



Submission to Finance Canada
For the Second Stage Consultation on
Federal Financial Sector Framework Review

September 26, 2017

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Synergy Credit Union is pleased to participate in the Department of Finance’s second stage consultation on its review of the federal financial sector framework.

Synergy Credit Union is a Saskatchewan based, provincially regulated, cooperative financial institution with assets of \$1.4 billion. Headquartered in Lloydminster, Saskatchewan, Synergy Credit Union serves over 29,000 member-owners from 10 communities in Saskatchewan’s northwest.

Synergy Credit Union Service Centre Location	Community Population (2016 Census)	Other financial institutions with local community presence
Lloydminster, SK	31,400	10
Kindersley, SK	4,571	4
Maidstone, SK	1,185	1
Lashburn, SK	983	0
St. Walburg, SK	689	0
Marshall, SK	561	0
Paradise Hill, SK	491	0
Neilburg, SK	379	0
Marsden, SK	297	0
Denzil, SK	143	0

Since our founding in the early 1940s, Synergy Credit Union has remained committed to our fundamental purpose of improving the economic prospects of our members and the communities we serve to ensure they remain viable and sustainable. We believe our role, as a credit union, is to encourage and help facilitate local community economic development by retaining locally produced capital and increasing the recirculation of money within our local economies in a responsible and prudent manner. We do this by offering our members access to traditional “banking” services such as taking deposits, providing loans, and facilitating clearing and settlement transactions through a variety of channels including: online banking, telephone banking, mobile banking, automated banking machines (ABMs), our traditional branch network, and our member call centre.

Our submission focuses on the Department of Finance’s consultation question about the *Bank Act* restrictions on the use of the terms “bank and banking” by non-banks and credit unions in particular.

Synergy Credit Union is supportive of the Minister of Finance’s proposal to review the *Bank Act* restrictions around the use of the terms “bank,” “banker” and “banking”. We believe credit unions should be able to use the terms “bank” and “banking” to describe their activities and services. Section 983(2) of the *Bank Act* restricts the use of the terms “bank”, “banking” or “banker” by non-bank entities like credit unions. The policy goal is to prevent people from being misled into thinking they are dealing with a bank. Credit unions have used these terms for years without incident. That’s because credit unions have used the terms the same way Canadians do – to describe the kinds of activities that take place between members and their credit union. Until very recently, OSFI had effectively interpreted the Act in this common-sense way, using judgment and discretion in its enforcement efforts.

Our members, like most Canadians, use the common “bank” and “banking” terminology to describe their dealings with us as their provider of financial services and we need to speak to them in common language that is meaningful to them. We do not represent ourselves to our members or the public as a bank – Synergy Credit Union has always featured the words “Credit Union” as well as the international “Hands and Globe” credit union logo prominently. We do however use terms like online banking, telephone banking, mobile banking, and business banking to describe the services we offer. These common language banking terms are prevalent on our website, mobile apps, and are contained within the terms and conditions of our agreements, applications, and forms.

We are proud of being a credit union, our local cooperative roots, and we actively promote the credit union difference to our members. Our credit union is embedded within the social fabric of our communities. We are considered a top employer within our 10 communities. Our 230 employees volunteered over 14,000 hours in support of local community initiatives in 2016, and Synergy Credit Union has committed more than \$500,000 in donations to help fund local community infrastructure projects in the past year (5% of our pre-tax income). We are proud of our 75-year history of supporting members, their local business activities, and delivering positive economic contributions to our communities, which help channel long-term growth and development in ways that benefit the social and economic welfare of our local residents.

Synergy Credit Union Membership and Loan Breakdown	Consumer Members	Commercial Members	Agricultural Members
Total Members	25,125	3,579	572
Total Loans	19,571	2,230	1,743
Total Loan Portfolio	\$789 million	\$225 million	\$120 million
Average Mortgage Loan	\$114,000	\$325,000	\$90,000
Average Non-Mortgage Loan	\$11,000	\$45,000	\$41,000
Average Loan Exposure	\$41,000	\$101,000	\$69,000

We have been effective stewards of the deposits our members have entrusted with us. We have never suffered an operating loss in our 75-year history. We have maintained a stable leverage capital ratio averaging 9.0% for the past three decades; our risk-weighted capital through Basel II and III has averaged 15.4% and has never dropped below 13.6%. We share up to 20% of our pre-tax profits with our members in the form of patronage allocations, 10% of our pre-tax profits with our employees, and have a solid reputation of being generous with our community support initiatives. To us, this is the epitome of the credit union difference, and what our members appreciate about dealing with a local cooperative.

Credit unions are fundamentally different than banks but we need to use common-sense language to explain the services we offer. Credit unions have used the terms for years without incident. A return to interpreting the *Bank Act* in this common sense way, using judgement and discretion in the enforcement of the act, is welcomed by Synergy Credit Union.

A ban on common banking terms would disadvantage credit unions ability to compete with banks. Banking terms are words that Canadians use and understand to describe their dealings with a deposit-taking institution like a bank or a credit union. Credit unions need to speak in language Canadians use and understand in order to compete with other financial service providers.

Recommendation:

We recommend the Department of Finance propose changes to the Bank Act to allow credit unions, as prudentially regulated deposit-taking institutions, to use the terms “bank” and “banking” to describe their activities and services.

Thank you for considering this submission. We welcome the opportunity to work with you.

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