

SUBMISSION TO THE DEPARTMENT OF FINANCE SECOND STAGE CONSULTATION ON THE FEDERAL FINANCIAL SECTOR REVIEW

September 27, 2017

XXX is pleased to participate in the Department of Finance's second stage consultation on its review of the federal financial sector framework.

As a financial co-operative owned by its members, it is imperative for our members and our communities to understand that we are in the business of providing banking services but that we are proud to be different – to be a credit union.

Headquartered in **XXX**, **XXX** is a locally-owned financial institution, which means that our owners, and our profits, are in the communities we serve. The credit union opened its first branch in **XXX** in **XXX** and has continued to grow over our 70+ year history. **XXX** and **XXX** amalgamated in **XXX** and we are now a credit union with **XXX**. We serve over 17,500 personal, business and agriculture members throughout **XXX**.

XXX provides a complete line of banking services, including investments, financing, wealth management, insurance, business banking, and 24-hour on-line and mobile banking.

Further setting us apart from other financial institutions is our commitment to our values:

Personal and Professional Service

We are focused on our goal to develop meaningful relationships with our members, each of whom is an owner. It's the difference between being an owner at **XXX** and simply being a customer of other financial institutions. The staff at **XXX** strives to build lifelong relationships with our members. We believe this is achieved by understanding that each member is unique and, by providing reliable financial advice in a friendly atmosphere, we are creating partnerships to last.

A Dedication to Delivering Results

Our employees are the foundation of our credit union and the driving force behind our success. We are proud to hear many of our employees say that they work in a welcoming atmosphere that values its people. We are committed to building a solid credit union by enriching the lives of our employees through incentives, benefits, career advancement programs and a healthy work-life balance. In return, our employee commitment is second to none, and our staff are building a positive culture dedicated to delivering results.

Community Commitment

Community building: by working where we live, we understand the importance of supporting local associations, events and projects that benefit our communities and those who live in them. We invest directly in our areas through donations, sponsorships and scholarships. In fact, we contributed over 2.8% of our pre-tax profit in 2016, with the majority of decisions being made directly by our Branch Managers. In addition, our Charity Golf Classic, hosted annually in July, has raised \$135,000 in the last 7 years for local organizations and projects.

People helping people: **XXX** is also proud of the tireless effort and community spirit of our staff, who donated over 3,000 hours of their time through volunteerism in 2016.

Benefit of Local Ownership

Decision Making: Staying close to the people we serve is fundamental to our success. Being local provides us with the advantage of quickly reacting to changing trends in our marketplace, or by overcoming unique challenges through innovation and forward thinking. This ability to make local decisions can positively affect members with a farm or small business, who often require reliable financial advice and swift action. We consider this our strength, because we develop policies, products and services to suit the requirements of the communities we serve.

Member-ownership in **XXX** is represented by the purchase of Common Shares. A \$5 investment gives each member the right to democratically elect and even run for a position on the Board of Directors. Our Board is comprised of thirteen representatives from our local areas who establish solid strategic priorities and direction that reflects our communities.

Profit Sharing: Sharing our success with the people who make it possible is a fundamental principle of being a credit union. **XXX** has paid over \$22.4 million in Profit Sharing to our members since 1988.

Despite decades of past practice and early promising conversations with the Canadian Credit Union Association (CCUA), the Office of the Superintendent of Financial Institutions (OSFI) issued an advisory on June 30, 2017 that adopted a strict interpretation of Bank Act restrictions around the use of the words “bank, banker and banking” by non-banks. Section 983(2) of the Bank Act restricts the use of the terms “bank”, “banking” or “banker” by non-bank entities like credit unions.

Until recently, OSFI had effectively interpreted the Act in a common-sense way, using judgement and discretion in the enforcement of the Act. The recent ban on the word “banking” was a sudden departure from decades of enforcement practice. Although the policy goal is to prevent people from being misled into thinking they are dealing with a bank, credit unions have used the terms for years without incident. This is because credit unions have used the terms the same way Canadians do – to describe the kinds of activities that take place between members and their credit union.

XXX is supportive of the Minister of Finance’s proposal to review the Bank Act restrictions around the use of the terms “bank,” “banker” and “banking” and feel we should be able to use these terms to describe the activities and services we provide our members. Canadians use “bank” and “banking” terminology to describe their dealings with a deposit-taking institution like a bank or a credit union. **XXX** is proud of our differences and although we work hard to promote these differences, we need to speak in language Canadians use and understand.

This is a significant issue for credit unions and our owners/members as it is estimated that a ban on the use of these words would force credit unions to pay up to \$80 million to remove phrases like “on-line banking,” “mobile banking” and “commercial banking” from signage, websites, forms and advertising. The enforcement of an outright ban would disadvantage credit unions in the banking services market. Credit unions would have had to spend millions of dollars attempting to popularize new terms to replace common phrases like “online banking,” “business banking,” or “bank with a credit union” and we could still be vulnerable to an enforcement action by OSFI.

Credit unions are sound financial institutions that are well-regulated by provincial authorities. We are known as prudent lenders with low loan losses. Our deposit insurance provides credit union members protections equal to, or greater than, those available to bank depositors. Credit unions have weathered the financial crisis without incident and consumers can feel safe and secure banking with a credit union.

XXX appreciates OSFI's decision to suspend its compliance expectations around the Bank Act restrictions pending the Department of Finance review of the restrictions. Following the release of the consultation paper, OFSI published a notice saying it was "suspending the compliance expectations set out" in an interpretative advisory published June 30 and will revisit this issue pending the Department of Finance's review of the Bank Act restrictions.

Credit unions should not be forced to invent different words to replace the terms Canadians already use to describe their dealings with regulated institutions like credit unions. We support a change to the Bank Act so that it is clear that credit unions, as regulated deposit-taking institutions, can use these terms to describe what they do while ensuring that Canadians know they are dealing with a credit union, not a bank.

We recommend the Department of Finance propose changes to the Bank Act to allow credit unions, as prudentially regulated deposit-taking institutions, to use the terms "bank" and "banking" to describe their activities and services.

Thank you for considering this submission and we welcome the opportunity to work with you.

Sincerely,

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President and Chief Executive Officer