44	**50**	**48**	**44**	**40**	**32**	**16**	**0**	**0**	**0**
45	**49**	**47**	**44**	**39**	**31**	**15**	**0**	**0**	**0**
46	**48**	**46**	**43**	**38**	**30**	**14**	**0**	**0**	**0**
47	**48**	**45**	**42**	**37**	**29**	**13**	**0**	**0**	**0**
48	**46**	**44**	**40**	**36**	**28**	**12**	**0**	**0**	**0**
49	**44**	**41**	**38**	**33**	**25**	**9**	**0**	**0**	**0**
50	**43**	**40**	**37**	**32**	**24**	**8**	**0**	**0**	**0**
51	**41**	**39**	**36**	**31**	**23**	**7**	**0**	**0**	**0**
52	**40**	**38**	**35**	**30**	**22**	**6**	**0**	**0**	**0**
53	**40**	**37**	**34**	**29**	**21**	**5**	**0**	**0**	**0**
54	**38**	**36**	**32**	**28**	**20**	**4**	**0**	**0**	**0**
55	**36**	**34**	**31**	**26**	**18**	**2**	**0**	**0**	**0**
56	**32**	**29**	**26**	**21**	**13**	**0**	**0**	**0**	**0**
57	**30**	**28**	**24**	**20**	**12**	**0**	**0**	**0**	**0**
58	**30**	**28**	**24**	**20**	**12**	**0**	**0**	**0**	**0**
59	**30**	**28**	**24**	**20**	**12**	**0**	**0**	**0**	**0**
60	**28**	**26**	**23**	**18**	**10**	**0**	**0**	**0**	**0**
61	**25**	**23**	**20**	**15**	**7**	**0**	**0**	**0**	**0**
62	**22**	**20**	**16**	**12**	**4**	**0**	**0**	**0**	**0**
63	**19**	**16**	**13**	**8**	**0**	**0**	**0**	**0**	**0**
64	**19**	**16**	**13**	**8**	**0**	**0**	**0**	**0**	**0**
65	**16**	**13**	**10**	**5**	**0**	**0**	**0**	**0**	**0**
66	**14**	**12**	**8**	**4**	**0**	**0**	**0**	**0**	**0**
67	**12**	**10**	**7**	**2**	**0**	**0**	**0**	**0**	**0**
68	**12**	**10**	**7**	**2**	**0**	**0**	**0**	**0**	**0**
69	**9**	**7**	**4**	**0**	**0**	**0**	**0**	**0**	**0**
70	**8**	**5**	**2**	**0**	**0**	**0**	**0**	**0**	**0**
71	**3**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
72	**3**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
73	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
74	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
75	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Appendix 3: Examples of Premiums Using New Methodology

Annual Premium per $1000 of Insured Deposits				
	Credit Union			
Assumptions	**A**	**B**	**C**	**D**
ORR	Low	Low-Moderate	Moderate	Moderate-High
Intervention Level	1	1	2	4
Capital Ratio	13.25%	13.25%	13.25%	10.90%
Retained Earnings as % RWA	5.10%	4.10%	5.70%	3.60%
Premium Calculation per Ontario Reg 105/22				
A = 0.75 ($1.75 – [B / 90 × $0.75])				
DPS Level (Appendix 1)	1	2	4	7
Capital Combination Number (Appendix 2)	5	11	3	32
Differential Premium Score ("B")	87	80	78	10
Premium per $1000 Insured Deposits ("A")	**0.768**[1.]	**0.813**[2.]	**0.825**[3.]	**1.250**[4.]

1. A = 0.75 ($1.75 – [87 / 90 × $0.75])
2. A = 0.75 ($1.75 – [80 / 90 × $0.75])
3. A = 0.75 ($1.75 – [78 / 90 × $0.75])
4. A = 0.75 ($1.75 – [10 / 90 × $0.75])

Appendix 4: Premium Rate Comparisons

Annual Premium Comparisons Individual DPS Level and Capital Rates vs. Regulation 105/22 Formula				
	Credit Union			
Assumptions[1.]	**A**	**B**	**C**	**D**
ORR	Low	Low-Moderate	Moderate	Moderate-High
Intervention Level	1	1	2	4
Capital Ratio	13.25%	13.25%	13.25%	10.90%
Retained Earnings as % RWA	5.10%	4.10%	5.70%	3.60%
Premium-DPS Level and Capital Rates				
DPS Level[2.]	$0.5250	$0.5400	$0.5900	$0.8600
Capital (Quantitative)[3.]	$0.1225	$0.1225	$0.1225	$0.1975
Capital (Qualitative)[3.]	$0.1225	$0.1525	$0.1125	$0.1925
Total Premium-Individual Rates	**$0.7700**	**$0.8150**	**$0.8250**	**$1.2500**
Total Premium ("A")[4.]	**$0.768**	**$0.813**	**$0.825**	**$1.250**

[1.] Unchanged from Appendix 3.

[2.] DPS Level as % of Total Premium 68.20% 66.30% 71.50% 68.80%

[3.] Total Capital as a % of Total Premium 31.80% 33.70% 28.50% 31.20%

[4.] As calculated in Appendix 3 per Regulation 105/22; minor difference if any from Total Premium-Individual Rates reflects calculations/rounding to determine Capital Combination Numbers