

November 10, 2022

Mark White
Financial Services Regulatory Authority
25 Sheppard Avenue West, Suite 100
Toronto, ON M2N 6S6

Re: FSRA Consultation on 2023 – 2024 Budget and Priorities

Dear Mr. White,

Thank you for the opportunity to respond to the Financial Services Regulatory Authority (FSRA)'s Draft 2023-2024 Priorities and Budget document. We welcome FSRA's continued commitment to consultation and dialogue with our sector, including through the Stakeholder Advisory Committee (SAC) which had been given the opportunity to comment on a previous draft of this document as it pertains to the credit unions sector.

We broadly support the priorities set out in the consultation document, and therefore will endeavor to be brief as to not repeat comments already made through the SAC.

FSRA Costs

On behalf of our members, we would like to express our concern over escalating costs to the sector which are projected to increase by 8% in 2023-2024. While we appreciate FSRA's effort to remove the surplus by offsetting a meaningful fraction of the increase in costs for 2023-2024, we recognize that this is a one-time measure as FSRA's aim is not to maintain any level of surplus on a year-to-year basis.

It is our hope that FSRA's costs will stabilize in the short term so that credit unions aren't faced with the prospect of excessive increases in subsequent years.

Talent Retention

We note an increase of \$1.1 million in direct costs to the credit union sector, which we understand to be predominantly related to increased current staffing costs. It is important that FSRA be able to attract and retain talented individuals needed for achieving its mandate.

While attraction of new talent is a challenge for everyone in today's labour market, the sector has observed a worrying trend of poor staff retention with respect to relationship managers. If this trend is allowed to continue, we worry about the negative consequences this can have on both prudential and stakeholder-engagement outcomes.

For new employees to FSRA, we would suggest working together on developing resources that better equip staff in their understanding of the sector and dealings with credit unions.

Implementation Timelines

As you know, the credit union sector has expressed concerns over the pace of change with respect to new regulatory requirements. This has been particularly true with respect to capital and governance.



While we support FSRA's review of the Capital Adequacy Rule ahead of its mandated review period, we do so under the assumption that FSRA does not intend to consult on the new Rule before 2024-2025.

The same is true for the DIRF Differential Premium Methodology. We appreciate the increased opportunity for transparency and collaboration that comes from meaningful consultation, but we advise against implementation of the new methodology until 2024-2025.

Emerging Risks and FSRA Roadmap

We understand that the Priorities and Budget document is not all-encompassing and there are likely to be consultations outside of the items listed. In the spirit of transparency and cooperation, we hope FSRA soon consults on its next 5-year plan, which will reflect a broader scope of its planned regulatory activities.

This includes prudential, policy, market conduct and data request items. It is important for the sector to have a complete picture of what is on the horizon, including a good view of timelines for various initiatives and their implementation.

Furthermore, as it relates to 2023-2024 and beyond, we hope that FSRA would show a greater link between emerging risks and trends and planned supervisory activities. We are yet to receive any formal consultation from FSRA with respect to important sectoral trends such as ESG and Open Banking. A discussion paper from FSRA on emerging risks would be a useful first step in opening the door to formal comments from the sector which can then help inform regulatory activities into the future.

Enhanced Data Project

We acknowledge FSRA's objective to improve risk management in the Ontario credit union sector through greater and more efficient use of data. We believe there is an opportunity for the sector to work collaboratively with FSRA to achieve that objective. However, we caution that activities need to be conducted responsibly, with due diligence and consideration given to the privacy of credit union members.

CCUA would be pleased to speak with you about any of the items contained in this letter. We once again thank you for the opportunity to provide comments on FSRA's direction in 2023-2024.

Kind regards,

Andrei Belik
Regional Director, Government Relations
Canadian Credit Union Association

