

Kingston Community Credit Union Ltd.



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

23 August 2017

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

KCCU is the only 100% locally owned and operated financial institution in the Kingston area of Ontario, offering competitive comprehensive banking services at four community branches as well as through online and mobile banking. We are the only financial institution with a branch in the North End of Kingston. Founded in 1957 as the Kingston Civic Employees Credit Union with a single small office in the basement of the Kingston City Hall, KCCU now serves the general public having 12,000 members in the Kingston area. KCCU has \$133 million in assets and 42 employees.

Our mission is to foster the financial health of members by delivering outstanding and affordable financial services using co-operative principles and our vision is to grow the well-being of the Kingston community we serve. We do this by providing the full suite of banking services at affordable costs; in fact, we offer service-charge free banking packages to every age group. KCCU also has a special mission to provide free banking services and preferential rates to co-operatives, registered charities and community non-profit organizations. Together with our other four collegial credit unions in our region, we are instrumental in providing financing and support for small businesses and community organizations. All of our success is reinvested in the community, through substantial charitable donations, by returning on average a third of the annual surplus in dividends to the members, and by sourcing our inputs from local businesses. KCCU will as of 2018 be a living wage employer as part of our mandate to grow the well-being of the community we operate in.

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.

Consumer interests are best promoted by clarity and by consistent regulations

At present the wording of the *Bank Act* permits only banks and the one current federally regulated credit union to use the terms “bank” and “banking” in describing their products and services, while appearing to deny the same usage to provincially regulated credit unions (the vast majority of credit unions). This only serves to confuse the consumer by creating artificial differences between otherwise prudentially regulated deposit-taking financial institutions.

Competition provides greater choice and savings through cheaper services to Canadian consumers of financial services.

It is of universal policy interests for all Canadians, and especially middle class Canadians to promote and foster robust competition in banking. This is achieved not only through managing concentration in the industry and through prudential regulation, but by ensuring that all prudentially regulated providers of banking services can transparently compete on an even field. Credit unions can only do this if we are able to describe and market our products and services for what they do: meeting the banking needs of our current and future members.

Credit Unions provide banking services to those underserved by the chartered banks

Credit Unions emerged in Canada precisely to offer banking services to those underserved or simply not served by the chartered banks. This is the role credit unions in Canada continue to play, by, for example, serving communities where bank branches are closing or non-existent as KCCU does in the North End of Kingston, and in reaching out to those in financial need by providing innovative and cost-effective alternatives to the payday loan industry. The public is best served by seeing these services for what they are: cost effective and innovative banking services. Furthermore, the community focus and community investment of credit unions is made possible by a business model of providing the full range of banking products and services for all middle class Canadians.

Institutions regulated by the federal Bank Act and by the provincial Credit Union Acts and regulations, provide substantially the same products and services to Canadian consumers, and are subject to substantially equivalent prudential regulation

In the case of credit unions, equivalent provincial legislation and in particular substantially equivalent provincial prudential regulations cover all aspects of the banking services and practices of credit unions. It would be a disservice to Canadian consumers for enforcement of the federal *Bank Act* to impinge upon a provincially regulated financial institution's ability to describe and market their products and services, as they are equally stringently prudentially regulated deposit-taking institutions.

Good legislation uses precise and common sense language

The standard and common sense usage in the official languages of Canada is to describe products and services of prudentially regulated deposit-taking financial institutions in terms of 'bank' and 'banking'. There is no ready substitute for, for example, "online banking" and "doing my banking". When Canadians go to the credit union to deposit their paycheque, pay their utility bills, buy foreign exchange and invest in an RRSP, they are simply doing their banking. There simply is no other common place description of these activities and services. "Banking" applies equally to the products and services of both banks and credit union, just as both types of

institutions readily provide “credit” to Canadians. These are in the case of English, common sense usages dating back to the 18th century and predate the *Bank Act*.

Canadians are best served by a clear distinction between prudentially regulated deposit-taking institutions, and other financial service providers; Canadians are not well-served by confusing distinctions among prudentially regulated deposit-taking institutions

Enforcing the present restriction in the *Bank Act* on the use of the commonplace terms “bank” and “banking” by credit unions, would severely limit the ability of Kingston Community Credit Union and all other credit unions to market their products and services. To redesign existing marketing and signage, and to overcome the inability to describe their true products and services, would impose a substantial financial burden on KCCU and all other credit unions. It would as a result inhibit healthy competition in banking services and confuse the Canadian consumer. It would leave Canada out of step with our peer jurisdictions. Limitations on the use of the terms “bank” and “banking” are best refined by recognizing substantially equivalent provincial legislation and regulations governing deposit-taking institutions in affording the necessary protection for consumers of “bank” and “banking” products and services.

Recommendation

We recommend the Department of Finance propose changes to the Bank Act to 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.

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