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August 12th 2021

Antoinette Leung
Head, Financial Institutions and Mortgage Brokerage Conduct
Market Conduct Division
Financial Services Regulatory Authority

Dear Ms. Leung,

Re: Proposed Market Conduct Framework Approach and Interpretive Guidance

On behalf of Ontario's credit unions, the Canadian Credit Union Association (CCUA) welcomes this proposed principles-based credit union market conduct framework. This proposal is unique in that it places the burden on regulated firms to determine what specific outcomes they want to achieve (within a series of broad parameters), and how best to achieve them. This is a regulatory model we recommend be carried over to other areas.

As member-owned financial cooperatives, serving members and customers fairly and ethically is a core tenet of the credit union system. Because of their unique governance structure and role within the communities they serve, credit unions approach market conduct differently than many competitors.

Credit unions have a long record of prioritizing the interests of their members in every decision they make, but improvement is always possible. Adopting a market conduct code will help firms offer a more consistent level of service and proactively identify gaps that warrant improvement. This will benefit consumers.

FSRA's proposed credit union market conduct framework and related guidance is welcomed as a means of highlighting credit unions' existing fair treatment of members and customers and building trust among the general public to protect the industry's reputation.

Market Code of Conduct for Ontario Credit Unions

As part of our system's prioritization of member and customer interests, CCUA has prepared, after extensive consultation with the sector and DICO/FSRA, a template market conduct code (the "MCC") and self-assessment to guide our member credit unions. The strength of these two documents is that they codify credit unions' existing market conduct best practices and, as appropriate, allow individual firms to use their *existing practices, policies and procedures* to satisfy Board approved market conduct directives.



We are pleased that these two documents are being recognized and supported by FSRA, and that FSRA will take a risk-based and proportional approach to supervise against the commitments made in each firm's code of market conduct.

It is our expectation that firms will, over time, customize their MCC to their bond (for example a caisse may include a commitment to offer services in French) in a manner that honours the MCC's principles and requirements. In our view, this is a good thing and should be facilitated by a straightforward process to gain approval for amendments.

Supervisory approach

We support the application of a supervisory approach to market conduct that is proactive, risk-based and proportional to benefit/risk a member would face without intervention. Market conduct supervision is more art than science with desired outcomes not as precise as prudential requirements. Credit union members aren't uniform, and neither are their expectations or needs; supervisors will need to be flexible enough to accommodate these differences.

We also endorse FSRA's focus on credit unions' governance structures, internal controls and supervision to assess adherence to legal requirements and effectiveness, and implementation of a market conduct framework that reflects the nature, size, and complexity of their operations. While it is FSRA's responsibility to ensure a minimum level of market conduct performance is met across Ontario, the burden of ensuring strong and ethical market conduct practices rests first and foremost with each credit union's Board of Directors.

It is our understanding that FSRA's market conduct supervision will focus on each credit union's adoption and implementation of a market code of conduct acceptable to FSRA and that firms will have sufficient time for this. In other words, that FSRA will provide credit unions the opportunity to address any concern areas through their code of market conduct, rather than a standalone request. As such, we recommend that credit unions go through at least three full market conduct reporting cycles (at least 3 years) before changes to guidance be considered. Market conduct guidance is a new regulatory element – and firms should be granted the time to adjust organically to the new requirements.

In conclusion, member confidence in a financial institution is not driven by the complexity of the regulatory framework it adheres to but whether they have confidence in the leadership and culture of the firm and that its regulator will act punctually when required. The market conduct code allows firms to define their relationship with their members and gives FSRA the flexibility to make recommendations for improvement and intervene when necessary. We believe that the approach to market conduct presented in this guidance can serve as a model for future FSRA initiatives.

Please don't hesitate to contact me if you have any questions.

Nick Best
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