

CONSUMER ADVISORY PANEL

February 7, 2025

Delivered Electronically

Financial Services Regulatory Authority of Ontario (FSRA)
5160 Yonge Street, 16th Floor
Toronto, ON M2N 6L9

Re: Feedback on the Proposed Unclaimed Deposits Rule and Guidance

The Consumer Advisory Panel (CAP) appreciates the opportunity to provide feedback on FSRA's proposed Unclaimed Deposits Rule and Guidance. While we recognize FSRA's efforts to clarify and streamline the administrative process for managing unclaimed deposits, we are disappointed that the proposal is overwhelmingly focused on how credit unions should transfer and administer unclaimed funds. There is scant attention devoted to the optimal consumer outcome of preventing deposits from becoming Unclaimed in the first place and we urge FSRA to consider amending the rule and guidance further based on recommendations in this submission.

This lack of focus on minimizing unclaimed deposits reflects our observation of a recurring pattern in FSRA's approach to rule making, where clear, efficient, and minimally burdensome guidelines for industry are prioritized over achieving better outcomes for consumers. CAP is increasingly frustrated by this dynamic, which suggests that consumer interests remain secondary to the operational needs of regulated entities.

While such an approach on FSRA's part may have been understandable during its formative years as it was adjusting to its new Mandate and Responsibilities as Ontario's primary regulator of financial services, the time has come to raise the bar. As FSRA's activities continue to mature in accordance with its Regulatory Mandate, it must adopt a more consumer-centric focus in developing and issuing its rules. In this instance, FSRA has missed an important opportunity to develop and implement proactive measures to reunite consumers with their funds and minimize Unclaimed deposits altogether.

We strongly urge FSRA to revise the proposed Rule and Guidance to incorporate more robust and consumer-focused measures that will result in meaningful outcomes particularly for those most vulnerable. CAP provides the following recommendations, including examples of initiatives successfully adopted in other jurisdictions, to ensure that FSRA achieves its mandate to protect financial consumers.

1. Strengthen Notification Requirements

The proposed rule mandates that depositors be notified at the five- and nine-year marks from the date of last account activity. While this is a step forward, it is insufficient to ensure comprehensive outreach especially in consideration of Ontario's aging population and mobility of its citizens CAP recommends the following:

- **Increase Notification Frequency:** Credit unions should be required to contact depositors annually once accounts are deemed inactive. In Australia, financial institutions are obligated to contact account holders more frequently to prevent accounts from becoming inactive.
- **Adopt Multi-Channel Communication strategies:** Notifications should leverage a variety of communication channels, including email, SMS, phone calls, and physical mail, to maximize the likelihood of reaching depositors. In New Zealand, institutions must use "all reasonable means" to contact account holders, including searching alternate contact sources and leveraging digital tools.

2. Leverage Technology

Modern technology, including AI initiatives, can provide significant opportunities to reduce Unclaimed deposits. FSRA should mandate and facilitate the adoption of the following measures:

- **Centralized Online Database:** FSRA should establish a searchable online database where consumers can easily check for unclaimed funds. This approach has been successfully implemented in the United States through the National Association of Unclaimed Property Administrators (NAUPA) platform, which allows consumers to locate unclaimed assets across multiple jurisdictions.
- **Data-Matching Initiatives:** FSRA should work with other government agencies to implement data-matching programs that cross-reference unclaimed accounts with government records (e.g., tax filings, driver's license databases) to identify and locate depositors. In New Zealand, data-matching is used to reconnect account holders with their funds, while several U.S. states also use this approach to track down depositors effectively.

3. Conduct Public Awareness Campaigns

- CAP recommends that FSRA collaborate with credit unions to launch public awareness campaigns aimed at educating consumers about unclaimed deposits and the importance of keeping their account information up to date. Credit unions with significant account holders for whom English is not their first language should translate outreach materials into multiple languages.

- **Broad Outreach Initiatives:** In Australia, public awareness campaigns are conducted through traditional and digital media to educate consumers about unclaimed deposits and encourage them to claim their funds.
- **Partnerships with Community Organizations:** FSRA could collaborate with community and culturally diverse groups to target vulnerable populations, such as seniors, immigrants or individuals with limited digital access, to ensure they are informed about unclaimed funds and the steps they can take to recover them.

4. Extend Dormancy Periods

For certain account types, particularly those belonging to vulnerable populations, FSRA should consider extending the dormancy period before deposits are classified as unclaimed.

- **Jurisdictional Comparison:** In California, dormancy periods for certain types of accounts are extended to provide additional time for account holders to re-engage with their accounts. This approach helps reduce the likelihood of funds being prematurely classified as unclaimed.

5. Mandate Accountability for Financial Institutions

CAP believes financial institutions should be held accountable for their efforts to reduce unclaimed deposits. FSRA should require:

- **Annual Reporting on Outreach Efforts:** Credit unions should report annually on the steps they have taken to contact depositors and reduce unclaimed deposits. Similar reporting requirements exist in Australia and some U.S. states.
- **Officer Attestation:** Senior officers of credit unions should attest to the adequacy and completeness of these efforts, reinforcing accountability and prioritizing proactive measures to locate depositors.

6. Incorporate Flexibility for Special Circumstances

FSRA should provide guidelines for accommodating account holders with unique circumstances, such as those residing abroad, experiencing financial hardship, or facing other barriers to account reactivation. In jurisdictions like New Zealand, additional flexibility is built into processes for specific populations, ensuring inclusivity in unclaimed deposit management.

Conclusion

FSRA's responsibility as a financial regulator extends beyond ensuring efficient processes for financial institutions—it must also work to deliver meaningful, consumer-centric outcomes. By prioritizing the prevention of Unclaimed deposits and the Reunification of account holders with their funds, FSRA can better align its rule-making with its mandate to protect consumers.

CAP strongly recommends FSRA to adopt these recommendations and incorporate proven initiatives from other jurisdictions to strengthen the proposed Rule and Guidance. A shift toward more proactive, consumer-focused rule-making will not only benefit depositors but also reinforce FSRA's credibility and instill public confidence as a regulator committed to achieving balanced and fair outcomes for all stakeholders.

These above noted initiatives will also help reduce the operational risks related to fraud and illicit activities associated with Unclaimed deposits in the Credit Unions system.

We would welcome the opportunity to discuss these recommendations further.

Sincerely,

Consumer Advisory Panel

Financial Services Regulatory Authority of Ontario (FSRA)