

February 25, 2019

Mark White
Chief Executive Officer
Financial Services Regulatory Authority
130 Adelaide Street West, Suite 800
Toronto ON
M5H 3P5

RE: Assessments and Fees 2019 – 001

Dear Mr. White,

We appreciate the opportunity to respond to FSRA's *Assessments and Fees 2019 – 001*. Thank you for your work to date on FSRA's development and we appreciate the open collaboration with Ontario credit union and *caisse populaire* (hereinafter referred to as "credit unions") to create a regulatory framework that is efficient for credit unions and protective of the interests of Ontarians.

Credit unions are supportive of FSRA's proposed priorities for the sector and the proposed Interim Fee Rule. Delaying the implementation of any new fee structure until 2020, after FSRA's first operational year will help ensure that there is greater clarity for credit unions on both the amount and structure of their regulatory fees.

By merging the administrative and other back-office functions of the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO), the resulting efficiencies should ensure that the overall fee for credit unions would at least remain constant and should decrease to what credit unions paid DICO and FSCO in FY2018 (accounting for sector growth). Since one of the main goals of consolidating the two agencies is the reduction of regulatory cost, credit unions were surprised to see a 6.6% increase to credit union sector fees in FSRA's proposed budget.

Fee increases have a significant effect on the credit unions sector, as they rely heavily on retained earnings to grow capital. This means less money to lend to small business, fund mortgages, and invest back into Ontario communities.

Although the sector can appreciate the necessity of start-up costs associated with developing a new regulatory body, the lack of clarity regarding costs and allocations hinders credit unions' support for FSRA's proposed budget. The transition to FSRA is a major undertaking for both FSRA and the credit unions, with many operational uncertainties.



Credit unions understand the demands of such an undertaking and are working with FSRA to better understand the amount each credit union will pay.

A commitment from FSRA to limit future credit union sector fee increases to a maximum of CPI for the next five years, would help allay these concerns. Likewise, a more concrete assurance for reductions in regulatory burden or improved response time would signal to credit unions that the short term pain created by the fee increase will lead to long term benefits.

In order to ensure this going-forward, we are seeking commitment for a standing advisory committee of nominees from the credit union sector who would be consulted during the annual budget-making process. This advisory committee would be responsible for examining proposed budgets, line-by-line, and providing feedback to FSRA management on spending priorities. Such a standing committee would help ensure transparency and give comfort to the sector that every dollar is being optimally spent.

Another area for improved regulation would be a commitment for greater credit union input and governance over management of the DIRF. This would help ensure that credit unions know their fees are being managed efficiently, with the long term goals of credit unions and FSRA taken into account for investment decisions and target levels.

Conclusion

In accordance with FSRA's principles of transparency and to provide consistency and fairness to credit unions, we recommend FSRA provide the sector with a more detailed summary of associated regulatory costs and administrative allocations. Second, we maintain that the resulting efficiencies that occur when merging two separate administrations should be enough for FSRA to confirm that overall credit union system fees will remain flat going-forward. Finally, there are areas of potential regulatory efficiency and improvement where FSRA can provide greater clarity for.

Thank you for the opportunity to provide feedback. CCUA looks forward to working with FSRA on building an effective regulatory relationship for Ontario credit unions.

Kind Regards,



Eric de Roos
Director of Government Relations (Ontario)
Canadian Credit Union Association

