

SUBMISSION TO THE
DEPARTMENT OF FINANCE
SECOND STAGE
CONSULTATION ON THE
FEDERAL FINANCIAL SECTOR
REVIEW

September 25, 2017

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

Assiniboine Credit Union, September 25, 2017

Introduction

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

At ACU we are a socially responsible cooperative whose mission is to provide financial services for the betterment of our members, employees, and communities. We are driven by the vision of a world where financial services in local communities contribute to a sustainable future for all. We provide banking services to the underbanked by opening branches in neighbourhoods that were vacated by banks (see [Assiniboine Receives National Community Economic Development Award](#)) and by running programs like the following: [Asset Building Programs](#) to help members achieve their goals – whether they be a damage deposit for a new apartment or a new bed for a child; and [Recognition Counts](#) – in partnership with SEED Winnipeg we provide skilled newcomers with low cost loans to help them complete qualification exams and studies required to reestablish them in their chosen career here in Manitoba.

Some examples of how we give back to the community are as follows:

- We commit to purchasing green natural gas, and have realized significant decreases in energy consumption and greenhouse gas (GHG) emission – supporting the environment in which we work and play. We've achieved a 42% reduction in GHGs since 2012, which is pretty amazing, and is part of the reason why we were named a Greenest Employer for the last five years.
- We provide low income and other vulnerable individuals with access to financial services by working with community partners. Many have a hard time setting up a bank account because they can't afford proper identification. We work with them to get past these roadblocks and in 2016 we welcomed 731 new members through our community partners. We provide access to financial services to people the neighbourhoods of West Broadway and McGregor as well as in the town of Gillam. All had been abandoned or underserved by other mainstream financial institutions. In first two years in the North End, the McGregor, the McGregor branch had over ½ million transactions – without us there many people wouldn't have an option other than expensive fringe financial outlets.
- We help people enrolled in Savings Circle or Individual Development Account (IDA) with a local not-for-profit save - Asset Building Program. Over the years, low-income people have benefited from over 30,000 hours of financial management training and saved over \$1 million (matched by another \$3 million) toward basic investments in education, housing, employment, small enterprises, and basic needs like glasses, dentures, a microwave, or a bed for their kids.

Use of Common Phrases

Assiniboine Credit Union is supportive of the Department of Finance's initiative to review the *Bank Act* restrictions around the use of the terms "bank," "banker" and "banking". We believe that credit unions should be able to continue to use the terms "bank" and "banking" to describe their activities and services. We are appreciative of the OSFI's decision to suspend its compliance expectations around the Bank Act restrictions pending the Department of Finance review of the restrictions.

Our members understand what bank, banker, and banking mean and use those terms every day to discuss their interactions with us as their financial institution. At the same time we are proud of our differences (some indicated in the introduction) and work hard to promote them, but we need to speak in language Canadians use and understand.

As a credit union, we 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 on deposits 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.

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. Credit unions have used the terms for years without incident. That's because credit unions 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.

In fact, when members open accounts or apply for credit they sign legal forms that clearly indicate they are dealing with a credit union. If one was to apply a reasonable person test, a reasonable person signing contracts with the credit union would understand they are dealing with a credit union.

The Canadian Credit Union Association estimates that a ban on the word "banking" will cost credit unions up to \$80 million plus create a big challenge in popularizing new terms to replace "on-line banking," "business banking," or "bank with a credit union." This would equate to approximately \$250K for Assiniboine Credit Union, which would in turn impact our ability to support the under-banked.

Recommendation

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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