

Financial Services Regulatory Authority of Ontario  
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January 14<sup>th</sup>, 2026

**RE: Libro Credit Union (Libro) Responds to FSRA's Proposed 2026-2027 Statement of Priorities and Five-Year Strategic Framework (Consultation 2025-010)**

To the Reader(s),

Libro Credit Union is pleased to provide its response to the public consultation relating to FSRA's Proposed 2026-2027 Statement of Priorities and Five-Year Strategic Framework.

This consultation is important in setting the stage for future Work Plans, budgets, regulatory activity, and overall approach to supervision by FSRA, and we trust that our comments will support FSRA in those actions over the coming year. Libro's response is organized around the sections of the consultation and reflects Libro's assessment of the priorities identified, highlighting practical considerations and recommendations.

The 2026 planning cycle is particularly significant for Libro, as it coincides with the successful combination of Kawartha Credit Union and Libro Credit Union into one of Ontario's largest credit unions serving approximately 180,000 members across 57 branches, 2 contact centres, and 2 administrative centres, and with nearly \$12 billion in assets under management. This new scale and complexity further underscore the importance of clear, risk-based, and proportionate supervision as FSRA advances its supervisory priorities. Libro remains committed to maintaining a strong relationship with FSRA that is rooted in being proactive, transparent, and highly communicative. Such a relationship will ensure the members and communities that Libro serves receive the safest, most stable, and most productive financial services experience possible.

**Key Recommendations**

1. Continued proactive engagement with credit unions on the Capital Adequacy and Liquidity Adequacy Rules, including through channels like the TAC and SAC.
2. Continue to support credit unions in attaining access to Emergency Lending Assistance (ELA) & STLF.
3. As Open Banking, Real-time Rail (RTR), and the federal *Stablecoin Act* move toward implementation, Libro encourages FSRA to work closely with provincial

and federal partners to avoid duplicative regulation, minimize regulatory burden, and support credit unions' ability to compete on an equal footing while maintaining strong consumer and system safeguards.

4. Continue to support credit unions, through working with government, to develop efficient and practical pathways for extra-provincial operations as a viable growth option for credit unions, enabling expansion beyond Ontario while maintaining continuity of their existing FSRA regulatory relationship.
5. Provide the sector with regular updates to the FSRA Work Plan.

## **Executive Summary**

The proposed 2026–2027 Statement of Priorities (SOPs) is centred on a new Strategic Framework that will set FSRA's direction over the next five years. Libro welcomes this streamlined, longer-term approach and notes that the SOPs are appropriately focused and aligned with expectations, reflecting the evolving market, risk, and system environment facing Ontario's financial services sector. Libro is encouraged by FSRA's continued focus on initiatives that strengthen the credit union system for the long term, particularly as macroeconomic uncertainty persists and new technologies such as artificial intelligence continue to reshape the operating environment.

Looking ahead, the 2026–2027 period is expected to be marked by significant transformation across Canada's and the global financial services landscape, as payments modernization initiatives including Real-Time Rail (RTR) and open banking move closer to operationalization, and as the federal Stablecoin Act introduces new opportunities and challenges. Libro looks forward to working collaboratively with FSRA through these developments to support innovation while advancing the safest and most resilient outcomes for members, institutions, and the broader financial system.

## **Environmental Scan**

Libro values FSRA's continued use of the Environmental Scan within the SOPs, which recognizes the shared challenges facing the regulator, credit unions, and the members we serve each day. Financial institutions are already experiencing the effects of prolonged economic uncertainty and the rapid adoption of technologies such as artificial intelligence across our operations and member interactions. Libro agrees that these developments constitute some of the most material and enduring risks facing credit unions and warrant attention through the 2026–2027 period and beyond.

Libro notes that FSRA's observations regarding the accelerated adoption of artificial intelligence align with broader regulatory developments across Canada, including how regulators are approaching AI and model risk supervision through initiatives such as

OSFI's updates to Guideline E-23 on Model Risk Management, which are set to come into force on May 1, 2027. Ongoing alignment across jurisdictions will be important to support a fair and proportionate supervisory environment for Ontario credit unions as expectations related to AI continue to evolve on an accelerated basis.

Libro also agrees that prolonged economic uncertainty and softer real estate markets remain key structural risks. These conditions highlight the importance of supervisory flexibility as FSRA advances near-term policy initiatives, including capital and liquidity Rule reviews, while continuing to assess longer-term trends and system impacts.

### **Proposed Five-Year Strategic Framework**

Libro welcomes the proposed Five-Year Strategic Framework and supports FSRA's effort to clearly articulate a defined number of strategic pillars to guide regulatory focus over the medium term. The emphasis on enhanced stakeholder engagement and more collaborative approaches to problem-solving is particularly important given the scale, complexity, and pace of change expected across the financial services sector over the coming years.

Below, we have provided detailed feedback on each of FSRA's 3 identified pillars (and corresponding sub priorities) within the Five-Year Strategic Framework that directly impact credit unions:

#### **1. Transform Our Capabilities**

**2a)** Libro is pleased to see FSRA continue to prioritize, operationalize, and optimize the EDC initiatives to improve the effectiveness and timeliness of its oversight of credit unions.

**Recommendation:** Libro would welcome greater visibility into aggregated insights generated through the EDC initiative as it matures, particularly where these can support longer-term planning, strategic decision-making, and benchmarking across the sector during the 2026–2027 period.

#### **2. Embrace and Embed Principles-Based Oversight**

**3c)** Libro notes FSRA's stated intention to develop a more consistent quasi-criminal enforcement approach to better utilize its existing legislative authority.

**Recommendation:** As FSRA advances its work on quasi-criminal enforcement, Libro would welcome further clarity on the intended scope and application of this approach for credit unions, as well as its alignment with *CUCPA*.

**3e)** We appreciate FSRA’s stated desire to “support the sustainable growth of Credit Unions” through the enhancement of the capital regime, including development of, and consultation on, updates to FSRA’s Capital Rule.

As FSRA advances its Capital Rule review, Libro emphasizes the importance of calibrating capital requirements in a manner that reflects evolving economic conditions and underlying risk characteristics. Maintaining competitive alignment with FRFIs, particularly in commercial and development lending, will be critical to ensure Ontario credit unions can continue to meet the needs of members, businesses, and communities. Within this context, Libro supports FSRA’s objective of improving risk alignment and reducing overall capital requirements where appropriate to enhance lending capacity across the province.

### **Recommendations:**

1. Libro greatly appreciates FSRA’s continued proactive engagement on the Capital Adequacy and Liquidity Adequacy Rules with credit unions through channels like the TAC and SAC and hopes to see this continue.
2. Consider a data-informed approach to lower capital requirements for agricultural sector lending based on a materially different historical performance of the Loss Given Default (LGD) levels specific to this sector versus other industries.
  - a. Libro is appreciative of FSRA’s willingness to prescribe a reduced RW for agricultural loans that are guaranteed. However, Libro notes that the primary guarantee program used in this space is the federal Canadian Agricultural Loans Act (CALA). CALA is significantly outdated (last updated in 2009). Its current \$500,000 loan limit and short allowable amortizations no longer reflect the realities of farm pricing in Ontario, rendering the program largely unusable for Ontario credit unions and therefore largely unable to take material advantage of the reduced RW.

Libro encourages FSRA, where appropriate, to support collaborative efforts with government and the sector to modernize agricultural loan guarantee programs, including CALA, so that program limits and terms better reflect current farm economics. While credit unions account for approximately 89.4% of CALA-guaranteed loans issued between 2018 and 2023, only 3% of those loans were issued in Ontario<sup>1</sup>, reflecting the program’s misalignment with Ontario farm pricing realities. Modernizing CALA or working with the Ontario government to facilitate new programs would materially increase the

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<sup>1</sup> [Evaluation of the Canadian Agricultural Loans Act Program - agriculture.canada.ca](https://agriculture.canada.ca)

volume of guaranteed agricultural lending, strengthen risk alignment, and enable more effective use of reduced agricultural risk weights.

### 3. Promote Proactive and Collaborative Partnerships

Overall, Libro is pleased to see FSRA placing emphasis on collaborative partnerships. Libro continues to value ongoing collaboration with FSRA and governmental partners in building a more sustainable and robust credit union sector.

**4c)** As credit unions continue to explore growth opportunities beyond provincial boundaries, Libro notes FSRA's priority to support government efforts to reduce internal trade barriers within Canada.

**Recommendation:** As of the writing of this submission, Libro is actively engaged in the Ontario Ministry of Economic Development, Job Creation and Trade (MEDJCT)'s ongoing consultation regarding implementing mutual recognition under the *Ontario Free Trade and Mobility Act, 2025*. Through active discussions with the Ministry of Finance, CCUA, and other system partners, Libro and the sector believe that this particular initiative could potentially represent an early step toward future extra-provincial growth opportunities for provincially regulated credit unions domiciled in Ontario.

In any case, Libro welcomes continued engagement and support from FSRA, working in collaboration with government, to develop efficient and practical pathways for extra-provincial operations as a viable growth option for credit unions. Such pathways would enable expansion beyond Ontario while maintaining continuity within an existing FSRA regulatory relationship.

**4e)** Libro is pleased to note FSRA's continued emphasis on system stability through effective deposit insurance and emergency liquidity arrangements.

**Recommendations:** Libro would welcome continued engagement with FSRA on the evolution of the DIRF, informed by EDC insights, supervisory assessments, and emerging risks.

Libro also encourages FSRA to continue its efforts to support Ontario credit unions in securing access to Emergency Lending Assistance (ELA) and the Standing Term Liquidity Facility (STLF) through the Bank of Canada. Libro acknowledges FSRA's support throughout 2025, which contributed to meaningful progress on resolution frameworks and legislative and by-law changes that now permit provincially regulated credit unions to join Payments Canada directly, addressing a key eligibility requirement for ELA and STLF access. Continued support from FSRA on remaining eligibility requirements, including the provincial indemnity agreement, would be welcomed.

### **Concluding Remarks**

Libro looks forward to participating in continued dialogue with FSRA on the key issues and priorities included in this year's Statement of Priorities, Five-Year Strategic Framework, and any new areas of focus that arise in 2026-27. We strongly value FSRA's role in our sector and their ongoing work to achieve positive outcomes for credit unions and the members, businesses, and communities we serve.

We always welcome the opportunity to connect with FSRA around any concerns and recommendations included in this response. We look forward to engaging in proactive discussions over the coming year.

Sincerely,



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