

DUCA Financial Services Credit Union

Submission to the Department of Finance

Second Stage:

Consultation on the Federal
Financial Sector Review

September 29, 2017

Introduction

DUCA Financial Services Credit Union (“DUCA”) is pleased to participate in the Department of Finance’s second stage consultation on its review of the federal financial sector framework.

The idea of DUCA came about when a group of Dutch Canadians saw the need for a financial co-operative that would work to provide savings and loans to new Canadians that were underserved by the traditional banking establishment. Since then, our philosophy of “profits with a purpose” has been our touchstone in every chapter of our story. It has taken us from that single branch Credit Union in Toronto to where we are today.

When DUCA opened the doors of its first branch in Toronto in 1954, it was founded on a vision to help its Members — our customers who are our also owners - do more, be more and achieve more with their money and their lives.

While much has changed over the years, that vision still holds true. Today, DUCA has grown to one of the five largest Credit Unions in Ontario with over \$2.5 billion in assets, 15 branches, serving over 50,000 Members in the Greater Toronto Area. DUCA has also been entrusted with managing close to \$300 million of savings and retirements funds on behalf of community Members.

Our growth over the last 63 years is a testament to our Members and our innovative way of thinking. At DUCA, Members can expect more than just leading financial products and services; our Members can expect to be treated like a person, not an account number, as we keep their best interests at heart.

DUCA is regulated by Deposit Insurance Corporation of Ontario (DICO).

DUCA Offering

DUCA serves over 50,000 Members primarily in the Greater Toronto Area. Apart from our large base of consumers, we also serve small and medium businesses with products and services tailored to this market segment. DUCA's commercial loan portfolio exceeds \$950 million.

DUCA offers its Members many of the banking services one would expect from a financial institution:

- Banking services (for example: chequing accounts, bill payments, funds transfers)
- Savings (for example: high interest savings, Guaranteed Investment Certificates, RRSPs, TFSA's, RRIFs, RESP's)
- Loans (for example: mortgages, lines of credit, term loans, overdraft protection, credit cards.)
- Financial advice (for example: access to mutual funds, ETFs, stocks and bonds through our partners at QTrade Asset Management and QTrade Securities)
- Commercial lending and syndication services.

Products and services are available to our Members in our 15 branches, over the phone (via our Call Centre, online (via online banking), as well as through a network of automated banking machines (The Exchange Network).

DUCA Difference

People often ask us what "DUCA" means. We tell them that our purpose is to help people do more, be more, and achieve more with their money and their lives. We explain that we are a Credit Union and that this means our customers are Members, and Members are owners. We explain that we provide banking services — language commonly used to describe what we do.

We also explain that our profits have purpose which is to: redistribute and pay-back profits to Members because they are owners, to support our financial strength to meet regulatory requirements and safeguard our Member's money, to invest in our growth, so that we may help more people do more, be more, achieve more, and to give back to our community.

DUCA is an idea and a passionate belief that banking and financial services should make a difference for the better for individuals and businesses, and this is rooted in our proud history as a Credit Union.

This is why, as a part of our mandate, we strive to provide our Members with the best possible solutions at the lowest possible cost. We proudly offer No Fee Chequing accounts, high interest savings options (Earn More Savings account), and extremely competitive rates on mortgages and loans.

In addition, DUCA's track record of prudent financial management and stewardship of our Members' assets has enabled us to return over \$70 million to our Members since 1995 in the form of our unique patronage program.

Finally, as a member-owned Credit Union, our Members are actively engaged in the governance of the organization through the election of DUCA's Board of Directors and participation in annual general meetings.

DUCA's Members are not the only stakeholders that benefit from the Credit Union's philosophy of giving back. DUCA employs over 200 people who live and work in the Greater Toronto Area.

DUCA puts a strong emphasis on supporting the local Ontario economy. We do this, not only through our daily operation, but also through various local initiatives and policies, like our "living wage pay policy."

In the communities in which DUCA operates, the minimum wage is not sufficient to cover many of the basic expenses, particularly for families with children. We view this reality as both concerning and at odds with DUCA's guiding principle: Fairness.

In 2014, DUCA became the GTA's first employer to adopt a "living wage pay policy." This means we have adopted the living wage rate for Toronto provided by Living Wage Canada and are committed to alignment with this rate as it continues to evolve.

DUCA is proud to be a leading advocate for this issue. We joined a cross-sector working group aimed at updating the wage rate to ensure it represents the realities faced by our employees and other hard-working Members of our community.

DUCA is also Canada's first-ever credit union to achieve B-Corporation (B-Corp) Certification from B Lab, a not-for-profit, global organization that aims to redefine business success to include corporate social responsibility.

To achieve B-Corp Certification, DUCA met rigorous standards of social and environmental performance, accountability and transparency. The assessment included benchmarking against dozens of established best practices regarding employee, community and environmental impact.

Being a B-Corp means becoming part of a global movement with a vision of a better way to do business by encouraging businesses, corporations and not-for-profits to have a positive impact. DUCA has strong alignment with B-Corp standards and this certification reflects the values and vision of our Members.

DUCA in the Community

Each year DUCA contributes a minimum of 3.5% of the previous year's pre-tax profit to support community initiatives through donations and sponsorships. This is well beyond the Imagine Canada Caring Company standard of 1% aspired to by most community minded companies. In 2016 our total investment in communities increased to \$583,180.

DUCA recognizes that, as a financial institution, we have a unique role in helping those organizations who are seeking to improve our community. This goes beyond philanthropy and extends to lending agreements with numerous faith-based organizations, community serving non-profits, and healthcare organizations. These loans account for nearly 11% of all business lending at DUCA.

In 2016, DUCA launched the Community Hero Mortgage, a first-of-its kind mortgage product that aims to help provide affordable housing for working, low-income families in the GTA. In partnership with Habitat for Humanity Greater Toronto Area, the Community Hero Mortgage contributes a percentage of the interest portion of every Community Hero Mortgage payment to assist in building houses for local families in need of affordable housing.

Through the Community Hero Mortgage, DUCA donates two basis points from the interest portion of each monthly mortgage payment to Habitat for Humanity Greater Toronto Area — up to a total commitment of \$500,000 over the next five years. DUCA employees also support the initiative by providing volunteer hours to support the Habitat for Humanity home builds.

Eva's Initiatives for Homeless Youth is an innovative and award-winning organization that helps homeless and at-risk youth reach their potential to lead productive, self-sufficient, and healthy lives. Understanding that the basics of money management is essential for youth to be able to save, manage personal debt, and ultimately, to stay off the street permanently, in 2014, DUCA committed to helping homeless youth rewrite the next chapters of their stories by investing \$100,000 over four years to support the delivery of Eva's Independent Living Program (ILP).

The Christian Children's Fund of Canada (CCFC) Innovation Fund was established in 2013 by DUCA and the CCFC as a new project funding model for international development projects. At that time, DUCA made a \$100,000, five year commitment to CCFC to support the fund. Each year the Innovation Fund focuses on one of the four priority sectors: Health and Nutrition, Education, Water, and Sustainable Livelihood.

DUCA is proud of its leadership in the Corporate Social Responsibility field as this speaks, not only to the core values of our organization, but also to the values espoused by our Members.

Recommendation

Given the DUCA Financial Services Credit Union provides its Members with what can only be described as a wide array of banking products and services, we are gravely concerned about a ban of the word “banking” and related terms from our use.

There are a number of factors that cause DUCA management, staff and Members concern.

First, although we have demonstrated that DUCA is different than banks in our roots, traditions, philosophy, and the very reason for our existence, we still need to use common-sense language to explain what we do for our current and prospective Members. DUCA has used the verb “bank” and terms related to “banking” for the last 63 years of its existence, while remaining very clear in our mission and purpose. The distinction between a bank and DUCA is very clear in the minds of our Members who experience the differences every day. The fact that our Members often refer to “banking at DUCA” in no way diminishes their awareness of DUCA being different. It simply describes their activity by the most commonly used description of making a deposit, getting a bank draft or cashing a cheque — banking. If DUCA were to describe our products and services in any other way we would do a disservice to our Members and cause Members to miss out on the benefits embedded in our products and services.

Second, a ban on the word “banking” would cost our Members and the communities that we support. CCUA estimates that a ban on the word “banking” will cost Credit Unions up to \$80 million. In DUCA’s case, we estimate that the cost to eliminate and replace phrases like “on-line banking”, “business banking”, or “banking with DUCA” will exceed our annual expenditures on community giving — that’s well over six hundred thousand dollars.

Third, a ban will disadvantage DUCA’s ability to compete. At DUCA, we take tremendous pride in being able to provide banking services to Members from all walks of life. We proudly promote our services to provide more choice for Ontarians and to share more broadly the benefit of being a Credit Union Member — where the Member is an owner and there are no fees for everyday banking.

Also, being a GTA-based Credit Union, we often provide our services to new Canadians. It is important that we are able to describe our products and services in simple and commonly-used language to explain what we do so that our current and prospective Members understand the value of their relationship with DUCA. If we are unable to do so, there is significant risk that prospective Members will not choose us, or another Credit Union, due to a misperception that the service we offer is not equivalent to what is offered by other financial institutions that are able to use the “bank”, “banking”, “banker” terms.

DUCA's concerns cause us to be supportive of the Minister of Finance's proposal to review the Bank Act restrictions around the use of the verb "bank" and the terms, "banker" and "banking". We strongly believe that Credit Unions such as DUCA should be able to use the verb "bank" and terms related to "banking" to describe the products and services that we offer.

We appreciate OSFI's decision to suspend its compliance expectations around the *Bank Act* restrictions pending the Department of Finance review of the restrictions. We know that Credit Unions are sound financial institutions well-regulated by provincial authorities.

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

For more information, please contact us at your convenience.

Sincerely,



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