

November 18, 2021

Mr. Glen Padassery
25 Sheppard Avenue West, Suite 100
Toronto, ON
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Dear Mr. Padassery,

The Canadian Credit Union Association (CCUA) is the trade association for Ontario's credit unions. It is our pleasure to respond to FSRA's consultation on its proposed Innovation Office and Innovation Framework.

We think that the proposed framework is strong and has many commendable/practical ideas to achieve its stated goals (including test environments, having the option of going directly to the Innovation Office rather than regular approvals, fee structure).

We make four recommendations that we think will strengthen the framework.

Purpose and mandate

Our main concern is whether the Innovation Office's priorities and mandate are sufficiently distinct from existing teams to truly challenge established norms in the "inside-out" process and be attractive for firms who want to use the "outside-in" process.

The primary function of the Innovation Office vision should not be "limiting risk to consumers and members" - that is the responsibility of the rest of FSRA (Consumer office, Prudential, Market Conduct, Policy). Likewise for protecting "sustainable and accessible services" (i.e. existing), which is typically an impediment to innovation.

The Innovation Office's focus should be nearly exclusively on championing "new/improved products, services, and business models" and "attracting and retaining investments" within FSRA. This would contribute to making "Ontario the go-to market for financial innovation in Canada". Ultimately the market will decide on the quality of a company's pitch and products – but FSRA has a role in getting firms to a place where the market can decide on a product's value without a concern for regulatory barriers.

If the Innovation office's mandate resembles that of policy and prudential – how can we expect a certain level of "healthy tension" between groups and legitimate questioning of processes and decisions. If the first priority of all FSRA teams is the consumer, we think this guardrail will be too limiting. Without this clear distinction – we are concerned that the Innovation Office will not meet its potential.

Staffing



We recommend that the majority of the Innovation Office’s staff do not have a background in government or financial services regulation, so they are better able to be relentless champions of disruption/innovation within FSRA. We think this will help contribute to the “healthy tension” required for this Innovation Office to have significant impact. Some type of partnership with organizations like MaRS or the Chamber of Commerce could provide FSRA with the requisite talent.

Engagement with other regulators

One of the real challenges that firms or products face is satisfying the expectations of several regulators (or several different units of the same regulator). Open Banking and Digital ID will both require firms to navigate regulatory requirements from multiple regulators (often provincial/federal). We recommend that FSRA hone how it will communicate and work with other regulators (including how to limit a firm’s or products’ touchpoints with other regulators) and include it into the final framework.

Open Banking

Open Banking has the potential to change how consumers interact with their financial institutions by returning control of data to the consumers rather the financial institution. It will be an expectation of consumers and members that their credit union participate in Open Banking. FSRA must be permissive of credit unions to participate otherwise they will not be able to compete with federal banks and fintechs, leading to reduced choice in the marketplace. We encourage FSRA to remain engaged with the federal government so that it can contribute to the design of the final framework and ensure that a provincial lens is applied.

Conclusion

We are supportive of this framework and look forward to seeing it refined and put into action.

Sincerely,

Sabena Sandhu
Policy Analyst, ON Government Relations
Canadian Credit Union Association

