

April 26<sup>th</sup>, 2022

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

Dear FSRA,

The Canadian Credit Union Association (CCUA) welcomes the opportunity to comment on the proposed principles-based regulation approach guidance. CCUA is the trade association for Ontario's credit union and caisses populaires.

Overall, we are supportive of the proposed approach guidance and the benefits that principles-based regulation (PBR) yields to its regulated entities and consumers.

For credit unions specifically, the shift away from the 'one size fits all' approach and towards one that is outcomes focused will provide firms with the flexibility to implement processes that work best for them while also fulfilling regulatory requirements (provided they do so without taking unreasonable risks). It also positions both FSRA and credit unions to be agile and better adapt to the needs of the consumer and industry trends.

#### Framework Principles

CCUA agrees with the proposed framework principles, and we believe their implementation is critical to the success of principles-based regulation. FSRA should establish measurable targets that demonstrate effective implementation of the principles and subsequent benefits.

Moreover, we encourage FSRA to continue embedding such principles into every aspect of its work. CCUA would particularly like to highlight two principles: transparency and collaboration.

Transparency implies proactive communication and for expectations to be clearly outlined to the sector. Doing so minimizes policy confusion and creates a better understanding on the rationale behind a regulator's proposal or decision.

In regard to collaboration, PBR requires close collaboration between the regulated entity and the regulator to ensure constructive dialogue for solutions to common business or regulatory problems. Since principles-based regulation allows for the regulated entity to determine the processes and actions that will best achieve a regulatory objective, the need for constant collaboration cannot be understated.

#### Regulatory Approach



CCUA recognizes that an outcomes-focused approach places greater reliance on the regulated entity's senior management and board of directors to achieve the desired outcomes. We also strongly agree that bright line rules are still required for the regulation of credit unions, specifically, for capital and liquidity.

One common challenge with the principles-based regulatory approach is lack of clarity. Due to the flexible and outcomes-focused nature of PBR, regulated entities must deal with a greater degree of uncertainty when it comes to their understanding of compliance with the regulator's expectations/ requirements.

Consistent with the transparency principle, FSRA should clearly outline its expectations, rationale, and clarify any other aspect of a guidance, approach, or rule to ensure the intent of the regulator is effectively communicated to the sector. For credit unions, this would provide additional insight on the often-inevitable grey area that comes with principles-based regulation.

In the spirit of transparency, we recommend FSRA publish industry best practices when an approach, guidance, or rule is finalized. It should also release benchmarking whenever possible for credit union self-assessment.

Lastly, FSRA must continue its commitment to burden reduction. As we know, the sector in Ontario has recently undergone considerable legislative regulatory reform to modernize the way credit unions can offer services to both members and non-members. Given the change, any efforts towards burden reduction for credit unions will be very welcomed.

#### Enforcement

We support FSRA's progressive, measured, and proportional approach to enforcement.

Please don't hesitate to reach out should you have any questions.

Sincerely,

Andrei Belik  
Regional Director, Ontario Government Relations  
Canadian Credit Union Association

