Town Hall

Ontario Credit Unions and Caisses Populaires

Financial Services Regulatory Authority of Ontario

Date: Thursday, June 25, 2026, 10:00am to 12:00pm

Speakers:
Sandor Szalai, Head, Integrated Credit Union Supervision, FSRA
Catherine Tam, Director, Risk Assessment and Monitoring, FSRA
Bradley Hodgins, Director, Risk Governance and Financial Stability, FSRA
Dan Oprescu, Head, Regulation and Strategic Initiatives, FSRA

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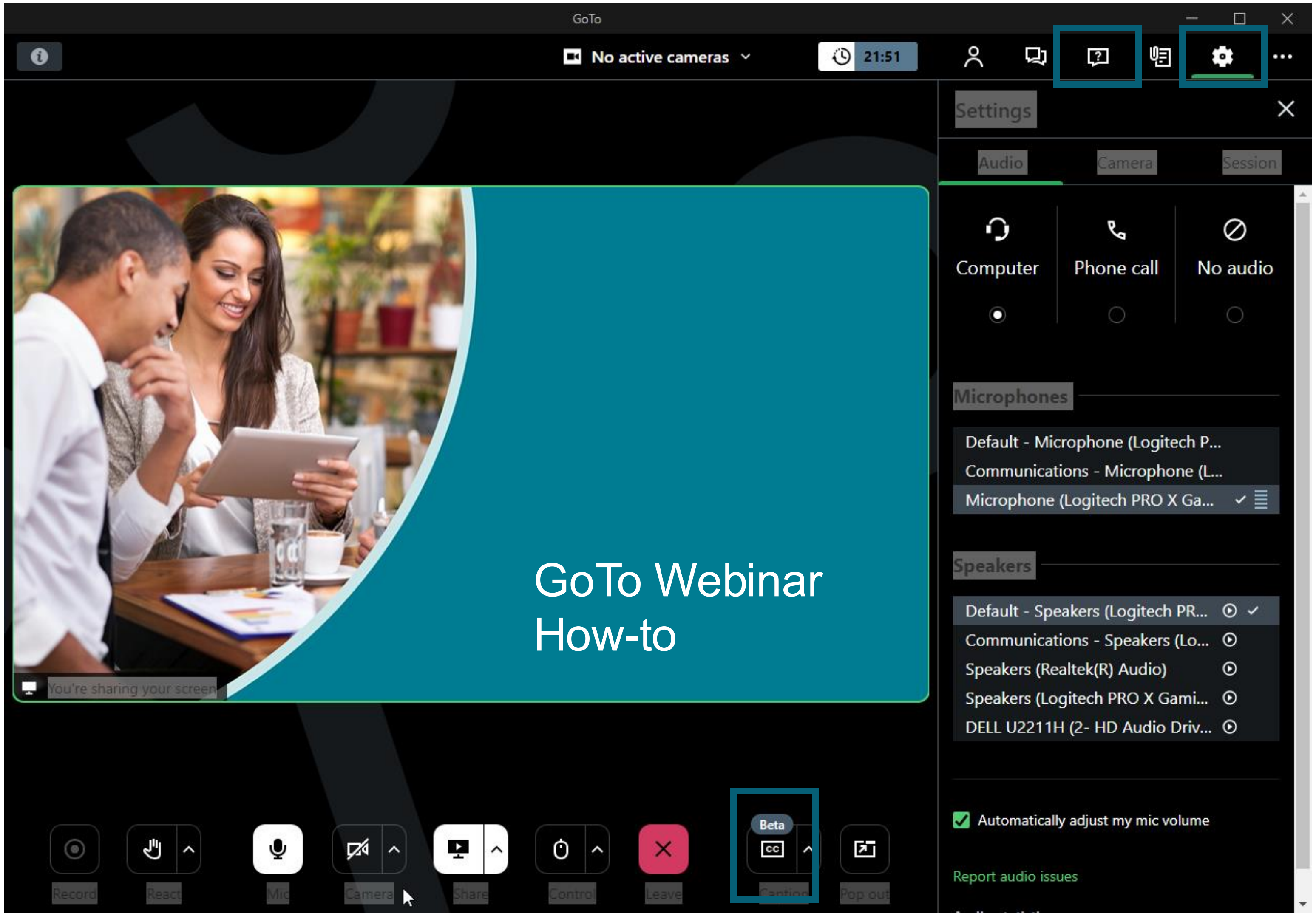

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Agenda

- Introduction
- Land Acknowledgement
- Results of the Emerging Themes Survey and Supervisory Implications
- Capital Rule Update
- EDC Data Quality and Benefits Realization
- Q&A

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Land Acknowledgement

We acknowledge the land we are on is the traditional territory of many nations including the Mississaugas of the Credit, the Anishnabeg (ah-nish-naw-bek), the Chippewa, the Haudenosaunee (hoodt-en-oh-show-nee) and the Wendat peoples and is now home to many diverse First Nations, Inuit and Métis peoples. We acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit and the Williams Treaties signed with multiple Mississaugas and Chippewa bands.

Results of the Emerging Themes Survey and Supervisory Implications

Sandor Szalai, Head, Integrated Credit Union Supervision
Catherine Tam, Director, Risk Assessment and Monitoring

Emerging Themes Survey – Overview

- The April Emerging Themes Survey **aligns with FSRA's statutory objects,** including to regulate and generally supervise the regulated sectors, contribute to public confidence, foster strong, sustainable, competitive, and innovative financial services sectors
- Survey results will help inform FSRA's supervisory strategy
- 7 Topics included in the Survey:

01 Information Technology (IT) Systems

02 Consumer-Driven Banking (CDB)

03 Payments Modernization

04 Data Residency and Sovereignty

05 Digital Assets

06 Anti-Money Laundering/Anti-Terrorist Financing (AML/ATF)

07 Artificial Intelligence (AI)

Theme 1 – Information Technology (IT) Systems

01

Information Technology (IT) Systems

Background

- Ontario credit unions and caisses populaires (CU) sector's technology landscape is **rapidly evolving** driven by the need to:
  - **Retire and replace** legacy, and **convert and integrate** with new systems
  - **Invest and innovate** to align with medium to long term growth and efficiency strategies
  - **Improve on cyber hygiene** to eliminate vulnerabilities in response to heightened security threats (e.g., AI-assisted attacks)
  - **Stay competitive** in response to new entrants, products and services coming to the market with Real-Time Rail (RTR), Consumer-Driven Banking (CDB), and Stablecoin
- **Modernization efforts** vary significantly depending on the currency and scalability of each CU's existing IT systems
- **Third-party ecosystem** remains concentrated and interconnected, but there have been both **exits and entries** (e.g., Central 1 exiting digital banking business, fintechs and other providers entering)
- Many CUs are utilizing **third party support**, including the National Digital Banking Working Group (NDBWG) to navigate through digital transformation
- Resources and expertise are required to implement **prudent and robust project risk management**

Theme 1 – Information Technology (IT) Systems (contd.)

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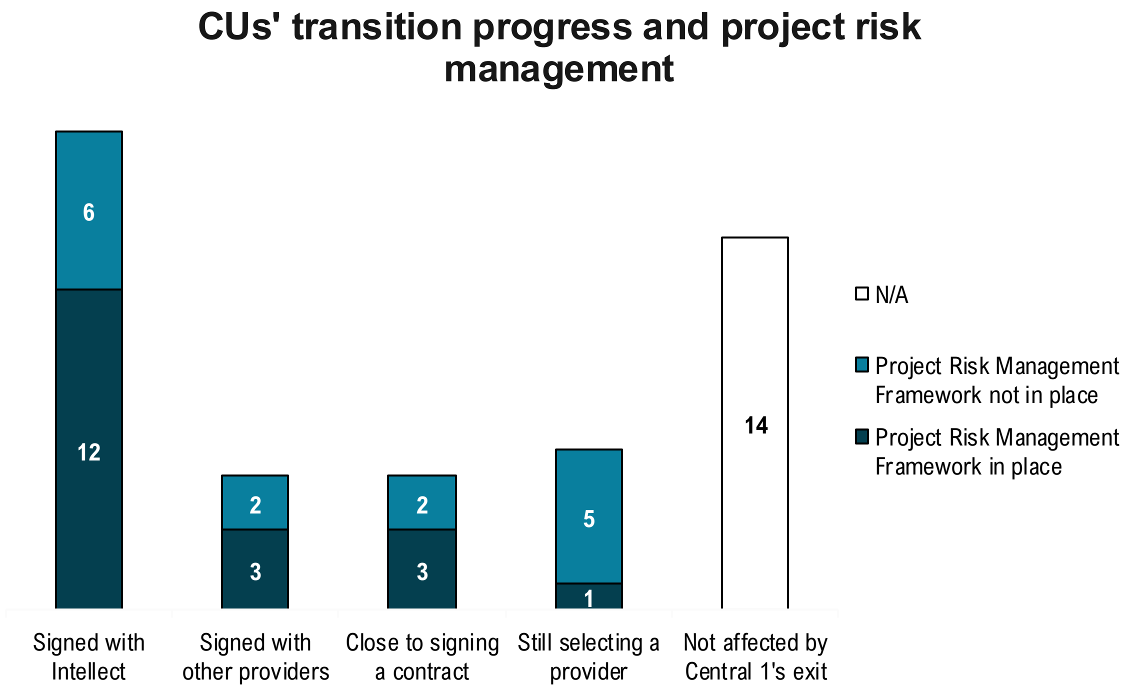
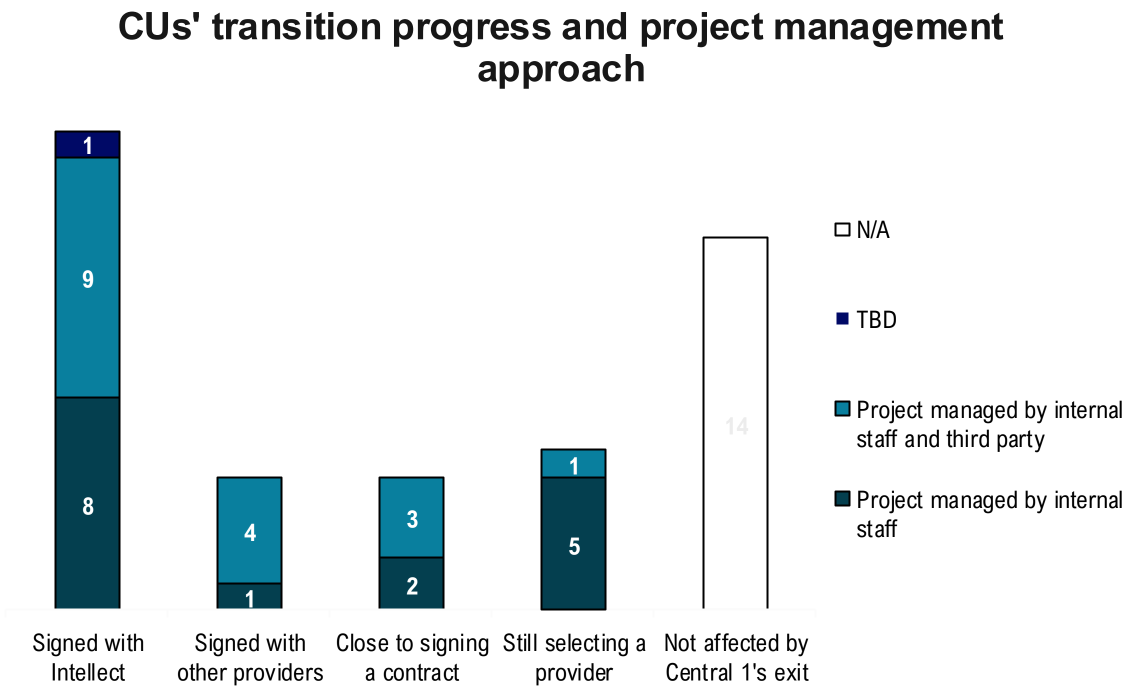
Survey Highlights





Next Steps

- FSRA aims to support sector-wide readiness for safe, timely, and well-governed IT transformations.
- FSRA will continue to monitor the transition of CUs affected by Central 1’s exit to ensure strong project risk management, effective governance, and appropriate oversight of third-party vendors

Theme 2 – Consumer-Driven Banking (CDB)

02

Consumer-Driven Banking (CDB)

Background

- FSRA's mandate is to foster sector growth and innovation while ensuring adequate safeguards
- The federal legislation **Consumer-Driven Banking Act (CDBA)** received Royal Assent on March 26, 2026, establishing a framework to allow Canadians and businesses to securely share their financial data with approved service providers of their choice and give consumers clearer choices and better tools to manage their finances
- The **Bank of Canada (BOC)** is responsible for supervising the participation of financial institutions, CUs, payment service providers, fintechs and third-party service providers
- Ontario CUs interested in participation will be able to apply through a **streamlined accreditation process** overseen by the BOC once the BOC's supervisory framework is established
- The Department of Finance will lead the **development of regulations** with support from the BOC
- In the meantime, some CUs have progressed on building capabilities (e.g., engagement with third parties on building API, consent management capabilities) to ensure they are ready for adoption

Theme 2 – Consumer-Driven Banking (CDB) (contd.)

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Survey Highlights

11 CUs intend to apply for accreditation:

- 8 CUs with over $1bn
- 3 CUs between $200-600mn

Third-party providers* engaged by CUs:

caspian: one, CGI, Interac, flinks, EVERLINK, okta

IT Risk Management Frameworks used across the sector:

CIS (54%) and NIST (40%) are most common, other frameworks used include ISO, SOC and COBIT. Some CUs use more than one framework

Next Steps

- FSRA encourages CUs interested in participation to get familiarized with the CDBA if they have not already done so. The legislation describes requirements on security safeguards, consent, consumer authentication and measures, liability, complaints procedures, external complaints process, and technical standards
- FSRA will collaborate with Department of Finance and the BOC to support Ontario CUs' participation

**FSRA's information sharing here is not meant to endorse any of these parties but simply to provide the sector with a glimpse of the survey results*

Theme 3 – Payment Modernization

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03

Payments Modernization

Background

- Canada is modernizing its national payments infrastructure through a multi-year effort to make payment transactions faster, more flexible, and more secure. Launching in 2026, **Real-Time Rail (RTR)**, is designed to enable instant, account to account, 24/7/365 payments with rich data and built-in anti-fraud strategies
- Payments Canada's membership eligibility has been expanded to **CUs** local and payment service providers (PSPs). PSPs are supervised under a BOC supervisory framework

Survey Highlights

- No CUs have immediate plans to make changes with their current **payment arrangements with Central 1**, but one-third of the sector indicated such possibility in the medium to long term
- 3 CUs have become Payments Canada members, and 1 other CU intends to apply
- Almost 80% of CUs envision benefits of RTR to the CUs and/or members

Next Steps

- FSRA will keep up-to-date on potential changes in the way payment activities are conducted by Ontario CUs and corresponding implications to the sector stability
- FSRA is in ongoing discussion with the BOC regarding CU Emergency Liquidity Assistance (ELA) eligibility. One of the criteria for ELA eligibility is Payments Canada membership
- FSRA will continue to support innovation while ensuring safety, soundness, and sector stability

Theme 4 – Data Residency and Sovereignty

04

Data Residency and Sovereignty

Background

- Amid growing cloud adoption, interconnectedness and international presence of data storage providers, awareness of data residency and sovereignty have become more important
  - Data residency refers to the physical or geographical location where data is stored and processed
  - Data sovereignty is a legal and regulatory concept where data is subject to the laws of the country or jurisdiction where it is collected, stored, or processed

Survey Highlights

- More than half of the CUs reported cloud usage, ranging from core systems to enterprise services
- All responding CUs reported their data centres are in Canada
- Some best practices shared by CUs include:
  - Understand data flows between the CUs and third-party cloud service providers and their international presence
  - Incorporate data residency and sovereignty into third-party risk assessments, and build contractual protection requiring disclosures from third-party providers

Next Steps

- FSRA will continue to raise awareness on the importance of data governance
- For more information, refer to FSRA's Operational Risk and Resilience Guidance and IT Risk Management Guidance that describe safeguarding confidentiality, integrity and availability of information

Theme 5 – Digital Assets

05

Digital Assets

Background

- Innovation and adoption of digital assets (e.g., cryptocurrencies, fiat-backed stablecoins, central bank digital currencies, and tokenized deposits) are being adopted **at various speed across jurisdictions globally,** serving as new forms of money. Benefits include **reduced friction** enabling instant cross-border settlement, presenting new **future opportunities under RTR and CDB**
- In Canada, the **Stablecoin Act** received Royal Assent on March 26, 2026 creating a federal framework to make stablecoins safer to hold and use in Canada. Tetra officially launched the first regulated Canada Stablecoin to compete in a market dominated by US players
- Other developments in Canada include targeted anti-financial crime measures such as the proposed ban on crypto ATMs

Survey Highlights

- CUs are taking a measured approach to digital assets activities
- No CU reported engagement in crypto asset activities, and there are no plans to issue stablecoins
- A handful of CUs are exploring other potential future roles or opportunities such as providing custody of stablecoin reserve assets, evaluating stablecoin use cases, and facilitating stablecoin transactions

Next Steps

- FSRA's goal is to foster sector growth and innovation while ensuring safety, soundness, and sector stability
- FSRA will continue to engage with the Department of Finance, other regulators and stakeholders on future regulatory developments around digital assets

Theme 6 – Anti-Money Laundering / Anti-Terrorist Financing

06

Anti-Money Laundering/Anti-Terrorist Financing

Background

- Recent amendments to Canada's legislation **Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)** and its Regulations have broadened the AML/ATF regulatory regime
- Financial Transactions and Reports Analysis Centre of Canada (**FINTRAC**) has increased supervisory activities and signaled greater use of Administrative Monetary Penalties (**AMPs**)
- The **Financial Crimes Agency** is a newly established federal agency designed to tackle sophisticated financial crimes, including money laundering, serious fraud, and major capital market crimes while recovering the proceeds of crime

Survey Highlights

- In the past 24 months, 22 CUs have undergone or are undergoing FINTRAC examinations, signaling heightened scrutiny and greater use of enforcement measures by FINTRAC
- Under the effectiveness review, common issues identified in the AML compliance program include account documentation for new members and politically exposed persons (PEPs), ongoing KYC updates, and AML policies and procedures
- A large majority of CUs have updated AML/ATF policies, procedures, and training in response to recent amendments to the PCMLTFA and emerging ML/TF patterns due to digitalization

Next Steps

- FSRA will continue to monitor effectiveness of Board and Senior Management's oversight of CUs AML/ATF programs, assess the implications of FINTRAC examinations and potential AMPs on individual CUs and the broader sector, and evaluate the scope and effectiveness of the reviews in accordance with FINTRAC requirements

Theme 7 – Artificial Intelligence (AI)

07

Artificial Intelligence (AI)

Background

- Canada launched its National Artificial Intelligence Strategy, “AI for All” in June 2026 that is expected to accelerate the speed and scale of transformation and adoption of AI across industries, including the financial sector
- AI brings **opportunities** to enhance customer engagement, improve decision making, and increase operational efficiency. However, it can also create and amplify **risks**, including data governance and privacy risk, model risk, legal, ethical, and reputational risks, third-party risk, operational and cybersecurity risks
- Practicing AI responsibly and managing AI-related risks require strong governance, robust risk management and controls, and ongoing staff education to maintain risk awareness

Survey Highlights

- **AI usage and plans**: About 60% of CUs reported having adopted or plan to adopt AI; common use cases include supporting fraud detection (35%), chatbots (25%), AML compliance (25%), and credit adjudication (13%). 17% of CUs reported use of AI tools (e.g., Copilot) to enhance operational efficiency and productivity, including communications, research, and daily tasks
- **Governance and oversight**: Almost 60% of CUs have had Board-level discussions on AI; 75% of CUs have developed or plan to develop a policy/framework to manage AI-related risks

Next Steps

- FSRA will continue to support innovation and promote responsible AI adoption
- FSRA expects CUs to assess whether the maturity of AI governance and oversight is commensurate with the scope and impact of the AI use cases

Key Takeaways

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- It is important for CUs to consider the rapidly evolving technology landscape as part of business strategies. FSRA supports growth and innovation and helps CUs remain resilient and competitive in the digital era where technology dependencies and emerging tools bring clear opportunities

- New and evolving forms of risks in today's technological environment are fast-moving, interconnected, less visible and often outside of traditional financial metrics. It is important for CUs to adopt a new risk lens that expands beyond operational risk management to ensure they remain resilient, understand exposures, and are prepared to respond to risk materialization.

- FSRA will continue to work with the sector, and other stakeholders to address both risks and opportunities to support technological advancements

Questions?

Capital Adequacy Requirements Rule Review Update

Bradley Hodgins, Director, Risk Governance and Financial Stability

Overview of the CAR Rule Review

Overview of CAR Rule Review

- FSRA’s proposal to update the existing CAR Rule is informed by its supervisory assessments, opportunities identified through Enhanced Data Collection (EDC) to optimize capital allocation, and refinements to the Basel capital standards

  The intended outcomes are:

  - Enhanced stability and resilience of the CU sector by better aligning required capital with CUs’ risks;
  - Better alignment with FSRA’s principles-based and outcomes-focused regulatory (PBR) approach; and
  - More efficient, risk-aligned capital allocation to support sustainable growth while attaining greater alignment with the Basel Framework, Canada’s federal regime (OSFI), and British Columbia’s BCFSA
- In December 2024, April 2025, and December 2025, FSRA presented its proposal to the Technical Advisory Committee (TAC). FSRA is committed to collaborating with the sector to ensure a shared understanding of the review process and timelines
- FSRA has received feedback from individual CUs and the CCUA on the CAR Rule proposal and has worked to enhance the proposal in response to this feedback
- FSRA has used the data received for the tariffs analysis and from the EDC initiative to inform development of the proposal to update the CAR Rule and assess its impact on individual CUs and the sector. The data supports FSRA in ensuring the proposal is evidence-based and effectively aligns capital with risks

Quantitative Impact Study Results

Quantitative Impact Study Results

- Using the data available as of December 31, 2025, FSRA completed a quantitative impact study (QIS) to determine the effect on the CU's Total Capital Ratio of the proposed methodology for credit, market and operational risks versus the current calculations outlined in the CAR Rule
- In February and March 2026, FSRA worked with individual CUs to provide direction as the areas that required focus to improve both the completeness and quality of data provided through the EDC
- Using the data available as at March 31, 2026, FSRA updated the analysis based on the improved data provided by all CUs.

FSRA thanks all credit unions for their work in improving the quantity and quality of data provided through EDC by the end of March 2026.

Quantitative Impact Study Results - Risk Weighted Assets

- Recalibration of risk weights is driving capital strengthening

Risk Weighted Assets (RWA)

Current
$54.43B

Post-QIS
$51.45B
(5.48%) / ($2.98B)

Credit Risk	Operational Risk	Interest Rate Risk
($5.26B)	**$1.16B**	**$1.12B**

Quantitative Impact Study Results – Capital Ratios

- RWA is redistributed for better risk sensitivity and to give greater prominence to non-credit risks

Changes to Tier 1 Capital by Risk Type

Credit Risk
1.32%

Operational Risk
(0.26%)

Interest Rate Risk
(0.25%)

Impacts on Tier 1 Capital Ratio

Current
12.43%

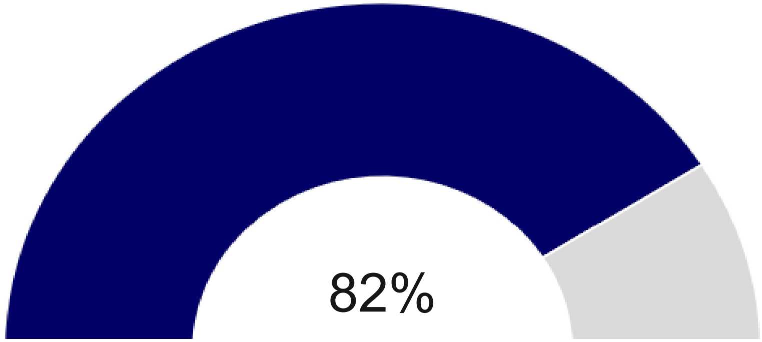
Post-QIS
13.25%

Total Impact (%)
0.82%

Quantitative Impact Study Results – Data Quality

- Impact on capital requirement is strongly correlated with data quality

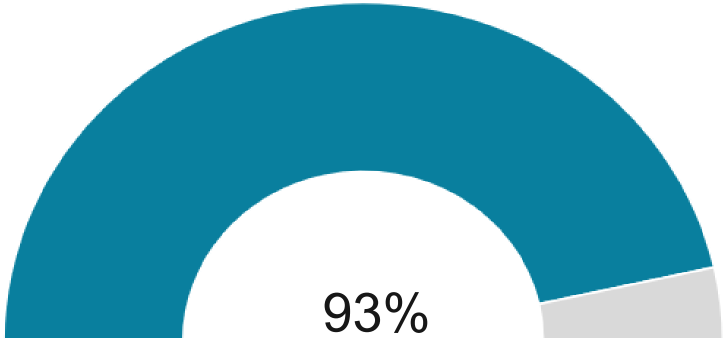
January 2026



Retail: 87%

Commercial: 71%

March 2026



Retail: 95%

Commercial: 87%

Next Steps in the Capital Rule Review

1. Work underway to incorporate the various aspects of the capital proposal into a draft version of the updated CAR Rule. *Target completion: September 2026*

2. Solicit feedback from FSRA Senior management and Board as well as the Ministry of Finance. *Target completion: October 2026*

3. Finalize the CAR Rule public consultation documentation package following necessary internal approvals and Minister's approval. *Target completion: December 2026*

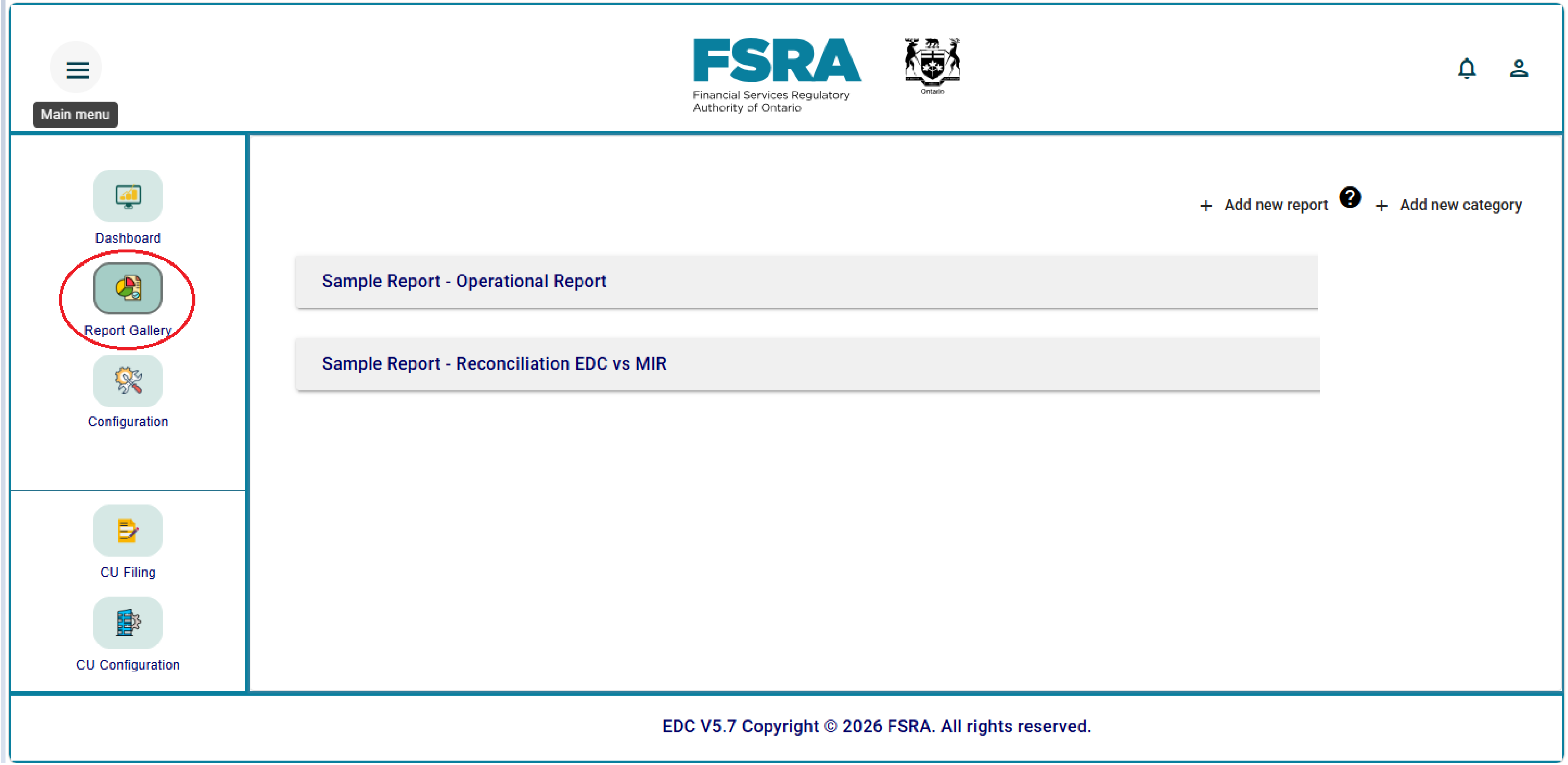
4. FSRA to launch public consultation on the CAR Rule and related guidance. *Launch Target: January 2027*

Questions?

EDC Data Quality and Benefits Realization

Dan Oprescu, Head, Regulation and Strategic Initiatives

Reports in EDC



Sector Reports – Data quality and readiness for various analyses

- Data is not all the same – readiness in one analytical application may well differ from another
- Step by step approach to improving data quality, e.g., data for capital calculations could take priority over other uses

Summary by Sector

Number of CUs: 43

Cut-off date: 20260430 | End of month

Scenario CAR

Schedule Name	% Completeness	% Integrity	% Difference in Balance (EDC/MIR - 1)
01.Loans - Retail	96%	71.76%	10.05%
02.Loans - CommercialAgri	94%	78.28%	6.24%
03.Investments	99%	95.55%	-23.21%
04.CU Borrowings	94%	90.99%	-23.00%
05.Deposits	91%	79.10%	-1.88%
06.Derivatives			

Summary by Sector

Number of CUs: 43

Cut-off date: 20260430 | End of month

Scenario Tariff Prioritized

Schedule Name	% Completeness	% Integrity	% Difference in Balance (EDC/MIR - 1)
01.Loans - Retail	81%	69.36%	10.05%
02.Loans - CommercialAgri	83%	69.29%	6.24%
03.Investments	89%	87.40%	-23.21%
04.CU Borrowings	82%	86.32%	-23.00%
05.Deposits	90%	79.22%	-1.88%
06.Derivatives	100%	48.13%	

From Regulatory Reporting to Business Intelligence (I)

- Sample reports available from EDC data
- Benchmark reports available to all CUs
- Drill-down to individual CU, identity-controlled (reports for CU A only visible to CU A logins)

Loan Portfolio Allocation -Retail

Peer_Size	Res Mtge	HELOC	Personal Loans
100Mil to 500Mil	88%	10%	2%
500Mil to 2Bil	90%	7%	2%
Over 2Bil	90%	6%	4%
Under 100Mil	90%	6%	4%

Loan Portfolio Allocation - Commercial

Peer_Size	Ag. Loans	Comm. Mtge	Dev Constr	Land Acq.	Other Secured	Small Business	Unsecured
100Mil to 500Mil	3%	37%	8%	1%	6%	1%	31%
500Mil to 2Bil	9%	55%	7%	4%	1%	7%	18%
Over 2Bil	8%	50%	11%	5%	7%	18%	1%
Under 100Mil	0%	0%	0%	0%	0%	0%	0%

Loan Portfolio Allocation to Risk Weights

Peer_Size	0%-20%	21%-40%	41%-70%	71%-100%	>100%
100Mil to 500Mil	31%	21%	18%	16%	6%
500Mil to 2Bil	28%	31%	21%	13%	8%
Over 2Bil	30%	19%	21%	24%	6%
Under 100Mil	4%	15%	35%	36%	9%

From Regulatory Reporting to Business Intelligence (II)

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- Sample reports available from EDC data
- Benchmark reports available to all CUs
- Drill-down to individual CU, identity-controlled (reports for CU A only visible to CU A logins)

Account Type	% of Total Deposits	Average Interest Rate
Other	67.45%	0.41%
Registered	19.80%	1.00%
Chequing	7.63%	0.00%
Savings	5.12%	0.16%
Total	**100.00%**	**0.50%**

Registered Product	% of Registered Deposits	Average Interest Rate
TFSA	55.26%	0.95%
RRSP	24.02%	0.96%
RRIF	19.07%	1.20%
LIRA	0.67%	0.77%
LIF	0.57%	1.00%
FHSA	0.30%	1.43%
RESP	0.10%	1.91%
Total	**100.00%**	**1.00%**

Broker Deposits by Maturity	% of Total Deposits	Average Interest Rate
No	**81.26%**	**1.24%**
180 - 360 Days	21.85%	1.15%
30 - 90 Days	9.78%	1.47%
360+ Days	37.53%	1.21%
90 - 180 Days	12.10%	1.38%
Yes	**18.74%**	**1.67%**
180 - 360 Days	4.61%	1.60%
30 - 90 Days	1.85%	2.81%
360+ Days	9.73%	1.43%
90 - 180 Days	2.54%	2.08%
Total	**100.00%**	**1.29%**

Broker Deposits by Balance	% of Total Deposits	Average Interest Rate
No	**88.06%**	**0.38%**
<250k	60.11%	0.38%
>5M	7.35%	0.82%
1M - 5M	7.23%	0.70%
250k - 1M	13.36%	0.61%
Yes	**11.94%**	**1.49%**
<250k	7.37%	1.49%
>5M	2.94%	0.65%
1M - 5M	0.72%	0.26%
250k - 1M	0.92%	1.32%
Total	**100.00%**	**0.42%**

Future steps

Wide range of applications using EDC data

- Iterative FSRA project to expand the range of analyses and reports available through EDC

Contributions from:

- FSRA supervisors
- Technical Advisory Committee (call for members went out Jun 18th, expecting to start work in July)
- Individual CUs, through one-to-one discussions with their Relationship Manager and FSRA's EDC team

Questions?