

Financial Services Regulatory Authority of Ontario
25 Sheppard Ave, West.
North York, ON
M2N 6S6

February 7, 2025

RE: CCUA Submission for the second consultation on the Unclaimed Deposits Rule – ID 2025-001

To the reader(s),

CCUA is pleased to provide feedback on FSRA's proposed Second Consultation on the Unclaimed Deposits Rule. We appreciate that FSRA moved to a second round of consultation based on the sector's initial feedback and that material changes have been considered and addressed in many cases. We believe there are considerations worth revisiting and a need to reduce costs to credit unions before acceptance.

Below, our feedback is divided into three categories, including (1) the proposed rule, (2) the proposed accompanying guidance, and (3) the estimated costs. We take a themed-based approach to sharing member feedback provided to CCUA. We appreciate the work FSRA has done to improve the rule and trust that our feedback will help support further points relating to the potential impact on our member credit unions.

Proposed Rule Feedback

1. Interpretation and Application

Minimum Threshold and Lower Dollar Amount Transfers

We were pleased that FSRA proposed a minimum threshold of \$50. It may be helpful for the rule to use language such as "greater than" when considering how the threshold is worded. This new minimum threshold will lower the potential burden of small-dollar unclaimed deposits. FSRA had discussed with CCUA that it contemplated an approach for lower dollar amounts requiring less information to be transferred to FSRA. It was a consideration that focused on a principle-based approach. We see that some data points were removed from the required list of information, which is welcomed; however, a reduced information requirement for low dollar amounts is not addressed. Can FSRA provide commentary on this consideration and whether it remains on the table?

Clarity on Registered Products

We appreciate FSRA's clarifying requirements for funds deposited in a credit union through a federal or provincial registered savings plan/product.



Auto Renewing Products

CCUA continues to hear from members that auto-renewal products should be considered an acknowledgment of a product/transaction. Generally, auto-renewing products are purchased by long-tenured members and often consist of GICs. By not accepting auto-renew products, there will be more confusion from members and a lack of efficiency within the program. We do not think this harms consumers, as information about their auto-renewing products is provided continuously. This is a requirement via Section 120 of General Regulation 105/22. We ask FSRA to reconsider its position on these products to support greater efficiency within the rule.

Youth Accounts

No changes to the rule regarding youth products (under 18 years of age) were made. This response does not consider the practicality of these accounts. FSRA should reconsider the inclusion of youth accounts within the rule. Many inactive accounts belong to minors because parents or guardians typically establish them. In many cases, young children do not have email addresses or online banking access, nor do they engage in frequent financial activity. This creates a situation where their accounts naturally remain inactive for extended periods. Transferring such accounts to FSRA may not be the most practical or beneficial solution for young account holders. It could harm the credit union's ability to build on a youth demographic. Additionally, there is limited rationale for youth to click on their statement of account and seek a PDF copy online. We believe that calls to youth will create frustration and concern from parents and raise more questions than positive reactions with our members.

It is important to note that some credit unions offer youth accounts, allowing children to hold accounts in their name before signing. Unlike trust accounts for minors and reserve youth accounts for teenagers, this structure leads to less direct contact with account holders. Additionally, most credit unions offer free or reduced-fee banking for youth members. FSRA seeks to ensure fees do not erode these accounts; this would not be the intention of credit unions. Guidance could address this specifically with expectations regarding the approach. Members have also shared that the activity date for the rule should start at 18 years of age, aligning it with the legal adult age within the province. We hope FSRA will revisit this within the rule.

2. Unclaimed Deposits General Credit Unions

Change of Terminology to Depositor from Member

This change makes sense as the rule still applies to non-members. Members may initially be confused as they adjust to this type of language. FSRA should be mindful of this, as there may be questions between members and non-members.

Statement of Account and Online Activity as Acknowledgement

Members have shared with us continued concerns about what is determined as an acknowledgment of a statement of account or transaction. Our previous submission noted that online account sign-in should be accepted as acknowledging an account or deemed a transaction. Members today frequently utilize their online banking transactional records as their actual bank statements. In many cases, the ability to quickly export, copy and paste, and email allows consumers greater flexibility and less navigational time in locating PDF statements. Online or mobile banking consumers who do not use traditional statements should not be classified as inactive. This feels out of touch with current digital approaches to banking and consumer expectations. Additionally, members have shared that this will be a significant burden and cause confusion and unnecessary conversations with members that may create concerns with the credit union and regulator (for no reason). CCUA believes that FSRA should revisit this definition to include online and mobile banking sign-in as an acknowledgment or transaction on an account.

Implementation Timeline

Confusion remains around the proposed implementation timeline. The first remittance is to occur in Fall 2027. Section 8(2) of the rule provides coverage for credit unions for the first remittance period. Moving beyond 2027, there is confusion about 2028 and how retroactive accounts will be handled. Credit unions want to ensure they are not offside with the rule. Section 8(2) creates a retroactive element whereby credit unions are not reaching out to individuals at the required contact points. A remittance schedule based on the year accounts went inactive would be welcomed to ensure clarity for our members. CCUA will speak to FSRA on this topic, as it is challenging to lay it out within a paper of this nature.

Conversion Requirements and Fees

Members have shared that the conversion requirements could cause challenges based on a singular date of June 30th. This approach creates possible exchange rate risk and will create an administrative burden for credit unions. Credit unions should be able to use the daily posted exchange rate for conversion at a date that works best for them administratively between June 30th and October 15th. The current approach will create significant work that cannot be spaced out for credit unions. It also coincides with month and quarter-end periods, causing more challenges for credit union finance teams.

3. Unclaimed Deposits – Material Information

Updates to Information

The change requiring credit unions to provide updated information to FSRA as soon as it is known is fair and appropriate. There were no concerns about this change.

Copies of Physical Materials and Information Being Sent to FSRA

We are pleased to see FSRA remove the requirement to share physical materials and copies of depositor information. This was a significant concern in the sector and appears to have been remedied. We are unsure what format FSRA would like to see used for materials sent to FSRA through its portal. A templated approach may help support efficiency for the sector and any platform in the back end.

Retention Period Changes

We are pleased to see FSRA adjusting retention requirements from 40 and 100 years, respectively, to 10 years. However, the retention requirements should align with internal record management schedules, which hold information for seven years to align with CRA and general standard practices. We do not believe many additional details will become available to a credit union after material information is sent to FSRA. This is why a seven-year period makes more sense not to have information about sitting within two institutions longer than is necessary, adhering to record management best practices.

4. Material Information – Personal Information

Information Moved from Rule to Guidance

Members have shared that placing the material information section within guidance may be helpful in the long term as it can easily be adjusted as needed by the sector. Putting it within the rule creates more barriers and limits our ability to adapt to changing needs within a new program. Members would appreciate it if FSRA could share its views on why it adjusted the material information from guidance to the rule.

Appendix A – Social Insurance Number Removal

CCUA is pleased to see a reduction in the data points required within Appendix A and the increased flexibility for members. Members have expressed concerns that individual social insurance numbers should not be shared within this program, or at least only the last four digits. Heightened privacy concerns and consumer expectations around their SIN numbers are pushing this request. Members also shared that SINs are not required within banking details and are only often sought for registered products or tax purposes. We request that FSRA reconsider transferring SIN numbers entirely or adjust to a last-four-digit number approach to protect this critical data point for consumers. No concerns about the rest of the data points were expressed to CCUA.

Appendix B

No concerns about what information would be visible to the public were expressed.

5. Transferred Unclaimed Amounts – Person(s) Claiming Entitlement

Appendix C

No concerns were expressed about what information a claimant would need to provide. Any approach should be user-friendly and support consumers in sharing information and receiving unclaimed deposits quickly and appropriately.

6. Requests for Reconsideration

There are no concerns with the language presented.

7. Interest Charged on Unclaimed Amounts

There are no concerns with the language presented.

8. Transitional Matters

We were pleased to see FSRA update the transitional timeline to 24 months with a Fall 2027 implementation date. Please see our comments above regarding implementation feedback and a potential schedule to support member awareness.

Proposed Guidance Note Feedback

Requesting Clarification

The addition of this section is welcomed. Relationship Managers can play a critical role in supporting credit unions' questions. A repository of questions posed by credit unions and responses from FSRA would be helpful to ensure that all credit unions have access to FSRA responses. This could be achieved through an internal FAQ page only available to credit unions. This would reduce future requests and save credit unions and FSRA staff time.

Multiple Accounts and Third-Party Actions

This approach towards a total portfolio approach is welcomed and helps clarify the treatment of inactivity. A multiple-account approach makes sense, and we appreciate FSRA adjusting language here to support a more efficient strategy for inactivity considerations.

Accessing Accounts Online

Please see our comments on this within the rule portion.

Alternative Contact Information

Members continue to raise concerns about communicating with next-of-kin, family, and emergency contacts. The approach shared by FSRA is a privacy violation. Fraud is a genuine concern regarding a rule of this nature, and the proposed language will make it difficult for credit unions to manage this risk. This requirement is not included in federal regulations because it deviates from privacy expectations. We request that FSRA remove this entirely from the rule and guidance section.

Payout of Term Deposits

No concerns were expressed regarding the adjusted language.

Proposed Cost Feedback

This consultation presents new information about the estimated cost of administering the unclaimed deposits program, which was not included in the first round of consultations. We preface our comments here with a belief and desire that an unclaimed deposit regime is inherently a positive program for consumers.

Members' initial reactions to the proposed costs concern CCUA. The projected program costs far exceed what we anticipated. Members shared that the total cost to run the program will likely far outweigh the net benefit back to their members. Feedback includes internal costs to build and support the new rule/guidance and the increased fees payable to FSRA. We recognize that a public procurement process may garner reduced costs. However, the savings potentially gained would likely not reduce the total costs enough to alleviate the significant concerns shared. Given the current economic climate and potential challenges that Ontario's economy is facing, we should not be moving forward with a program that will add significant additional fees to credit unions. We believe that conversations between the sector and FSRA should occur related to lowering the program's cost and considering alternative options beyond what was presented within the notice.

Below are additional views and thoughts about the information presented. We recognize that FSRA may not have all the procurement information available.

Options Considered

The consultation notes that two distinct options were considered: (1) in-house development at FSRA and (2) a third-party vendor platform. CCUA would like to understand further if any of the other options were investigated and considered as part of the initial estimation; below, we highlight several ideas for review and commentary as possible alternatives worth exploring collaboratively:

- Piggyback off an existing Ontario government or agency database system or platform.
- Piggyback or partner with provincial or federal regulators/entities already utilizing established platforms or in-house solutions.
- The procurement and building of a system through credit union development teams.
- Other database platforms/systems that could serve within the capacity needed for this system outside their general use.
- Enhance FSRA's current portal through in-house development rather than an entirely new platform.
- Credit unions continue to hold the unclaimed funds and release them when requested by FSRA. This approach would only require a search platform rather than connections to other systems.

Investment Options and Increased Transparency

The investment rate of return presented aligns with what we expect from a highly conservative investment approach. It is noted that FSRA would have complete control over the pool of funds and how it is invested. Is there a more liberal investment approach that could reduce costs in the sector that FSRA would be open to? We do not have a specific proposal, but it's worth considering how we take a bit more risk to reduce costs back onto credit unions. This would still align with ensuring an appropriate amount of dollars is always available for claimants, as the proposed amounts would not come near the amounts available. Members also shared that they would like transparency in how funds are invested through an annual statement that breaks down fund returns, costs, and future outlooks.

Environmental Scan of Other Provinces

To the best of our ability, CCUA has reviewed internally a few approaches across various provinces and cost approximations. Based on our review, most provinces use an in-house-developed program or approach due to the high costs of external programs and platforms; this is the opposite of FSRA's approach within the notice. Greater transparency around the calculations for an in-house solution versus a third-party platform would help understand FSRA's direction compared to other provincial regulators who utilize in-house development.

Fee Structure Needs to be Understood

CCUA notes that the proposed rule does not share the fee structure and formula for how fees will be distributed to individual credit unions. Transparency and understanding around this should be available to credit unions for comment. Based on an external discussion with FSRA, we know the fee structure will align with the current FSRA Fee Rule calculation. In this case, credit unions would pay their portion of the total costs allocated to the CU sector based on their proportion of total risk-weighted sector assets. This critical consideration should be included within the notice so that credit unions understand how the fees will be assessed and invoiced. We were unable to get feedback on this due to

Breakdown of Cost Estimates – Operational Costs

Table #1 highlights the anticipated costs of hiring new FSRA staff to administer the program. The chart does not show the expected number of staff or the rationale for such a number. Credit unions should understand a more granular breakdown of the operational costs behind the program before being able to comment fully.

A new system should create significant efficiencies and provide a high degree of automation. We see that a high operational cost is proposed. It would be helpful to know what efficiencies a new system will create to reduce the operational cost of the overall program. We hope that a high degree of automation will not require manual input of data or review, reducing new staffing requirements. This does not appear to be the case based on the estimates provided. If data input cannot be done automatically, we should reconsider the system being considered, as this should be an expectation.

Before accepting the total costs presented in the notice, we need to explore more alternative options and cost-lowering considerations.

Concluding Thoughts

We appreciate the time and resources FSRA has put into this rule and making material changes based on the first public consultation response from CCUA and individual credit unions. As we progress on that work, our members still have questions and concerns about efficiency and the burden potentially posed by the rule. In addition, the cost estimates introduced in this round of consultations are significant and concerning. Our sector is heading into a period of unknown economic turmoil and challenges. The rule needs additional consideration, review, and cost reduction before we can support implementation. CCUA is prepared to work collaboratively with FSRA and the government to find an approach that works for all stakeholders.

We appreciate your review and consideration of the comments shared.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Furtney', with a stylized flourish at the end.

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