



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

September 2017

UNITY CREDIT UNION

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

Who we are

Unity Credit Union Limited is a \$250 million rural-based credit union predominantly serving members in west-central Saskatchewan. We are located in the community of Unity, Saskatchewan; a community of 2520 people. We also serve four surrounding Rural Municipalities and several smaller surrounding communities. We are the largest single branch credit union in Saskatchewan. We serve all sectors of our population and economy providing services to consumers, agricultural producers and commercial enterprises. We consider ourselves a full service operation. With our Credential Financial Strategies (CFS) Office, Unity Credit Union's line of service encompasses a full line of investment options including brokerage; personal insurance; all classifications of loans; card products; financial planning; and electronic banking including phone banking, internet banking, mobile banking and a mobile app. We continue to seek ways to serve our members better and in new ways.

What makes us different

We have compared our service and offerings to our competitors and have determined that the following are what make us different from the chartered banks and other financial services providers in our community:

Community Involvement & Support

Unity Credit Union is actively involved in supporting the community by sponsoring events, making donations, holding contests and promotions, supplying volunteers and actively participating in community events. We understand that a strong community leads to a strong credit union. We want our community, its businesses, organizations and residents, to grow, prosper, and flourish.

Local Decision Making

Unity Credit Union has a board and management team that are local. They live and work in the communities we serve. Decisions are made by these people whether those decisions relate to policies, procedures or loans. Members know the people who make the decisions and can talk directly to the decision makers. Personal and local decision making leads to quicker and easier decisions for member financial needs, including and especially loans.

Real Person Answering the Phone

At Unity Credit Union a real person answers the phone during business hours rather than an automated answering service. We connect with our members through this one on one contact. We listen to needs so we can better serve members directing them quickly to the appropriate person who can help.

Duty of Care

Everyone wants to feel a sense of financial well-being. This begins with having trusting relationships with advisors. Unity Credit Union employees care about our members and their financial well-being. We will consider members' current life-stages and offer suggestions beyond the present needs to help members attain the sense of well-being they desire.

Flexible Hours of Service

Unity Credit Union is open Monday through Friday, 8:30 am – 4:30 pm. These convenient hours of service allow members to visit Unity Credit Union before work, throughout the morning and afternoon, and through their lunch hour. However, if these hours do not fit our members' needs, they can contact us to arrange a meeting outside of our core business hours. In addition to striving to provide more convenience and flexibility for members, we offer many and varied electronic means of doing business with Unity Credit Union, such as MemberDirect® Online Banking, Mobile Banking, Mobile App, Text Banking, ATM, IVR Telephone Banking, and credit unions CONNECT.

Deposit Guarantee

Deposits held in Saskatchewan Credit Unions are fully guaranteed through the Credit Union Deposit Guarantee Corporation (CUDGC). Member deposits are safe and will always be repaid, no matter how large or small the dollar amount.

Financial Co-operative

A credit union is a financial co-operative. We balance the principles of co-operatives with those of business. Our principles ensure we engage in activities focusing on democracy, social consciousness, and human relations. We are a business owned and controlled by members and operated for them and by them. Members pool their financial assets to receive services they need and benefit from operating surpluses generated, through community donations and patronage. Members benefit as well as having an influence in the future of the credit union.

Patronage

Patronage is a form of reward for being a member. Members not only receive competitive rates on loans and deposits but also share in the surplus generated by the credit union based on the amount of business done with the credit union. In essence, the credit union shares its profits with members. Equity is only paid to members. Those who choose not to become a member may still utilize the services of the credit union and contribute to the operating surplus of the organization, but they are not eligible for the equity payment. Being a member of Unity Credit Union truly pays!

How we have supported our community

One of the cooperative principles is Concern for Community. As a credit union, we are very conscious of this principle and try to put words into action. We encourage staff to volunteer in the community in leadership and different capacities, as well as provide manpower to various functions. We support many and varied organizations, groups and events. Furthermore, the credit union has been a key player in several larger projects that have impacted the community positively.

The first is the creation of the North West Terminal and North West Bio- Energy. Ownership of this inland terminal and ethanol plant is held by local shareholders. These shareholders provided the original capital required to obtain financing from a financial institution. Unity Credit Union developed a Community Development Loan Program. Under this program, the credit union provided access to funds for investors who needed to borrow to invest in the projects. These loans were largely unsecured loans.

XXX

When the community began work on an independent living center for senior citizens, Unity Credit Union again stepped up. We contributed \$20,000 per year over five years for a total of \$100,000 towards the initial costs. **XXX**

Unity Credit Union purchased a zamboni machine for the arena at a cost of \$60,000 and gifted it to the Town of Unity. In addition, we purchased a sign for community announcements and upgraded it to an LED version when the original wore out. These signs cost \$20,000 and \$30,000 respectively.

When our local hospital transitioned from reviewing x-rays locally to sending the information to specialists in Saskatoon, they required computer radiography equipment. The credit union agreed to match donations made by the community to a maximum of \$15,000. We paid our maximum contribution due to the support of the community.

The most recent contribution we made was to our local swimming pool. With a donation of \$250,000 from the credit union, the Town was able to receive a matching grant from the federal government and the new pool became a reality.

In 2016, our credit union employees volunteered over 1500 hours in our community and our contribution back to the community was over \$72,000.

How we use the terms “bank”, “banker” and “banking”

Several times in this submission we utilize the term banking. In all of these situations and in discussions with members, we utilize the term banking as outlined above. We use the words to describe the business of conducting financial business and transactions and not in a way to mislead members as to who we are. We proudly display our name and use the trademarked HANDS & GLOBE Logo to identify who we are and what we stand for. On marketing materials, we utilize our credit union name and only refer to banking as a means of doing transactions. Banking terms are words that Canadians use and understand to describe their dealings with a deposit-taking institution like a bank or a credit union. Credit unions need to speak in language that Canadians use and understand in order to compete with other financial service providers. We are proud of our differences in being a credit union and work hard to promote them.

OUR SUBMISSION

Our submission focuses on the Department of Finance’s consultation question about the *Bank Act* restrictions on the use of the verb “bank” and term “banking” by non-banks and credit unions in particular. Credit unions shouldn’t be forced to invent different words to replace the terms Canadians already use to describe their dealings with regulated institutions like credit unions. We think the *Bank Act* should be changed 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.

Canadian Credit Union Association (CCUA) estimates that a ban on the use of these words would force credit unions to pay up to \$80,000,000 to remove phrases like “online banking,” “mobile banking” and “commercial banking” from signage, websites, forms and advertising. Unity Credit Union estimates that

our share of that cost would be over \$35,000. Those are funds that could be used to give back to the community as illustrated herein.

The enforcement of an outright ban would disadvantage credit unions in the banking services market. Credit unions would have to spend millions of dollars to popularize new terms to replace common phrases like “online banking,” “business banking,” or “bank with a credit union” and could still be vulnerable to a future enforcement action by the Office of the Superintendent of Financial Institutions (OSFI).

Our key messages

- **We are supportive of the Minister of Finance’s proposal to review the *Bank Act* restrictions around the use of the terms “bank,” “banker” and “banking”:** Credit unions should be able to use the terms “bank” and “banking” to describe their activities and services.
- **We also appreciate OSFI’s decision to suspend its compliance expectations around the *Bank Act* restrictions pending the Department of Finance review of the restrictions:**
- **Canadians use “bank” and “banking” terminology to describe financial services:** These are terms that Canadians use and understand to describe their dealings with a deposit-taking institution like a bank or a credit union. Credit unions are proud of our differences and work hard to promote them, but we need to speak in language Canadians use and understand.
- **Credit unions like Unity Credit Union are prudentially sound financial institutions:** Credit unions are well-regulated by provincial authorities. Credit unions are known as prudent lenders with low loan losses. 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; no credit union members lost money during the crisis and there were no credit union failures related to the crisis. Consumers can feel safe and secure banking with a credit union.
- **A ban on the word “banking” was a sudden departure from decades of enforcement practice:** Section 983(2) of the *Bank Act* restricts the use of the terms “bank”, “banking” or “banker” by non-bank entities like credit unions. The policy goal is to prevent people from being misled into thinking they are dealing with a bank. But, credit unions have used the terms for years without incident. That’s because we have used the terms the same way Canadians do – to describe the kinds of activities that take place between members and their credit union. Until very recently, OSFI had effectively interpreted the Act in this common-sense way, using judgement and discretion in the enforcement of the act.

OUR RECOMMENDATION

Credit unions are fundamentally different than banks, but need to use common-sense language to explain the services we offer:

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. For more information, please contact:

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