



February 28, 2014

Ms. Jane Pearce, Director, Financial Institutions Division
Financial Sector Policy Branch
Department of Finance Canada
L'Esplanade Laurier
15th Floor, East Tower
140 O'Connor Street
Ottawa, ON K1A 0G5

Dear Ms. Pearce,

This letter is in response to the Consultation Paper on Canada's Financial Consumer Protection Framework, published on the Department of Finance's ("the Department") website on December 3, 2014. Central 1 Credit Union ("Central 1") thanks the Department for the opportunity to provide feedback on this important initiative.

Central 1 is the central credit union, trade services provider, liquidity treasurer and clearing facility for the 44 credit unions in British Columbia and 96 in Ontario. We are a member of Credit Union Central of Canada ("CUCC") and support their separate submission on this subject; however, as a market rated financial entity that is regulated federally by the Office of the Superintendent of Financial Institutions ("OSFI") and provincially by the Financial Institutions Commission ("FICOM") in British Columbia we would like to submit these complimentary remarks. Central 1 represents a consumer-oriented, full-service retail financial system that serves 3.3 million members and collectively holds more than \$90 billion in assets.

The core purpose of Central 1 is to maintain the liquidity reserves of the British Columbia and Ontario credit union system. Central 1, inter alia, also provides payments and settlement services to credit unions and accesses capital markets on their behalf as the majority of credit unions do not have independent access to funding in the capital markets. As such, Central 1 is a systemically important financial institution in the cooperative sector.

While our member credit unions are regulated provincially, we ask policy makers targeting federally regulated financial institutions to consider that decisions made at the federal level may have a residual impact within provinces and the large segments of the population they serve, for example, on the 42% of British Columbians that are credit union members. Credit unions are structured around principles that make us fundamentally different than traditional banks. They now also have the option to continue federally, and it is with these considerations in mind that we offer the following observations:



1. Central 1 is generally supportive of the Department's proposal to establish a comprehensive set of principles for consumer protection, though we note, that the "administration" of values-based codes such as principles to such a wide range of institutions will be difficult. If the government does adopt a set of principles to govern financial consumer protection, we ask that policy makers are mindful that they are consistent with the seven [co-operatives principles](#) that govern credit unions. We are strongly supportive of the considerations enumerated in the consultation paper, specifically:

- a. Financial institution stewardship of the consumer's interest;
- b. Access to financial services;
- c. Disclosure;
- d. Responsible business conduct; and,
- e. Redress.

2. With respect sections 4.1: "Addressing the Needs of Seniors and Vulnerable Canadians" and 4.6: "Access to Financial Services", we would like to emphasize the importance of credit unions in achieving these important objectives. Your consultation paper observes accessing financial services from remote locations can be challenging; credit unions are a strong partner for the government in finding innovative ways to solve these challenges. Recognizing that many of our clients live in rural areas of British Columbia and Ontario, Central 1 and our credit unions consistently lead in innovative ways to access banking services, most recently by being the first financial institutions to introduce remote capture for cheque deposits, greatly improving service delivery for consumers living far away from automatic banking machines or branches.

Furthermore, community and culturally-based credit unions build trust and close relationships with the members of the villages, towns, and cities in which they operate. By remaining steadfast in the maintenance of a strong community presence, our members are able to assist seniors, the disabled, and other vulnerable Canadians who may be uncomfortable and face challenges accessing telephone and on-line banking services.

3. With respect to section 4.2: "Responsibility of Financial Institutions to Consumers", we wish to remind the Department that in developing a broad standard of accountability, the Department should keep in mind that credit unions are accountable to their members as owners of their cooperatives, and not just consumers, and to make this distinction clear in whatever standard is developed.
4. When considering section 4.3: "Supervisory Powers for Accountability and Enforcement", as well as the administration and enforcement of the aforementioned broad standard of responsibility to consumers, we strongly believe that the regulatory enforcement arm of the framework should come through the Financial Consumer Agency of Canada (FCAC), and, recognizing the existing ability of FCAC to leverage monetary penalties of up to \$500,000 and compliance agreements, we feel that duplication of efforts would increase costs and may not be effective.
5. Central 1 strongly supports the importance of disclosure requirements, as discussed in section 4.5: "Disclosure about Financial Products and Services". In combination with measures to increase financial literacy, we believe that disclosure requirements and associated penalties are the most important measures to protect consumers, while high regulatory burden may create an opposite effect. While the existing Administrative Monetary Penalties are a good regulatory tool to combat disclosure

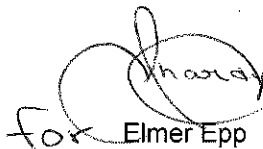
and compliance violations, we also believe that funding for financial literacy initiatives should be increased. British Columbia and Ontario credit unions already have numerous education initiatives in place, and we look forward to partnering with you in future programs and projects to enhance the financial literacy of Canadians.

6. To conclude, and in response to the questions posed in sections 4.7: "Comprehensiveness" and 5: "Continuing the Conversation: Engagement" we encourage the Department to include provincial players in future consultations, including provincial credit union centrals, such as Central 1, and provincial financial institution regulators so that your leadership on this important issue is inclusive of all of the challenges faced by, and the best practices adopted by, the full scope of Canada's financial services industry.

Central 1 and the credit unions of British Columbia and Ontario are eager to partner with you in making Canada a leader in financial literacy, inclusion, and consumer protection policies. I look forward to your response to this consultation in the summer of 2014.

Please do not hesitate to contact me with any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Elmer Epp", is written over a circular stamp. To the left of the signature, the word "for" is handwritten in a cursive style.

Elmer Epp
Chairperson, Legislative Committee