

# **BlueShore Financial Credit Union submission to the FIA & CUIA Review Initial Public Consultation Paper**

## **Credit Unions: “Different by Design”**

There is a great risk that a “one size fits all” regulatory and risk framework (Basel III or OSFI) will be applied to all FI’s globally, including BC credit unions.

Borrowing the above phrase (“Different by Design”) from a soon to be released Conference Board of Canada Report on credit union regulation, we begin our submission by making the point that the differences between publicly traded, international financial institutions and co-operatively owned local credit unions are many, and therefore so should be the risk and regulatory framework.

Because there are inherent and different strengths and weaknesses of both models, a “one size fits all” regulatory and risk framework will not work.

Combine this with the fact that local credit unions fared much better than international banks through the financial crisis that began in 2007, we need and deserve a customized framework for credit unions.

We thank the province of BC for this opportunity to shape a customized regulatory framework. BlueShore Financial has actively participated in and wholeheartedly supports the Credit Union System Response authored by Central1. For emphasis only, in particular we urge the Ministry of Finance to consider the following recommendations, all found in the Credit Union System Response:

a. **Deposit Insurance**

We believe the financial planning stability for BC based consumers and businesses, and the economic development benefit for the province of BC of the current coverage, far outweighs any moral hazard or liability issues for the government.

b. **Commercial Lending Restrictions**

We believe the penalty (requirement for double the capital) on the proportion of commercial loans exceeding 30% is not needed from a risk management perspective, makes us less competitive than the banks who do not suffer this restriction and hurts small business in BC.

c. **Definition of Commercial Loan**

We believe there needs to be changes to ensure that loans that are clearly for personal reasons no longer are classified as commercial (thus attracting the need for greater capital, unnecessary costs and a reduction in loans available for consumers and small business).

d. **Basel III**

We believe there needs to be a cooperative model framework version of Basel III.

e. **Capital**

We believe that retention of system capital in the Mandatory Liquidity Pool (MLP) for our capital adequacy requirements are legitimate and defensible, and that membership equity shares should count towards capital.

f. **Liquidity**

We believe our deposits in the Mandatory Liquidity Pool (MLP) should be counted for LCR and NCCF, and that Central 1 should be required to invest the MLP prudently, but to achieve adequate returns.

g. **Central 1**

We believe in the legitimacy of Central 1 as the BC credit union system voice, representing all credit unions on those matters where a single voice is critical for input and consultation.

**h. Stabilization Central**

We believe Stabilization Central should be returned to its rightful status as the BC credit union system Self Regulatory Organization (SRO). The benefits therein to credit unions, the government and general public, vs. the provincial government through FICOM being burdened with much of this role, are many.

Thank you for considering our submission. We would be pleased to speak to any of these points further and look forward to ongoing dialogue through the province's consultation process.

Sincerely,

C. Catliff  
President and CEO  
BlueShore Financial Credit Union

