

FSRAO  
25 Sheppard Avenue W, Suite 100  
Toronto, Ontario M2N 6S6

September 14<sup>th</sup>, 2021

Dear Mr. Padro,

Thank you for the opportunity to provide feedback to the proposed Rule 2021 – 001 “Standards of Sound Business and Financial Practices” (the “Rule”).

Kingston Community Credit Union (KCCU) is a community-based credit union with just under \$200 million in assets and a further \$65 million in assets under administration. With a strong local presence KCCU provides a real choice in financial services in the community, plays an important role in creating a healthy competitive environment in banking services, provides affordable access to banking services, and affordable credit to those less well served by the banking industry.

I am writing to express KCCU’s support and endorsement of the joint submission from the Ontario Credit Union sector submitted by the Government Relations department at CCUA. In addition, KCCU would like to take this opportunity to highlight some areas of particular interest for us, that we believe well reflect some of the concerns of smaller credit union.

KCCU welcomes the attention FSRA has given to shifting the regulatory approach from the previous prescriptive regime to principles-based and outcome-focused regulation of credit union governance. Key to the effectiveness of this “new order” will be:

- That the concepts of *appropriate* and *prudent* explicitly apply to all sections of the proposed Rule, to properly advance an effective principle-based regulatory environment.
- That the concept of *proportionality* be explicitly invoked to apply to the regulatory oversight applied to all sections of the proposed Rule.

In the proposed Rule this delineation and application of these concepts has inadvertently been obscured, by specifically citing proportionality in section 9 (Fair and Responsible Remuneration), and in no other section. The absence of any mention of proportionality

**Downtown**  
18 Market Street  
Kingston, ON K7L 1W8  
(613)549-3901

**Kingston West**  
795 Gardiners Road  
Kingston, ON K7M 7E6  
(613)384-5555

**Kingslake Plaza**  
1201 Division Street  
Kingston, ON K7K 6X4  
(613)531-6056

**kccu.ca**  
kccu@kccu.ca



generally, and the explicit reference in one section raises uncertainty as to where this might and might not apply. The concepts of Appropriate and Prudent should best specifically apply to all sections of the Rule to enable a principle based regulatory regime, and the concept of Proportionality should best explicitly apply to the regulatory oversight applied to all aspects of credit union governance.

The CCUA submission addresses some of our other chief concerns:

- Regarding the specific language used around individual “heads” of various compliance functions as opposed to “roles”, given the limited staff complement and multiple roles performed by individuals in smaller credit unions.
- Regarding the specific kind of reporting relationships and employment relationships between the compliance functions and the Board versus the CEO.

From FSRA’s further engagement with the system we understand that you are already seeking to address this, and KCCU would only add that clarity in wording and our common understanding of the language will facilitate a smooth and effective regulatory experience for all the parties involved.

In terms of specific sections of the proposed Rule, sections 9(3) and 9(4) introduce a degree of specificity and complexity that negate a principle-based regulatory regime appropriate and prudent to the size and complexity of the credit union. Smaller credit unions will be hard pressed to demonstrate that:

- “remuneration is adjusted for all types of risk” which could be infinite;
- that the handful of applicable senior staff member are remunerated “symmetric with risk outcomes” given that they likely perform multiple roles in the organisation and cannot be isolated from other operational responsibilities that help dictate their remuneration plan.

This whole section would best be adjusted from the current very prescriptive wording to a more general remuneration policy guidance that is appropriate and prudent in relation to the desired risk outcomes and risk time horizons for individual credit unions.

Thank you for the spirit of collaboration with which FSRA is approaching the determination of the coming principle-based regulatory environment under the CUCPA 2020. KCCU looks forward to our continued mutual engagement in promoting the success and vibrancy of the Ontario credit union sector.

Sincerely,



Jon Dessau, CEO, and the KCCU Board Governance Committee