

# Technical Advisory Committee (TAC) for Credit Union Data Strategy and Digital Transformation

# FSRA

Financial Services Regulatory  
Authority of Ontario

## Enhanced Data Collection Opening Meeting

September 23, 2022



Ontario



## Agenda

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- Opening Remarks
- Working Group Process, Objective, Timeline and Next Steps
- Update on Privacy Review
- Future Market Conduct Data Points
- Questions

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## Technical Advisory Committee

### Representatives of the sector

Qualifications	Role
<ul style="list-style-type: none"> <li>• Senior staff, specialists with deep experience</li> <li>• Risk measurement and management, data, analytics, stress testing</li> </ul>	<ul style="list-style-type: none"> <li>• Provide Advice and expert insight</li> <li>• Develop consensus</li> <li>• Provide feedback</li> <li>• Review materials</li> </ul>

To inform FSRA’s risk data collection strategy and implementation plan to improve risk management in Ontario credit union, with focus on risk data and integrating data from the credit union system in an effective and efficient way.

## Share the message

## Opportunity for you to shape the risk-data requirements

- Targeted process to get specific and detailed technical guidance and expert input on individual data points necessary to adequately assess risk
- The focus is on instrument-level data as a driver of risk assessment
- Open and candid discussion in support of this objective
- Come with an open mind, but strict technical focus – it's all about the risk data
- Credit union led selection of data points for risk, not FSRA
- Time limited: one or more instrument level templates will be completed in each session

## Credit Union led review of instrument level data

- Credit union-led review of instrument-level data templates:
    - In-person working sessions where subject matter experts from credit unions collaborate on data points necessary for adequate risk assessment
  - FSRA facilitates the discussion and provides guidance as needed
  - Output: an instrument-level data set which can be incorporated into a Draft Regulatory Data Standard for public consultation.
- Retail Loans  
Commercial Loans  
Deposits  
Borrowings  
Investments  
Derivatives

## Process steps

- Credit unions receive instrument-level data templates for: Retail Loans, Commercial Loans, Deposits, CU Borrowings, Investments, Derivatives (today)
- Provide preliminary assessment of data on 3 aspects: 1) necessity of data points for risk assessment, 2) availability and 3) clarity of the data description (2 weeks)
- In-person working sessions with subject matter experts from credit unions (Oct 11– 14):
  - Session 1: Retail Loan template
  - Session 2: Commercial Loan template (includes agriculture and institutional loans)
  - Session 3: Deposits
  - Session 4: Investments, Borrowings and Derivatives
- Follow-on sessions can be scheduled for week of (Oct 17 – 21) as necessary

## Actions items and key takeaways

### Action items:

- FSRA provides first draft instrument-level templates and sends meeting invites for working group sessions today
- Credit union representative socializes the process within their organization and forwards the invite to relevant subject matter experts for each session
- Credit union subject matter experts start the preliminary assessment of data templates and returns completed templates by October 7<sup>th</sup>

### Key takeaways:

- Please update other sector stakeholders on the progress of EDC and the timeline for launch in mid-2023
- There will be a public consultation on the Regulatory Data Standard which includes this instrument level data



## Update on privacy review

- FSRA engaged a law firm with substantial experience in privacy to review the full data set:
  - The data set includes a small number of data points on the Retail Lending template that would be personal information.
  - FSRA can collect personal information under s. 38(2) of the *Freedom of Information and Access to Information Act* (FIPPA) because it is necessary to the proper administration of FSRA's lawfully authorized activities
  - Credit unions can disclose personal information to FSRA under section 7 of PIPEDA because it is "required by law" under CUCPA sections 198 and 199
  - In general, FSRA would be able to refuse access to data collected that is either "personal information" or "sensitive commercial information" relating to credit unions under s. 21 and 17(1) of FIPPA
- The opinion unfortunately cannot be shared as it is privileged
- A general Q&A will be posted on the FSRA website



# Future Market Conduct Data

- a) To share FSRA's roadmap in identifying and collecting conduct indicators
- b) To request volunteers from TAC to collaborate with FSRA in developing the draft conduct indicators

Antoinette Leung, Head, Financial Institutions and Mortgage Brokerage Conduct  
Kirk Quinn, Senior Manager, Financial Institutions Conduct

## What are Conduct Indicators?

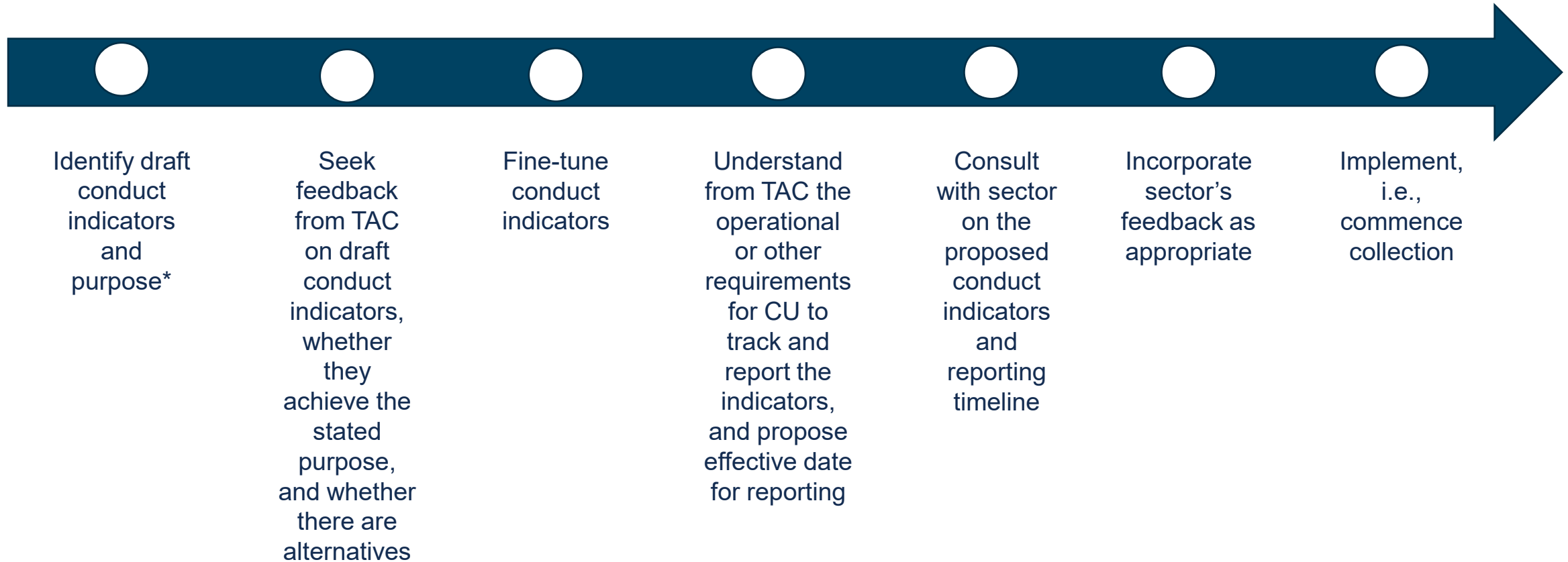
- Data or information that indicates, at a point in time or over time, market conduct risk, which is:  
*How probable that the conduct, acts or omissions of a credit union or its staff harm or deliver poor/unfair outcomes for members or customers*
- Generally, it is about (a) a credit union's current and planned business,\* (b) its members or customers, (c) its interactions with their members or customers, and (d) its regulatory or compliance history with FSRA/FSCO\* or its other regulators.
- Qualitative or quantitative, but often maintained by a credit union outside of its financial reporting system

\* Already available to FSRA

## Why are Conduct Indicators Useful?

- Support FSRA's risk-based supervision by allowing us to:
  - Focus our regulatory resources on credit unions that have the highest market conduct risk or a credit union's business(es) that poses the most market conduct risk
  - Inform the integrated risk assessment and development of an overall risk profile for each credit union
- Support a credit union's objective of serving members / customers by providing information to allow them to address members/customers' needs or concerns and to continuously improve services

## Proposed Roadmap in Identifying and Collecting Conduct Indicators



### Current plan:

- Commence step 1 (\*) in Fall 2022
- Implementation as part of later phases of EDC

## Sample Conduct Indicators

- Member or customer demographics, e.g., age, education, language, birthplace (e.g., inside or outside of Canada)
- Financial vulnerability indicators of members or customers
  - **Financial Resilience:** Low/unstable income, low savings
  - **Financial Capability:** Low financial literacy and/or confidence in managing financial matters, low literacy/numeracy skills, low digital skills, etc.
  - **Life Events:** Caring responsibilities, bereavement, relationship breakdown, etc.
- Complaints or issues logs maintained by a credit union
- Compensations provided to members or consumers

### *Other considerations:*

- *Aggregate vs transactional level data*
- *Frequency of reporting*

# Questions?