

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

September 8, 2017

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

I would also like to acknowledge and thank Minister Morneau for taking the time to meet with myself and other representatives from the Canadian Credit Union Association (CCUA) on July 21 respecting this very important issue. As the CEO of Conexus, I was pleased to be present in Toronto to meet with you and employees from the Ministry of Finance. In my 25 years within the credit union system, this issue could perhaps have the most significant impact to the credit union operating environment.

Conexus is a values-based co-operative financial institution, committed to our members, their financial well-being and the well-being of their families and communities. As the largest credit union in Saskatchewan and Canada's sixth largest credit union, Conexus has a growing membership of 123,000 and over \$7.39 billion in total funds managed.

We have over 900 passionate employees and 41 branches through Saskatchewan offering the full range of personal financial services. Combined, Saskatchewan credit unions provide business lending to approximately half of the small-medium sized businesses (including agriculture) in the province. Given our size relative to other credit unions in Saskatchewan, Conexus holds close to half of the credit union portion.

Empowering people and communities is at the heart of what we do. We collaborate with community organizations willing to help make a meaningful difference in the financial well-being of members, their families, and communities. Together, we do this through programs and initiatives that promote financially healthy behaviours and a sense of satisfaction, confidence and emotional well-being related to money (or finances).

In 2016, we shared our contribution of 1.13 million dollars with 35 organizations across Saskatchewan, communities in which we live, work, and play. This upholds our commitment of giving 5% of pre-tax profits back to our communities through community investments. We are proud to be a socially responsible organization and our community investment program reflects this commitment.

Conexus is a bold Saskatchewan based credit union that has been involved several social financing initiatives that help people and build communities.

In 2016, Conexus was one of three investors supporting the Essential Skills Social Finance (ESSF) social impact bond. The ESSF project works on essential skills training to improve the skill level of unemployed adult Canadians. Essential skills are needed for work, learning and help people evolve with their jobs and adapt to changes in the workplace. Improvements in literacy, numeracy and computer use for Canadians with low essential skills can create better employment outcomes, accelerate inclusive growth, and diminish social and economic disparities. Saskatchewan Polytechnic is the local service delivery provider, whom Conexus has had a long-standing relationship through a scholarship program established more than 10 years ago.

Conexus partnered with the Saskatoon Downtown Youth Centre Inc. (EGADZ), Wally & Colleen Mah on the first Social Impact Bond in Canada called the Sweet Dreams Project. The Sweet Dreams Project provides single mothers with children who are at risk safe housing while they work on completing their education or acquiring employment. In a five-year span, the goal was to have 22 moms and kids still together six months after leaving the program. After just two years, 21 children already remain with their families.

Conexus is in a partnership with the University of Regina committed to helping the small business sector grow in Saskatchewan. Through this partnership is a further opportunity to create an incubator space for such businesses to grow. The future home of the business incubator is expected to be in the historic College Avenue Campus, which is currently being restored, preserving much of the historic integrity, while upgrading many parts of the building.

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.

The action words *to bank* and *banking* are used extensively at Conexus throughout most internal and external communications. The action word to describe banking has become commonplace within the credit union environment since our creation 80 years ago. These are terms that Canadians use and understand to describe their dealings with regulated, deposit-taking institutions like a bank or a credit union. Credit unions are proud of the structural differences between ourselves and federally regulated banks and work hard to promote our difference, though we need to speak in terms that Canadians use and understand to describe the activities we perform on their behalf. There is no dispute that Conexus credit union is not a bank. We are proud of this differentiator, which is lived out every day in our values and democratic structure.

While the structures are different the services offered are the same and we still need to use common-sense language to explain the services we offer: Conexus has used the terms for years without incident nor with any confusion in our marketplace. 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. A return to interpreting the *Bank Act* in this common sense way, using judgement and discretion in the enforcement of the act, would be most welcomed by Conexus and our member owners.

Conexus is supportive of the Minister of Finance’s proposal to review the *Bank Act* restrictions around the use of the terms “bank,” “banker” and “banking” and appreciate OSFI’s decision to suspend the compliance expectations around the *Bank Act* restrictions pending the Department of Finance review of the restrictions. We understand this second stage consultation will help guide OSFI’s decision based on input from the Department of Finance’s review of these restrictions.

We also note that the emergence of Financial Technology (“FinTech”) companies offering services to Canadians is clearly a challenge in terms of public policy. These FinTech firms are usually not regulated entities either federally or provincially, nor do they have deposit insurance like credit unions. While we appreciate that OSFI and the Ministry are rightfully addressing any opportunity for smaller, unregulated entities to call themselves a “bank” and create the air of stability and deposit insurance, we suggest that we have become collateral damage in this discussion. To be clear, we fully support the notion that non-regulated entities that also do not maintain CDIC or Provincial deposit insurance should not be able to use the terms in the way that we are suggesting and we are supportive of updating the legislation to reflect same.

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 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.

CCUA estimates that a ban on the word “banking” would cost Canadian credit unions approximately \$80 million and create a challenge in popularizing new terms to replace “on-line banking,” “business banking,” or “bank with a credit union.” For Conexus, we have estimated the monetary impact to be close to \$1 million. This includes and is not limited to the following impacts:

1. Changes to Mobile, Online, ATM screen and in-branch advertising
 - a. Review and rewrite all content
2. All brochures would need to reviewed and changed
3. Community Signage
4. All promotional banners would need to be reviewed and changed
5. All Social Media posts and YouTube videos
6. All product and service forms
7. All internal communications would require review and change
8. Ability to reasonably communicate in a way our members understand

While there is clearly an impact to Conexus, the most significant impact is that to Canadians. We are of the view that any exclusive usage of “bank” and “banking” terminology to describe financial services is confusing. Approximately 1 in 3 Canadians deal with a credit union. Banking terms are words that Canadians use and understand to describe their dealings with regulated, deposit-insured institutions like a bank or a credit union. Credit unions need to be able to speak in the same language Canadians use and understand in order to provide services along side other financial service providers.

In closing, we recommend the Department of Finance propose changes to the Bank Act to allow credit unions, as prudentially regulated deposit-insured institutions, to use the terms “bank” and “banking” to describe our activities and services.

Thank you for considering this submission. We welcome the opportunity to continue this discussion with you.

Sincerely,



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