

September 7, 2017

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

Northern Credit Union is pleased to participate in the Department of Finance's second stage consultation on its review of the federal financial sector framework. We would like to thank the Department staff for the time invested in this nation-wide consultation process and the opportunity to provide this feedback.

About Northern Credit Union

Northern Credit Union is the largest credit union in Northern Ontario. Geographically, Northern Credit Union is headquartered in Sault Ste. Marie supporting 30 rural and urban communities spanning over a 1500 km distance East to West and stretching North to South over an 1150 km distance. Northern Credit Union also has a strong digital presence and we are found online at www.northernku.com. More than 250 credit union staff serve over 71,000 members, primarily residents and small to medium sized businesses located in the North.

Since Northern Credit Union's original charter was granted on November 19, 1957 (as the Sault Civic Employees Credit Union Limited), the organization has grown tremendously to close to \$1.3 Billion in Balance Sheet Assets. As of Q4 2016, Northern Credit Union was the 9th largest credit union in Ontario and the 33rd largest credit union in Canada.

In 2013 we launched a new brand that resonates across Northern Ontario—True North Strong. We are proud of the fact that we live here—we work here—we play here—and we make our decisions here. We take pride in knowing our members the best. We have a great opportunity to continue to provide the best financial services to everyone in the North and to help drive economic growth, employment and innovation, particularly for small and medium sized enterprises that lack support in the North.

Providing financial services in Northern Ontario

Northern Ontario is an underserved area and the trend of bank closures in rural Ontario has not only continued but in recent months has worsened. The large federally chartered banks have opted to close branches over the last number of years in small northern communities such as Wawa, Chapleau, Hornepayne, Capreol, Red Rock and Iron Bridge, to name a few. Further, over the past 12 months Northern Credit Union has been approached by local politicians to fill the void as bank closures were announced in Massey, Dubreuilville, Beardmore, Wilberforce, Thessalon, and Maynooth. Some of these closures resulted or will result in no other banking alternative other than a 30 to 60 minute drive to get to the nearest community with a financial institution.

Northern Credit Union has not been able to answer the call in every case. Our goal is to be able to maintain a bricks and mortar presence in the communities that we support today. We are proud to continue to be the only financial institution in the following communities – Red Rock, Hornepayne, Richards Landing, Thessalon, Capreol, Holstein, and Iron Bridge.

A success story regarding the community of Iron Bridge dates back to 2009 and is a prime example of looking after residents in small communities and their banking needs. Northern Credit Union was called upon by the town council when the Royal Bank notified the Township that they would be closing their doors. The Town of Iron Bridge is a small community of 800, with an expanded base of 1,700 that includes the surrounding hamlets. It is very difficult to make a business case to open a branch in a small community but Northern Credit Union did it within 30 days. Northern Credit Union has provided support by maintaining banking services when another financial institution abandoned the community and overall the community residents have been supportive.

Northern Credit Union has positioned our financial institution in Northern Ontario fulfilling our vision to continue to be a main part of the communities, not only providing financial services, but also to form part of the fabric of these communities in every aspect, in living by and sharing our co-operative principles. We are and always have been a socially and environmentally conscious company that gives back to the North. Northern Credit Union is proud of a reputation we have built over the past 60 years being respected for championing local initiatives, helping Northerners in their communities, and always giving back in any way where as a company we can make a difference.

As it relates to community economic development, Northern Credit Union has a proud reputation as a partner providing commercial services to small businesses in our communities that provide local employment opportunities. As an example, every effort when purchasing of goods and services for our operations, is directed to our local companies supporting local economies.

Promoting financial literacy is another commitment that Northern Credit Union has made. Across our geographic span, we offer financial literacy through our online channel that is appropriately termed “Northern Know How” (www.northernknowhow.com). We have created a platform for financial knowledge that provides tools to assist individuals in gaining a better hold on their financial standing; with topics including budgeting, mortgages, investments and retirement planning. This effort is ongoing, with updates provided on a monthly basis and usage levels by our members on the rise.

Membership is a clear differentiator between our credit union and a bank. With membership comes a number of benefits. In looking at Northern Credit Union’s track record over almost 60 years, we have stuck by our members and we have stuck by our communities through good times and bad. Membership as part of Northern Credit Union is ingrained in our Governance model through our By-Laws and very clearly differentiates Northern from other financial institutions.

At Northern, the member's voice is carried to the Annual General Meeting by elected delegates at the local level. Back in 1985, given Northern Credit Union's expansion across northern Ontario, the delegate system was introduced. Delegates are elected at the local community level by members at a Branch Annual Meeting; each and every member counts and has a voice in this process. The elected Delegates from each community gather at the AGM where directors are elected and by-laws considered on the rules that govern our credit union. We embrace this difference, as our delegates are an excellent conduit for feedback on credit union products and services.

Furthermore, at Northern Credit Union our delegates have a long history of contributing to worthy organizations at a local level in communities where we operate a branch. We are proud to give back a portion of our profits each year that is allocated to our delegate groups. Through our delegates, they invest these dollars and their time in giving back to our communities, which is a central part of what differentiates Northern Credit Union from banks and other financial service providers.

Corporately Northern Credit Union is proud of our innovations. In a unique way of giving back to local community initiatives, Northern launched its own online trivia game – True North Adventure. It allows players to navigate their own paths and move along by answering Northern-themed trivia questions, accumulating points as they move along, and identifying local charities to donate their points to. Monthly Northern Credit Union allocates up to \$3000 towards the charities that have received the most points. These charities are all grass roots initiatives and resonate with our local communities in a large way such as the Royal Canadian Legion Hornepayne, Coniston Food Bank, Northern Ontario Centre for Learning Differences (NOCLD), Veterans' Monument Fund Sault Ste. Marie, Englehart Community Garden, and the Garson Food Bank to name a few.

On the national stage, Northern Credit Union won a coveted "Innovation Award" at the 2017 National Conference for Canada's Credit Unions. The award was presented to us for the development of our online small business account opening software. This software, developed in conjunction with Northern's Fintech partner, allows members to acquire Northern business products, including a line-of-credit, from their office, handheld device or virtually anywhere. We were the first financial institution in Canada to offer our members this leading-edge technology to simplify business processes and are very proud of the inroads we are making in leveraging technology to achieve this. In total Northern Credit Union serves over 5000 small to medium size businesses across our footprint and this number continues to grow.

Use of banking terms

Regarding the Department of Finance's consultation question about the *Bank Act* restrictions on the use of the verb "bank" and term "banking" by non-banks and credit unions in particular, based on Northern Credit Union's brand and history across a large geographic expanse, we believe these restrictions will only confuse our members and member prospects even further. In our small rural communities where Northern is the sole provider of financial services, residents look to

us to for their “banking needs” and know that as a credit union, we are able to provide the entire array of “banking services”.

The policy goal is to prevent people from being misled into thinking they are dealing with a bank. However, we have used these terms throughout our history without incident. In instances, like the example of Iron Bridge, where municipal leaders have reached out to Northern Credit Union to replace a bank branch that was exiting their community, the community desperately needed another financial institution in town to provide banking services. Being able to use the verb “bank” and term “banking” helps Northern to communicate with citizens of that community who may not be familiar with credit unions and have only dealt with that bank for much of their lives.

Municipal leaders can look confidently to a credit union knowing we are prudentially sound financial institutions. Credit unions are well regulated by provincial authorities. Deposit insurance provides credit union members protections 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. Our members feel safe and secure banking with our credit union.

Northern Credit Union urges the Department of Finance and the Office of the Superintendent of Financial Institutions to approach this matter in a “common-sense” way, consistent with past practice. A ban on the term “banking” is estimated to cost Northern Credit Union \$100,000 without considering the challenge of popularizing new terms to replace those in the current vernacular. Nor do these hard dollar costs even consider the distraction that this presents to all credit unions where our efforts are better placed in continuing to provide award winning financial services to Canadians. A ban would disadvantage Northern, and all credit unions to provide competitive choices to existing and future members. 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 language Canadians use and understand in order to compete with other financial service providers.

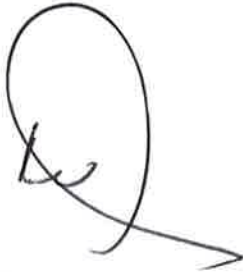
In closing, the bottom line is that credit unions are fundamentally different from banks and this submission hopefully describes this distinction for Northern Credit Union. However, we need to use common-sense language to explain the services we offer: Credit unions have used the terms for years without incident. That is 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. A return to interpreting the Bank Act in this common sense way, using judgment and discretion in the enforcement of the Act, is welcome by credit unions.

Recommendation

We recommend the Department of Finance propose changes to the Bank Act to 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.

Regards,



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