

Financial Services Regulatory Authority of Ontario
Attention: Mark White
25 Sheppard Avenue West, Suite 100
Toronto, ON
M2N 6S6

Nov 16, 2023

RE: CCUA Responds to FSRA's Consultation on its Statements of Priorities for 2024-25.

Dear Mr. White,

The Canadian Credit Union Association (CCUA) is pleased to provide a sector response on the public consultation relating to FSRA's Statement of Priorities for 2024-25. This consultation is important in setting the stage for future budgets, regulatory activity, and overall approach by FSRA and we trust that our comments will support you in those actions over the coming year. Our response will focus on commentary related to cross sector activities and credit union specific priorities. We remain committed to building a strong relationship with FSRA that is proactive for our members and focused on building a stronger credit union sector. As we move into 2024 it is important to remember that credit unions and their members are facing challenging economic conditions, rate uncertainty, and continued increases to cost of doing business and living respectively. FSRA must continue efforts to reduce sector burden, decrease pace of change experienced over the past few years, and focus on efforts that will allow credit unions to continue to meet the needs of Ontarians in a growing and challenging financial services environment.

Recommendations

1. Consider macro economic pressures facing credit unions when considering new guidance, rule changes, and sector ad hoc requests. Pace of change has been high over the past few years and the sector expects this to change into 2024-25 and beyond.
2. Ensure policy changes do not drive more Ontarians towards alternative lending solutions, where products and services are not regulated and risk/affordability to consumers is much greater.
3. Support a proportionate transition for credit unions relating to ESG items over a long-term outlook.
4. Proactively share consumer related research and insights with the credit union sector.
5. Once the open banking federal framework is made public support the credit union sector quickly with enabling guidance that supports credit unions in working within open banking ecosystems in line with other industry participants and federal bank counterparts.
6. Share aggregated EDC data and insights proactively back to the sector to improve resilience and policy considerations.
7. Ensure the Capital and Liquidity Adequacy Reviews are supportive of credit unions and their ability to serve Ontarians, grow our businesses, take appropriate risk, and reduce overall burden.
8. Continue to advocate and work with stakeholders around gaining access to ELA and STLF.



9. Ensure resolution and recovery planning remains an iterative process that is proportionate and reasonable for all sizes of credit unions.
10. Engage with the sector on DIRF modelling and build out of a long-term strategic plan that will support both credit unions and depositors over time, and in a viable manner.
11. Sector wide communication and information sharing can be improved. The sector continues to receive fragmented communications with limited rationale, understanding of receivership, and lack of details for follow up from relationship managers. We believe this should be a focus moving forward as a priority for credit union communication.
12. FSRA costs continue to rise and remains a sector concern. Efficiencies and cost containment have not been realized to date, we recognize FSRA is a maturing regulator however, this is a growing concern especially given the economic challenges facing all regulated sectors. Greater transparency around project updates, milestones, and costs to date would be welcomed by the sector.
13. Consider updating work plan annually to ensure the sector has the most up to date information on FSRA's direction and timelines.

Response to Economic Outlook and Emerging Issues

We agree with FSRA's assessment around the pressures facing all regulated entities and sectors, this includes our members who deal directly with these on the frontline everyday. There remains uncertainty around rate increases and inflationary pressures, this continues to challenge credit unions and we ask that FSRA continues to keep these, and other macro economic pressures facing credit unions, in mind as it develops new guidance, ad hoc requests, and cost increases onto the sector. More and more credit union resources and staff time are working towards supporting their members and internal needs around these challenges. This is not a time to increase burden on credit unions or create significant change, and we trust that FSRA will have this mindset moving through 2024.

We appreciated that FSRA commented around the concerns relating to increasing shifts to private lending. This must continue to be a consideration of FSRA as it develops new regulations, rules, and guidance. Ontarians are being challenged financially in new ways, and driving more potential members towards these alternative lenders and non-regulated marketplaces can create long term challenges and harm for consumers. Having a regulator that is focused on delivering policy that is designed to support sustainable growth and reduce harm to consumers by increasing access for Ontarians to work with a credit union is important to the sector and should be an objective of FSRA.

The sector continues to monitor risks associated with cost of living, unemployment levels, and other national and geopolitical issues. We look to FSRA for proactive insights into what you are seeing through data to strengthen the sector. This includes areas related to climate, social, and governance transitions. Having a regulator that supports a well thought out transition over time that is supported through a proportionate approach as to not harm any credit unions in their journey will be important.

We look forward to continuing discussion with FSRA on the treatment and support of vulnerable persons. Our sector is a leader when it comes to supporting and serving all types of members and if we can help FSRA in anyway around this research or considerations please do not hesitate to connect.

Review of FSRA Proposed Cross Sector Priorities

1. Advance the Consumer Interest



We appreciate that FSRA is focused on consumers and the overall delivery of safety and fairness, along with choice. Credit unions play a key role in the choice of financial services for over 1.7 million Ontarians, and we are proud of our 19th straight IPSOS Customer Service Award for Financial Service excellence. We ask that FSRA continue to consult with the sector and provide advance understanding and awareness of FSRA's initiatives relating to consumer interests, so that we can best support this important mandate.

2. Enable Innovation

As FSRA considers its Test and Learn environments it would be helpful to seek feedback from the regulated sectors who would be using these "regulatory sandboxes". It is our understanding that the OSC already has established regulatory sandboxes that are used for digital innovation within markets. We would prefer to see FSRA not move towards a major build in relation to a new framework and entity that supports TLEs, rather we believe that a regulatory sandbox should work within already established FSRA teams and resources, until an understanding of volume and scale is understood. FSRA should also consider what can be learned from the OSC model and potentially consider collaboration to reduce overall sector costs for TLEs.

Open banking is an important file for credit unions and ensuring that the Guidance FSRA is considering aligns with federal rules and frameworks, while creating flexibility and adaptability for all Ontario credit unions will be imperative. Speed in establishing the Guidance and ensuring that the credit union sector is supportive is needed. We trust that FSRA's goals of "enabling innovation in the regulated sectors is a foundational part of FSRA's mandate." will come through in the development of this specific guidance and that nothing holds credit unions back from supporting our members through open banking.

3. Modernizing Systems and Processes

This is an area where we believe FSRA can improve upon. Providing roadmaps and timeline updates around system improvements would be helpful for regulated entities to understand how the project is being managed, expectations for changes to sectors, and a better understanding of budget and costs. Credit unions have made significant contributions to modernizing systems and our understanding of the improvements to date, along with timelines and costs is limited. This is an opportunity for FSRA to be more transparent with its regulated sectors in this specific area and goal.

Credit Union Sector Specific Priorities

5.1 Promote resilience, stability, and public confidence in Ontario's credit union sector.

To our knowledge early discussions relating to the EDC project and its mapping process have gone well. Continuing this for every credit union as quickly as possible to ensure a smooth transition to the EDC framework will be critical. We expect that FSRA will continue with these proactive discussions throughout the remainder of 2023 and into 2024. Several credit unions have not had these conversations and are awaiting FSRA's outreach. If FSRA's expectation is to transition by the end of Summer 2024 then these discussions need to occur as soon as possible. Credit unions will need time to transition and adjust through initial mapping processes, we trust that FSRA will work with all credit unions as part of this project both before it goes live and afterwards.



As discussed previously with FSRA, it would be beneficial for the sector to learn and gain insights from the data that FSRA is getting from the EDC project. This can help enhance individual credit union practices and operations relating to risk, finances, governance, products, member support, and services. This should come in the form of proactive sector briefs, webinars, and reports. CCUA believes this is an area that FSRA can improve upon if it wants to increase resilience, stability, and public confidence.

5.2 Enhance FSRA's Regulatory Framework

We appreciate FSRA's continued commitment to the 5-year work plan that was developed with feedback from the sector, this approach continues to work and should not be changed. What can be improved is when FSRA makes ad hoc requests to individual credit unions and the sector as whole, such as the residential thematic review, commercial review, third-party questionnaire survey, and most recently the investment share thematic review. It would be nice if FSRA would begin to add these requests as forward-looking items onto the workplan for broad awareness (when possible). This would help credit unions better understand how resources and capacity will need to be deployed in the short term. Often advance notice is only a week or two before the release of these items, more time would be appreciated to prepare in advance as each request takes away capacity of credit unions in other areas and can create a challenging environment for staff teams and management. In recent months FSRA has been better at not creating overlap when it comes to these requests which is appreciated however, more thought could go into ad hoc requests.

The capital and liquidity adequacy framework reviews will be an important project in 2024. Both rules were recently updated and approved to support the new CUCPA, and we would not expect broad wholesale changes to both items at this time, as the sector is still adapting to the changes from 2022. If anything, the review should seek to work with the sector to understand barriers and ways that we can enhance sustainable growth and support for Ontario businesses, homeowners, community investments, affordable housing, and lower the burden on credit unions. Major changes could have a negative effect on credit unions during a challenging economic period, we look forward to engaging with FSRA, along with our members, on these two important items.

5.3 Enhance Financial Stability Structures

We appreciate the work that FSRA is doing on our behalf to support the sector in relation to enhancing access to emergency liquidity funding. We hope that FSRA will continue this advocacy effort in 2024. Credit unions seek to continue the iterative process around resolution and recovery planning, to strengthen opportunities for future access. FSRA should continue to offer direct feedback on how those plans can be improved over 2024 and into the future.

We look forward to proactive discussion on the DIRF modelling process and its long-term strategy in 2024. Building out a sustainable and fair approach that supports both credit unions and deposit holders, while accounting for current and future economic challenges will be imperative. We appreciate that FSRA is seeking to move DIRF modelling in house, we hope with this transition increases transparency around the modelling and creates stronger sector related conversations towards the future of the DIRF.

Improving Communications

While not noted on the Statement of Priorities the sector wishes to bring forward concerns relating to FSRA communications over the past year, in hopes that it can be addressed moving forward.



Communications continue to be fragmented in who receives them, when, and why. Additionally, we have found that when communications come from non credit union teams at FSRA there is often confusion or lack of clarity around who is receiving the communication and why. In addition, often relationship managers are not always are of context, or have different understandings of rationale for receiving communications. Overall, we believe this is an area that FSRA can improve upon. Being clear and concise as to who is receiving the communication and why would be helpful, while ensuring relationship managers have all the information for follow up questions would also be welcomed.

Cost and Budget

We are concerned with the proposed 8.3% increase in budget for the 2024-25 plan. We recognize that FSRA is still maturing however, one of the goals of creating FSRA was to contain costs and increase scales of economies and efficiencies for the sectors that it regulates. This has not manifested to date, and a greater understanding of cost considerations around initiatives and the FSRAForward (modernizing systems) project would be welcomed. The sector would appreciate an understanding of costs, timelines, and value being derived from our investments to date since the start of the project. We believe this would increase transparency around the largest cost driver for FSRA (after salaries).

The \$9.7 million in new initiatives is a substantive increase, during a time where many credit unions and other regulated entities face challenging economic conditions. It would be beneficial for the sector if FSRA would outline granular activities and expectations for the priorities listed on page 31. Each item described is high level and does not provide credit unions with understanding or awareness of where dollars are being spent, or what value is being derived from the investment. This is a great opportunity to highlight how FSRA is seeking to support the sector through various investments however, as it stands, we are left with more questions than answers. Greater transparency in overall dollars spent would help strengthen the relationship between the sector and FSRA and would go a long way to create more understanding around the work FSRA is doing on our behalf.

Work Plan Update

Annually, FSRA should consider the opportunity to provide the sector with an updated work plan. This would help create more transparency, clarity, and relationship building around FSRA's strategic direction and timelines. The sector has found the workplan to be an effective document to date and an annual update would serve to ensure both FSRA and the sector are on the same page when it comes to pace of change, identifying ad hoc needs, and consideration of potential strategic changes to future guidance and initiatives.

CCUA looks forward to continued dialogue on the issues presented within FSRA's Statement of Priorities as well as new issues that arise in 2024-25. We value FSRA's role and work and look forward to finding ways to further strengthen the sector together.

Kind Regards.



Brent Furtney
Regional Director of Ontario Government Relations
Canadian Credit Union Association
bfurtney@ccua.com

