



Valley Credit Union

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

September 21, 2017

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

Our beginnings are deep rooted in the seven (7) rural communities that we are very much a part of. Representing nearly 11,000 members in a region that is challenged by out-migration, we are committed to maintaining a long term presence to ensure that not only the basic banking needs of Nova Scotians' are met but that our members and prospective members have access to banking services that are both competitive and tailored to meet individual needs.

As federally regulated financial institutions continue to reduce their footprints in many rural areas in order to meet shareholder return expectations, credit unions continue to invest heavily to meet our shareholder needs; our shareholders are the users of our services and value local presence. Valley Credit Union provides credit to small business and personal members based on our specific knowledge of the local market, specific knowledge of individuals without restrictions based on geographic location, loan size, or the ever more common credit assessment models. We are primary supporters of economic drivers in our communities.

At Valley Credit Union we take great pride in knowing our members and serving them like the "family" they are. We take great pride in providing advice and guidance on how members can reach their financial goals. Many of our members have dealt with Canada's federally regulated financial institutions and have chosen to deal with us for reasons, including those noted above. They realize that, although we are provincially regulated, that we do provide the same core services as the "Banks". Although they recognize the difference we make, members use terminology such as "bank", "banker" and "banking" as the words have evolved; simply to describe a basic and recurring necessity, the employees who assist in providing that necessity and the institution they chose to do it at.

Although our members represent all income levels, Valley Credit Union, like many others, are proud to serve those for whom life has been a larger struggle. We have been providing credit to families and small businesses that do not meet the established criteria at "Banks" for many years. The advice we provide and the relationships we build has resulted in us assisting in improving the lives of many who would not otherwise have had the opportunity.

As services such as wealth advice become restricted to those with considerable wealth, Valley has invested considerable funds to provide members and

prospective members with access to financial advisors; both MFDA and IIROC. We believe that wealth accumulation is not only key to a comfortable retirement but also key to sustaining rural communities. As such, we have invested in platforms and local staff to provide financial advice without restrictions on portfolio size.

Although our members will often say, “I have to drop down to the bank, will you be in this afternoon”, “Can you tell me the balance of my bank account”, “I noticed on my on-line banking...”, they know we are a Credit Union and they know how we differ from a “Bank”. Our members know we are Valley Credit Union as much as they know CIBC is CIBC and RBC is RBC. They rarely refer to any of us specifically as a “Bank” but rather refer to the services we provide; “banking”.

Valley employees and members refer to accounts as “bank” accounts” and to our online platform as “online banking”. We don’t correct people when they are in to do their “banking”. We do not call ourselves a “Bank”, for we are not. We are deeply locally entrenched providers of financial services to a large group of the population that believes we do things differently, a group that values having a voice, that values receiving an annual “member rebate” based on the business they conduct with us as opposed to the number of shares they hold, and value our grass roots approach to supporting communities through volunteerism and investing in what is meaningful to them.

With a “needs based” approach to member relationships Valley continues to grow at twice the rate of other financial services providers. We are a crucial provider of credit to the small business market, leveraging our own balance sheet as well as both provincial and federal loan programs and providing credit to businesses with no other source of capital. We have successfully done this with very low default rates which we attribute to both our approach and being viewed by small businesses as a valued partner, not just a provider of capital.

We pride ourselves on supporting local. We establish long term financial partnerships with community causes to ensure longevity of services. We contribute more than \$6.5MM to the local economy annually with approximately half being payroll related.

Likely very evident at this point, Valley’s submission is focussed on the Department of Finance’s consultation question about the Bank Act restrictions of

the use of the terms “bank and banking” by non-banks and credit unions in particular.

Disallowing the use of the words “bank and banking” would certainly create economic challenges for Valley Credit Union due to the costs associated with changing signage, websites and print material. More importantly, it would cause considerable confusion and disconnect with what members have known us to do for decades, to provide local banking services to those who value what credit unions represent. We are regulated, financially and morally responsible institutions that have effectively filled voids in the Canadian Banking landscape. We have not done so by downplaying the roles of what other institutions have done but by earning the respect of the communities we are in.

With assets of only \$165MM we are the sole financial institution in one of our rural markets and we maintain full service branches in 3 other very small communities. We use profits generated by our 3 larger branches to subsidize losses in these small communities so that we are able to ensure these communities continue to have valued financial services. Having to bear costs associated with removing “bank and banking” would likely prompt us to have to re-evaluate our current branch footprint. The outcome would be unlikely to benefit anyone, not the communities, not our members, not our employees and certainly not the tax base of small communities and levels of government; all of whom receive considerable benefit.

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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