

Making Headway

Reporting on the Financial and Consumer Services Commission's Fullsail Capital Markets Initiative



Modernizing New Brunswick's Credit Unions and Coops



FINANCIAL AND
CONSUMER SERVICES
COMMISSION

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Editor's Note: Helping Credit Unions and Cooperatives adapt to changing times

I am excited to be introducing this edition of Making Headway. As the Director of Financial Institutions for FCNB, my day-to-day activities include working with both New Brunswick Credit Unions and Cooperatives. Over the past few years, we have been actively communicating with stakeholders in these industries to determine what issues they are facing. We have been working to put in place regulatory changes to help these industries balance their regulatory requirements with both consumer protection and the fostering of New Brunswick's capital markets. One of the changes that we understood was needed was an update to the acts which govern these sectors.

With new technologies, changing consumer demands and increased competition in the marketplace we needed to modernize our legislation to help both Credit Unions and Cooperatives respond and remain competitive. In spring 2019 a new, modernized *Cooperatives Act* and a new, modernized *Credit Unions Act* were introduced in the legislature. These updated acts are something we, at FCNB, have been working on for a long time. Following the introduction of the acts, we developed and published for comment the rules which are required to support the new legislation. Our goal is to have these acts and their rules all in force in early 2020.

Credit Unions and Cooperatives bring a lot of economic prosperity to our province and we are pleased that we now have updated acts to assist these sectors to grow and adapt to changing times. Over the next few pages, you can learn more about the changes to these acts; read interviews with the NBTA Credit Union and Bayview Credit Union; and hear about the expectations of consumers in the digital age from the perspective of the President and CEO of Atlantic Central.

I hope you enjoy this edition as much as we enjoyed preparing it for you.

ÉTIENNE LEBOEUF, DIRECTOR FINANCIAL INSTITUTIONS,
DESIGNATE SUPERINTENDENT OF CREDIT UNIONS,
DESIGNATE INSPECTOR OF COOPERATIVES



WE WANT TO HEAR FROM YOU

Tell us what you'd like to read in the next edition of Making Headway. You can submit your story or send us an email telling us about something great that is happening in New Brunswick's capital markets.

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Credit Unions – Modernized Legislation



The world in which we operate is constantly evolving, and with that evolution, regulators need to be on top of how those changes can impact the industries in which they operate. Over the past several years, FCNB staff have been working diligently to bring forward some legislative changes to the credit union world that will help modernize our regulatory framework. These changes were made even more necessary with the transfer of the *caisses populaires* system to federal jurisdiction in 2016.

The world in which credit unions operate has changed since the former legislation was drafted in 1992 and, in response to that ever-changing world, a new and modern *Credit Unions Act* (the *Act*) was assented to on June 14, 2019. This is good news for the industry as it will assist credit unions in their competitiveness and long-term sustainability.

FCNB is the statutory regulator and oversees the credit union system. FCNB has engaged with the relevant stakeholders for feedback on the restructuring changes. Some of the changes are:

- Consolidating oversight responsibilities from three entities into a single entity;
- Consolidating the stabilization fund and the deposit insurance fund into one deposit protection fund which will be the highest in Canada in relation to credit unions' assets;
- Streamlining the board of directors from three to one common board of directors;
- Modernizing the *Act* with respect to technology, the protection of personal information, credit unions' governance and other matters raised by credit unions, which will allow credit unions to be more competitive in today's business environment.

The consolidation of the regulatory functions and deposit protection funds provides integrated oversight of the credit union system, of systemic risks and to the sufficiency of the deposit protection fund, all of which contribute to enhancing consumer protection. The streamlining of the regulatory framework to reduce costs, but not oversight, will assist provincially regulated credit unions in becoming more competitive, sustainable and in a better position to support their membership.

This is positive news for consumers in New Brunswick and for our credit union system. These changes will help ensure that our credit unions are well positioned to respond in our increasingly interconnected world. These changes are expected to come into force on January 1, 2020.

Cooperatives Act Changes



The needs of the cooperative community have certainly evolved over time and we in the financial and regulatory world recognized the need for change in the regulatory framework. The cooperative community has been providing input to FCNB as we work to modernize the legislative framework to provide the types of changes that will help this community for years to come. On June 14, 2019, a new *Cooperatives Act* received Royal Assent. This new *Act* is not yet in force as we work toward necessary rules to accompany it. This is positive news for cooperatives in the province and is something that we've been working on for quite some time.

Coops are significant contributors to our provincial economy with millions in annual revenues and assets. The innovation and creativity coming from this sector is fascinating. In addition to operating in traditional industries such as food, agriculture, fishery, and forestry, coops are also involved in health, education, the arts, housing, financing, organic food products, films, radio, the advancement of aboriginal women, environmental services, renewable energy, windfarms, heavy equipment, recycling, funeral homes, special needs, daycares, sports and seniors' clubs.

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The Cooperative Enterprise Council’s Executive Director Wendy Keats says the *Act* “makes a world of difference for cooperatives across the province and opens up a whole new range of opportunities for groups to form worker coops, housing coops, multi-stakeholder coops and more. Among other things, the new *Act* allows for different levels of coop membership. This will make it easier for people to invest in cooperatives while at the same time ensuring that the coop principle of ‘members, not money’ will continue to drive decisions.”

This new legislation will foster the innovation and creativity of cooperatives. Some of the features of the new *Act* are as follows:

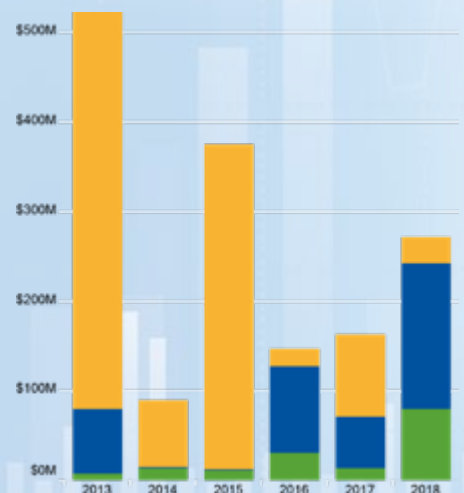
- Allow cooperatives to issue investment shares in addition to membership shares. This will enhance capitalization opportunities and promote the growth of cooperatives, translating in better or new services and jobs.
- Support electronic meetings and filings, allowing cooperatives to enhance their processes. Cooperatives will also be able to achieve greater diversity on their boards as they will have the option of including a minority of non-member directors with specialized skills.
- Provide specific provisions that will help address the needs of different types of cooperative models such as continuing housing cooperatives and worker cooperatives.

FCNB has the mandate to help protect New Brunswick consumers and investors, and to help foster fair and efficient capital markets. This new legislation will help us continue to meet our mandate, while allowing cooperatives to continue to build their membership and bring leading edge ideas and opportunities to our communities. The *Cooperatives Act* is expected to go into force in early 2020.

Understanding New Brunswick’s Capital Markets with the Click of a Mouse

We have a free, interactive tool that allows you to explore the capital market transactions in NB over the past six years. It’s searchable and customizable – click on over to experience it yourself.

Explore it: fcnb.ca/capital-markets-interactive-tool.html



Meeting the expectations of the new digital consumer

Submitted by Michael Leonard, President and CEO of Atlantic Central



When you win the Ipsos best banking award for customer service 14 years in a row, you know you're doing something right. That's where credit unions find ourselves in 2019. However, now is not the time to take that loyalty for granted. Consumer needs and expectations are moving increasingly towards accessing banking services through digital channels and credit unions are responding. How do we keep pace with the new digital consumer - those who want access to what they want, when and wherever they want it? We do it by working together.

While credit unions are local financial institutions owned by members and governed in your communities, they are also part of a larger network that extends across the country. Credit unions and caisses populaires are a significant force in the Canadian economy, with total combined assets of more than \$600 Billion. Collectively, we have the scale to invest in the products and services our members need and expect, while the decision-making process keeps the good of our collective membership at its centre. This means we can serve our communities, and our members, more effectively.

Today, using our online banking products, members can move their money seamlessly. Online bill payments? Got it. E-transfers? Got it. Deposit a cheque using your smart phone? We were the first to have that. We also have one of the largest surcharge-free ATM networks in Canada with 3,700 locations across the country. This is a good start, and we're building on it. Credit unions in Atlantic Canada are in the midst of launching new innovative products including online account opening and lending solutions, new payment cards and, coming in 2020, Apple and Google Pay.

Even though technology is constantly changing, the one thing that won't change at your credit union is our focus. We are always 100 per cent focused on meeting our members' needs. If you are a credit union member, you are a shareholder. Credit unions are not accountable to some other external shareholder. We are accountable to you - our members.

Michael Leonard is the President and CEO of Atlantic Central, the central bank and trade association for credit unions in Atlantic Canada.

Lisa Loughery on staying relevant in finance

For the CEO of the Bayview Credit Union in Saint John, being competitive in the financial services industry is about staying relevant to your members – and building a close relationship. We spoke with Lisa Loughery, CEO of the Bayview Credit Union, to get her thoughts on the future of credit unions.

“We believe in a service to sales approach, rather than sales to service,” said Lisa Loughery. “This means we treat each member as an individual and are focused on solving financial problems that our members have rather than being focused on only a sale. If we offer the proper advice and have our members’ best interests at heart, the sales will follow.”

This focus on members – along with advances in technology that make working with a credit union more accessible – is key to staying relevant, Loughery said.

“Change is always happening in the financial services industry to stay relevant and give members what they want and need,” Loughery continued. “Over the last five years we’ve incorporated new technology that benefits our members, including mobile banking, Lock & Block technology on our debit cards and online robo-advisors for tech-savvy investors.”

Another key to staying competitive is to offer something that sets them apart from other financial institutions and service providers – and here Loughery points to the ability for a credit union to engage its members in ways that impact them directly.

“Everyone who has an account at the credit union is a member, which makes them a part-owner. As a member owner,

everyone has a vote to elect the board of directors regardless of how much they’ve invested.”

This input extends to credit union employees as well.

“As employees, we are owners of our company. When you are an owner you conduct yourself differently,” Loughery explained. “It is our collective money we are lending out and each of us has a vested interest in the financial health of where we work.”

When asked about the future of credit unions, Loughery expects more changes.

“I see credit unions interacting more and more collaboratively in the future. It is essential for sustainability,” she finished. “Each of us is a small to medium sized business, so working together will make it possible to take on exciting new initiatives.”



Competing with large financial institutions: Margery Nichol on running the NBTA Credit Union

Running a small-sized credit union in a landscape of large financial institutions is no easy task. However, Margery Nichol, General Manager at the New Brunswick Teachers' Association (NBTA) Credit Union, believes that knowing who their clients are gives this credit union an edge.

"We opened the credit union in 1971, during a time when credit unions were started by groups who represented their local industries," Nichol says. "When we decided to open to the general public in 2010, people didn't know where or who we were so we have had to work hard to grow our Credit Union. Even today, our clients are ninety per cent educators."

To say they've had their challenges is an understatement, but Nichol stresses that they do have a lot of things going for them. Chiefly among them is the organizational culture, and focus on their members.

"There's so much competition - I think you have to pick one thing to focus on and identify with it," Nichol says. "That's why our board of directors is very active. They have a keen interest on having and keeping the best people and treating them well."

Nichol says this approach pays off when times are tough.

"There were a couple of years where it was tough to make any money, as some of our members were struggling through bankruptcies," she explains. "It doesn't take long for these situations to have a strong impact on our bottom line, so having good people focusing on our customer and organizational needs is what helped keep us going."

"Our staff understands what our customers and communities need. This is where giving back to the community plays a role," Nichol continues. "One of the ways we do that is by sponsoring charitable organizations such as the Stan Cassidy Foundation. We also have a long history of giving out patronage rebates to our clients."

When asked about her thoughts on the future of credit unions, Nichol echoed the sentiment that is felt by many in the industry.

"In the long term, I can see credit unions working more closely together and perhaps some mergers in New Brunswick," says Nichol. "In the culture of credit unions, there's a lot of willingness to do things as a group and collaborate."

