

## Credit Union Executives Gather in Nation's Capital

For the first time in ten years, the Canadian Conference for Credit Union Executives will be held in Ottawa. This year's conference entitled, *Unlike Any Other*, will run from May 5 to 7 and will be headquartered at the Westin Hotel steps from Parliament Hill. Participants can expect a vigorous schedule highlighted by keynote presentations and workshops with a distinct national capital flavour.



Globe and Mail National Affairs Columnist Jeffrey Simpson

Parliamentary Secretary to the Minister of Finance, Ted Menzies, will bring remarks from the federal government prior to the opening keynote presentation from the Globe and Mail's National Affairs columnist Jeffrey Simpson. Mr. Simpson's insights into the national political landscape are not to be missed.

The opening day of the Conference will conclude with an evening reception in the Grand Hall of the Canadian Museum of Civilization.

On day two, federal issues of interest to credit unions will shape some of the workshops during the Conference. For example, proposed changes to privacy legislation and new anti-money laundering and anti-terrorist financing regulations will form the basis discussion at the Regulatory Issues and Competitiveness workshop. At the Real Estate Market workshop, participants will learn about current market trends in each of the provinces from Canada Mortgage and Housing Corporation's Chief Economist. On the communications and marketing side, National Post Columnist and leading political pundit, Warren Kinsella, will present approaches to leveraging social media tools available for free on the internet, such as the popular websites Facebook and YouTube.

Participants will also have the opportunity to hear from World Council of Credit Unions President Pete Crear and Canadian Co-operative Associative Executive Director Carol Hunter on international and domestic co-operative

sector issues and their partnership in providing support for credit union development abroad.

On the final day of the Conference, the Members' Forum will focus on the results of a year long series of "think tank" sessions conducted by the National Young Leaders Committee. The young leaders will share their findings on the relevance of co-operative principles in today's marketplace and current leaders will weigh in as well.

In the evening, the Conference will conclude with the gala banquet and awards ceremony. Of special note during the evening, former BC Central President and CEO Wayne Nygren will receive the Hall of Fame Award. As most will remember, Mr. Nygren served on Canadian Central's Board of Directors for 18 years and chaired Canadian Central's Legislative Affairs Committee for almost as long.



Former BC Central President and CEO Wayne Nygren

For the complete schedule of events and activities please click on:

[http://www.cucentral.ca/CC\\_brochure\\_7feb08](http://www.cucentral.ca/CC_brochure_7feb08)

## Credit Union System Task Force Prepares for Tax-Free Savings Accounts

A Task Force of credit union system representatives has been discussing ways to work together on the introduction of the Tax-Free Savings Accounts (TFSA) that were announced in the February 2008 Federal Budget. Members of the Task Force represent provincial Centrals, Concentra Financial, Celero Solutions in the Prairies, and League Savings and Mortgage in Atlantic Canada.

Bill C-50, *An Act to implement certain provisions of the budget tabled in Parliament on February 26, 2008 and to enact provisions to preserve the fiscal plan set out in that budget* will permit the accounts and is expected to pass into law shortly. Canada Revenue Agency (CRA)

requirements should be available during the summer. The new accounts will be permitted on January 1, 2009 and already credit unions are fielding questions from members about this new product. It is expected the accounts will be popular and demand for them will be high.

Their introduction will affect credit unions on many levels. Issues currently being addressed by the Task Force include: staff training, consumer information for members, CRA registration requirements and subsequent reporting, IT system changes, product features and marketing materials.

While the details of the accounts as outlined below are straight forward, it is expected that the compliance requirements for financial institutions will be complex:

- Individuals 18 and older will acquire \$5,000 of TFSA contribution room each year,
- Contributions will not be tax deductible,
- Capital gains and other investment income will not be taxed,
- Withdrawals can be made any time, tax free,
- Neither income earned in an account, nor, withdrawals will affect eligibility for federal income-tested benefits or credits,
- Any amounts withdrawn will be added back to the individual's contribution room for the following year.

For additional information, CRA has posted some TFSA Questions & Answers on the CRA website at: <http://www.cra-arc.gc.ca/agency/budget/2008/taxfree-e.html>

### **AgrilInvest Program Update**

On April 18, a conference call was held between Department of Agriculture and Agri-food officials and financial institutions stakeholders to discuss the deposit requirement for the first year of the AgrilInvest Program. During the meeting, officials confirmed that the Department has agreed to a credit union system proposal that producers be allowed to qualify for the Program in 2008 if they demonstrate they have, in some way, access to the necessary funds needed to participate in the Program and

thus receive matching government funds. By agreeing to the proposal, the government has avoided a requirement whereby financial institutions would have to create separate AgrilInvest accounts for some producers.

An in-person meeting of Departmental officials and financial institutions stakeholders will take place in Toronto on May 1. The purpose of the meeting is to discuss in detail the process of program delivery including, the government's communications plan, data reporting requirements and administrative issues relating to handling of interest in accounts, account transfers, fees and names, and an EFT application clause. Canadian Central and other credit union system representatives will participate in this meeting.

### **Annual GST/HST Information Schedule**

Credit unions that are GST or HST registrants are reminded that a new Financial Institution Annual Information Schedule Form GST111 Schedule 1 is required to be filed no later than six months after year-end. The first forms are required by June 30, 2008 for December 31, 2007 year-ends. Only financial institutions that are not GST registrants or whose annual financial statement revenue (not net income) is less than \$1 million are exempt from filing.

The 7-page form requires much more data than is recorded on GST/HST returns. As accounting systems may not track some of the information requested, estimates may be used for many of the fields on the form.

GST111 Schedule 1 can be found at: <http://www.cra-arc.gc.ca/E/pbq/gf/gst111/gst111-08e.pdf>

RC4419, which is a new Guide for completing the Schedule, can be linked at: <http://www.cra-arc.gc.ca/E/pub/gp/rc4419/rc4419-e.pdf>

### **Non-resident Withholding Tax**

Bill C-28, *An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2007 and to implement certain provisions of the economic statement tabled in Parliament on October 30, 2007 (Budget and Economic Statement Implementation Act, 2007)* received

Royal Assent on December 14, 2007. The Bill eliminated Canadian withholding tax on interest payments made to arm's length non-residents of Canada, effective January 1, 2008. Credit union banking system service providers will have made revisions to implement this change. Questions have been raised about other, similar payments.

A "bonus interest payment" is a patronage-type payment defined in section 137 of the Income Tax Act and credited to members based on deposits or interest earned during the year. Such bonus interest is considered to be interest. While previously subject to non-resident withholding tax, it too is exempt now.

Dividends paid on credit union shares are deemed to be interest for income tax purposes. Therefore, non-resident withholding tax is no longer required on these payments either.

The legislative change does not impact taxes required to be withheld from other types of payments to non-residents.

### Proposed Data Breach Notification Model - Stakeholder Consultation

On April 11, a stakeholder consultation meeting was hosted by Industry Canada to discuss a proposed data breach notification model that would be embedded in the *Personal Information Protection and Electronic Documents Act*. Canadian Central and other stakeholders participated in the discussions.

The following changes to the model were proposed at the meeting:

- Narrow the definition of a data breach from "an incident involving unauthorized collection, use, disclosure, loss of, or access to personal information" to "an incident involving an unauthorized and unintended disclosure, loss of, or access to personal information, with the potential for misuse or harm."
- A need was identified to clarify certain terms used in the model such as "unauthorized, accountability, control, custody and access." This was felt to be

important in determining what party is responsible for notifying the customer of a breach.

- The definition of personal information would reflect proposed changes to exclude business fax numbers and e-mail addresses.
- Industry Canada has suggested a reduction in the criteria to assess the risk related to a breach to two items within the regulations: only sensitivity of information and the probability that information could be misused. The other earlier proposed criteria such as the nature and number of data elements, and contextual and situational factors would be potential material for future guidelines.
- It was acknowledged that more work is required on determining who should be notified, the sequence of notification and the timing of notification. An issue was raised about potential liability for organizations that receive notifications. Further information on this was offered by one of the stakeholders.

Industry is currently reviewing the feedback from stakeholders at the meeting and will re-issue an amended proposed model before long.

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