



FINANCIAL AND CONSUMER SERVICES COMMISSION
RULE CU-002 *NETWORKING*

PART 1
PRELIMINARY MATTERS

Definitions

1. (1) In this Rule

“Act” means the *Credit Unions Act*; (*Loi*)

“affiliated life insurance company” means a life insurance company that is owned and controlled by credit unions in Canada; (*compagnie d’assurance-vie affiliée*)

“authorized types of insurance” means the types of insurance set out in subsection 8(2); (*genres d’assurance autorisés*)

“personal accident insurance” means a group insurance policy that provides insurance to a natural person whereby the insurance company undertakes to pay

- (a) one or more sums of money in the event of bodily injury to, or the death of, the person that is caused by an accident, or
- (b) a certain sum of money for each day that the person is hospitalized in the event of bodily injury to the person that is caused by an accident or in the event of an illness or disability of the person. (*assurance accidents corporels*)

(2) The definitions contained in the Act apply to this Rule, unless the terms in question are defined in this Rule.

Interpretation

2. (1) For the purposes of the definition “affiliated life insurance company”, a life insurance company shall be deemed to be owned and controlled by credit unions in Canada if the voting rights that carry more than fifty per cent of the votes for the election of directors of the life insurance company and that are sufficient to elect a majority of its board of directors are held individually or jointly by credit unions or federations established or incorporated under an Act of Parliament or the legislature of a province, *Confédération Desjardins* or any successor to it, or the Canadian Credit Union Association, or any affiliated bodies corporate.

(2) A body corporate shall be deemed to be an affiliated body corporate for the purposes of subsection (1) if the voting rights that carry more than fifty per cent of the votes for the election of directors of the body corporate and that are sufficient to elect a majority of its

board of directors are held individually or jointly by any of the bodies corporate referred to in subsection (1).

PART 2 FINANCIAL INSTITUTIONS AND PRESCRIBED BODIES CORPORATE

Financial institutions

3. For the purposes of subsection 26(2) of the Act and this Rule

“financial institution” means

- (a) a bank under the *Bank Act* (Canada),
- (b) an insurance company that is licensed as an insurer under the *Insurance Act*,
- (c) a loan or trust company licensed under the *Loan and Trust Companies Act*,
- (d) a credit union,
- (e) a federation,
- (f) Canadian Credit Union Association, and
- (g) *Confédération Desjardins* and any successor to it.

Definitions of prescribed types of bodies corporate

4. (1) In this section

“factoring corporation” means a body corporate that is restricted to acting as a factor in respect of accounts receivable, raising money for the purpose of acting as a factor and lending money while acting as a factor; (*société d'affacturage*)

“financial leasing corporation” means a body corporate that is restricted to,

- (a) engaging in financial leasing of personal property;
- (b) entering into and accepting assignments of conditional sales agreements in respect of personal property;
- (c) administering financial lease agreements and conditional sales agreements on behalf of a person; and
- (d) raising money for the purpose of financing its activities and investing the money until it is used for those activities; (*société de credit-bail*)

“income tax corporation” means a body corporate the principal activity of which is providing advice or services to a person in respect of obligations for the payment of income tax under the *Income Tax Act* (Canada) or the *New Brunswick Income Tax Act*; (*société de conseil en matière fiscale*)

“information services corporation” means a body corporate that is primarily engaged in

- (a) collecting, manipulating and transmitting information that is primarily financial or economic in nature or that relates to the business of a body corporate referred to in this section,
- (b) providing advisory and other services in the design, development and implementation of information management systems, or
- (c) designing, developing and marketing computer software,

and the activities of which may include, as an ancillary activity, the design, development, manufacture or sale of computer equipment that is not generally available and that is integral to the provision of financial services or information services related to the business of financial institutions; (*société d'information*)

“investment counselling and portfolio management corporation” means a body corporate the principal activity of which consists of

- (a) the offering of advice or advising about investments, or
- (b) the investment or control, that in any way involves the exercise of discretion and judgment by the body corporate, of money, property, deposits or securities that it does not own, and that are not deposited with it in the ordinary course of business; (*société de conseil en placement et de gestion de portefeuille*)

“loan and investment corporation” means a body corporate, other than a financial institution, the principal activity of which is investing its funds in loans and equity instruments; (*société de prêts et de placement*)

“mutual fund corporation” means a body corporate the activities of which are restricted to investing its funds, and includes a body corporate that issues securities entitling the holder to receive, on demand, or within a specified period, an amount computed by reference to the value of a proportionate interest in all or part of its net assets; (*société de fonds mutuels*)

“mutual fund distribution corporation” means a body corporate the principal activity of which is acting as an agent selling and collecting payment for interests in a mutual fund, where the purchaser is advised of the existence of any sales commissions or service fees before he or she purchases an interest in the mutual fund and the sale proceeds, less any sales commissions and service fees, are paid to the mutual fund; (*société de courtage de fonds mutuels*)

“real property brokerage corporation” means a body corporate that is primarily engaged in

- (a) acting as an agent for vendors, purchasers, mortgagors, mortgagees, lessors or lessees of real estate, and
- (b) providing consulting or appraisal services with respect to real estate; (*société de courtage immobilier*)

“registrant” means a person registered or required to be registered under the *Securities Act* and regulations and for greater clarity includes a person who trades in a security or a derivative; acts as an adviser; acts as an investment fund manager; or acts as an underwriter. (*personne inscrite*)

Prescribed types of bodies corporate

- (2) The following types of bodies corporate are prescribed for the purposes of subsection 26(2) of the Act and this Rule:
- (a) a factoring corporation;
 - (b) an information services corporation;
 - (c) an investment counselling and portfolio management corporation;
 - (d) an income tax corporation;
 - (e) a financial leasing corporation
 - (f) a loan and investment corporation;
 - (g) a mutual fund corporation;
 - (h) a mutual fund distribution corporation;
 - (i) a real property brokerage corporation;
 - (j) a registrant;
 - (k) a body corporate that engages in two or more of the businesses or activities carried on by the bodies corporate referred to in paragraphs (a) to (j).

PART 3 ARRANGEMENTS

Purpose of arrangements

5. Subject to this Rule, a credit union may enter into an arrangement under subsection 26(2) of the Act with a financial institution or a body corporate referred to in section 4 or a subsidiary of the credit union, for the purpose of authorizing the credit union
 - (a) to act as agent for the provision of any product and service or products and services offered by the financial institution or body corporate or a subsidiary of the credit union, or
 - (b) to refer its members to the financial institution or body corporate or a subsidiary of the credit union in respect of any product and service or products and services offered by the financial institution or body corporate or a subsidiary of the credit union.

Prior approval

6.
 - (1) A credit union shall not enter into an arrangement with a financial institution or body corporate referred to in section 4 or a subsidiary of the credit union without the written approval of the Superintendent.
 - (2) The Superintendent shall not approve an arrangement unless the Superintendent is satisfied that
 - (a) the credit union would not be exposed to excessive financial risks under the arrangement,
 - (b) the credit union is authorized under the arrangement only to act as an agent for, or to refer its members to, a financial institution or body corporate referred to in section 4 or a subsidiary of the credit union in respect of the product and service or products and services to be provided under the arrangement,
 - (c) the credit union is required under the arrangement to describe its role, in accordance with paragraph (b), in any documents or other written material provided by the credit union in respect of the product and service or products and services to be provided under the arrangement, and
 - (d) the arrangement is in accordance with the Act and this Rule in all respects.

Disclosure to member

7. When a credit union offers a product or service to a member under an arrangement with a financial institution or a body corporate referred to in section 4 or a subsidiary of the credit union, the credit union shall disclose the following information in writing to the member:
 - (a) the identity of the financial institution or body corporate or the subsidiary of the credit union that is providing the product or service under the arrangement;
 - (b) the role, as described in paragraph 6(2)(b), that the credit union will play in respect of the provision of the product or service;

- (c) where compensation is payable to the credit union in respect of the provision of the product or service, the fact that compensation is so payable and by whom; and
- (d) the nature and extent of any ownership interest the credit union or Atlantic Central has, directly or indirectly, in the financial institution or body corporate or subsidiary of the credit union.

PART 4 INSURANCE

Definitions respecting authorized types of insurance

8. (1) In this section

“credit or charge card-related insurance” means a policy of an insurance company that provides insurance to the holder of a credit card or charge card issued by the credit union as a feature of the card, without request and without any individual assessment of risk,

- (a) against loss of, or damage to, goods purchased with the card,
- (b) under which the insurance company undertakes to extend a warranty provided by the manufacturer of goods purchased with the card, or
- (c) against any loss arising from a contractual liability assumed by the holder when renting a vehicle, when the rental is paid for with the card; (*assurance carte de crédit ou de paiement*)

“creditor’s disability insurance” means a group insurance policy that will pay to the credit union all or part of the amount of a debt of a debtor to the credit union, in the event of bodily injury to, or an illness or disability of,

- (a) where the debtor is a natural person, the debtor or the spouse of the debtor,
- (b) a natural person who is a guarantor of all or part of the debt,
- (c) where the debtor is a body corporate, any director or officer of the body corporate, or
- (d) where the debtor is an entity other than a body corporate, any natural person who is essential to the ability of the debtor to meet the debtor’s financial obligations to the credit union; (*assurance-invalidité de crédit*)

“creditor’s life insurance” means a group insurance policy that will pay to the credit union all or part of the amount of the debt of a debtor to the credit union or, where a debt is in respect of a small business, a farm or fishery, all or part of the amount of the credit limit of a line of credit, in the event of the death of

- (a) where the debtor is a natural person, the debtor or the spouse of the debtor,
- (b) a natural person who is a guarantor of all or part of the debt,
- (c) where the debtor is a body corporate, any director or officer of the body corporate, or
- (d) where the debtor is an entity other than a body corporate, any natural person who is essential to the ability of the debtor to meet the debtor's financial obligations to the credit union; (*assurance-vie de crédit*)

“creditor’s loss of employment insurance” means a policy of an insurance company that will pay to the credit union, without any individual assessment of risk, all or part of the amount of a debt of a debtor to the credit union in the event that

- (a) the debtor, if the debtor is a natural person, becomes involuntarily unemployed, or
- (b) a natural person who is a guarantor of all or part of the debt becomes involuntarily unemployed; (*assurance crédit en cas de perte d’emploi*)

“creditor’s vehicle inventory insurance” means a policy of an insurance company that provides insurance against direct and accidental loss or damage to vehicles that are held in stock for display and sale purposes by a debtor of the credit union, some or all of which have been financed by the credit union; (*assurance crédit pour stocks de véhicules*)

“export credit insurance” means a policy of an insurance company that provides insurance to an exporter of goods or services against a loss incurred by the exporter because exported goods or services are not paid for; (*assurance crédit à l’exportation*)

“group insurance policy” means a contract of insurance between an insurance company and a credit union that provides insurance severally in respect of a group of identifiable members each of whom holds a certificate of insurance; (*police d’assurance collective*)

“group life savings insurance” means a group insurance policy that provides insurance to each member of the credit union for an amount not greater than the amount held by the member as deposits at the time of the member’s death; (*assurance collective d’épargne payable au décès*)

“line of credit” means a commitment on the part of a credit union to lend to a debtor, without a predetermined repayment schedule, one or more amounts, where the aggregate amount outstanding does not exceed a predetermined credit limit which limit does not exceed the reasonable credit needs of the debtor; (*marge de crédit*)

“mortgage insurance” means an insurance policy that provides insurance to a credit union against loss caused by a default on the part of a debtor, who is a natural person, under a loan from the credit union that is secured by a mortgage on real property or on an interest in real property; (*assurance hypothèque*)

“small business” means a business that is, or if it were incorporated would be, a small business corporation within the meaning of subsection 248(1) of the *Income Tax Act* (Canada); (*petite entreprise*)

“travel insurance” means

- (a) a policy of an insurance company that provides insurance to a natural person in respect of a trip by the person away from the place where the person ordinarily resides, without any individual assessment of risk, against
 - (i) loss that results from the cancellation or interruption of the trip,
 - (ii) loss of, or damage to, personal property that occurs while on the trip, or
 - (iii) loss that is caused by the delayed arrival of personal baggage while on the trip, and

- (b) a group insurance policy that provides insurance to a natural person in respect of a trip by the person away from the province in which the person ordinarily resides,
 - (i) against expenses incurred while on the trip that result from an illness or the disability of the person that occurs on the trip,
 - (ii) against expenses incurred while on the trip that result from bodily injury to, or the death of, the person caused by an accident while on the trip,
 - (iii) whereby the insurance company undertakes to pay one or more sums of money in the event of an illness or the disability of the person that occurs on the trip, or of bodily injury to, or the death of, the person that is caused by an accident while on the trip,
 - (iv) against expenses incurred by the person for dental care necessitated by an accident while on the trip, or
 - (v) in the event that the person dies while on the trip, against expenses incurred for the return of that person’s remains to the place where the person was ordinarily resident before death, or for travel expenses incurred by a relative of that person who must travel to identify that person’s remains. (*assurance voyage*)

Authorized types of insurance

- (2) For the purposes of this Rule, the following are authorized types of insurance:
 - (a) credit or charge card-related insurance;

- (b) creditor's disability insurance;
- (c) creditor's life insurance;
- (d) creditor's loss of employment insurance;
- (e) creditor's vehicle inventory insurance;
- (f) export credit insurance;
- (g) group life savings insurance;
- (h) mortgage insurance;
- (i) travel insurance.

Arrangements respecting insurance

9. (1) A credit union or a subsidiary of the credit union shall not enter into an arrangement with an insurance company except as provided in this section.
- (2) A credit union or a subsidiary of the credit union may enter into an arrangement with an insurance company under which the credit union or a subsidiary of the credit union may administer an authorized type of insurance and personal accident insurance for its members.
- (3) A credit union may enter into an arrangement with an affiliated life insurance company under which the credit union may, in addition to the activities authorized under subsection (2), refer its members directly to that company in respect of the provision of any product and service or products and services offered by that company.
- (4) Subsections (2), and (3) do not apply to a subsidiary of a credit union that is licensed as an insurer under the *Insurance Act*.

PART 5 RESTRICTIONS

Advice respecting insurance

10. (1) No credit union or a subsidiary of a credit union shall provide advice to its members in respect of insurance unless it is an authorized type of insurance or a service in respect of an authorized type of insurance.
- (2) Notwithstanding subsection (1), a credit union or a subsidiary of a credit union may provide advice in respect of insurance that is not an authorized type of insurance or a service in respect of an authorized type of insurance if
- (a) the advice is general in nature,

- (b) the advice does not relate to
 - (i) a specific risk, a particular proposal in respect of life insurance or a particular insurance policy or service, or
 - (ii) a particular insurance company, agent or broker, and
 - (c) in giving that advice, the credit union or a subsidiary of the credit union does not refer its members to an insurance company, agent or broker, except an affiliated life insurance company with which the credit union has entered into an arrangement under subsection 9(3).
- (3)** Subsections (1) and (2) do not apply to a credit union subsidiary that is licensed as an insurer under the *Insurance Act*.

Restrictions on the promotion of an insurance company

- 11. (1)** No credit union or a subsidiary of a credit union shall promote an insurance company, agent or broker unless
- (a) the insurance company, agent or broker deals only in authorized types of insurance,
 - (b) the insurance company is an affiliated life insurance company with which the credit union or a subsidiary of the credit union has entered into an arrangement under subsection 9(3), or
 - (c) the promotion takes place outside the offices of the credit union or its subsidiary and is directed to
 - (i) all of the holders of credit cards or charge cards issued by the credit union or its subsidiaries to whom statements of account are sent on a regular basis,
 - (ii) all of the credit union's members or all of its subsidiary's clients who are natural persons and to whom statements of account are sent on a regular basis, or
 - (iii) the general public.
- (2)** Subsection (1) does not apply to a subsidiary of a credit union that is licensed as an insurer under the *Insurance Act*.

Restrictions on the promotion of an insurance policy

- 12. (1)** No credit union or a subsidiary of a credit union shall promote an insurance policy provided by an insurance company, agent or broker, or a service in respect of an insurance policy, unless
- (a) the policy is in respect of an authorized type of insurance or the service is in respect of such a policy,
 - (b) the policy is a personal accident insurance policy or the service is in respect of such a policy and the promotion takes place outside the offices of the credit union or its subsidiary,
 - (c) the promotion is in respect of a policy to be provided by an affiliated life insurance company with which the credit union or a subsidiary of the credit union has entered into an arrangement under subsection 9(3) and the promotion does not refer to the credit union or its subsidiary by name or otherwise, or
 - (d) the promotion takes place outside the offices of the credit union or its subsidiary and is directed to
 - (i) all of the holders of credit cards or charge cards issued by the credit union to whom statements of account are sent on a regular basis,
 - (ii) all of the credit union's members or its subsidiary's clients who are natural persons and to whom statements of account are sent on a regular basis, or
 - (iii) the general public.
- (2)** Paragraphs (1)(a), (b), and (d) do not apply to a subsidiary of a credit union that is licensed as an insurer under the *Insurance Act*

Exclusions from promotions

- 13.** A credit union or a subsidiary of a credit union shall exclude from a promotion referred to in paragraph 11(c) or 12(d) any person
- (a) in respect of whom the promotion would violate an Act of Parliament or of the legislature of a province,
 - (b) who has notified the credit union or a subsidiary of the credit union in writing that the person does not wish to receive promotional material from the credit union, or
 - (c) who is a holder of a credit card or charge card that was issued by the credit union or its subsidiaries and in respect of which the account is not in good standing.

Restrictions on providing information

- 14. (1)** No credit union or a subsidiary of a credit union shall

- (a) provide, directly or indirectly, an insurance company, agent or broker with any information respecting
 - (i) a member of the credit union or a client of its subsidiary,
 - (ii) an employee of a member of the credit union or an employee of a client of its subsidiary,
 - (iii) where a member of the credit union or a client of its subsidiary is an entity with members or clients, any such member or client, or
 - (iv) where a member of the credit union or a client of its subsidiary is a partnership, any partner of the partnership, or
- (b) permit any other financial institution or body corporate with which the credit union or its subsidiary has entered into an arrangement to provide, directly or indirectly, an insurance company, agent or broker with any information that the financial institution or body corporate receives from the credit union respecting
 - (i) a member of the credit union or a client of its subsidiary,
 - (ii) an employee of a member of the credit union or an employee of a client of its subsidiary,
 - (iii) where a member of the credit union or a client of its subsidiary is an entity with members or clients, any such member or client, or
 - (iv) where a member of the credit union or a client of its subsidiary is a partnership, any partner of the partnership.

(2) Subsection (1) does not apply in respect of a credit union or a subsidiary of a credit union, Atlantic Central or a loan or trust company that is a subsidiary of Atlantic Central if

- (a) the credit union or a subsidiary of the credit union, Atlantic Central or loan or trust company, as the case may be, has established procedures to ensure that the information referred to in that subsection will not be used by an insurance company, agent or broker to promote the insurance company, agent or broker or to promote an insurance policy or a service in respect of the policy, and
- (b) the insurance company, agent or broker, as the case may be, has given a written undertaking to the credit union or to its subsidiary, to Atlantic Central or to the loan or trust company that the information will not be used to promote the insurance company, agent or broker or to promote an insurance policy, or a service in respect of the policy.

- (3)** Notwithstanding subsections (1) and (2), a credit union or a subsidiary of a credit union may provide to an affiliated life insurance company with which it has entered into an arrangement under subsection 9(3)
- (a) the name, telephone number and address of a member of the credit union or of a client of the subsidiary, as the case may be, if the provision of that information is authorized by the member or client in writing, or
 - (b) a complete list of the names of the members of the credit union or of the clients of the subsidiary, as the case may be, and their telephone numbers and addresses.

Restrictions on telecommunications devices

- 15.** A credit union or a subsidiary of a credit union shall not provide a telecommunications device that is primarily for the use of its members, or the clients of the subsidiary, as the case may be, and that directly links a member or a client with an insurance company, agent or broker.

Restrictions respecting premises

- 16. (1)** No credit union shall carry on business in premises that are adjacent to an office of an insurance company, agent or broker unless the credit union clearly indicates to its members that the credit union and its premises are separate and distinct from the office of the insurance company, agent or broker.
- (2)** No subsidiary of a credit union shall carry on business in premises that are adjacent to an office of an insurance company, agent or broker unless the subsidiary clearly indicates to its clients that the subsidiary and its premises are separate and distinct from the office of the insurance company, agent or broker.
- (3)** Notwithstanding subsections (1) and (2), a credit union or a subsidiary of a credit union may permit an affiliated life insurance company with which it has entered into an arrangement under subsection 9(3) to carry on business on the premises of the credit union or its subsidiary if
- (a) the business of the affiliated life insurance company is conducted in an area that is reserved for this purpose and is appropriately and clearly identified by one or more signs, and
 - (b) agents employed or remunerated by the affiliated life insurance company are not present on the premises of the credit union or its subsidiary for more than fifty per cent of the regular business hours of the credit union or a subsidiary of the credit union in a calendar year.

Tied selling

- 17. (1)** Where a debtor of a credit union applies for a loan, the credit union shall not impose undue pressure on or coerce the debtor, or require the debtor, as a condition of obtaining

the loan, to transact additional or other business with the credit union or any other person.

- (2)** Notwithstanding subsection (1), a credit union
- (a) may require a debtor to whom it makes a loan to maintain an account with the credit union for the purposes of making or receiving payments in respect of the loan, and
 - (b) may offer more favourable terms than it otherwise would in respect of any loan or transaction to a debtor who obtains one or more loans or transacts additional business with the credit union.

PART 6 CONFIDENTIALITY

- 18. (1)** A credit union that receives information pertaining to a member in respect of a particular transaction shall not
- (a) communicate the information to another person, except as necessary in the course of the credit union's duty to the member arising out of that transaction or a similar subsequent transaction, or
 - (b) use the information for a purpose other than in respect of that transaction or a similar subsequent transaction with the same member.
- (2)** Subsection (1) does not apply if
- (a) the communication or use of the information is
 - (i) authorized or required by an enactment or in a court proceeding, or
 - (ii) authorized in writing by the member, or
 - (b) subject to section 14, the credit union communicates the information
 - (i) to a subsidiary of the credit union, to Atlantic Central, the Superintendent, the Corporation or to any wholly owned subsidiary of Atlantic Central, for its sole use in carrying out its activities, or
 - (ii) to a financial institution or a body corporate under the terms of an arrangement in which the parties have agreed to comply with the requirements of this section in respect of information pertaining to a member of the credit union.

PART 7
COMING INTO FORCE

- 19.** This Rule comes into force on 1 January 2020.