

To: Director
Financial Institutions Division
Financial Sector Policy Branch
Department of Finance Canada
James Michael Flaherty Building
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Mainstreet Credit Union Submission Consultation on the Review of the Federal Financial Sector Framework



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

Mainstreet is located in South Western Ontario. We are a full service, 13 branch credit union serving 11 communities including three where we are the only financial institution. We are focused on small town and rural members, we have significant expertise in agriculture lending but are also focused on serving small business in our area.

Our purpose is to make a "real difference in the financial lives of our members". We believe our role is to provide our members with the advice that is right for them, not the credit union. Similar to chartered banks we have shareholders that share in our profits but unlike banks those shareholders are the same people that "bank" with us. Our shareholders, owners and customers are the one in the same: our members. We return profits to our members annually in the form of patronage dividends that are based on the business each member has with the credit union.

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.

Banking is a verb, and our members use it to describe what they do with Mainstreet. They engage in online "banking" with Mainstreet. In July of this year we were filming a member video – we have a program called the *Big Give* where we recognize a local hero who gives back selflessly to their community. Given the advisory that was published in late June we asked our member not to use the word bank during taping. Our member thought we were joking but we assured him we were not. Less than a minute after we started filming, the term "bank" came out. After multiple takes and repeated apologies from him we gave up and just let him use his own words. "Bank" and "banking" are the common words our members use to describe how they interact with us.

Our branches are wrapped with signage that says – Bank, Borrow, Invest, Share – I am not sure what work we would use to replace "Bank" but let me be clear this is small compared to the main signage that states very clearly we are "Mainstreet Credit Union". I think you are under estimating our members' ability to understand the difference between a bank and a credit union regardless of the words that are used to describe how they transact with us. I guarantee our members are well aware of the difference and it is not because of the signage but because we are different, in how we serve them, in how we provide advice and in our understanding that they are the owners of Mainstreet and not an anonymous shareholder. Our members take pride in being part of a co-operative financial institution, it's why they bank with us.

Mainstreet is a 13 branch credit union with over \$750 million dollars in assets. We have loans in excess of \$XX million to local farmers and another \$XX million to small business. We serve over 20,000 members and provide them with \$XX million in residential mortgages. Our goal is to give 50% of our profits back to our members annually. As mentioned earlier we are the only financial institution in 3 of 11 our communities. We are locally owned and employ Canadians from our local communities, including in smaller, rural communities where secure employment paying fair wages is hard to come by.

We're proud of our staff's connection to their local communities. This year on Credit Union Day Mainstreet is closing our branches early and from 2:00 to 5:00 p.m. every member of our staff will be volunteering in the community. Some will be visiting a seniors home, some are doing work with Community Living, three branches are working with the local municipality to clean up a local green space while other are raking leaves for anyone who needs help. This is just one example of how we give back but I am pleased to advise that almost every weekend of the summer we have staff volunteering in our communities.

Stringent enforcement of Section 983 of the *Bank Act* as outlined in OSFI's June 30 advisory is harmful not only to credit unions themselves, but also to the communities we serve. Being forced to change the common sense language Canadians know and use every day would be costly and time consuming to our credit union and those across Canada. Mainstreet would rather spend its time and profits giving back to the local community and investing in the local economies of the communities we serve by putting our profits back in the hands of our members.

Credit unions shouldn't be forced to invent new words to replace the terms Canadians already use to describe their dealings with regulated institutions like credit unions. We believe the *Bank Act* should be changed so that it is clear that credit unions, as regulated deposit-taking institutions, can use these terms to describe what they do while ensuring that Canadians know they are dealing with a credit union, not a bank.

We appreciate OSFI's decision to suspend its compliance expectations pending further review, we are hopeful that the outcome of that review will be that credit unions will continue to be able to use the terms "bank" and "banking" to describe what we do. We believe that our members will continue to do so regardless of any restrictions placed on us by OSFI – this is simply how Canadians talk about what they do with their deposit taking financial institution.

Mainstreet is financially sound, the Canadian Credit Union system is financially sound. We have deposit insurance that is equal to or better than the banks. We are provincially regulated and comply with all federal and provincial rules of business.

Credit unions weathered the financial crisis without incident; no credit union members lost money during the crisis and there were no credit union failures related to the crisis. Consumers can feel safe and secure banking with a credit union. Unlike the banks, during the financial crisis we worked with our members to ensure they could continue to run their business. In fact, we were able to assist many small businesses who had been abandoned by the banks to help them stay in business and serve their communities.

We understand that Section 983(2) of the *Bank Act* restricts the use of the terms "bank", "banking" or "banker" by non-bank entities like credit unions. We also understand that the policy intent is to prevent people from being misled into thinking they are dealing with a bank. We don't understand the move from a common sense approach to a complete ban. Credit unions have used the terms with little incident for years because that is how Canadians use them.

We 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 their activities and services.

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

For more information, please feel free to contact:

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