



**AUTORITÉ  
DES MARCHÉS  
FINANCIERS**

# **INTERVENTION GUIDELINES FOR AUTHORIZED DEPOSIT INSTITUTIONS**

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## PURPOSE

The Intervention Guidelines for Authorized Deposit Institutions (“Guidelines”) describe the principal actions and measures that the Autorité des marchés financiers (“AMF”) may take when intervening with an authorized deposit institution<sup>1</sup> (“Institution”).

The AMF monitors each Institution on an ongoing basis and intervenes when it considers the Institution’s financial position to be unsatisfactory or the Institution not to be adhering to sound and prudent management practices or applying sound commercial practices, including situations of Institutions experiencing difficulties likely to affect their viability and, potentially, their ability to meet their commitments to depositors.

Interventions by the AMF vary in scope and intensity across five stages of intervention. The five stages describe the escalation of actions and measures available to the AMF, particularly under applicable laws,<sup>2</sup> which are adjusted to reflect an Institution’s financial position, risk profile<sup>3</sup> and importance in maintaining financial stability in Québec.

## THE AMF’S MANDATE

The AMF is the body mandated by the Québec government to regulate Québec’s financial markets and assist financial consumers, particularly in the areas of insurance, securities, derivatives, deposit institutions—other than banks—and the distribution of financial products and services.

The AMF is responsible for supervising Institutions to ensure that they comply with the prudential framework and legal and regulatory requirements, including as regards sound commercial practices and sound and prudent management practices, particularly with respect to solvency. It also acts as a resolution authority and deposit insurer. In this capacity, it is responsible for planning and implementing resolution operations in respect of an Institution and protecting depositors in order to contribute to maintaining financial stability.

## COORDINATION FOR INTERVENTIONS

For interventions with Institutions, the AMF relies on coordination and information-sharing mechanisms that are in effect with certain relevant authorities. The AMF is a party to various agreements, including with the Bank of Canada and the Canada Deposit Insurance Corporation.

Where an Institution also acts as an insurer,<sup>4</sup> the AMF relies on the joint intervention guidelines developed in the interest of depositors and insureds with Assuris (for life

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<sup>1</sup> Under the *Deposit Institutions and Deposit Protection Act* (CQLR, c. I-13.2.2.), deposit institution activities consist in soliciting and receiving deposits of money from the public. Deposit institutions include financial services cooperatives within the meaning of the *Act respecting financial services cooperatives* (CQLR, c. C-67.3), savings companies and certain trust companies within the meaning of the *Trust Companies and Savings Companies Act* (CQLR, c. S-29.02) and certain insurers within the meaning of the *Insurers Act* (CQLR, c. A-32.1).

<sup>2</sup> In particular, the *Act respecting the regulation of the financial sector* (CQLR, c. E-6.1), the *Deposit Institutions and Deposit Protection Act*, the *Act respecting financial services cooperatives*, the *Trust Companies and Savings Companies Act*, and the *Insurers Act*.

<sup>3</sup> For more details concerning the concept of risk profile, please refer to the [Financial Institutions Supervisory Framework](#) on the AMF website.

<sup>4</sup> As of December 1, 2022, only one insurer is also a deposit institution authorized by the AMF. That insurer is a life insurer that is a member of Assuris.

insurers) and the Property and Casualty Insurance Compensation Corporation PACICC (for property and casualty insurers).

### **SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTION**

Certain financial institutions are so vital to maintaining a financially stable economy that if one of them were to fail, the entire financial system and the real economy would be disrupted. These are designated as “Systemically Important Financial Institutions” (SIFIs).

Desjardins Group<sup>5</sup> has been designated by the AMF as a SIFI<sup>6</sup> for Québec. This designation comes with more stringent capitalization, disclosure and crisis management plan requirements, including the development of a recovery plan and a resolution plan.

The recovery plan,<sup>7</sup> which Desjardins Group is responsible for developing and updating, describes the measures that Desjardins Group plans to implement in the event of a deterioration in its financial position in order to ensure the sustainability of its critical activities (e.g., the receipt of deposits of money from the public), the interruption of which could impact Québec’s financial stability.

The resolution plan, which the AMF is responsible for developing, sets out the operations the AMF intends to implement, without recourse to public funds, to ensure the sustainability of Desjardins Group’s critical activities in the event Desjardins Group fails.<sup>8</sup>

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<sup>5</sup> The Federation and some 200 Desjardins du Québec caisses are institutions that are part of Desjardins Group. They, together with the security fund, form the Groupe coopératif Desjardins, which remains a subset of Desjardins Group. Each institution is a separate entity authorized individually by the AMF. However, the powers set out in the recovery plan and the resolution plan apply to the Groupe coopératif Desjardins, not on an individual basis to each institution in this group.

<sup>6</sup> AUTORITÉ DES MARCHÉS FINANCIERS, [AMF Notice related to designation of Desjardins Group as a domestic systemically important financial institution](#), June 2013.

<sup>7</sup> Also called a compliance program, most notably in the *Act respecting financial services cooperatives*.

<sup>8</sup> Section 40.9 of the *Deposit Institutions and Deposit Protection Act*.

## OVERVIEW OF THE INTERVENTION STAGES

The AMF determines which of the following intervention stages applies to an Institution:

- Stage 1 – No significant problems
- Stage 2 – Early warning
- Stage 3 – Watch condition
- Stage 4 – Critical – Non-viability imminent
- Stage 5 – Repayment of deposits and winding-up

The description for each intervention stage is not a comprehensive list of criteria that must be met to justify the stage but, rather, reflects the seriousness of the situation the Institution may be in. For example, the AMF may determine that an Institution is at stage 3 owing to governance issues, even though its financial position is satisfactory.

Furthermore, determining an intervention stage is not necessarily a linear process. An Institution assessed as being at stage 2, for example, may be reassessed as being at stage 4 on its next assessment.

The actions and measures outlined in the Guidelines are not exhaustive. The AMF may use all of its powers under the applicable laws.<sup>9</sup> How the AMF intervenes depends on the context, internal and external risks and characteristics of the Institution. Actions and measures that apply at more than one stage only appear upon first use in the Guidelines.

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<sup>9</sup> In particular, the *Act respecting the regulation of the financial sector*, the *Deposit Institutions and Deposit Protection Act*, the *Act respecting financial services cooperatives*, the *Trust Companies and Savings Companies Act* and the *Insurers Act*.

## Stage 1: No significant problems

**The AMF generally is of the opinion that the Institution:**

- **has a low to moderate risk profile**
- **is adhering to sound and prudent management practices and applying sound commercial practices**
- **has a satisfactory financial position**
- **is capable of coping with unfavourable conditions or an adverse event**

At this stage, the Institution's financial position is not causing any concern. The AMF may have identified one or more deficiencies in its management and commercial practices but considers it unlikely that the deficiencies will have a significant impact in the short term on the Institution's financial position.

The AMF applies its Supervisory Framework<sup>10</sup> based on the identified deficiencies and adjusts the frequency and scope of its supervisory activities. Actions and measures by the AMF may include, without limitation:

- monitoring for emerging, macroeconomic and cyclical risks
- analyzing information included in statutory disclosures
- analyzing stress test results
- holding discussions with the Institution's decision-making bodies
- ensuring that corrective action is taken to address the identified issues within the prescribed time limits
- assessing the Institution's deposit insurance risk

### **Elements specific to Desjardins Group**

The method applied in supervising Desjardins Group is the same as the one used for any other institution but requires specific work because of Desjardins Group's status as a systemically important financial institution and the resulting additional requirements. For example, Desjardins Group must hold additional capital to absorb losses in periods of stress. Desjardins Group is also subject to additional financial reporting requirements.

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<sup>10</sup> See the [Financial Institutions Supervisory Framework](#) on the AMF website.

## Stage 2: Early warning

**The AMF is of the opinion that the Institution is exhibiting at least one of the following:**

- **a moderate or high risk profile**
- **deficiencies in monitoring sound and prudent management practices and sound commercial practices**
- **a financial position that is causing concern**
- **potential difficulty coping with certain unfavourable conditions or adverse events without compromising its viability**

Although the Institution is compliant with the capital adequacy requirements, minor concerns relating to its current or future financial position have been identified. The AMF may have also identified deficiencies in management practices or commercial practices that could have an impact in the short or medium term on the Institution's financial position.

The AMF continues to apply its Supervisory Framework based on the identified deficiencies. It may require that corrective action be taken within the prescribed time limits to address deficiencies that are repeated or have a significant impact.

Supervision of the Institution's activities and compliance with capital requirements is increased in frequency and intensity. The AMF may require specific meetings with, in particular, the various lines of defence, send requests for information or require additional disclosure. It monitors traditional and social media as well as financial data relating to the Institution.

### **Elements specific to Desjardins Group**

At this stage, because of Desjardins Group's systemic importance, the AMF pays particular attention to the contingency plans and recovery plan developed by Desjardins Group, including the advantages and disadvantages of the various operations being considered.

### Stage 3: Watch condition

**The AMF is of the opinion that the Institution is exhibiting at least one of the following:**

- **a high or very high risk profile**
- **significant or repeated deficiencies in monitoring sound and prudent management practices and sound commercial practices**
- **a precarious financial position**
- **vulnerability to unfavourable conditions or adverse events**

The AMF has identified serious financial or non-financial concerns that could have a significant impact in the short term on the sustainability of the Institution's activities if they are not addressed as soon as possible.

In addition to the points mentioned in the previous stages, actions and measures by the AMF may include, without limitation:

- increasing the frequency of exchanges with the Institution's decision-making bodies and, if applicable, the internal audit department
- requiring activation of the Institution's contingency plans
- requiring a compliance program from the Institution that includes concrete measures to correct, within the prescribed time limits, the deficiencies that are making it vulnerable and informing the Institution of the actions and measures that will be taken if the compliance program fails
- imposing additional limits or issuing written instructions regarding the practice of certain activities
- issuing orders or seeking a Superior Court injunction to rectify a situation or put a stop to a particular practice
- engaging outside specialists or professionals to perform assessments or reviews

#### **Elements specific to Desjardins Group**

If Desjardins Group's contingency plans prove unsuccessful or there is a risk that the impacts from issues will spread to the entire group, it becomes vital for the AMF to ensure the sustainability of critical activities.

If its financial position deteriorates, Desjardins Group notifies the AMF without delay. The AMF may, if it determines it to be in the public interest, order Desjardins Group to implement the operations in the recovery plan.

After the recovery plan has been implemented, actions and measures by the AMF may, in addition to those previously indicated for other Institutions, include, without limitation:

- assisting Desjardins Group in selecting recovery operations and the conditions for their implementation
- supervising the implementation of the recovery operations in the recovery plan

- preparing for the implementation of resolution operations if Desjardins Group's position continues to deteriorate, including, without limitation, updating the preferred resolution strategy set out in the resolution plan in view of the stressed environment

#### **Stage 4: Critical – Non-viability imminent**

**The AMF is of the opinion that the Institution is exhibiting at least one of the following:**

- **a very high risk profile**
- **major deficiencies in monitoring sound and prudent management practices and sound commercial practices that are compromising the continuity of its business in the short term**
- **a critical financial position**
- **inability of its decision-making bodies to ensure its viability**
- **need for intervention by the AMF to minimize the impacts of its potential failure on its stakeholders, depositors and the financial system**

The Institution has serious problems and the immediate sustainability of its activities is being compromised. The AMF is of the opinion that the Institution is unable to correct the situation on its own.

Actions and measures by the AMF may include, without limitation:

- informing the Institution's decision-making bodies that the AMF's intervention is required in order to protect depositors and minimize the impacts on Québec's financial system
- requiring the Institution to provide all necessary information and documents within the prescribed time limits
- applying to the Superior Court to appoint a receiver to take possession and control of the Institution in order to implement a restructuring plan
- providing financial assistance to reduce the Institution's risk of default, and thereby reduce the risk for the AMF of having to repay the protected deposits, by:
  - making advances of money
  - guaranteeing payment of the debts
  - making or guaranteeing a deposit
  - acquiring certain assets of the Institution or any security issued by the Institution
- supporting the transfer of the Institution's assets or liabilities to another institution by:
  - guaranteeing an acquirer against certain losses it may incur following an acquisition
  - applying to the Superior Court for an order to force the sale or amalgamation of the Institution

- with the authorization of the Minister of Finance, constituting a legal person or a partnership to carry out the liquidation or winding-up of the assets acquired from the Institution
- suspending or cancelling the authorization of the Institution
- making or causing to be made a preparatory examination to obtain the information needed when a repayment of the deposits seems unavoidable

### **Elements specific to Desjardins Group**

At stage 4, the AMF is of the opinion that the failure of Institutions within Desjardins Group could result in the failure of the group as a whole and that its powers under the *Act respecting financial services cooperatives* are insufficient to correct the situation.

- If the AMF is of the opinion that it is in the public interest, the resolution operations set out in the applicable legislative provisions are implemented. The AMF becomes the receiver of the Federation and all Desjardins credit unions in Québec until the closure of the resolution operations

With respect to resolution operations, the AMF may:

- amalgamate the Federation and all Desjardins credit unions in Québec and have them continued as one savings company
- establish a bridge institution in order to have it assume the liabilities, in relation to deposits of money, of the Federation or a Desjardins credit union in Québec
- transfer the assets and liabilities of the Federation or a Desjardins credit union in Québec to an acquirer or an asset management company that it has established
- guarantee the Federation's or Desjardins credit union's obligations in Québec to a clearing agent
- convert any part of the shares or negotiable and transferable unsecured debts issued by the Federation or Desjardins credit unions in Québec into capital securities

## **Stage 5: Repayment of deposits and liquidation/winding-up**

**The AMF confirms that the Institution is not viable or is insolvent. The Institution's assets are insufficient to fulfill its obligations and should be liquidated/wound up.**

At stage 5, the Institution is unable to fulfill its obligations, including repaying at maturity deposits of money received from the public. The Institution may have to be wound up.

An application may be made to the Court for an order to wind up the Institution, which would result in the cancellation of the Institution's authorization. If appropriate, a liquidator is appointed to proceed with such winding-up by disposing of the institution's assets in order to maximize creditor compensation.

In the meantime, the AMF repays the protected deposits. Repayments of protected deposits are automated, with the AMF making a payment using data received from the Institution.

The AMF cooperates with the liquidator to put a communication plan in place. It also closely monitors the winding-up process.

The AMF may then institute legal proceedings in respect of the winding-up in order to recover the amounts paid to depositors in repayment of their deposits.

### **Elements specific to Desjardins Group**

In the case of Desjardins Group, resolution operations would have been implemented at stage 4 to ensure the sustainability of its critical activities, the interruption of which could impact financial stability in Québec. The full winding-up of Desjardins Group is not considered from that point on, but the AMF could nonetheless wind up certain entities during the resolution operations.

## GLOSSARY

**Resolution authority:** A public authority that, either alone or together with other authorities, is responsible for planning and carrying out the resolution operations in respect of systemically important financial institutions (SIFIs) based in its jurisdiction.

**Deposit insurer:** An entity responsible for providing deposit insurance, deposit protection or deposit guarantees in respect of deposits of money made with a deposit institution. The AMF is a deposit insurer.

**Insolvency:** A situation in which an Institution can no longer meet its financial obligations when due and/or when the value of its assets is less than the total of its liabilities.

**Systemically important financial institution (SIFI):** A financial institution or group that, because of its size, complexity and systemic interconnectedness, would, in the view of the relevant authorities, cause significant disruption to the financial system and economic activity, if it were to fail in a disorderly manner. Desjardins Group has been designated as a domestic SIFI for Québec.

**Non-viability:** Refers to a situation before institutional insolvency that may also include circumstances in which: (i) regulatory capital or required liquidity falls below specified minimum levels; (ii) there is a serious impairment to the Institution's access to funding sources; (iii) the Institution depends on official sector financial assistance to sustain operations or would be dependent in the absence of resolution; (iv) there is a significant deterioration in the value of the Institution's assets; (v) the Institution is expected in the near future to be unable to pay liabilities when due and to be insolvent; (vi) the Institution's business model is non-viable; (vii) governance or non-financial issues are such that it is no longer possible for the Institution to ensure the sustainability of its operations.

**Recovery operations:** Operations set down in the recovery plan that are intended to ensure the sustainability of a SIFI's activities.

**Resolution operations:** Operations set down in the resolution plan that are intended to ensure the sustainability of a SIFI's critical activities.

**Contingency plan:** A plan developed by an Institution in advance to identify and document the processes and actions to be implemented in order to efficiently and effectively manage any shock that could adversely affect one of its traditional functions (e.g., liquidity).

**Resolution plan:** A plan intended to facilitate the effective use of resolution power by the resolution authority with the aim of making feasible the resolution of any SIFI without severe systemic disruption and exposure of taxpayers to loss. It serves as a guide to the authorities for achieving an orderly resolution in the event that recovery measures are not feasible or have proven ineffective.

**Recovery plan:** A plan intended to correct the situation through recovery operations to ensure the sustainability of a SIFI's activities. It includes operations and measures to reduce the risk profile of the SIFI and conserve capital, as well as strategic options such as the divestiture of business lines and restructuring of liabilities.

**Compliance program:** A program intended to correct the situation of a troubled Institution through measures to be implemented by the institution within specified time limits. When applied to a SIFI, a compliance program may also be referred to as a recovery plan.

**Risk profile:** Represents an assessment of an Institution’s level of overall risk. It is arrived at by assessing the inherent risks of the Institution’s significant activities, quality of risk management, commercial practices and financial position.

**Intervention stage:** Escalation across five levels of actions and measures that are available to the AMF—particularly, under applicable laws—when intervening with an institution, which actions and measures are adjusted to reflect the seriousness of the Institution’s financial position as well as its risk profile and systemic importance.