

## **Coastal Financial Credit Union's submission to the Department of Finance Second Stage Consultation on the Federal Financial Sector Review**

September 19th, 2017

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

Coastal Financial Credit Union is a locally owned co-operative financial institution. Offering a full suite of financial products and services, and with four branch locations in Southwestern Nova Scotia (Yarmouth, West Pubnico, Wedgeport and Tusket), our focus is on meeting the banking needs of our 8000 members.

While there are many similarities between banks and credit unions in terms of the financial products and services we offer, the sound financial advice that we provide to our members, and the firm regulatory environment in which we operate, there are fundamental differences as well.

The co-operative business model differs from the traditional corporate business model as there is a more significant emphasis on the mandate of meeting the needs of the people, or members as they are referred to, rather than solely on profitability. In fact, there is a Master's Degree offered by Saint Mary's University in Halifax, NS entitled Master of Management, Co-operatives and Credit Unions which offers "rigorous and dynamic programs for co-operative management professionals"<sup>1</sup> which provides more targeted business education due to the difference between the two business models mentioned above. There is also a theory called co-operative equilibrium which postulates that, in order to be successful, co-operative managers must not only manage the business side of the organization, but must balance that with the co-operative side. The "co-operative side" refers to the aspect of the business that is guided by the International Co-operative Values, Ethics and Principals. For Coastal Financial Credit Union, this also includes our own Mission Statement:

Coastal Financial Credit Union is your financial co-operative that promotes and enhances the economic and social wellbeing of the communities it serves, while pro-actively providing quality products and services in a personal and professional manner.

Coastal Financial Credit Union (CFCU) has been a successfully run, locally owned financial institution since 1937. For 80 years we have offered banking services to members as well as provided support to the communities we serve. With over \$300 million in assets under administration, including loans, deposits and assets held by system partners, and a strong equity position, CFCU, along with other credit unions have been able to weather the recent financial crisis. There were no credit union members who lost money during the crisis and there were no credit union failures related to the crisis. In fact, credit union deposit insurers provide member protection equal to or greater than those available to bank depositors, so consumers can feel safe and secure banking with a credit union.

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

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<sup>1</sup> Co-operative Management Education at Saint Mary's University: <http://www.smu.ca/academics/sobey/sobey-cooperativemanagementeducation.html>

appreciate OSFI's decision to suspend its compliance expectations around the Bank Act restrictions pending the Department of Finance review of the restrictions.

At CFCU, when members open an account, they are provided an explanation of the member share requirement for a credit union and the democratic way in which we do business, including their ability to run for the board of directors and vote on important issues. While credit unions differ from banks as mentioned earlier, it is very important, especially at this key stage that we are able to use common-sense language to explain the services we offer. The alternative, in other words, a ban on the use of wording such as banking, would put credit unions at a disadvantage in terms of our ability to effectively communicate with our members and therefore compete in the financial services industry.

In the ever increasing regulatory world we do business in, adding a layer of complication in the very wording we use will surely result in member confusion and lost business for the credit union system. This is not a "hit" that credit unions could take lightly especially when you factor in the millions of dollars – estimated to be in the \$80 million vicinity by the Canadian Credit Union Association (CCUA) – which it would take to replace marketing and other promotional material, and come up with new terminology to explain our services. Trying to find alternative language to describe everyday things like "online banking" will only serve to confuse members who already recognize that common language.

In Atlantic Canada, credit unions have spent many years and dedicated significant funds to developing a standard brand, including logo and marketing plans. Atlantic Credit Unions have worked together to establish regional marketing campaigns, and from a research and development perspective, we have worked together to achieve economies of scale to obtain technology that our members need which keeps us competitive in the industry.

The message (that we are a credit union) is continuously communicated in the marketing we do whether interior ads, promotions, exterior signage, print, online and via social media. These joint efforts have been to ensure that while we stand apart from other financial institutions and are therefore not identified as a bank, we are able to provide all of the same banking products and services that the rest of the industry offers.

This ban however will result in those efforts being redirected to create new marketing material (including terminology) which could have otherwise been used to continue to build on our unique brand. In addition, redirecting funds or worse, expending additional funds due to this ban, will take away from our ability to keep up with technological advancements in the banking world. This will effectively mean that we are no longer meeting the needs of our members and could destroy our very reason for being in existence.

We recommend the Department of Finance propose changes to the Bank Act that would 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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