



**Corporate Office**  
#300-678 Bernard Avenue  
Kelowna, BC V1Y 6P3  
Tel: 250.869.8200  
Fax: 250.762.9581

Ministry of Finance  
BC Provincial Government  
Victoria, BC

**Re: FIA AND CUIA Review**

To: Ministry of Finance

The review of the Financial Institutions Act and the Credit Union Incorporation Act is important to all the Credit Unions in the province, and we thank the Ministry for actions to date to solicit input through this Initial Public Consultation Paper and meetings with Credit Union Peer Groups. We understand that the responses to this initial paper will lead to further consultation based on the input received and we appreciate the opportunity for further dialogue of the issues and proposed changes.

Interior Savings Credit Union offers its members in the Thompson Okanagan region a network of 21 branches and 15 insurance offices. We are the only financial institution located in Barriere and Okanagan Falls and provide services in the larger centres of Kelowna and Kamloops, as well as Lillooet, Clearwater, Ashcroft, Chase, Merritt, Vernon, Oliver and Osoyoos. We strive to be an integral part of all the communities we serve and employ over 500 people, full and part-time, in our various locations. We are a Credit Union, not a bank.

As part of the Credit Unions of BC, we also support provincial initiatives and are proud of the role the Credit Union system takes in supporting each other and working together. In that regard, we have been part of the consultations which have been led by Central 1 Credit Union in developing a system response to the FIA and CUIA review. We are in support of the submission being made by Central 1 and while we consider all the items noted in that submission to be of importance to Interior Savings, there are several areas we would like to highlight:

**OVERALL FRAMEWORK ISSUES**

**Financial Consumer Protection**

As a community based organization, our brand is of great importance to us. It is important that credit unions be able to carry-forward that brand recognition as mergers and changing corporate structures are required or beneficial in meeting the needs of British Columbia consumers. We would like to see the

ability for trade names, rather than legal names, to be used on signs and advertising within the public domain.

### **Technological Change**

Individuals and businesses increasingly rely upon gathering/receiving information and transacting electronically. We would like to see those regulations which require paper based delivery of communication and signatures to be updated to accommodate technological advancements. This would include electronic delivery of AGM notices where an email address is provided and electronic email consent received.

### **Regulatory Powers and Guidelines**

We believe it is in the best interest of all stakeholders that regulatory requirements and administration be transparent. To this end, we support the premise that guidelines are just that, and that they not be treated as prescriptive. Also, regulatory expectations should be bound by the legislative requirements rather than “unwritten” rules.

## **CREDIT UNION SECTOR**

### **Deposit Insurance**

The Central 1 submission outlines a principles based approach to looking at any changes to the current deposit insurance coverage. It also outlines some of the concerns not often acknowledged, such as the de facto coverage of banks which are “too big to fail”, and the ability to keep various levels of public body’s money (municipalities, schools, regional districts, hospitals and the like) working within the province. We support the 5 principles noted and hope they will be applied in future deposit insurance discussions:

- 1) Maintain a competitive Credit Union System
- 2) Support provincial money staying in the province
- 3) Recognize the value of self-regulation of the system
- 4) Should be easily understandable to depositors
- 5) Transitions must be well thought out and very carefully managed Competitive systems

### **Credit Union Governance**

In many instances, Credit Unions have taken steps to improve governance structures and oversight prior to the introduction of the FICOM Governance guideline. As noted, the credit union sector is becoming increasingly complex and therefore, some changes to the regulatory framework are desirable. As a strong community player, we would like to see unincorporated associations, such as the local Toastmasters Club for instance, included as members. The current requirement for two or more individual members to sponsor the association is a requirement that banks don’t have, and given that associations often change board composition, the result is a great deal of added time-consuming process, often a deterrent, for those that would like to deal with us.

As a general comment, we would also like to see legislation that recognizes board oversight on internal policy, strategic direction and other matters and does not pass those responsibilities to the regulator.

### **Capital Requirements**

We acknowledge the importance of a strong capital position, and recognize the need for capital requirements to be legislated in our industry. We do ask that consideration be given to the nature of the Credit Union system, which has limited access to capital and which takes a collaborative approach to both capital and liquidity management, particularly in light of International Standards such as Basel III.

We also ask that the regulatory capital framework take in account the changing environment we are in. The financial services industry is facing a much larger range of competition and ways of doing business due in part to the fast pace of technology advancements. As such, how we deliver services to our members may look very different in a few years - the expectations of financial access and products being intertwined with other consumer actions continues to grow; therefore, as organizations we need flexibility in our corporate structures and investments to allow us to deliver on those expectations. What are considered ancillary services to our business may be quite different in the future. Capital requirements for potentially varied corporate structures and investments should be based on risk to the overall business rather than how they might stand on their own. This includes expansion into commercial and small business lending. A more level regulatory playing field for the various newcomers into pieces of the financial services industry should also be considered.

### **Responsibility and Regulation of Central Credit Unions**

The Credit Union system in BC is just that – a system. As stated, Stabilization Central and Central 1 are critical components of the system.

We support a more strongly mandated role for Stabilization Central as a self-regulatory organization. Early identification of risks and appropriate proactive guidance, addressing problems prior to regulatory intervention and examination, help make the system stronger and clarity in legislation of this important role is desirable.

## **INSURANCE SECTOR**

### **Insurance Retailing and Licensing Exemptions**

We believe the current exemptions are appropriate; however, as suggested, unlicensed or exempted sellers should be required to have a mandated level of product knowledge. If there are to be any changes in requirements, these should be tailored more to the training and educational requirements.

### **Regulation of Insurance Intermediaries**

The Insurance Council operates effectively on behalf of licensed brokers in BC. It is important that Insurance Council members have a good understanding of the issues. The current appeal process also works adequately. We support special brokers continuing to be under the umbrella of the Insurance Council.

**Rebating**

While there are arguments for and against rebating, we do not think it is required. As it stands, brokers have various discounts negotiated with the Insurance companies, so additional rebating is not necessary. We do support ongoing disclosure of referral payment.

Again, thank you for this opportunity for input. This response is sent on behalf of the Board of Directors and Management of Interior Savings. If you have any questions on particular comments, please do not hesitate to contact me directly.

Sincerely,

Kathy Conway, CEO

Interior Savings Credit Union