



26 September 2017

Mr. Glen Campbell
Director
Financial Institutions Division
Financial Sector Policy Branch
Department of Finance Canada
James Michael Flaherty Building
90 Elgin Street
Ottawa ON K1A 0G5

Subject: Comments on Second Consultation Paper

Reference: Potential Policy Measures to Support a Strong and Growing Economy: Positioning Canada's Financial Sector for the Future

Dear Mr. Campbell,

Earlier this year, OSFI advised us of their intention to issue an advisory on the use of restricted terms under the *Bank Act* and sought our input which we provided directly to them. In the context of your consultation paper on positioning Canada's financial sector for the future, we wish to provide our perspective of the impact of that restriction in New Brunswick. While our response is mainly in the context of the impact on credit unions, we believe there will be a spill-over impact on other sectors such as the pay day loan industry and conceivably the growing fintech sector.

We understand that OSFI's stated purpose in enforcing the use of these terms is to resolve consumer confusion in the marketplace. We recognize that for a non-bank entity (namely a credit union) it is reasonable to prohibit the use of the word "bank" or "banker". However, in today's society some of these terms have become generic. A statutory prohibition will have little impact on the average citizen's everyday usage. As stated in a letter from one of NB's credit unions, they feel that the word "banking" should not be prohibited. They stated that: "We believe that use of terms like banking are ubiquitous and extend across specific types of institutions. Limiting the use of these terms limits our ability to engage with our members using words and phrases that they use every day". It would be a challenge to find a suitable, relatable alternative term for services such as 'on-line banking' or 'ATM banking'.

As you may know, New Brunswick is one of the smallest credit union jurisdictions in Canada with only \$1 billion in assets and a small membership base of approximately 66,000 spread across 10 credit unions. As opposed to larger jurisdictions, New Brunswick has a declining membership and is experiencing limited growth. Annual asset growth in New Brunswick is between 3 to 4% compared to double digit growth in larger jurisdictions. NB credit unions are not sheltered from shrinking margins in a highly competitive industry. NB credit unions have expressed the concern that it is very difficult for them to bear any additional costs associated with this new regulatory requirement.

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At this time, NB credit unions cannot estimate the cost associated with complying with the advisory but they feel it will be significant because they will need to involve numerous vendors and partner organizations to modify systems, websites, promotional and marketing material, administrative forms, letters, policies and procedures, etc. New Brunswick credit unions have already identified significant investments needed in the next several years to enhance services to their members and streamline their administrative processes. This makes it even more difficult to absorb the increase costs associated with complying with the OSFI's directive.

In New Brunswick, we have our own interesting challenge. As you know, our provincially-regulated caisses populaires system amalgamated and made the transition to the federally-regulated system. We understand that UNI Coopération financière regulated under the *Bank Act* will be authorized to use the words "bank", "banker", and "banking". We will have federally-regulated credit unions operating in the province that can use the restricted terms while provincially-regulated credit unions are unable to use the terms. This could be perceived by the industry as giving an unfair advantage to one system over the other in an area where both offer identical services, but have to call them something different.

We believe that a more balanced solution would be a re-assessment of these restrictions in the next revision of the *Bank Act* to bring it in line with modern society usage when it comes to "banking". Perhaps, a possible solution is to limit their use for non-regulated (either federal or provincial) entities. We understand that the Department of Finance is responsible for the administration of the *Bank Act* and for this reason we have raised this concern with you.

We would be more than happy to explore this further should you wish. We always appreciate the opportunity to cooperate and collaborate on matters impacting the regulation of our financial services sector.

Sincerely,

Rick Hancox
Chief Executive Officer
Superintendent of Credit Unions