

## MEMBER PROFILE

### AUTORITÉ DES MARCHÉS FINANCIERS (Québec)



### A Founding member of IADI

THE AUTORITÉ DES MARCHÉS FINANCIERS (AMF) IS THE REGULATORY AND OVERSIGHT BODY FOR QUÉBEC'S FINANCIAL SECTOR. ITS MISSION INCLUDES PROVIDING ASSISTANCE TO CONSUMERS OF FINANCIAL PRODUCTS AND SERVICES AND ENSURING THE IMPLEMENTATION OF PROGRAMS TO PROTECT AND COMPENSATE CONSUMERS, NOTABLY THROUGH ITS DEPOSIT INSURANCE PROGRAM.

#### OVERVIEW

In the early 1960s, the failure of some financial institutions coincided with the establishment of a financial institutions review committee mandated to analyze non-banking financial institutions in Québec. In a preliminary report released in March 1967, the committee recommended the creation of a provincial deposit insurance program.

On June 29, 1967, the National Assembly of Québec passed the Deposit Insurance Act and created the Régie de l'assurance-dépôts du Québec (RADQ, the Québec Deposit Insurance Board).

After 36 years of providing deposit protection, the RADQ has been integrated into a single regulatory body known as the Autorité des marchés financiers (AMF).

#### WHAT IS THE AMF?

Set up on February 1, 2004, the AMF administers the regulatory framework governing Québec's financial sector. To this end, it has combined the operations and personnel of the following five organizations: the *Bureau des services financiers* (Financial Services Bureau), the *Commission des valeurs mobilières du Québec* (Québec Securities



Jean St-Gelais, Chief Executive Officer of the AMF

Commission), the *Fonds d'indemnisation des*

*services financiers* (Financial Services Compensation Fund), the *Inspecteur général des institutions financières* (Inspector General of Financial Institutions, financial institutions sector only), in addition to the RADQ.

The AMF is designed to serve as a single window for consumer information and complaint processing. A team of information officers is available to respond to requests for information from consumers. The AMF is also charged with receiving and handling complaints. Furthermore, it strives to streamline the regulatory framework governing the financial sector and thus simplify the administrative procedures of individuals and businesses operating in the sector.

The AMF has approximately 550 employees at its Québec City and Montréal offices. Its headquarters are located in Québec City.

AMF President and CEO Jean St-Gelais is supported by seven branches, including four superintendencies. One of these, Consumer Assistance and Compensation, assists and compensates consumers of financial products and services and administers the funds of the deposit insurance program, among others. Program accounting, finance, research and management are carried out by fifteen employees.

## DEPOSIT INSURANCE PROGRAM

Under the *Deposit Insurance Act*, the functions of the AMF are to govern the soliciting and receiving of deposits of money from the public, guarantee the payment of deposits to the extent and in the manner prescribed under the Act and its regulations, manage the deposit insurance fund and administer the system of permits.

### • COMPULSORY REGISTRATION

All institutions other than banks, regardless of where they are constituted, are legally required to be registered with the AMF for the purpose of soliciting and receiving deposits in Québec. Explicit eligibility conditions apply for registration. The following types of institutions are eligible for the deposit insurance program:

- financial services cooperatives;
- trust companies;
- savings companies;
- insurance companies;
- all other eligible institutions under regulations.

### • LIMITED COVERAGE

The AMF guarantees to any person who makes one or more deposits with a registered institution the reimbursement of such deposits, subject to certain conditions, up to \$100,000 (approximately US\$85,000), including principal and accrued interest, per person, per registered institution. This amount

represents more than three times the current level of the Gross Domestic Product (GDP) per capita.

In addition to the basis guarantee, certain deposits are protected separately. This is the case with joint deposits, trust deposits and deposits placed in registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs).

Conditions apply in order for these deposits to qualify for the guarantee. For instance, deposits must be made and be payable in Québec, in Canadian currency.

### • PRIVATE FUNDING

To fulfill its obligations with respect to guarantees, the AMF administers a deposit insurance fund financed through the premiums paid by registered institutions. At March 31, 2006, accumulated net income in the fund totalled \$344,3 million (approximately US\$290 million), representing 0.52% of guaranteed deposits. This is used exclusively for interventions with troubled institutions.

In accordance with the fund's investment policy, these amounts are invested in the Specialized Bonds and Short-Term Investment Portfolios managed by the *Caisse de dépôt et placement du Québec*. In 2005, the fund generated a return of 4,4%, which was 40 basis points above the benchmark portfolio.

### • PREMIUMS

On an ex-ante basis, the AMF collects from registered institutions a premium of 1/25 of 1% of guaranteed deposits as of April 30 of each year. Nonetheless, the premium for financial services cooperatives that are members of a security fund can be reduced by one half if the AMF determines that the fund is able to fulfill and carry out its mandate and thereby avoid or reduce disbursements by the AMF.

### • EXAMINATION OF AFFAIRS

The AMF examines the affairs of every registered institution. It implements a risk-based supervisory approach that includes on-site examinations and an ongoing off-site process. In accordance with *An Act respecting financial services cooperatives*, the AMF may delegate inspections to an inspection service maintained by a federation of financial services cooperatives.

### • INTERVENTIONS

When a registered institution faces difficulties, the AMF is responsible for deposit protection and financial assistance. The AMF has special powers designed to lower risk as well as avoid or reduce possible loss. It can therefore agree to advance funds, acquire the assets of a registered institution, protect registered institutions against losses and make a deposit or guarantee a deposit made with a registered institution. If the AMF is unable to take such action, the Minister of Finance may decide to advance funds up to a

maximum of \$700 million (approximately US\$592 million).

Since 1967, the Deposit Insurance Fund (now part of the AMF) has intervened in some 30 instances related to the Deposit Insurance Act for a total of \$284.4 million (approximately US\$240 million).

***AMF operations generate a significant impact. In addition to a deposit guarantee totalling some \$66.4 billion (approximately US\$56.2 billion in 2005, which represents 75.2% of total deposits in Québec (other than bank deposits), the AMF contributes to the creation of a sound network of financial institutions in Québec thanks to its supervisory role with respect to near 600 deposit-taking institutions.***

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