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April 14, 2022

**RE: Libro Credit Union (Libro) Response to FSRA Principles Based Guidance (ID: 2022-006)**

To the Reader(s)

Libro is pleased to respond to FSRA's Approach Guidance on Proposed Principles-Based Regulation. The importance of this approach guidance cannot be overstated, as trust and respect will be important to the collaborative relationship between credit unions and FSRA as we build a relationship based on principles moving forward. We are supportive of the policy guidance shared, if used appropriately it can transform our regulatory landscape for the better.

## **Review of Principles**

### Outcome Focused

Strong collaboration, communication, and trust will be critical to develop mutual understanding of the expectations and their desired outcomes. With a focus on outcomes there may be instances where the judgment applied by a credit union to achieve a particular outcome will vary from FSRA's expectations. We expect communication, reasonability, open mindedness, and a focus on finding common ground to be important for creating mutual success. We appreciate the recent approach from FSRA around highlighting guidance principles and outcomes within consultation notes, as it supports increased transparency and understanding. This idea carries into the collaborative principle shared within guidance, as both principles must work together if we are to experience positive principle-based regulation and culture.

### Innovative

We are supportive of FSRA's desire to develop and incorporate innovation into its culture. To us innovation speaks to curiosity, questioning, advancing technology, open mindedness to ideas, and recognizing cost effectiveness in builds. We recognize that FSRA is moving through a necessary technology transformation to build modern internal systems. Ensuring that this transformation remains cost effective, while focused on building necessary data capabilities, will be important moving forward.

## Risk Based

We are supportive of the risk-based approach that FSRA seeks to take and that the principle will focus on individuals and entities that pose the highest risk. Ensuring that an evidence-based approach that is transparent drives this activity is imperative. Protecting consumers and their deposits is important to Libro and we take that responsibility seriously. We look forward to working with FSRA on the Risk Based Supervisory Framework to meet this guidance goal and the needs of the framework.

## Transparent

Clear and concise communication will be important to achieving this principle. We worry about definitions and their various interpretations. When expectations, requirements, and definitions are shared having clear and recognizable interpretation will be helpful to ensure effective understanding across sectors. It is also important that the judgment applied by FSRA is consistent across various credit unions.

## **Regulatory Approach and Benefits**

In the guidance note, FSRA notes that a 'well-controlled and governed, and effectively managed regulated entity that engages positively and openly with FSRA should realize benefits from FSRA's PBR and outcome's focused approach'. It is important for the credit union sector and our members to see evidence of this desired outcome in these situations. Ensuring the realization of regulatory burden reduction is something we agree with, and we trust that this approach will be a focus of FSRA moving forward in both consultation and action.

## Best Practices

FSRA mentions the use of industry best-practices when assessing credit unions approach. It would be helpful if these best practices were also proactively shared by FSRA so that credit unions could consider their relevance and implement as appropriate.

## Bright Line Requirements

FSRA allows for various FSRA core functions to implement a supervisory methodology that reflects the unique regulatory issues and risk profile of the sector it regulates and indicates various "bright-line" requirements. For credit unions, our understanding of examples of a "bright-line" requirement would be various ratios for capital and liquidity. It would be useful to understand clearly which requirements are considered "bright line" from FSRA's perspective when it comes to regulatory requirements for the sector.

## Enforcement Philosophy

In the guidance note, FSRA also outlines its philosophy to enforcement. We welcome a progressive, measured, and proportional approach to enforcement that assumes good faith by the regulated entity. Enforcement should motivate compliance for the wellbeing of the sector, and not punishment and shame to its detriment.

## Conclusion

The document is well laid out and outlines effectively how FSRA will manage principle-based approach and outcomes within each regulated sector. We look forward to working collaboratively to build a principles-based relationship that will help transform our approach to risk and consumer focus, while supporting FSRA on their internal journey in changing culture, perception, and approach.

If we can support our response further do not hesitate to reach out.

Sincerely,

A handwritten signature in black ink, appearing to be 'S. Bolton', written in a cursive style.

Stephen Bolton  
CEO, President and Head Coach  
Libro Credit Union