House of Commons
Chambre des communes
Canada

House of Commons Standing Committee on Finance – Pre-budget Consultations 2013

This brief is submitted by:

(•) **an organization** **Organization name:** Credit Union Central of Canada ("CUCC")

or

( ) **an individual** **Name:** _____

Topic: Business taxation and regulatory issues

*Recommendation 1: Please provide a short summary of your recommendation.

CUCC recommends that the Government rigorously and consistently apply its "small business lens" when devising financial institution regulations. All new regulations should be subject to the Red Tape Reduction Action Plan's 20-point checklist assessment and where the regulatory burden is viewed to have a disproportionate impact on financial businesses with fewer than 100 employees regulators should be required to consider alternative approaches. We specifically request that this assessment be applied to AML regulations and the proposed FATCA Inter-Governmental Agreement.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

other: please provide your estimated amount None

Please select from the drop down menu

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

There is no cost to governments.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

Credit unions face a proportionately higher regulatory burden when compared to big banks and other large corporations. This is because financial institution regulations have been developed and applied in the same manner for large financial institutions as they are for small institutions, resulting in higher relative compliance costs for credit unions. Our recommendation supports the Committee's policy objectives by strengthening the ability of credit unions to become more competitive and as a result ensure the prosperity of rural and urban communities.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

There are 339 credit unions in Canada outside of Quebec operating a branch network with over 1,700 locations. These branches serve more than 5 million members and directly employ 21,000 people. Credit unions service small communities and operate branches in more than 380 Canadian communities where they are the only bricks-and-mortar financial institution. In 2010, credit unions contributed more than $37.7 million to their communities. Reducing regulatory burden supports a competitive financial services market for all Canadians.

Topic: Agriculture, food and fisheries

Recommendation 2: Please provide a short summary of your recommendation.

CUCC recommends that the Government amend Farm Credit Canada's governing legislation to require it to operate in a manner that complements – rather than competes with – the activities of private sector lenders. The federal government should issue a Ministerial guidance directing FCC to make closer co-operation with the credit union system a priority and an initiative to be included in FCC's corporate planning efforts.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

other: please provide your estimated amount None

Please select from the drop down menu

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

There is no cost to governments.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

Unlike other Crown corporations, FCC's legislation does not require it to operate in a manner that complements the lending activities of private sector financial institutions. FCC also enjoys structural advantages over private sector lenders, including light regulatory requirements, non-taxable status and access to low cost funds. Since 1993, these advantages have helped FCC double its share of the agriculture finance market (outside of Quebec) to 31 per cent. FCC activities should complement those of private sector lenders to ensure competition and proper service to rural communities.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

If present trends continue, FCC could hold half of all Canadian agricultural lending by 2021 and Canadians may witness the erosion of credit union presence in rural Canada.
Credit unions recognize FCC is a very important support to rural Canada. In line with that view, credit unions are looking at ways to collaborate with FCC to better serve their members and rural Canada. Credit unions believe that such collaboration would be even more effective if the activities of FCC were required to complement those of private sector lenders.

Topic: Please select from the pull-down menu

Recommendation 3: Please provide a short summary of your recommendation.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

Please select from the drop down menu

Please select from the drop down menu

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Please use this page if you wish to provide more explanation about your recommendation(s).

As the Finance Committee is well aware, CUCC, on behalf of the Canadian credit union system, opposed an income tax increase on credit unions that was announced in the 2013 federal budget. Since this legislation has been enacted and is now in place, we have chosen not to make further comment about it in this submission. We nevertheless feel strongly that the Income Tax Act, in light of the tax increase on credit unions, does not give fair recognition to the distinctive nature of credit unions as co-operative financial institutions and the manner in which co-operative credit unions build capital from retained earnings. The tax increase limits the ability of credit unions to serve their members and communities and to grow and compete against the large commercial banks. We may have more to say about the Income Tax Act at a later date

*Please note that at least one recommendation must be provided