

March 17, 2021

Mr. Mark White
Chief Executive Officer
Financial Services Regulatory Authority of Ontario (FSRA)
25 Sheppard Avenue West, Suite 100
Toronto, ON M2N 6S6

Re: Credit Union consultation on the Proposed Guidance on Recovery Planning

Dear Mr. White:

On behalf of the Desjardins Group (“Desjardins”), we are pleased to respond to your request for comment on the *Proposed Guidance on Recovery Planning* (the “Proposed Guidance”) for the credit union sector in Ontario.

Desjardins is the leading cooperative financial group in Canada serving over 7 million members and clients and with \$350 billion in assets. We provide Canadians with wealth management, life and health insurance, property and casualty insurance, and personal, business, and institutional financial services such as payment processing. In Ontario, the Desjardins Ontario Credit Union (“DOCU”) is the second largest credit union in the province with 130,000 members, 50 branches, over \$8 billion in assets, and over \$16 billion in assets under management.

Desjardins supports FSRA’s proposal to adopt a principles-based guidance on recovery planning. We appreciate how the Proposed Guidance seeks to recognize the spectrum of sizes and risk profiles in Ontario’s credit union sector. In our view, we find the practices and procedures that FSRA will apply to assess a credit union’s adherence with recovery planning requirements to be reasonable and aligned with industry standards. The areas where we request clarification pertain to the Ontario credit union sector’s variety of organizational structures and risk profiles, the effective date of the Proposed Guidance, and the submission schedule for recovery plans.

The Proposed Guidance presents FSRA’s expectation to review once per year, in DOCU’s case, the recovery plan of a credit union with total assets greater than \$4 billion. As noted in the Proposed Guidance, “a recovery plan should be tailored to the structure, size, complexity, and risk profile of the credit union”. In this spirit, we emphasize that, for the purpose of the Proposed Guidance, it is essential to recognize the DOCU as an integrated component of Desjardins considering its pivotal role in the event of a serious occurrence affecting the financial industry.

In 2013, the entire Desjardins Group was designated as a “domestic systemically important financial institution” (“D-SIFI”) in accordance with the criteria set out by the *Basel Committee on Banking Supervision*.¹ The D-SIFI status resulted in greater supervision and a specific bail-in regime, as well as additional capitalization and disclosure requirements. In addition, the designation required that all of Desjardins’ entities, including its entities operating in Ontario, be subject to the D-SIFI requirements.

¹ <https://lautorite.qc.ca/en/general-public/media-centre/news/fiche-dactualites/amf-identifies-desjardins-group-as-a-systemically-important-financial-institution-for-quebec-1>

As a result, the DOCU, with its activities in Ontario and thus regulated and supervised by the FSRA, benefits from a strict regime of requirements and enhanced supervision due to the combination of the D-SIFI designation of the Desjardins Group, and the legislative and regulatory framework in place in Ontario. This reality contributes to the DOCU's financial stability and low risk profile, which in turn benefits the entire Ontario credit union and caisse populaire sector. Furthermore, the interconnectedness of Desjardins' integrated business model allows for many activities to be centralized to the benefit of the entire Desjardins ecosystem. One such example is recovery planning. For these reasons, in the context of the Proposed Guidance on Recovery Planning, it seems essential to us that FSRA consider the DOCU's D-SIFI obligations as an integral and affiliated entity of the Desjardins Group.

Additionally, the Ontario credit union sector is still adapting to FSRA's series of recently amended guidance documents, particularly those pertaining to capital and liquidity, and which the latter became effective on January 1, 2021. These documents present the requirements with respect to prudent capital and liquidity management and are relevant to recovery planning. Desjardins recommends providing the Ontario credit union sector with at least 18 months to implement the new requirements into their respected Recovery Plans. Assuming FSRA's amended Recovery Planning Guidance comes into effect in Q1 or Q2 of 2022, following the proclamation of the new Credit Union and Caisse Populaire Act, we encourage FSRA to consider a submission schedule for a credit union with total assets greater than \$4 billion to be no earlier than December 2023 in order to provide credit unions in this category with sufficient time to develop a comprehensive Recovery Plan that complies with FSRA's requirements.

In conclusion, we support the direction taken by FSRA towards a principles-based guidance for Recovery Planning. The requirements in the Proposed Guidance are sensible and will contribute to ensuring the overall resiliency of the Ontario credit union sector. We would welcome the opportunity to discuss in further detail our recommendation for the submission schedule and thank you for the opportunity to provide our commentary.

Sincerely,



Bernard Brun
Vice-President, Government Relations
Financial Sector Regulation, Desjardins Group

CC Billy Boucher, Chief Executive Officer, Desjardins Ontario Credit Union