



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

May 16, 2024

To the Reader(s),

RE: Libro Credit Union Feedback on Proposed Unclaimed Deposits Rule and Guidance

Libro Credit Union appreciates the opportunity to provide feedback on FSRA's Proposed Unclaimed Deposits Rule (the "Rule") and accompanying Guidance. We believe this Rule will bring consistency and clarity for credit unions and will enhance the service and protection standards for credit union members and their deposits. **There are several items within the Rule and Guidance that need significant clarity, consideration, and change to ensure a successful implementation of the rule and guidance. As such, Libro requests that FSRA consider a second round of consultation following any changes made from this first round. Libro is also seeking a minimum of two years to build and implement this new Rule and accompanying Guidance.** Additional feedback on several areas within the rule are detailed below for FSRA's review and consideration. We look forward to further dialogue with FSRA on this important Rule to ensure that our credit union members are supported through a simple and clearly defined unclaimed deposits Rule, Guidance, and overall process.

Rule and Guidance Feedback

Registered Products

The Rule states that registered deposits are included in the definition of deposits. However, verbally FSRA stated that registered deposits were excluded from transfer. Closure of registered accounts would have potentially significant tax implications for credit union members. Libro recommends registered accounts be excluded from the Rule and Guidance and maintained at the credit union. If registered accounts are to be closed and sent to FSRA unregistered, credit unions would require additional guidance on tax withholdings and slip reporting to members on these accounts prior to inclusion.

Youth Accounts

Youth accounts tend to have long periods of inactivity due to lack of income and expenses. This demographic may also have difficulty navigating the account acknowledgement and recovery of funds process. Libro recommends the Rule and Guidance provide exception for members under the age of 18 so that the period of inactivity commences at age 18. This would mean that a credit union would not transfer funds until a minimum of age 28, after all attempts to contact the member have been exhausted. This also correlates with regular credit union activity to convert accounts from youth memberships to full memberships.

Auto- Renewal Products and Accounts

We are requesting that auto-renewal products and services be removed from the listing of eligible products as they are considered active given transaction activity. There may be situations where an Owner opens a product or service, and then does not complete any other activity or engagement with the credit union within a two-year period. Examples of this could include automatic renewing of investment products, or Lines of Credit. Even if the only activity that occurs is the auto-renewal of certain products, we do not believe the credit union member should be considered as inactive. At product origination, the member authorized the auto-renewal to occur, and this should be considered ongoing acknowledgement, and be excluded from the Rule and Guidance.

Privacy Concerns

Disclosure of the account of a member to another individual for the purpose of locating the member, is not in compliance with The Personal Information Protection and Electronic Documents Act (“PIPEDA”). There is no precedent for this level of notification and therefore these alternative methods are not reasonable, nor should they be an expectation as defined within the current draft Rule and Guidance note under Appendix A. We are seeking the removal of the following from Appendix A:

- Next of kin information
- Emergency contact information

Minimum Threshold for Transfer of Funds to FSRA

Libro recommends that the Rule allow credit unions to individually determine and apply a reasonable minimum threshold for transferring funds to FSRA. If the Rule does outline a prescribed minimum limit, Libro recommends \$50 as a reasonable threshold. For certainty, Libro believes it is important for credit union members with deposits below this threshold that credit unions still are required to follow the requirements and procedures for attempting to locate claimants to ensure all depositors receive proper notice of unclaimed deposits. The only exception to the process would be that no transfer of funds to FSRA would occur for balances under \$50.

Retention Period Concerns

The proposed retention period in Section 2(11) regarding personal files and records retention for 40 and 100 years respectively is inconsistent with statutory retention schedules and expectations. Once an account is closed, credit unions typically hold the information for an additional 5-7 years before proper disposal. Libro recommends that the Guidance allow credit unions to use their individual retention periods for destruction once the deposit and supporting material information has been accepted by FSRA, consistent with Bank of Canada requirements of federal institutions.

Maintenance of Denied Transfers

The Rule currently disallows a credit union to recoup costs through fees on accounts that have reached the unclaimed deposit status. However, Libro requests that the Rule provide exception on fees for any accounts on which FSRA denies the transfer of funds due to lack of information. If the funds cannot be transferred to FSRA, credit unions should continue to collect reasonable fees for the maintenance of the account.

In addition, we expect that there may be some deposits that were originated on legacy systems and legacy credit unions for which information may be limited and transfer to FSRA will not be feasible and FSRA will need to provide direction to credit unions with respect to deposits of that nature.

Rule Inconsistencies for Historical Remittances

Today, credit unions do not have a unified approach in how inactivity is tracked and administered, and no consistent approach in locating credit union members. FSRA expects credit unions to remit historical inactive accounts, however, there is no clarity around how to address historical inactive accounts in the Guidance. If we were to submit the funds for remittance without outreach to the member at a 2, 5, and 9 year point, we would be in contradiction of the rule and guidance, as it states we cannot remit any payments until a nine-year outreach and notification requirement is met. This must be addressed by FSRA, or else credit unions within the first year of remittance will be offside of the Rule, as outreach on historical accounts will not have occurred as prescribed.

Staggered Implementation Approach

The heaviest lift of work will be within the first round of remittance. Credit Unions require a reasonable implementation period to ensure we can meet the expected Rule and Guidance requirements. Given the significant manual effort required to ensure the necessary documentation and customer outreach is completed, as well as the manual effort for FSRA to review and process the information, we are requesting staggering the implementation throughout the transition period to allow credit unions the ability to identify and address the individual requirements for our various product/account types. This will help to create a more seamless transition and minimize the impact to the credit unions, Owners and FSRA. i.e. minimum dollar amount accounts, youth accounts, registered/GICs, etc.

Transition Time

Libro Credit Union is requesting a minimum of two years once the rule is approved as appropriate transitional time to successfully implement this new rule. The following are examples of key implementation activities:

- Build automated flagging into current customer relationship management (CRM) and banking systems.
- Create outreach communication and try to automate process (where possible)
- Build annualized reporting and tracking mechanisms around inactivity that works within current CRM and banking systems.
- Update service agreements and possible adjustments to retention schedules.
- Develop and implement a communication plan for credit union members.
- Create and understand resourcing needs pertaining to staff time and accountabilities for this process.
- Create policy and procedures relating to the new Rule and Guidance around member outreach and communication relating to five- and nine-year marks of inactivity, as well as the remittance process.
- Possible by-law changes around membership shares for inactive accounts transferred to FSRA.

- Build depositor education and awareness alongside FSRA and within branches/online websites.
- Manual reviews of current inactive accounts and historical records.
- Other resource intensive activities as required by individual credit unions.

Conclusion

Libro appreciates FSRA's draft of a new Rule and Guidance around unclaimed deposits and requests a second round of consultation to allow adequate consideration for changes recommended to the rule. We are seeking a two-year transition timeline to support the needs of credit unions and believe this will be critical to allow the sector to prepare and support the requirements for a successful implementation of the rule.

We would always welcome the opportunity to connect with FSRA around these concerns and will look to proactively discuss over the course of the coming weeks.

Sincerely,



Silvia Brudar
Chief Risk Officer
Libro Credit Union