

September 15, 2015

The Honourable Michael de Jong, Minister of Finance
FIA & CUIA Review
Policy & Legislation Division
Ministry of Finance
P.O. Box 9470 Stn Prov Govt.
Victoria, B.C.
V8W 9V8

Dear Minister de Jong:

Re: FIA & CUIA Review – Initial Public Consultation Paper Submission

Thank you for allowing stakeholders the opportunity to provide input into the review of the FIA & CUIA legislation. This letter represents the submission on behalf of Community Savings Credit Union (CSCU) in response to the Initial Public Consultation Paper. Community Savings was formed in 1944 and has grown to assets of \$473 million with 6 retail branches in Victoria and the lower mainland of British Columbia representing 12,000 Members.

Community Savings has collaborated with Central 1 Credit Union in the compilation and submission of the system-wide response to the Minister. We commend the leadership and government relations team of Central 1 Credit Union for their work in building a collaborative voice for the credit unions of BC in their submission. Community Savings strongly supports the recommendations put forward in the Central 1 document and encourages the Honourable Minister and Members of the Legislative Assembly to support the changes to the legislation and structure of the regulatory environment for BC credit unions.

In addition to the specific recommendations in the Central 1 Credit Union submission on behalf of the credit union system, Community Savings would like to emphasize several key aspects of the requested changes.

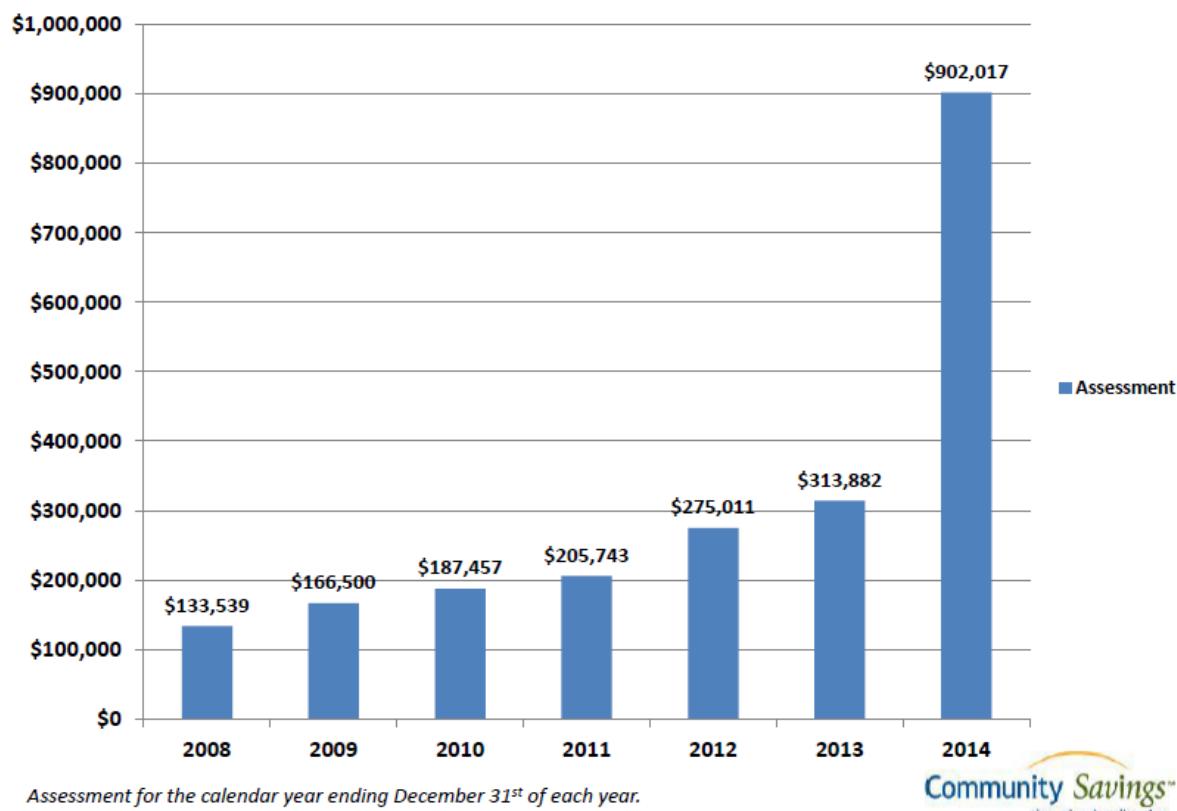
Community Savings has a number of unincorporated associations, including small businesses and trade unions as Members of our credit union. Unfortunately, these associations, small businesses and organized unions are unable to vote without the express existing sponsorship requirements. This has been restrictive in our democratic process during our annual election of directors and motions presented at our AGMs. On page 14 of the Central 1 Credit Union

submission¹ is the recommendation to amend the act to include these association Members which is strongly supported by Community Savings Credit Union.

As shown in the graph below, Community Savings has also experienced a substantial increase in deposit insurance premiums over the past several years. This increase has contributed to a loss of jobs for our employees in responding to regulatory requirements to maintain profitability.

COMMUNITY SAVINGS CREDIT UNION

Credit Union Deposit Insurance Assessment



There are a number of factors that contribute to the increase in premiums and one of the most significant factors is FICOM's subjective assessment of our credit union. As outlined on page 24 of Central 1's submission, the subjective assessment by FICOM is one metric used in the calculation of deposit insurance assessments. This qualitative assessment was increased in 2012 from 15 percent to 50 percent of the weighting in the deposit insurance assessment calculations.

CSCU recognizes that FICOM needs to form a subjective opinion of each credit union's operations, but FICOM does not provide credit unions with the criteria used to arrive at their assessment and the process followed by FICOM in reaching their conclusions is not transparent.

¹ Central 1 Credit Union – British Columbia Credit Union System Response to the Initial Public Consultation Paper, September 15, 2015, Page 14.

CSCU does not fully agree with the subjective assessment made by FICOM regarding our credit union, however, as pointed out on pages 12 and 13 of the Central 1 submission, CSCU does not currently have an effective appeal process to challenge the assessment made by FICOM.

FICOM makes qualitative assessments of credit unions' operations without transparency in the way that it arrives at those assessments. At the same time, FICOM has set those qualitative assessments as the single largest factor in the calculation of CUDIC deposit insurance assessments. This is a real conflict of interest in the governance of CUDIC.

As a result of our experience with significant increases in our deposit insurance assessments, our credit union very strongly endorses the following recommendations in the Central 1 submission:

- As described at the bottom of page 24 of Central 1's submission, the qualitative portion of the deposit insurance assessment should be lowered and that all metrics be clearly defined,
- As summarized on page 11 of Central 1's submission:
 - An effective appeals mechanism should be established.
 - FICOM's authority should be explicitly defined.
 - FICOM decisions and assessments should be appealable.

The governance structure of FICOM and CUDIC should be reviewed, the boards separated, and industry representation on the board or boards considered.

The current legislation has an appeal process through the Financial Services Tribunal under the authority of the FIA. However, as noted in the Central 1 Credit Union document, the process is ineffective and cost prohibitive for credit unions. The appeals process should be an environment whereby credit unions can have an unbiased appeal by an independent mediator without substantial costs or length of time to be heard. Creating an independent Ombudsperson role with accountability to the Ministry of Finance would provide such a process.

Community Savings Credit Union is supportive of having a robust regulatory environment that is critical to Member confidence and the sustainability of credit unions throughout British Columbia. We applaud the government for engaging with the stakeholders of the provincially-regulated financial services providers to solicit input and feedback to make needed changes to the legislative framework. Over 1.9 million British Columbians are served by a credit union of this province. It is important to the constituents of British Columbia that changes occur to allow cooperative financial institutions to continue to operate and support the Members of our communities; many of which have no other financial institution in their community.

Thank you again for allowing us to provide our support to the progressive changes put forward by Central 1 Credit Union. We look forward to working with government for the right changes for the people of BC.

Sincerely,



Doug Eveneshen
President & Chief Executive Officer
Community Savings Credit Union



Colleen Jordan
Chair, Board of Directors
Community Savings Credit Union

c.c. Don Wright, President & CEO, Central 1 Credit Union, Vancouver, B.C.
Anna Hardy, Senior Manager, Government Relations, Central 1 Credit Union, Vancouver