AlbertaCentral

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Financial Institutions Division
Financial Sector Policy Branch
Department of Finance Canada
James Michael Flaherty Building
90 Elgin Street
Ottawa ON K1A 0G5

Attention: Director

Email: fin.legislativereview-examenlegislatif.fin@canada.ca

September 21st, 2017

Dear Director,

Re: Consultation on "Potential Policy Measures to Support a Strong and Growing Economy: Positioning Canada's Financial Sector for the Future" ("Second Consultation Paper"); "*Limitations on Using the Terms "Bank", "Banker", "Banking"*".

Alberta Central is pleased to participate in the Department of Finance's second stage consultation on its review of the federal financial sector framework, with regards to the issue of *Limitations on Using the Terms "Bank", "Banker" and "Banking"*. We consent to the full disclosure of our comments.

Alberta Central is the central credit union for credit unions in Alberta, and acts both as the central liquidity provider, and as a trade association. There are 22 credit unions in Alberta, serving 616,000 members through 199 credit union branches. As a system our assets average over $24.5B. We contribute more than $1.2B to the GDP of Alberta, and we directly employ more than 3,400 people.

The recent advisory issued by the Office of the Superintendent of Financial Institutions (OSFI), which restricts non-bank financial institutions, including credit unions, from using the word "banking" to describe the services we offer Albertans is of great concern to the credit unions of Alberta.

As described in the *Second Consultation Paper*, we agree that it is important for consumers to know when they are dealing with bank, rather than another type of financial service provider. However, it should be recognized that what is actually of importance is that consumers are assured that the institution that they are dealing with is properly regulated, by the appropriate level of government and regulators, to provide the services offered. Banks are not the exclusive provider of banking services and the *Bank Act* is outdated in this regard. Since 1938 credit unions in Alberta have been providing deposit taking and loan services to Albertans, and have done so in a prudentially regulated manner,

under the direct supervision of the Alberta Government. The *Bank Act* should be updated to reflect the reality that there are other types of financial institutions providing banking services to Canadians.

From a cost perspective, the ban on the use of the word "banking" would cost the national credit union system an estimated $80 million. It would require the removal of phrases like "on-line banking," "mobile banking" and "commercial banking" from signage, websites, forms and ads. This is money credit unions may otherwise put back into communities through lending and/or community investment, or put into the hands of Canadians through dividends to members.

The view of the Alberta credit union system is that prudentially regulated financial institutions, such as credit unions, should be permitted to continue to describe their services using the terms "bank" and "banking". The *Bank Act* should be amended to acknowledge that banking services are being provided under the supervision of regulators other than OSFI, under legislative frameworks other than the *Bank Act*.

Credit unions don't want to be confused with banks. Whilst our services, and service delivery model, are very similar (in many cases identical) to those of banks, our structure, ownership, profit distribution, governance, and security are very different. We describe our fundamental differences from banks through our advertising and communications with members. Credit unions need to speak in the language Canadians use and understand in order to compete effectively with the banks.

Thank you for your consideration of our concerns and we welcome the opportunity to work with you on this important issue.

Yours sincerely,

Graham Wetter,

President & CEO

Copies to:

Martha Durdin, CEO, Canadian Credit Union Association

Brett Oland, Chairman of the Board, Alberta Central