

Ontario Co-Op Association AGM

Briefing on Ontario GR Efforts of Credit Union Sector

Michael Ras, Director – Government & Stakeholder Relations –
Meridian Credit Union

October 15, 2019

Meridian™

A bit about me ...

- 20 + years in public affairs, government relations, strategic communication
- Mostly in agency settings (ie. hired gun/consultant)
 - Meridian is my first “corporate” role
- “Professor” in Government Relations program at Seneca College
- Before Meridian, I was Executive Director of The Federation of Ontario Law Associations (FOLA)
 - representing 12,000 lawyers in private practice across Ontario
- Political background (highlights):
 - Campaign manager and Chief of Staff to Frank Sheehan, MPP for Lincoln riding ('95-'97)
 - Campaign Manager for leadership campaign of Jim Flaherty in 2002
 - Director of Communications for leadership campaign of Christine Elliott in 2015
 - My wife, Karen Ras, is City & Regional Councilor for Ward 2 in Mississauga/Peel

My mandate at Meridian

- Advance the public policy and government-relations interests of Meridian and our Members
 - CUCPA modernization
 - Financial Services Regulatory Authority transition
 - Public policy initiatives of interest to Meridian in housing, health care, taxation, etc.
- “Stakeholder relations”
 - Liaison with Chambers of Commerce, ON Co-op, CCUA and other institutions that we have relationships with
 - Participate and support where I can ... “Be helpful”

CU Sector GR Agenda

1. CUCPA Modernization

- Act dates to 1994
- Outdated and not reflective of modern, dynamic financial services industry
- Pressure on Ontario sector from Federal Credit Union and Bank Act changes

2. DICO/FSCO to FSRA transition

- New regulator ... better regulator?

3. Capital Adequacy rules

- Imposition of “Basel III” rules on Ontario credit unions
- International requirement for us to hold more capital in reserve; direct threat to our ability to lend

CU Sector GR Agenda

4. Self-imposed Market Conduct Code
 - CU sector led market conduct regulation
 - Pre-empt regulation similar to what is being imposed on Banks
5. Housing & mortgage policy
 - We have an interest in policies impacting the supply and affordability of housing at all levels and types
 - National and provincial policies impacting mortgages are of profound interest to us
 - “B20” stress test, amortization, etc.
 - Mortgage innovations such as shared equity programs
6. General economic and social policy
 - The health of the economy; spending levels in the public sector; financial health of transfer partners ... these all affect Meridian’s bottom line – but more importantly, these affect the interests of our Members

CUCPA Modernization Campaign

Phase #1: Making the case for change

- Why do we need a new Act?
 - Cost of regulatory compliance/red tape
 - Competitive position against federally-regulated FI's
 - Future-proofing (our Act pre-dates the internet!)
 - Fair playing field – ready for the coming of “open banking” and fintechs
 - We need more than “language fixes” of “irritants”
- Tactics:
 - 1:1 with MPP's of all parties
 - Pre-budget submissions and testimony
 - We made the case for urgency ... “this needs to be done in 2019/20”
- Results:
 - April 2019 Budget Commitment to a “review” of the legislation

CUCPA Modernization Campaign

Phase #2: Consultation and getting specific

- Ministry of Finance Stakeholder Consultation released in June, due August 16th
 - Asked 41 open-ended questions on what sector wanted
 - In the midst of this, the Ontario Cabinet was shuffled.
- Two CU Sector Working Groups formed:
 - Steering Committee (met 5 times)
 - Drafting Committee (met 12 + times ... plus countless conference calls...)
- We presented a single submission on behalf of the entire sector August 16.
 - Endorsed by all Ontario CU's and Central 1
 - Important for us to be unified in our "ask"
 - To get a unified submission in, we needed to have a draft completed by mid-July and then get it out to the entire sector in July/August.
 - Credit to CCUA for marshalling this support
- Three "tri-partite" meetings held with MoF and FSRA in September and October to discuss the issues in greater depth

CUCPA Modernization Campaign

Phase #3: Legislation

- For now, we're staying close to the MoF as they undertake drafting
- Anticipate Cabinet deliberation of draft legislation in January/February; introduction to Legislature in March/April
- Legislative process will play out over the summer
- Proclamation of the Act will take place in late 2020 or 2021

In parallel to all of this ... Rules, Guidance and Regulation review

- Government has set a target of 25% reduction in "red-tape" and compliance cost
- Working with FSRA to inventory all inherited guidance and rules (at least 65 distinct items)

What we're looking for in a new Act

1. Move to a "principles-based" regulatory model
 - Defining "principles-based regulation" is a challenge
 - We're looking for a regulatory dividend that comes with a regulator/entity relationship that is more collaborative and much less prescriptive
2. Business, investment & subsidiary powers
 - Align with the Bank Act (plus)
 - To be clear, we don't want to be banks ... we just want to compete with them on a fair playing field
 - Investment powers that allow us to more easily invest in enterprises that allow us to fulfill our "social mandate"
 - Ease investment caps and restrictions

What we're looking for ... cont'd

3. Governance modernization

- Modernized governance structures that are rooted in cooperative and democratic principles
- Remove a lot of prescriptive rules from legislation and devolve them to "rules" and individual CU by-laws
- Flexible models to accommodate different ideas in the system
- Some interesting questions remain:
 - Can we do business with non-members (like other co-ops can)? What are the rights of these non-members?
 - How do we encourage the improvement of the competence and accountability of Boards?
 - Balance the rights of individual members with the need of large, sophisticated financial institutions.

What we're looking for ... cont'd

4. Capital adequacy
 - Set by FSRA rule, not legislation
 - Flexibility in what it counted as Tier 1 capital to accommodate for differences between credit unions and publicly traded banks
5. Market Conduct
 - Self-imposed Market Conduct Code
 - How will FSRA test/regulate against it? Will it have the force of law?
 - Do we need legislation for CU's that do not sign-on to the MCC?
6. Dispute resolution and ongoing regulatory modernization
 - Replace DICO Ombudsman?
 - Sunset the legislation/regulation?
 - Regulatory "sandboxes" or "greenhouses"?
 - Other ideas?
7. ... and dozens of other smaller issues ...

Questions?