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January 24, 2020

Standing Committee on Finance and Economic Affairs
Room B-304 Whitney Block
Queen's Park
Toronto, ON
M7A 1A2

Attention:

Amarjot Sandhu, MPP Brampton West, Committee Chair

Julia Douglas, Clerk

Dear Mr. Sandhu and Members of the Standing Committee on Finance and Economic Affairs

Re: Pre-Budget Submission 2020

Thank you for taking the time to review this pre-budget submission for consideration by the Standing Committee on Finance and Economic Affairs.

Concentra Bank hopes to provide assistance to the Ontario government in its efforts to modernize the Credit Union and Caisses Populaires Act, 1994. We believe we are uniquely qualified to offer useful insights that can help grow the credit union sector in Ontario.

Credit unions are the only true alternative Canadians have to banks. Community-based and locally operated, credit unions provide many if not all of the same services you can find at the largest financial institutions—even though they often do not have the systems or size to fully develop those services.

The way credit unions do this is through financial services partners providing back-end services so the credit unions have the front-of-house ability to deliver for their members. That is where Concentra comes in.

In many cases, credit unions lack the size, sophistication or regulatory ability to have those products and services. Concentra was developed in 2005 to provide those services to credit unions across Canada.

At first Concentra was regulated under the *Cooperative Credit Association Act (CCAA)* as Canada's only federally regulated financial co-operative retail association. This allowed Concentra to work across the country.

On January 1, 2017, Concentra became the only Schedule 1 bank with the focus of providing services to Canada's credit union system. Concentra provides services to 95 per cent of Canadian credit unions with a goal of providing services to all of them.

Concentra is the primary provider of wholesale financial services to credit unions throughout the country, including here in Ontario. These solutions include residential mortgages, cash management, securitization, loan syndication, commercial lending, strategic financial management and many other services credit unions lack the complexity to deliver on their own.

On November 6, 2019, Finance Minister Rod Phillips announced the modernization of the *Credit Union and Caisses Populaires Act*, 1994. Our credit union partners have achieved great regulatory advancements during the past few years but a modernization of the legislation is long overdue.

Credit unions have identified specific areas around business powers, consumer protection and capital management that need to be addressed through the modernization. However, some decisions previous governments have made were done without understanding of the broader implications and feasibility of the changes.

For example, on January 1, 2018 the previous government made a regulatory change to allow credit unions in Ontario to take part in loan syndications across Canada. While the announcement was hailed as a win by the credit union system hoping to diversify their business models, barriers were immediately put in place by the provincial regulator to prevent credit unions from entering into loan syndications not lead by other credit unions.

The impact of this decision was that organizations like Concentra were shut out of working with their credit union partners. Thankfully, in December 2018, credit unions and Concentra, working with then Finance Minister Vic Fedeli, were able to revise the regulatory change and once again credit unions and Concentra were able to partner on loan syndications.

The issue could have been avoided via a closer working relationship with the Ontario Government and credit union stakeholders.

Another major area credit unions—and all financial institutions—are concerned with is attracting deposits. A key source of deposits is the MUSH sector: municipalities, universities, schools and hospitals.

Presently it is estimated Canada's largest banks hold 96 per cent of deposits in Ontario and a major source of those deposits is the MUSH sector. Credit unions face difficulties accessing the MUSH sector due to requirements placed on deposit-taking institutions by the individual entities.

Once again, past provincial governments have tried to remedy this through regulatory or legislative changes. However, these changes do not impact individual entities'—municipalities, for example—own requirements.

As such, the changes made by the previous government had little impact in helping credit unions access these valuable deposits. The issue is most MUSH sector entities need deposit-taking institutions to have a bond rating, something credit unions do not have.

Concentra possesses the necessary requirements to allow MUSH-sector entities to place deposits with our institutions. This is but one tool we can offer to credit unions to help them attract needed deposits.

Earlier this week during the Rural Ontario Municipality Association Annual General Meeting in Toronto, concerns were raised by communities losing their financial institutions. Credit unions were again identified as an option.

Like any business, credit unions must have a business case for their decisions. One area to make that business case would be access to MUSH-sector accounts and deposits.

This kind of problem is why Concentra was created—to help credit unions gain access to markets and services their size or structure shuts them out of. As the province looks at ways to address these issues, Concentra wants to use its expertise to help design any needed regulatory or legislative tools to assist communities, credit unions and the government. The goal is to have strong credit unions be able to continue to provide services for Ontarians.

We do not have a specific request of the budget other than to be part of the solutions it hopes to deliver. As Ontario undertakes the modernization of credit union rules to help grow the sector to serve even more communities, Concentra wants to lend a hand.

Our experience, background and deep ties with the co-operative and credit union sector make Concentra a valuable resource to help credit unions prosper.

In working with the Ministry of Finance on the modernization of credit union rules and regulations, we hope to identify other areas where we can work with Ontario and the Ontario credit union system to ensure community-based financial services are in place for Ontarians.

Yours truly,

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