



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

**September 25, 2017**

Innovation Credit Union welcomes the opportunity to participate in the Department of Finance's second stage consultation on its review of the federal financial sector framework.

Innovation Credit Union is a full-service financial cooperative that is owned by its more than 50,000 members. With assets exceeding \$2.4 billion and 24 advice centre locations, Innovation is Saskatchewan's third largest credit union. The deposit and lending activities of Innovation are like that of bank competitors. However, the value and role that Innovation Credit Union plays in the lives of its members and advice centre communities is unparalleled by any bank competitor. In 13 of its advice centre communities, Innovation is the lone financial institution.

Innovation Credit Union rewards its members with a no-fee account, great rates and has returned more than \$22.3 million in profits back to its members since the credit union's inception in 2007. On an annual basis, Innovation donates between 2 and 4 percent of pre-tax profits totaling more than \$4.8 million since 2007. In 2016, Innovation Credit Union was thrilled to introduce a Mobile Advice Centre (MAC)—a branch on wheels—to address consumers' demands for banking-on-the-go options. This state-of-the-art member experience solution is designed to serve members at special events, seniors' complexes, and in rural and northern communities without access to a physical branch.

Innovation Credit Union 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". The credit union also appreciates OSFI's decision to suspend its compliance expectations around the *Bank Act* restrictions pending the Department of Finance review of the restrictions. Canadians, including Innovation members, have come to understand and describe their dealings with a deposit-taking institution using the generic terms of "bank" or "banking". As a credit union, Innovation is proud of our cooperative differences. We put consumers first. We offer member rewards (patronage dividends) and free, responsible banking that cooperatively benefits our members directly; but we need to speak in terms that Canadians know and understand.

A ban on the word "banking" would be 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, the same way that Canadians do – to describe the kinds of activities that take place between members and the credit union. Until very recently, OSFI had effectively interpreted the *Act* in a common-sense way, using judgement and discretion to enforce it, which we strongly advocate.

Removing the word "banking" would cost the credit union system an estimated \$80 million while creating a big challenge in popularizing new terms to replace "online banking", "business banking" or "bank with a credit union". A ban would disadvantage credit unions' ability to compete with banks. The direct costs of a ban for Innovation Credit Union are estimated at \$63,600 plus the ongoing marketing costs on creating meaningful new terms that describe banking with a credit union.

Credit unions shouldn't be forced to invent different words to replace the terms Canadians already use to describe their dealings with regulated institutions like credit unions. The *Bank Act* should be



changed so that it's clear that credit unions can use these terms to describe what they do while ensuring that Canadians know they are dealing with a credit union, not a bank.

Credit unions are prudently sound financial institutions that are well regulated by provincial authorities. They have weathered the most recent financial crisis without incident; there were no credit union failures and no credit union members lost money as a direct result. Canadian consumers can feel safe and secure banking with a credit union. Credit unions shouldn't be placed at a disadvantage based on restricted use of commonplace terminology.

***We recommend the Department of Finance propose changes to the Bank Act to allow credit unions, as prudently-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.

For more information, please contact:

Dan Johnson  
Chief Executive Officer  
Innovation Credit Union  
P.O Box 1090  
Swift Current SK S9H 3X3  
Ph: 306.741.0708  
e-mail: Daniel.johnson@innovationcu.ca