

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

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

September 21, 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””.

Servus Credit Union 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. Servus Credit Union is the second largest credit union in Canada and the only province wide credit union. Our credit union started in Alberta in 1938 as Mangan Credit Union and has grown over the years to over \$15 billion in assets, in 60 Alberta communities, with over 100 branch locations, 2,200 employees and 380,000 members. We are a full service cooperative financial institution and all of our branches are clearly identified as Servus Credit Union on our signage.

The recent advisory issued by the Office of the Superintendent of Financial Institutions (OSFI), that 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 our credit union and the larger credit union system in Alberta and across Canada.

As described in the Second Consultation Paper, we agree that it is important for consumers to know when they are dealing with a bank, rather than another type of financial service provider and our organization accentuates this differentiation in our advertising at every chance we get. 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Banks are not the exclusive provider of banking services and the *Bank Act* is outdated in this regard.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 like ours 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 who are regulated.

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, brochures, forms and ads. That is money that credit unions may otherwise put back into communities through lending and/or community investment, or put into the hands of member Canadians through dividends and profit sharing. Since 2008 Servus Credit Union has returned \$369 million in profit share and dividends directly to our member owners.

The view of Servus Credit Union is that prudentially regulated financial institutions, such as credit unions, should be permitted to continue to describe their services using the terms "bank", "banker" 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. While our services, and service delivery model, are very similar (in many cases identical) to those of banks, our governance, structure, ownership, profit distribution, 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. I know that our 380,000 members expect this.

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

Yours sincerely,



Garth Warner,
President & Chief Executive Officer

cc: John Lamb, Chair, Servus Credit Union Board of Directors
Graham Wetter, President and CEO, Credit Union Central Alberta
Martha Durdin, CEO, Canadian Credit Union Association