



libro.ca
4th Floor
217 York Street
London ON N6A 5P9

T 519-672-0130
F 519-672-7831
1-800-361-8222

Financial Services Regulatory Authority
25 Sheppard Avenue West, Suite 100
Toronto, ON
M2N 6S6

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RE: Libro Credit Union's Response to FSRA's Consultation on 2021/22 Statement of Priorities and Financials (ID - 2021-016).

To the Reader(s),

Libro Credit Union (Libro) is pleased to respond to the 2021/22 FSRA Statement of Priorities and Financials consultation. The priorities, focus, emerging issues, and sector goals presented are appropriate and aligned with our expectations and we believe the plan to be relevant given current economic conditions and outlook. Below we provide a section-by-section review with feedback and questions posed for response.

Environmental Scan

The environmental scan presents appropriate challenges relating to economic uncertainty, increasing inflation, cautious optimism, labour shortages and the lingering question of what does "business as usual look like". FSRA must remain flexible in their approach as the general recovery remains fragile in nature. We believe that FSRA can better connect to the sectors it regulates through insights and data. **We would appreciate more insights from FSRA regarding their viewpoint on the challenges noted above, any data collected, and peer sector learnings, to help build a more resilient credit union sector.**

Emerging Issues – Climate Change Risk

The emerging issues presented within the report are aligned with Libro's strategic planning and operations, as we continue to focus on issues that impact both planet and people. We agree with FSRA that it is important to begin sector discussions on climate impact and associated risk. Collaborative efforts from both FSRA and the sector will be needed on this important emerging issue. We trust that FSRA will consult broadly and often with the sector on this emerging issue.

Cross Sector Priorities

We are in general agreement with the cross-sector priorities presented. There are synergies to be gained by working across sectors and sharing information technology platforms, processes, data, and success stories. We do have questions relating to the priority of *Strengthening Consumer Focus* as outlined within the document.

Can FSRA better share and highlight the work, research, insights, and priorities of the Consumer Advisory Office? We feel as though an opportunity is being missed within this office to offer a valuable service. We hope that 2022/23 brings with it more activity and reporting from this office, as Libro believes that a consumer focus is critical to bettering our sector and decreasing risk to depositors.

How much latitude does FSRA expect to give to the Consumer Advisory Panel and “other stakeholders” in their rule, policy, and guidance development processes? We would caution FSRA providing any group, committee, or stakeholder with increased rule development authority or opportunity over another, as it could present bias and a lack of fairness to the development process. We feel that the CAP perspective should be valued as part of the consultation in an advisory capacity, no more or less than any other participant.

Credit Union Priorities Review

5.1 Implementing New Credit Union Legislative Framework

We are appreciative of FSRA’s desire to consult with the sector on critical rules and guidance related to the new Credit Union Act. We do have concerns that pre consultation work may not be reflected into formal public consultation drafts. We hope, and trust, that early consultation feedback will be made a priority for FSRA moving forward, as it can help dispel issues and challenges during public consultation. We believe it also can make the process more efficient for both FSRA and the sector. We look forward to working on future rules to underpin the new CUCPA.

Workplan

We look forward to working with FSRA on the workplan priorities for rules and guidance to underpin the new CUCPA. Our advice would be to look for opportunities to reduce total volume of guidance, streamline rules, and create simple and effective principles-based approaches that will allow flexibility for credit unions in supporting and serving our members, while ensuring market conduct and risk mitigation remains a focal point. We believe discussions should begin soon on the workplan to ensure a smooth 2022/23.

5.2 Enhance Financial Stability Structures

We look forward to working with FSRA on the differential premium system methodology and the Deposit Insurance Reserve Fund. Both are critical to the continued stability of the credit union sector. We believe the process must rely on principles of transparency and open feedback. We trust that the sector will have the ability to understand the methodologies used, and to provide appropriate thoughts, questions, and feedback through a collaborative approach.

Emergency Lending Assistance

We appreciate the work that FSRA is doing behind the scenes to support credit unions in gaining access to emergency lending assistance (ELA) through the Bank of Canada (BOC). Continued advocacy and discussions will be needed between all parties to ensure that access is both simple and an effective process for credit unions (should the need arise). We are certainly open to a working with the province should the BOC option not come to fruition, and we trust that FSRA is considering every possible avenue and channel for ELA support.

Resolution Regime

We appreciate that FSRA is open to exploring with the Ministry of Finance how it will “enhance their regulatory regime”. **However, we are unsure what this means in actual application and would appreciate more specifics on this key deliverable.**

5.3 Implement Risk-Based Supervision

We look forward to the launch of consultation on a risk-based supervision framework (RBSF). This is a critical project for the sector and consultation will be welcomed. We trust that FSRA has contemplated how the RBSF will build a stronger and more resilient sector, while ensuring it allows for continued growth and innovation for credit unions. We believe that balancing depositor needs, risk, burden reduction and growth opportunities is possible through this framework.

We note that FSRA intends to test RBSF on an early subset of credit unions. **How will FSRA determine this group of test credit unions and what methods will be used to ensure that the test presents limited bias, supports diversity in size and scope, and generates open transparent results and data that can be shared back to the sector, as we seek to support RBSF?**

Market Conduct Code Framework

The Market Conduct Code Framework offers an opportunity for flexibility in addressing critical consumer-based issues and needs. The report highlights a desire to refine the framework to address high risk activities. We are curious by this deliverable, as the framework is still in its infancy and credit unions will be implementing it over the course of 2021/22 and be receiving initial feedback from FSRA. We suspect credit unions will have questions for FSRA throughout 2022 around building stronger policy, procedures, and training programs to support the code. **What does FSRA mean by “refining” the framework and what should credit unions expect regarding this deliverable during the infancy stage of the code?**

Conclusion

FSRA’s 2021/22 Statement of Priorities and Financial and Financial Outlook provides relevant goals and objectives that will help to support credit unions as we build for the future. Our goal is to continue to work with FSRA in a collaborative manner with a focus on sustainability and growing prosperity for our Owners. In our opinion flexibility and openness to change will be crucial as FSRA explores critical rules and frameworks over the coming years, while the Covid-19 pandemic will continue to wage on in the background. We look forward to growing our positive relationship with FSRA over the course of 2021/22.

Kind Regards.



Stephen Bolton
CEO, President and Head Coach
Libro Credit Union
Stephen.Bolton@libro.ca