



**Sydney Credit Union**

**Submission to the Department of Finance Second Stage Consultation on the  
Federal Financial Sector Review**

September 22, 2017

Sydney Credit Union is pleased to participate in the Department of Finance's second stage consultation on its review of the federal financial sector framework, and truly appreciates the opportunity to do so.

Sydney Credit Union was founded in Cape Breton, Nova Scotia back in 1935 by local citizens who had a vision and determination to see the economic success of our local community. That vision remains true today. Sydney Credit Union has grown to be a progressive, full service financial institution with nearly 14,000 members, \$188 million in assets and we employ approximately 60 staff and management. Sydney Credit Union is focused on providing programs and services that enhance the economic and social well-being of our members and our community.

What separates Sydney Credit Union from other financial institutions is that when you open an account you're not a customer, you're a member and an owner. This means an even better relationship that ensures our members' needs always come first, giving them ownership of their financial future! It is our commitment to empower our membership to make the best decisions for their financial well-being. We service both personal and commercial members, including a Microfinance loans offering for small business entrepreneurs who require access to credit to finance their innovative business ventures that are flexible and will meet their financial needs that, inadvertently, may be restricting them from being economically self-reliant. After all, our members' success means our vision remains true, that we are enhancing the economic and social well-being of our community.

It is this continued commitment to our community that makes being a member at Sydney Credit Union even more rewarding. The other thing that separates Sydney Credit Union from other financial institutions is our ability to give financial support through our Five Star Success™ profit sharing program. In fact, over the past 17 years, Sydney Credit Union has given *over \$6 million* back to its stakeholders through its Five Star Success Program. This sharing of profits with our members clearly differentiates us from the banks as their profits go to their shareholders, thus affirming to our members that we are *not* a bank, but a Credit Union. This Five Star Success™ profit sharing program, along with the Sydney Credit Union Charitable Foundation, have donated millions of dollars in support of local groups and organizations with the same vision, to make our community an even better place to live. It is something our members should feel proud of! It is why we say, Sydney Credit Union – Your Financial Well-being – Your Community – Your Credit Union!

In fact, we use the tagline “Truly Local Banking” in virtually all of our on-air radio spots and throughout our social media posts and pages. We believe that promoting the local ownership of our Credit Union distinguishes us clearly from the banks that are owned by shareholders. Furthermore, we take every opportunity at speaking engagements and sponsorship presentations to stress the fact that we are *locally* owned, and therefore very different from a bank.

Our submission focuses on the Department of Finance's consultation question about the Bank Act restrictions on the use of the terms "bank and banking" by non-banks and credit unions in particular. We are pleased that Finance Minister Morneau's office has decided to review a rule that, if interpreted in the way outlined by OSFI in June, would have made it very hard for credit unions to compete fairly with banks. All along, we've been looking for a common-sense solution that would allow credit unions to speak in a language familiar to Canadians, without anyone confusing us with banks.

We believe emphatically that Credit Unions should not be forced to invent 'new' words to discuss or explain what we do for all our members every day, which is providing banking services. We expect that since Credit Unions are also a regulated financial institution, then they should be allowed to also use the terms banking and bank, as such common sense words are what Canadians use every day to describe their financial transactions.

If Sydney Credit Union were banned from using the words "bank and banking", then it would certainly impact us through significant costs to remove such terminology from our website, social media pages, agreements, mobile banking applications, various internal applications, advertising and paid signage. This would clearly have a negative impact on our profitability and thus our sharing of our profits with our members and our community. Not only would this be costly, but it would be extremely time consuming, time that could be better spent serving our members and improving their financial situation.

However, we believe that the most detrimental impact is that it would likely take years to develop new terminology that would be readily recognizable by the public, leading to confusion, and reducing the average consumers' ability to make an informed choice about their financial service provider. Credit Unions are provincially regulated and are known as prudent lenders with low losses from lending. Furthermore, our deposit insurance is equal to, or in some cases greater, than what is available to bank depositors. So consumers should not feel that their money is any more at risk in a Credit Union than it would be in a bank. Any indication to the contrary is simply misleading.

As well, we are **not** in favor of limitations regarding marketing and external communications, as it sends a clear and inaccurate message to consumers: *you can't do your banking at a credit union*. We do not think limitations are required as we make clear to consumers that they are dealing with a credit union at every juncture, ranging from opening an account to accessing funds and products, and our Credit Union's legal name is clearly presented on all documents that members sign. Furthermore, requiring credit unions to place what can only be described as a disclaimer on their marketing and communication materials will likely result in reputational damage, suggesting that credit unions are less secure, less credible and offer lesser quality services and products to Canadian consumers. We recommend that disclosure (defined as having the words "CREDIT UNION" placed prominently) be required on all official banking documents that require the signature of the consumer in order to access banking products and/or services from a credit union (e.g. account opening, loan applications and other such documents).

We truly believe that all Credit Unions are very proud of what makes them different from a bank, and in fact celebrate that difference. But if we can't describe what we do, using terms that everyone understands and that we've been using for years without issue, then we will undoubtedly fail to serve the public as we would like to. This would reduce our ability to compete with other financial service providers which we do not believe is in this great Nation's best interests.

In closing we make the following recommendation on behalf of Sydney Credit Union:

***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. We welcome the opportunity to work with you.

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