



KINDRED CREDIT UNION LIMITED

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

September 29, 2017

INTRODUCTION

Kindred Credit Union (Kindred) is pleased to participate in the Department of Finance's second stage consultation on its review of the federal financial sector framework. Kindred fully supports the Minister of Finance's proposal to review the Bank Act (the Act) restrictions around the use of the terms "bank, banker, banking".

Kindred appreciates the Office of the Superintendent of Financial Institutions' (OSFI) decision to suspend its compliance expectations around the Act restrictions pending the completion of the consultation by the Department of Finance.

Kindred is a member-owned financial cooperative based in Kitchener, Ontario. We have \$1.1 billion in assets under management and employ 189 full-time equivalent staff who serve over 21,000 members through our head office and eight full-service branches across southwestern Ontario. While our roots are in the Mennonite community, we are open to anyone who wants to connect their values and faith with their finances. Kindred's purpose is *cooperative banking that connects values and faith with finances, inspiring peaceful, just, and prosperous communities*. Our core values of integrity, compassion, and stewardship are woven into everything we do and are reflected in how we treat each other as staff, members, and in community.

Kindred differs from a bank in its organizational structure, its values, and its product and services offering. Our members are the credit union's owners, with each one having an equal voice in how the credit union is run. Ownership is at the very heart of membership and because of this, each year Kindred shares 40% of its core earnings with members.

In addition to our structural difference from banks, Kindred is a certified B Corporation. We've joined a growing worldwide movement that uses the power of business as a force for good. Kindred was also recently invited to join the Global Alliance for Banking on Values, a network of banking leaders from around the world committed to advancing positive change in the banking sector. Kindred has been recognized as Living Wage Champion ensuring that all full-time and part-time employees, including student positions, are paid at least a living wage.

In 2016, Kindred became the first financial institution in Canada to validate all of our Guaranteed Investment Certificates (GICs) as socially responsible investments. Prior to our announcement, this approach to investing had only been associated with mutual funds and market investments. In 2015, Kindred became the first credit union in Canada to partner with Oikocredit Canada to launch the Oikocredit Global Impact GIC, allowing people in Ontario to invest in a guaranteed, RSP-eligible investment aimed at lifting people out of poverty in low-income countries.

Kindred gives back to the communities where our members and staff live and work through sponsorships to, and funding agreements with, local charities. In 2016 our charitable giving amounted to \$368,000. In partnership with Abundance Canada, Kindred established the Kindred Charitable Fund in 1999. Since that time, the Fund has distributed nearly \$750,000 in grants to over 135 churches and charities in our communities.



CANADIANS USE “BANK” AND “BANKING” TERMINOLOGY TO DESCRIBE FINANCIAL SERVICES

As a financial institution, Kindred uses the term “banking” to describe the line of business we’re in. To “bank” or to be “banking” is the verb Kindred uses to describe the action of engaging with a financial institution and its products and services. However, since Kindred is not structured like, or incorporated as, a bank it does not market itself as a bank. For example, Kindred uses the term “banking” in our tagline: Banking with Purpose. On our website and in our collateral pieces, we explain the meaning behind the tagline, stating that the term “banking” makes it clear that this is what we do while at the same time explicitly stating that we are a credit union.

Furthermore, it is abundantly clear to our members that they are conducting their transactions with a credit union and not with a bank. This is made clear to them through all our marketing efforts – that we are a financial cooperative. As well, when people join Kindred as members, their first \$25 is invested in Member Shares, an ownership stake in Kindred. The membership stake further differentiates us from a bank and the concept is made clear to all our new members and the broader marketplace.

Our submission focuses on the Department of Finance’s consultation question about the Act restrictions on the use of the terms “bank and banking” by non-banks and credit unions in particular.

Canadians use “bank” and “banking” terminology to describe their financial services. These are terms that Canadians use and understand to describe their dealings with a regulated deposit-taking institution like a bank or a credit union. While credit unions are proud of the things that distinguish us from banks and work hard to promote them, it is imperative that we continue to speak in language Canadians use and understand to describe what it is we do.

A BAN ON THE WORD “BANKING” WAS A SUDDEN DEPARTURE FROM DECADES OF ENFORCEMENT PRACTICE

This ban, initially signalled by OSFI on June 30, 2017, subsequently suspended, was a very sudden departure from decades of enforcement practice. Section 983(2) of the Act restricts the use of the terms “bank,” “banking,” or “banker” by non-bank entities like credit unions. The goal of this policy is to prevent people from being misled into thinking they are dealing with a bank. As stated, Kindred makes it clear to members and potential members that we are not a bank; we are a financial cooperative where our members are both owners and customers.

Credit unions have used these terms for years without incident because we use them 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.

For Kindred to change our website, marketing materials, signage, purpose statement, and tagline by fully removing the term “banking” would cost us at least \$500,000. If Kindred were to maintain a consistent level of profit, this cost would mean that we may have to suspend our community charitable giving for a period of up to two years. For credit unions as a whole, the cost of this change would be \$80 million.



CREDIT UNIONS ARE HIGHLY REGULATED, PRUDENTIALLY SOUND FINANCIAL INSTITUTIONS

Kindred is not opposed to OSFI enforcing regulations against credit unions using the term “bank” as a noun and describing themselves as a bank, but we would like to continue to use the term as a verb. Banning usage of the terms “bank, banker, banking” will only create confusion for the Canadian public and significantly and unnecessarily hinder credit unions’ ability to compete effectively with the banks.

In addition, credit unions are prudentially sound financial institutions, as we are appropriately regulated by provincial regulatory authorities. Kindred, in particular, is a prudent lender with exceptionally low loan losses. Making wise use of our members’ deposits in extending loans to our members demonstrates one of our core values: stewardship. As well, deposit insurance provides our members protections equal to or greater than those available to bank depositors. In general, Canadian credit unions weathered the 2008 financial crisis without incident: no credit union members experienced any loss in the stated value of their deposits during the crisis and there were no credit union failures resulting from it. Consumers should feel that their finances are safe and secure banking with a credit union.

We recommend the Department of Finance propose changes to the 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 toward a mutually beneficial resolution for federal government and agencies, chartered banks, and provincially regulated deposit taking financial institutions, such as Kindred.

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