

September 29, 2017

Director
Financial Institutions Division
Financial Sector Policy Branch
Department of Finance Canada
James Michael Flaherty Building
90 Elgin Street
Ottawa ON K1A 0G5

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

Meridian Credit Union Limited (“**Meridian**”) is pleased to have the opportunity to participate in the Department of Finance’s second stage consultation on its review of the federal financial sector framework.

RESPONSE TO CONSULTATION INQUIRY

The Department of Finance is seeking views on whether prudentially regulated non-bank deposit-taking institutions should be given flexibility to use the terms “bank” or “banking” to describe their activities and services in appropriate circumstances. Set out below is our feedback on why we are supportive of the proposal to permit such entities, in particular credit unions such as Meridian, to use the terms “bank”, “banker” and “banking” to describe their activities and services.

1. Canadians use “bank” and “banking” terminology to describe financial services with credit unions.

Meridian is proud to be a credit union and we actively promote our differences from banks. We always endeavor to take reasonable steps to ensure we identify our self as a credit union in a manner that is clear to the public. We use the common verb “bank” and the common term “banking” only to describe our activities and services, and we do not hold ourselves out to be a bank. We use these terms because the words “bank” and “banking” are terms that Canadians associate with our business and use and understand when describing their dealings with credit unions. It is important that we are not restricted from using the terms “bank” and “banking” to describe our activities and services in order to effectively communicate our business to Canadians in a manner that is commonly and widely understood. It would be an enormous and costly challenge to popularize new terms to replace commonly known phrases such as “on-line banking” or “business banking”, and we are concerned that there are no reasonable synonyms that would effectively describe our business activities without causing confusion in the marketplace or an economic disruption to our business.

2. Credit unions are prudentially sound financial institutions.

The Department of Finance has expressed that its main consideration in limiting the use of the terms “bank”, “banker” and “banking” to banks only is to ensure that consumers know when they are dealing with a bank, since banks are subject to protections and obligations created by the federal banking framework. While credit unions are primarily provincially regulated, Meridian and other credit unions also operate within a robust and comprehensive legislative and regulatory framework.

Meridian is incorporated in the Province of Ontario, and we conduct our business in accordance with the *Credit Union and Caisses Populaires Act, 1994*. We are also in good standing with our two regulators - the Financial Services Commission of Ontario and the Deposit Insurance Corporation of Ontario. Within this framework, Meridian conducts sound business and financial practices and our Members and the general public are afforded protections that are equal to or greater than those available to bank depositors. As a result, we, and other credit unions, have been able to use banking-related terms for years without incident. Until very recently, the Office of the Superintendent of Financial Institutions has accommodated the common use of banking-related terms to describe financial services provided by credit unions and has used its judgement and discretion in the enforcement of the *Bank Act*.

3. Restrictions on the use of banking-relating terms would disadvantage credit unions’ ability to compete with banks.

Credit unions are strong competitors in the financial services industry and often focus on niche markets, such as smaller communities and small business lending. We believe that competition in the financial sector can drive long-term economic growth and promote affordable and innovative financial services to consumers.

Banking terms are words that Canadians use and understand to describe their dealings with a deposit-taking institution like a bank or a credit union. Credit unions need to speak in the language Canadians use and understand in order to compete effectively with banks.

SUBMISSION AND RECOMMENDATION

For the reasons set out above, we submit that credit unions should be given flexibility to use the terms “bank” or “banking” to describe our activities and services in appropriate circumstances. We are transparent with the public regarding our status as a credit union and an alternative to federal banks. Therefore, we do not believe that consumers would be confused or misled by our continued use of banking-related words to describe our financial activities and services.

Meridian is supportive of proposals to be put forth by the Canadian Credit Union Association, as part of its submission to this consultation, in relation to proposed amendments to the *Bank Act* that would provide the appropriate degree of flexibility.

Thank you for considering the comments and recommendations set out in our submission. We look forward to receiving a resolution on this topic that meets your policy objectives and preserves the functionality of credit unions in the financial sector. Please do not hesitate to contact the undersigned at

any time if you have any questions regarding Meridian's views set out in our submission. We consent to any disclosure of our comments contained herein.

ABOUT MERIDIAN

With approximately \$17 billion in assets under management, Meridian is Ontario's largest credit union and Canada's fourth largest, helping to grow the lives of its Members, which number more than 300,000. For over 70 years, Meridian has and continues to deliver a full range of financial products and services in branch, online, by phone and by mobile. We currently employ more than 1,800 people in 90 branches, 11 commercial banking centres and 2 corporate offices.

We believe that Meridian has a positive and important presence in both large and smaller communities across Ontario. We are committed to offering an exceptional financial services experience and conduct our business on the premise of community and relationship-based banking.

Regards,

A handwritten signature in black ink, appearing to read "Sunny S. Sodhi". The signature is written in a cursive style with a horizontal line underneath.

Sunny S. Sodhi
Senior Vice President & Chief Legal Officer
sunny.sodhi@meridiancu.ca

Cc: Bill Maurin, President & CEO, Meridian Credit Union