



March 30, 2022

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

Re: Proposed Approval or Authorization of Business and Investment Activities under the Credit Unions and Caisses Populaires Act, 2020

Dear Mr. White:

The Desjardins Group (“Desjardins”), on behalf of the Desjardins Ontario Credit Union (“DOCU”), is pleased to respond to the request for comment on FSRA’s proposed Approach Guidance for the approval or authorization of business and investment activities.

Desjardins is the leading cooperative financial group in Canada serving over 7.5 million members and clients across the country. For over 120 years, Desjardins has listened and responded to its members’ needs and adapted to change. We provide Canadians with wealth management, life and health insurance, property and casualty insurance, and personal, business, and institutional financial services. In Ontario, the DOCU is the second largest credit union in the province with 130,000 members, 51 branches, and just shy of 10 billion in assets.

Overall, our comments on the proposed Approach Guidance pertain to the fact that the current proposal appears to lead to an increased burden on the sector. We also seek greater clarity on specific transactions, the contents of the application, and how the process is expected to unfold considering our unique structure, specifically the DOCU’s affiliation to the Desjardins Group and our commitment of support to the DOCU.

Unclear burden reduction

The credit union sector has heard from the Government of Ontario¹ and from FSRA about a desire for burden reduction, or “reduction of red tape”. To achieve this objective, it would be beneficial if FSRA could consider all relevant approvals in a specific operation in a complete and all-inclusive manner, as per the “Comprehensive” principle² outlined in the proposed Risk Based Supervisory Framework (“RBSF”). Essentially, our concerns are for the efficiency of the process when several required approvals pertaining

¹ <https://news.ontario.ca/en/release/1001677/ontario-modernizing-the-framework-for-credit-unions-and-caisses-populaires-to-better-serve-communities>

² “Supervisory work results in a consolidated assessment of risks in the business of the CU. This holistic approach includes assessment of all material CU entities such as subsidiaries, joint ventures, and other material investments and activities.” [FSRA website](#)

to the same transaction or business plan proceed in parallel to each other, or if they must happen in sequence, the potential delays that may result, and the burden imposed on credit unions. Furthermore, if a transaction that requires FSRA's approval takes place on an annual cycle, clarity would be welcomed to know beforehand if the process is expected to be repeated every year for the same transaction.

Additionally, we recognize FSRA's due diligence role when receiving an application for approval or authorization, and then, if needed, to communicate to the credit union its determination regarding legislative compliance. In our view, a credit union should provide a legal opinion to defend its compliance only in the event of a determination of non-compliance by FSRA. As it stands, the proposed process puts unwarranted administrative and financial burden on the credit union sector and transfers the onus of responsibility from FSRA to credit unions with no clear benefit to the sector.

Greater clarity

We seek greater clarity regarding a transaction involving the purchase or sale of substantial assets³, specifically regarding the timeline associated with the limit of 15% of or more of the value of the credit union's total assets. While provision 174 (3) of the Act clearly establishes the basis to determine a credit union's total assets, it would be helpful to know if such a transaction could be authorized more than once per year. Additionally, if a credit union were to be in a situation where they must implement their Recovery Plan, it would be helpful to know if FSRA would authorize the transactions as described in provision 174 (1) of the CUCPA for the execution of the Recovery Plan.

We continue to support FSRA's journey to become a principle-based regulator and we are encouraged to see the Approach Guidance speak of the importance of meeting with FSRA to obtain guidance before applying for approval or authorization. Considering the issue at hand is procedural in nature, we believe there would be value for FSRA and the sector if application templates were provided, while still respecting the principle-based approach FSRA strives to achieve.

We acknowledge that the clarifications we request could potentially be found in the Investment and Business Activities Guide to be published on FSRA's website. However, seeing we are unfamiliar with its content, it is impossible for us to provide feedback. Considering the guide "contains documentation and information which will form the basis of a fulsome application", and the clear link with the stated purpose of this consultation, we encourage FSRA to provide the sector with the opportunity to review and comment on the proposed guide before finalizing the proposed Approach Guidance. While the feedback FSRA receives as part of this consultation can be helpful to finalize the guide, we cannot comment on what we cannot see, so there could be remaining blind spots at the end of this consultation.

Our unique structure

As FSRA is aware, our cooperative group business model spans two provincial jurisdictions and involves two distinct provincial regulators. We recognize and appreciate FSRA's openness and collaboration as we

³ CUPCA 174 (5): <https://www.ontario.ca/laws/statute/20c36#BK217>

work together towards the recognition of the bonds between the DOCU and the FCDQ, but in the context of this specific Approach Guidance, we request clarity on FSRA's interpretation of its application to our model and our activities. As a participating member of the Desjardins Group, it is important to note that the DOCU will always consider an investment in the Desjardins Group to be in the interest of its members, and without negative repercussions in any circumstances on its risk profile. This position is aligned with our cooperative values and is at the heart of our cooperative financial group's business model.

In conclusion, we thank FSRA for its long-standing commitment to engaging the sector and welcome the opportunity to discuss our comments in greater detail.



Bernard Brun
Vice-President, Institutional and Government Relations
Desjardins Group

c.c.: Mr. Billy Boucher, Chief Executive Officer, Desjardins Ontario Credit Union