

August 23, 2017

Director, Financial Institutions Division
Financial Sector Policy Branch
Department of Finance Canada
James Michael Flaherty Building, 90 Elgin Street
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Re: 2017-08-11 2nd Consultation Paper on Federal Financial Sector Framework

My Background:

I am a financial economist specializing in the governance of large organizations. My cv is online at [linkedin.com/in/marklatham](https://www.linkedin.com/in/marklatham). I did a master's in finance at UBC, a PhD in finance at MIT, and was assistant professor of finance at U C Berkeley. I worked six years for Wall Street firms, on derivatives arbitrage and risk management.

I left Wall Street in 1995 to work independently on reforming corporate governance. Since then, my reform work has broadened to include democracies, co-ops and credit unions -- see votermedia.org/publications. In 2009, U.S. Securities and Exchange Commission Chairman Mary Schapiro appointed me to their post-financial-crisis [Investor Advisory Committee](#) "to represent individual investors, particularly with respect to their role in corporate governance."

Summary:

My comments focus on legislation regarding federal credit unions, especially in view of the pending move by Coast Capital Savings Credit Union to transition from provincial (British Columbia) jurisdiction to federal jurisdiction.

To reduce the risks of self-serving behaviour by credit union boards at public expense, and the risks of financial crisis like that of the [UK's Co-operative Group](#), legislation should aim to strengthen board accountability to the credit union's member-owners. In particular:

- 1.** The threshold of **300 member signatures** required to bring forward a proposal under British Columbia's Credit Union Incorporation Act seems to be working well, so should be matched in federal legislation (re [page 27](#)).
- 2.** Bank shareowners can limit their directors' self-serving behaviour by selling their shares to a wealthier investor, who can then threaten to replace the board. Since credit union members lack this option (by design, for good reasons), then to "harmonize" them with banks, members should be empowered to coordinate their voting power by other means. To achieve that, legislation should require large credit unions to have a year-round **online member forum**, where members can create discussions on any topic of shared interest.

Reasoning:

Further reasons for the above two recommendations are given in my September 14, 2015 letter to the B.C. Ministry of Finance, which I include by reference here: via [this link](#), and attached to my email with this comment letter.

Further background on the need for improving board accountability at Coast Capital Savings can be found at
- [votermedia.blogspot.ca/search/label/Coast Capital](http://votermedia.blogspot.ca/search/label/Coast%20Capital)
- coastcapitalcompensationwatch.wordpress.com/facts
- [governancewatch.ca/Case Against Coast Capital Savings.pdf](http://governancewatch.ca/Case%20Against%20Coast%20Capital%20Savings.pdf)

Notes:

Feel free to contact me regarding this comment letter. For transparency and public discussion, please publish it (e.g. on your website). I will also publish it at votermedia.org/publications.

Sincerely,
Mark Latham
Founder, Votermedia.org