

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

December 6, 2024

RE: CCUA Responds to Consultation on FSRA's proposed 2025-2026 Statement of Priorities.

Dear Mr. Power,

The Canadian Credit Union Association (CCUA) is pleased to provide a sector response to the public consultation regarding FSRA's proposed 2025-2026 Statement of Priorities (SOP). This consultation plays a crucial role in shaping future budgets, regulatory initiatives, and FSRA's overall strategy. CCUA hopes and trusts that our feedback will assist you in advancing efforts to support Ontario credit unions. Our response focuses on the cross-sector commentary and specific credit union priorities.

CCUA remains committed to building a strong and proactive relationship with FSRA, centred on building a stronger and more resilient credit union system. As we move into 2025, it is important to remember that credit unions and their members continue to face challenging economic conditions and rising business costs. We need to ensure that regulatory activities, requests, costs, and policy changes are both proportional and supportive of credit unions to better help the needs of their members. Credit unions are seeking a partner in FSRA that works with them to ease regulatory pressures, slow the pace of regulatory change (where appropriate), and focus on critical risks and needs to allow more time for strategy and growth focused activities. CCUA believes FSRA feels the same way and looks forward to a more efficient and effective relationship-based approach in 2025.

Below we outline our high-level recommendations and specific thoughts and views on each section outlined within FSRA's SOP.

Summary

1. Continue to recognize persistent economic challenges facing credit unions within FSRA activities and policy development.
2. Continue to support credit unions who seek to invest in innovative products and present business cases to FSRA.
3. Remain flexible and adaptable to changing technological needs of credit unions and support credit unions adopting IT Risk Management Guidelines.
4. Continue to support a principles-based approach to climate risk and future expectations relating to reporting.
5. Clear expectations around supporting vulnerable consumers that works within already established market codes, privacy, and health legislation.
6. Continue to enhance stakeholder experience, especially in relation to communication and work across FSRA teams.



7. Share insights around how data will work with risk management (wherever possible).
8. Continued transparency in decision making.
9. Create greater efficiencies through licensing changes relating to credit union mergers and the sharing of information.
10. Share more information and details around FSRA Forward plans, cost overruns, and next steps where there is impact to regulated entities.
11. Caution scope creep related to continuous supervision in areas of governance and strategy. Continue to work with credit unions around how this will impact them and support the transition towards this new approach.
12. Support a moderate pace of change that is manageable for credit unions. Continue to be open to feedback and ideas from the credit union sector.
13. Continue to positively advocate on behalf of the sector for key items such as ELA/STLF access and line of credit needs. We appreciate FSRA's work on this front.
14. Continue to support cost containment and costs savings within budgeting and new projects.

Environmental Scan

Economic Challenges

Our members remain challenged by the persistent macroeconomic conditions such as higher inflation and higher interest rates. Members expect these pressures to ease around the second quarter of 2025. Credit unions continue to monitor the financial challenges and pressures their members face and are working with them to find the best possible solutions for their financial needs and wellness. Ensuring our regulator recognizes this and supports these efforts will be important over the next few years as we work to ensure the best outcomes for members.

Technological Changes

Our members continue to prepare for consumer-driven banking while adapting to payment modernization and integrating new platforms and A.I. into their systems. CCUA hopes FSRA continues to support innovation and technological efforts. Ensuring regulatory policies and capital investments align with our members' needs will be critical over the next five years. Banking is expected to undergo rapid transformation through consumer-driven finance, and the sector will need FSRA to adapt and support this evolving landscape by fostering innovation, new partnerships, and business cases that seek to bring innovation into the sector to enhance Ontarians' financial well-being.

Issues and Trends

Ontario credit unions continue to monitor the trends listed by FSRA as part of the SOP. These issues highlighted by FSRA are areas that our members continue to learn, adjust, and invest in to support Ontarians. Specifically, we ask the following of FSRA:

Fraud – Fraud continues to adversely impact Ontario consumers. It is not just a financial services issue, but a complex challenge affecting all consumer sectors including banking, telecom, social media, insurance, and others. We believe that an effective strategy to address and prevent fraud should have a broader scope than just the financial sector in Ontario. CCUA has participated in discussions with federal stakeholders and banks on this topic. We believe that FSRA should collaborate with this group of stakeholders to achieve the best results possible for Ontario consumers. We would be happy to share



more details and information on this important file to ensure better outcomes for Ontario consumers and credit union members.

IT Risk – Continue to work with credit unions around the I.T. Risk Management Guidance expectations as credit unions continue to make investments and transition within this space.

Natural Catastrophes and Climate – Continue to focus on a principles-based approach to climate risk as part of ongoing rule and guidance changes. We ask that FSRA work with credit unions around future views and thoughts relating to climate risk as an emerging issue to ensure positive outcomes for both credit unions, their members, and the environment.

Vulnerable Consumers – Credit unions continue to support vulnerable consumers across the province. We request that the Consumer Affairs Office continue collaborating with CCUA to develop a vulnerable consumer framework that clearly outlines expectations for credit unions, while maintaining our market conduct code as the guiding principle for protecting and supporting our members. Privacy and health legislation may also need to be considered as these Acts relate to supporting vulnerable consumers in appropriate and safe ways. Credit unions cannot be determining parties of who is in fact vulnerable and need to rely on medical experts as part of the framework to ensure appropriate outcomes for consumers.

Strategic Framework

CCUA appreciates FSRA highlighting the four pillars of its framework. We believe there are a few areas where FSRA can enhance and improve functions relating to the four pillars outlined. They include:

- Stakeholder Experience – We are pleased to see FSRA’s commitment to improving stakeholder relationships and experiences. Over the past year, our members have noted inconsistencies in approach, discussions, and expectations, as well as challenges in coordinating across different FSRA teams to achieve efficient outcomes. Addressing these issues is a priority for our members, and we believe this focus will lead to a more a more consistent and streamlined experience for all credit unions.
- Communications – Clear communications is of vital importance to our members. There are times where we believe FSRA can (and should) share more context and information within requests and notices to help support understanding by credit unions. We recognize that a principles-based approach may leave certain information or context unclear. Highlighting these areas can help our members better understand FSRA’s perspective and approach. Whenever possible, our members would greatly appreciated additional context and details in communications from FSRA.
- Education – CCUA remains open and supportive of working with FSRA around any educational endeavor that can better promote or support Ontario credit unions and consumer protection.
- Risk Based Decisions – It would be helpful for our members for FSRA to share how it intends to make better risk-based decisions through data collected to date and in the future. Our members highly value the sharing of insights and perspectives from FSRA, and we look forward to continued progress in this area.



Cross Sector Priorities

1. Strengthen stakeholder relations and improve consumer-focused outcomes

- Innovation – CCUA remains supportive of FSRA’s efforts to increase and enhance innovation within the sector. Please do not hesitate to let us know how we can support this initiative.
- Transparency – CCUA welcomes FSRA’s comments around increased transparency in decision making and regulatory oversight. How FSRA intends to achieve this needs to be understood and shared with regulated entities.

2. Enhance licensing efficiency and effectiveness

CCUA is pleased to see that FSRA is looking to overhaul and update its licensing and approval systems. We have received feedback from merging credit unions that the current process is cumbersome and lacks efficiency in certain areas. The sector would greatly appreciate any efforts by FSRA to streamline the mergers and reviews process. Mergers remain a strategic tool and direction for credit unions, and FSRA’s licensing and approvals team plays a vital role in ensuring these processes contribute to a more effective and resilient sector. As FSRA considers this overhaul, cost management will be important to the sector. We hope that a project of this nature can be completed primarily through new internal processes, approaches, and team synergies rather than investing in new platforms or technologies.

3. Modernizing systems and processes

CCUA recognizes the importance of modernizing systems and processes as a key goal for any regulator. However, we are concerned about the delays and cost overruns associated with FSRA’s system modernization efforts. We believe this is an area where FSRA should be providing more information and details around plans and costs and how they are impacting regulated entities. To date, limited information has been shared about FSRA’s technological purchases and projects, making it challenging to understand their implications for credit unions. We would welcome additional information around what these delays and cost overruns mean long-term for credit unions and other regulated entities.

Credit Union Sector Priorities

6.1 Increase resilience, stability, and promote confidence

CCUA is pleased to see continuous supervision as a regulatory pillar and priority. We believe that an effective continuous supervision approach can produce better results for consumers and more efficient interactions with FSRA. CCUA would like to caution FSRA on potential scope creep into areas of governance and strategy through continuous supervision. Ensuring the autonomy of credit union boards and their decision-making processes is essential, with supervision remaining focused on risk and prudential activities. We encourage FSRA to proactively clarify its expectations and direction for supervisory activities to ensure all credit unions have a strong understanding of anticipated changes.

6.2 Enhance FSRA’s regulatory framework

CCUA looks forward to continuing to work with our members to support FSRA in their regulatory policy development, changes, and workplan. We appreciate that FSRA remains open to our sector reviewing workplans and discussing the impacts around pace of change and sector needs. We look forward to



continued work with FSRA around capital and liquidity rule updates, as well as a second review of the unclaimed deposit rule. As FSRA develops and adjusts policy, we ask that it continues to focus on changes that support credit unions in taking reasonable risk, growth needs and opportunities, overall sector resilience, and efficiency in regulatory requirements to limit potential burden.

6.3 Enhance financial stability structures

CCUA appreciates FSRA's ongoing advocacy and engagement with the sector on financial stability structures such as the Government's Line of Credit, the Deposit Insurance Reserve Fund, and the Emergency Lending Assistance. As it relates to the DIRF transition, we continue to believe that we may be able to get to a new 120 basis point target number naturally without a need to adjust the formula. We believe that a minimum transition period of five years should be considered. CCUA will continue to work with FSRA on these items and provide system feedback and support as necessary to ensure appropriate transition timelines and updates for the sector.

Financial Outlook

The 1.8% increase that credit unions will experience is one of the lowest increases from FSRA since its inception. CCUA takes that as a sign that FSRA is growing into their cost structure. We appreciate that FSRA has not deviated from their five-year plan towards cost containment and normalization of expenses. This is welcomed by our members who continue to face pressure on their bottom lines. We are pleased to see that FSRA is considering how it navigates staff changes with a focus on efficiencies through redistribution of responsibilities and vacancy management. Ensuring that talent within the credit union space is retained to build stronger relationships, especially on the relationship manager side, is important to our members. Focus by FSRA on this need is also welcomed.

A greater understanding of FSRA's technological purchases and cost overruns as part of the FSRA Forward program would be welcomed. FSRA's SOP should include greater details on this, or additional information should be shared with regulated entities if there will be potential negative impacts into the current or future budget year. We trust FSRA will maintain its commitment to cost containment, seek modest increases in regulatory costs, and minimize any negative financial impacts on credit unions.

CCUA looks forward to continued dialogue on the issues presented within FSRA's Statement of Priorities as well as new issues that arise in 2025-2026. We value FSRA's role and work and look forward to finding ways to further strengthen the sector together.

Kind Regards.



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