



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

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Submitted to:
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Leading Edge Credit Union (LECU) is pleased to participate in the Department of Finance's second stage consultation in its review of the federal financial sector framework. As a co-operative financial institution, we believe that the best way forward will come from constructive dialogue that considers solutions in the best interests of Canadians.

A provincially regulated, deposit-taking financial institution, LECU has nearly \$117,000,000 in assets under management with over 8,500 member-owners. Similar to federally regulated banks, LECU provides a full suite of financial products and services. Our vision is to assist all our members to meet their financial goals by providing advice and services with a focus on the members' best interests. We will do this by providing quality financial products and offering exceptional member value through knowledgeable and professional staff while adhering to the co-operative principles and values.

LECU operates from five branch locations on the west coast of Newfoundland and Labrador. We serve our member-owners via our bricks and mortar locations as well as through our online and mobile apps. Of our five branch locations, three of them – namely, Doyles, Jeffrey's and St. George's – are in rural communities where no other financial institution exists. In Jeffrey's and St. George's, LECU invested in establishing branches for citizens who were left un-serviced by the banks when the area was deemed unprofitable by a financial services system that put profits before people. Over 47% of our members live in communities where their credit union is the only financial institution in operation. LECU is proud to provide this crucial service and we recognize our role in supporting the continued growth and development of strong, vibrant rural communities.

Our submission focuses on the Department of Finance's consultation question about the Bank Act restriction on the use of the terms "bank" and "banking" by credit unions. We are pleased that the Office of the Superintendent of Financial Institutions (OSFI) announced it would suspend compliance expectations pending a review by the Department of Finance. Credit Unions have been using the terms "bank" and "banking" for years simply because we respect the need for our members to use these common-sense terms to describe the services we offer. We celebrate with our members the ways in which we differ from the banks each and every day. At each service touchpoint we educate our members on the credit union difference and we highlight our co-operative principles and values. Leading Edge Credit Union's members are introduced to the unique features and benefits of the co-operative banking model from the on-boarding process and throughout their relationship with us. Our members understand that we are more than just a "bank". Through our community involvement initiatives, our financial literacy programs and our member-owner engagement sessions, we are certain that our members recognize that they are "banking" with a credit union.

Credit Unions are prudentially regulated financial institutions that must co-exist, and compete, with federally regulated banks. The Canadian Credit Union Association (CCUA) estimates that a ban on the word "banking" would cost credit unions up to \$80 million – a financial burden that would ultimately be borne by the millions of Canadians who are member-owners of a credit union. Limitations on using the terms "bank" and "banking" would negatively impact our credit union's ability to serve our members and invest in their communities. Specifically, forcing LECU to popularize new terminology for our online and mobile "banking" apps would result in significant financial loss for our credit union and risk

confusing our existing and future membership. Further to this, we feel that this would be a reputational loss for the federal banking system if small, community-minded credit unions were to have to explain to their members and the public in general that large, successful and profitable banks “own” the rights to common words like “bank” and “banking”.

We share with OSFI and the Department of Finance a collective duty to contribute to a stable and sustainable financial services industry. It is our wish that we may continue to provide essential “banking” services to our members using terms that best describe the nature of the activities that take place between them and their credit union. As such, **Leading Edge Credit Union respectfully recommends that 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 their activities and services.**

Thank you for considering this submission as a part of your review of the federal financial sector framework.

For more information, please contact:

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