Canadian Credit Union Association
Association canadienne des coopératives financières

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Mr. Mark White
Financial Services Regulatory Authority
5160 Yonge St – 17th floor
Toronto, ON M2N 6L9

Dear Mark,

We offer the following comments as part of FSRA's consultation on its *Proposed 2021-2022 Statement of Priorities*.

We have always and will always support a well resourced FSRA capable of monitoring high risk activities and intervening at the appropriate time with targeted and effective action. We are cognizant that a 20% fee increase will never be well received and that FSRA is asking for this new funding because it has made the assessment that it is necessary. This makes transparency and genuine engagement on the budget and priorities paramount to obtain sector buy-in.

Credit unions are supportive of the fee rule and that every sector pays its share of expenses – but it is contingent on FSRA to be consistent on how common costs are allocated. If the 2020-2021 credit union budget was kept flat compared to 2019-2020 because IT expenses were not allocated as per the set allocation, it is reasonable that credit unions be frustrated with the subsequent corrective swings.

We recognize and appreciate the efforts FSRA has made to provide detail on the expanded initiatives, and hope that any future assessment increases beyond CPI include this type of detail from the outset. Over time, the level of detail that was provided to the S.A.C. on November 5th should be extended to include the entirety of the credit union budget, not just on increases.

We also look forward to engaging with FSRA soon on the business plan for the new IT Infrastructure to ensure that it has the functionality required for integration with our systems. This will facilitate data sharing and ultimately drive efficiencies.

On the strategic priorities, we offer the following recommendations:

<u>Support modernization of credit union framework</u>

We support this priority but emphasize that the modernization of the credit union framework does not occur solely as a reaction to legislative renewal. This is an ongoing permanent priority. If FSRA requires additional resources to more quickly achieve mutually agreed upon policy priorities, we would generally support these with few reservations.

Enhance deposit insurance reserve fund adequacy framework and sector liquidity framework

We support this priority and ask that FSRA share the DIRF adequacy study that was recently completed by Deloitte in its entirety. As FSRA will be asking for additional data from credit unions to complete its work, it is appropriate for us to see the preliminary analysis that informs the requests and ultimately that data and analysis that drove a decision. The sector should be consulted on what is considered "adequate" for the purpose of determining the size of the deposit insurance reserve fund.

Continue to design and develop the integrated risk-based supervisory approach

We support this priority and recommend that FSRA more actively communicate on the steps it is taking to update the supervisory approach. To date, the transition to principles-based regulation has been largely led by new policy (liquidity, residential, by-law #3), and not by prudential. Both the new liquidity and residential guidance are principles-based guidance, and we look forward to a discussion in the near future on how they will be supervised against.

Regulatory effectiveness

The merging of two legacy regulators provides an opportunity for regulatory renewal and improving all regulatory activities, not just making them principles based. This should be the focus of a fourth priority.

Regulatory effectiveness would include:

- Ability of firms to earn a regulatory dividend;
- Cost effectiveness of regulation;
- Proportionality of the regulatory framework and regulatory interventions;
- Regulatory culture – regulation as a service to credit unions;
- Recruitment of talent;
- Burden reduction;
- Protection of the consumer and reputation of the system

As part of the service standards consultation we recommended that FSRA develop a qualitative measure to judge its performance against. We echo that recommendation here.

Conclusion

It is our common interest that FSRA has the resources to fulfill its obligations to credit union depositors and credit unions. In this era of uncertainty, it is critical that credit unions understand FSRA's resource needs and have input into how assessments are utilized.

We hope to continue this dialogue.

Kind regards,

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