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January 4th, 2019

Mark White
Chief Executive Officer
Financial Services Regulatory Authority
130 Adelaide Street West, Suite 800
Toronto ON
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RE: Proposed FSRA Fee Rule 2019 – 001B (Interim)

Dear Mr. White,

Thank you for your work to date on the development of the Financial Service Regulatory Authority (FSRA) and the open collaboration with the Ontario credit union and caisse populaire industry (hereinafter referred to as “credit unions”). We appreciate the opportunity to respond to FSRA’s request for comment on *Proposed FSRA Fee Rule 2019 – 001B (Interim)*. Please note that this response was created in tandem with a separate response, regarding *Proposed FSRA Fee Rule 2019 – 001*. These two responses complement each other and were submitted to FSRA simultaneously.

Credit Union Overview

Ontario credit unions are democratically run financial institutions, owned and governed by our 1.5 million members, including 140,000 small business members. These members have chosen a cooperative business model for their banking, knowing it will generate greater mutual success for everyone involved in their local communities. There are 90 credit unions and caisses populaires in Ontario, holding over \$67 billion in assets; credit unions exist in 210 Ontario communities, including 59 where a credit union is the only financial institution.

Credit unions have deep roots in Ontario with the first one established in 1908. Over that history, credit unions have been regulated in a number of different ways, but throughout, we have maintained ourselves as prudent financial institutions that have served the people of Ontario well. The partnership with the Province of Ontario, and its designated agencies as our regulator, is critical to our success: consumers need to know that we are well and properly regulated to have confidence in the system.



In 2009, the Ontario Government signaled that they intended to lower costs and merge boards and regulatory agencies in order to increase the competency and capabilities of the regulator. It has taken nearly a decade, but we are finally at the point where a new consolidated financial services regulator is ready to take over and realize this goal.

Going forward, credit unions need a regulator that exercises a culture of innovation and commitment to enhancing the strength of credit unions. FSRA can be assured that credit unions will work with it to develop policies that reflect the uniqueness and strength of the cooperative model. A well-regulated and prosperous credit union system benefits the future of Ontario.

FSRA Interim Fee Rule Recommendation

The establishment of a fee structure is an integral part of developing any regulatory structure. Ontario credit unions welcome FSRA's collaborative approach to consultation with respect to the transition process from FSCO and DICO regulation, into a single entity. This response will provide a specific recommendation around both the type of interim fee rule used and the applicability of the interim rule in lieu of the permanent fee rule.

Credit unions view the creation of a new interim fee rule as an unnecessary change for the system. As is articulated in greater detail in CCUA's response to *FSRA Fee Rule 2019 – 001*, the first recommendation regarding the permanent fee change is to **start the implementation of any new fee structure in 2020, after FSRA's first operational year and the completion of the Credit Union and Caisses Populaire Act modernization**. Until then, our recommendation is that funding for the credit union sector within FSRA for 2019 remain frozen with the existing 2018 regulatory funding models.

Given this position, **the existing 2018 regulatory funding model credit unions use should serve as the interim fee rule**. This would function as the *de facto* interim fee rule until the creation of a new permanent fee rule, after FSRA's budget and operations are finalized. On top of all the reasons outlined in the *FSRA Fee Rule 2019 – 001* response, our proposed approach allows for the greatest simplicity and ease of transition for credit unions into FSRA. Moreover, it ensures that FSRA will have the adequate funding, as credit union fees would remain constant to 2018 levels.

The call for postponing the fee rule change has been a consistent response from the credit union system since the summer of 2018, when FSRA first engaged the Credit Union Industry Advisory Group on this matter. Credit unions cannot lend their support to any immediate fee change, given the combination of unknowns and uncertainty regarding our legislative and

regulatory environment, and FSRA's overall budget opacity. Ontario credit unions strain to understand the immediate urgency to adopt a new fee model.

Our approach offers a much more realistic timeline that both regulators and credit unions can easily understand and plan for. Rather than dealing with the uncertainty of budgeting for an interim fee rule that may or may not be implemented, or a fee structure without a budget – both of which would be implemented mid-fiscal year – this suggestion is clear in both when the fee structure would change and what the effects would be. The transition to FSRA is a major undertaking for both FSRA and the credit unions, with multiple operational uncertainties that credit unions are forced to deal with. Our recommendation is a simpler, more transparent, and fairer approach, which better serves both FSRA and Ontario credit unions. It allows credit unions to have a full understanding of *all* the fees they will be paying into FSRA and the total amount.

Conclusion

In conclusion, Credit Unions of Ontario look forward to working with FSRA to achieve your vision of simplicity, consistency, transparency, future focus, as well as efficiency and effectiveness. Credit unions remain Ontario's only provincially-regulated deposit-taking institutions and important driver of competitiveness in financial services for Ontarians. The proposed fee structure must reflect this, by ensuring that FSRA's credit union sector has both a suitably focused mandate and a capacity to adequately regulate our unique structure.

Our recommendation to use the current structure as an interim fee rule for FSRA's first year represents the best path forward for credit unions. Given the level of uncertainty around FSRA's timeline and budget, credit unions cannot support the immediate implementation of any fee structure. To provide consistency and fairness to credit unions, we firmly recommend implementing any new fee structure in 2020, after FSRA's first operational year and the completion of the *Credit Union and Caisses Populaire Act* modernization. In the interim, credit union fees should remain frozen with the existing 2018 regulatory funding models. Adopting a new funding model to be used in the interim would create an unnecessary regulatory burden for all parties involved.

Once again, we thank you for the opportunity to participate in FSRA's consultation process related to the interim fee rules. We strongly recommend FSRA use the existing regulatory fee structure in place and the adoption of the permanent RWA fee structure in 2020 – as per our recommendations outlined in the credit union response to *Proposed FSRA Fee Rule 2019 – 001*, and continue to provide additional guidance on the FSRA's ongoing work towards its



future structure, governance, and budget. CCUA and credit unions of Ontario look forward to working with FSRA on building an effective regulatory relationship for credit unions.

Kind Regards,

Eric de Roos
Director of Government Relations (Ontario)
Canadian Credit Union Association

Bernard Brun
Director of Government Relations (Canada)
Desjardins Group

cc. Minister of Finance, Hon. Victor Fedeli
CEOs of Ontario credit unions and caisses populaires

Canadian Credit Union Association

Canadian Credit Union Association is the national trade association for Canada's credit unions and caisses populaires outside Quebec. These financial institutions offer a full-range of retail banking services to over 5.7 million Canadians. Collectively Canada's 250 credit unions generate over \$6.5 billion in economic impact, are leaders in small business lending, and have assets of over \$225 billion.

Desjardins Group

With over \$295.3 billion in assets, Desjardins Group offers a full range of products and services to individuals and businesses through its extensive distribution network, online platforms and subsidiaries across Canada. With \$6.4 billion in overall assets, Desjardins caisses in Ontario are an important part of Desjardins Group and actively contribute to the economic and social well-being of some 133,000 members and their communities in Ontario.