

**FSRA Consultation on
Proposed Capital Adequacy Requirements
for Credit Unions and Caisses Populaires Rule**

Desjardins Group submission



Submitted to the Financial Services Regulatory Authority of Ontario

September 14, 2021

The Desjardins Group (“Desjardins”) is pleased to respond to the request for comment on the Proposed Capital Adequacy Requirements for Credit Unions and Caisses Populaires rule (the “Rule”) for the Ontario credit union and caisse populaire sector (the “sector”).

Desjardins is the leading cooperative financial group in Canada serving over 7.5 million members and clients and with \$389 billion in assets¹. 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, 51 branches, over \$8 billion in assets, and over \$17 billion in assets under management. For over 120 years, Desjardins has listened and responded to its members’ needs and adapted to change.

Our comments are intended to follow-up on previous questions to clarify our interpretation and avoid future misalignment. We thank FSRA’s team for providing earlier clarifications as the information was helpful and for considering our observations.

- We understand there is not a separate “Minimum Tier 1 Supervisory Capital Ratio” that would represent the addition of a 2.5% buffer to the minimum Tier 1 capital ratio, and that the minimum Tier 1 capital ratio of 6.5% is a “hard” floor limit. To ensure our accurate understanding of the guideline and its regulatory capital requirements, we simply wish to confirm that the following statement is correct:
 - *A credit union must always comply with the required minimum capital which is established as a Tier 1 capital and total capital that are respectively 6.5% and 10.5% (including in both cases a buffer of 2.5% of Tier 1 capital) of the total risk weighted assets.*
- With regards to Article 9(1) on the General Market – Interest Rate Risk, we note that other Canadian regulators have modernized their approach to this calculation. Could FSRA provide the rationale for the “0.15” and “0.08” variables in the formula, $(K \times 0.15) / 0.08$, and would it be possible to modernize the formula in order to harmonize the approach with other Canadian jurisdictions?

With this said, we have no further comment on the Rule as it stands and thank FSRA for its ongoing commitment to engage the sector and its availability and openness to provide clarifications.

¹ Based on Q2 2021 results.