CREDIT UNION
NEW ROSS

New Ross Credit Union Ltd
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Re: Submission to the Department of Finance Second Stage Consultation on the Federal Financial Sector Review

September 15th 2017

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

New Ross Credit Union is located just outside the Regional Municipality of Halifax along the beautiful South Shore Of Nova Scotia. We serve a population that either commutes to the city of Halifax or works in the immediate area serviced by our Credit Union.

Our Credit Union creates a difference in our communities by providing services in the communities we serve with the underlying thought that we want to make each member of the community as strong financially as they can possibly be. By each member/client being financially strong, the communities we serve will be as well. Fundamentally this thinking lies at the heart of every Credit Union and that is why we have what is called a "multiple bottom line mentality". Our bottom line is seen as bringing services to the communities while balancing the profitability to the needs of the people. We also provide great quality jobs in rural or suburban areas.

Each day our Credit Union Helps our members make thousands of banking transactions through various technological means and yes, some of those processes have terms attached to them that describe what the process is. In every way the process is to the members, "banking", so then it makes sense to the members to call us their "bankers", simply because it describes what we do for them so it is a descriptive term for us as employees. Having said that, we make clear every day that we are not a bank even though that is what we do in their eyes!

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.

In the busy lives of our members there are several areas where our members/clients would be adversely affected by changes that we would be forced to make if we could not use the terms "Banking" or "Bank". For example, our Mobile Banking "apps" are synonymous with any member, as services that they well know to be similar if not exactly like those offered by the "Banks" we compete with. What we do is largely like, if not exactly what our competitors do. The difference is in the structure of the Credit Union system and how we are regulated but regulated we are. One might ask the question if we do not do "banking", then why are we regulated similarly?

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Why does this matter to our Credit Union? Despite decades of past practice and early promising conversations with CCUA, the office of the Superintendent of Financial Institutions(OSFI) issued an advisory on June 30th, 2017 that adopted a strict interpretation of Bank Act restrictions around the use of the words"bank, banker, and banking" by non-banks like credit unions.

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 think 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.

CCUA estimates that a ban on the use of these words would force credit unions to pay up to $80 million to remove phrases like "on-line banking", "mobile banking", and "commercial banking" from signage, websites, forms and advertising.

Then the added expense to create new, unknown terms and try to popularize them would be another huge expense that would undoubtedly cost more than getting rid of the old terms. Not to mention be subject to OSFI fines if we were found to still have some terms still on forms after the purge.

Credit Unions are prudentially sound financial institutions. Credit Unions are well regulated by provincial authorities. Credit Unions are known as prudent lenders with low loan losses. Our deposit insurance provides equal to or greater than those available to bank depositors. Credit Unions have 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.

Credit Unions are fundamentally different than banks, but need to use common-sense language to explain the services we offer. Credit Unions have used the terms for years without incident. That's because credit unions have used the terms the same way Canadians do – to describe the kinds of activities that take place between members and their credit union.

Recommendation

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 contact:

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