



Kootenay Savings Credit Union

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

September 28, 2017

The Credit Union Difference.

Kootenay Savings Credit Union is pleased to participate in the Department of Finance's second stage consultation on its review of the federal financial sector framework.

With Corporate Offices in Trail, British Columbia Kootenay Savings Credit Union is a member-owned financial co-operative with eleven branches throughout the Kootenay region, six of which are located in communities where we are the only financial institution in town. At present time, we hold over \$1 billion in assets, serve over 37,000 member-owners and employ 200 people. As well, we operate the Kootenay Savings Community Foundation, deliver wealth management strategies through our wholly owned subsidiary Kootenay Savings MoneyWorks and auto and general insurance through Kootenay Insurance Services Ltd.

From the outside, Kootenay Savings and other credit unions may look a lot like banks. But look a little deeper, beyond the ubiquitous ATMs, the racks of product brochures and the day-to-day business of banking, and you'll find a whole different story.

Credit unions are financial co-operatives, each one founded on the philosophy of people before profits. Unlike banks whose shareholders may never set foot in a branch, our shareholders are the people we serve every day – our members – and we have a vested interest in serving them right.

We are proud to be a credit union, and we make every effort to educate our members on what it means to belong to a credit union. Starting with the initial new member onboarding interview, and continuing throughout our promotional campaigns, in corporate reports, across social media platforms, on our website, at community events, and within our financial literacy workshops, we consistently emphasize the difference between banks and credit unions and highlight the credit union difference.

Every member is a real person to us, not a faceless number. Whoever you are, you have an equal vote and voice regardless of the amount of money you have invested in the credit union – and equal access to the best products, rates and services we offer because that's only fair.

We are known as prudent lenders with low loan losses, and offer deposit insurance that provides our members protection equal or greater than those available to bank depositors. Credit unions have weathered the financial crisis without incident, with no credit union members losing money or credit unions failures related during the crisis. Consumers can feel safe and secure banking with a credit union.

We will never sell a product or service our members do not need. Our business model enables us to be profitable without those profits being at the expense of our employees or members. The way we invest our profits is different from banks, too. We choose to support the communities where our members live, work and play. Our profits are returned to members and invested in their communities, not in towers on Bay Street or foreign markets.

Profits at the end of the year are returned to members in the form of dividends, which in turn stay in our communities helping them prosper and grow. In 2016, Kootenay Savings' income before other items was \$3.01 million enabling us to share over \$426,000 with our members by way of a 1% profit sharing dividend. That we were once again able to return a profit to our members - many of which are blue collar workers or employed in the service industry - in a tough economic climate clearly demonstrates two things: the effectiveness of our strategy and the valued loyalty of our membership.

Another core differentiator for credit unions is our commitment to the communities we serve. Kootenay Savings is a prime example. Last year, we shared \$348,848 by way of sponsorships, donations in kind, volunteerism, grants and awards. A significant portion of this investment was distributed through the Kootenay Savings Community Foundation, which funded many groups and organizations throughout the region. In total last year, the foundation funded \$113,600 in new grants, \$30,000 to local charitable foundations, \$38,700 for youth achievement and educational awards, and \$11,424 to match our employees' Care Wear contributions. Through our foundation, we have put over \$4.1 million into non-profit cultural, educational, environmental, health and social projects since 2000.

Connecting with other credit unions and co-operatives is another way Kootenay Savings and credit unions across Canada differ from banks. Rather than competing against one another, credit unions have long collaborated by sharing technology and training resources. Bulk purchasing equipment such as ATMs and sharing the cost with other credit unions makes improving service delivery more affordable for all.

For example, Kootenay Savings is part of a consortium of 14 credit unions in Canada, known as the Customer Advisory Group-Alliance. Collectively this group is using the same core banking system, which supports ATM, online, mobile and in-branch banking. To achieve economies of scale, the group purchased this system several years ago and now is able to share costs while enjoying better speed to market by utilizing resources and sharing ideas across the network. Working together, the group is able to improve regulatory reporting, automate tasks and capture cheque images in branch. Moving forward, Kootenay Savings will continue to look for ways to improve our services by cooperating and collaborating with our credit union partners.

We also tap into the power of cooperation on the commercial side of our business. Over the past year, we worked with a syndicate of credit unions to fund \$38.7 million in new loans to businesses throughout the province, including the Kootenays, the Okanagan, Vancouver Island and northern BC. This brought money from outside of the region into the Kootenays and allowed us to benefit from economic growth in other areas.

With financial assistance from us, many new businesses are growing and prospering. Architects, engineers, coffee roasters, co-op bakeries, car dealerships, retail stores, fabricators and machinists, plumbing and heating contractors, builders, heavy equipment operators, property managers, lawyers, graphic designers, chiropractors, optometrists, fine art printers...the list goes on and on. Established local businesses are expanding into other regions such as Alberta and we're partnering there as well.

One recent shining example of our commitment to helping local businesses succeed is our partnership with Columbia Gardens Vineyard and Winery in Trail, BC. As CEO and owner of Columbia Gardens Vineyard and Winery since 2013, Ben Jager knows first-hand what it means to belong to a credit union. When Ben was a teenager in South Africa studying at agricultural school and working his holidays in the vineyards of the East Cape, he dreamed of owning a winery one day, and Kootenay Savings was able to make that dream a reality.

Ben reached out to four financial institutions, however none of them could structure a mortgage that would work for him and his business, but the team at our Trail Branch was able to build a unique mortgage that consisted of two parts – a private residential portion and a business portion. Kootenay Savings wanted to see the winery continue as a key business in the community and our dedicated Financial Advisors were able to think and act outside the box to make it happen.

And speaking of businesses, we can't forget that Kootenay Savings is just one of numerous cooperative businesses that contribute significantly to the Kootenay economy. Altogether we serve over 90,000 member-owners. Employing approximately 500 people, that's over \$30 million in wages and benefits invested back into our communities annually through cooperation.

Credit unions are independent but connected. Autonomous, locally owned financial institutions. Yet we are connected by a set of common international co-operative principles and powerful credit union associations that make us better together. In a nutshell, we are people taking care of people, their money and their communities.

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.

Impact of Restrictions of Credit Unions.

Kootenay Savings appreciates The Office of the Superintendent of Financial Institutions decision to suspend the compliance expectations around the Bank Act restrictions pending the Department of Finance review of the restrictions.

Credit unions are proudly and fundamentally different than banks, but we need to use common-sense language to explain the services we offer. Canadians commonly use "bank" and "banking" terminology to describe financial services, and credit unions have used these terms for years without incident because they have been used to describe the kinds of activities that take place between members and a credit union. Additionally, the enforcement of an outright ban would disadvantage credit unions in the banking services market. Credit unions need to be able to use the same language the general public uses to be able to compete fairly with banks and without the fear of facing criminal penalty.

We feel strongly that 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. There would be a significant challenge in attempting to popularize new terms to replace "online banking", "business banking" or "bank with a credit union", and a ban on the words "bank" and "banking" would cost the Canadian Credit Union system at least \$80 million. At Kootenay Savings, we estimate the cost for us to update our printed materials, signage, advertising and website would be in excess of \$200,000, significantly reducing the amount of money that we can reinvest back into our local communities and return to our member-owners.

Recommendation.

We respectfully recommend the Department of Finance propose changes to the Bank Act that would allow credit unions, as prudentially regulated deposit-taking institutions, to use the terms "bank" and "banking" to describe our activities and services, while ensuring that Canadians know they are dealing with a credit union, not a bank.

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

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