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Financial Services Regulatory Authority  
25 Sheppard Avenue West, Suite 100  
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**RE: Libro Credit Union Response on Proposed Business and Investment Activities Guidance #2022-004.**

To the Reader(s),

[Libro Credit Union](#) (Libro) is pleased to provide our response to FSRA consultation #2022-004 *Consultation on proposed Business and Investment Activities Guidance*. We appreciate FSRA's principles-based approach in how it will review, assess, and respond to future transaction applications noted within the guidance.

Below are comments and feedback that we believe can support and enhance the clarity and considerations within the note. We would be happy to provide additional comment or feedback on any items shared.

### **Burden and Inefficiencies Reductions and Considerations**

#### Associated Approvals

The supervisory note mentions that there may be more than one approval required for a particular transaction or business case and that FSRA would work through an "Associated Approvals" approach. Such a process feels inefficient and laden with burden towards the principles of certainty, competitive/innovation, and practicality over form. Siloed reviews and analysis will likely create additional challenges and administrative work for both parties and presents risk towards approval speed and service standards. We believe that applications should be reviewed holistically and approvals to be reviewed as one complete application. This presents the most effective process for review and will ensure that discussions and analysis are harmonized and integrated as intended within the singular business case that is presented. We ask that FSRA reconsider functionality of an associated approvals approach.

#### Service Standards

We appreciate and are comfortable with FSRA's commitment to a two-day service standard for acknowledging receipt of requests. Our concerns rest with FSRA's 30-day standard service clause and its relation to this supervisory note. If we parcel out decisions through Associated Approvals, we could run into issues where multiple facets of an application are not aligned in approval/service standard dates creating confusion, lag time, and additional burden. Speed of approval is critical to supporting

innovation and business/investment activities where delays in decision making may have potentially major consequences on growth and resiliency. We worry that each time a new request or question from FSRA occurs it will bring with it a refreshed 30-day timeline for a final decision date (per service standard rules). We trust that FSRA will work quickly on making decisions within the first 30-day service standard timeframe, and not utilize additional multiple 30-day service standard timeframes prolonging the review and decision-making process. Every day that an application is spent within the review cycle, becomes a day that the opportunity potentially leaves the credit union.

We recognize that FSRA needs to support internal due diligence. Our question is to seek a more proportionate and rapid way to respond to less material and less complex applications. For larger and more complex transactions we hope that robust early discussions would ensure that we avoid additional review cycle time beyond the first 30-day cycle. We believe we can get there and look forward to working with FSRA on this.

### Compliance with CUCPA 2020

FSRA notes that there is a requirement within applications to highlight and provide details regarding the legal requirements of the request and its alignment within the CUCPA 2020. This action will likely require credit unions to seek legal opinion for all transactions and applications, which is something we seek to avoid for simple and less complex applications. This requirement will increase burden and cost for credit unions and pushes back on proportionality considerations for less complex application. We trust that in a simple transaction or business case no legal opinion is necessary to outline every principle and alignment to the CUCPA 2020 and its regulations. Additionally, it is our hope that discussions of this nature can be achieved early within the process through a principles-based conversation, additionally FSRA internal legal reviews may suffice in generating any concerns that pushback on CUCPA 2020. We ask that language changes be considered here to support greater proportionality when it comes to potential legal requirements in relation to CUCPA compliance outlines within applications.

### **Application Assessment Criteria Feedback**

#### Criteria 5 and 6

It is our view that criteria point 5 and 6 are one in the same and could be reduced to a singular comment that encompasses a robust risk-based analysis and review within the application.

#### Criteria 7

Clarity around the relationship and alignment of criteria point 7 and the Risk Based Supervisory Framework would be helpful. We trust that FSRA will take a balanced and proportionate approach when considering initial RBSF scores for meeting purposes of this criterion, as both items will be in their infancy. This ensures no disadvantage as we iterate within the RBSF model over time.

#### Criteria 9

During the Prudential TAC call it was clarified that criteria point 9 does not necessarily mean no findings or concern within a regular examination. Clarity or rewording of this point to include this would be helpful for individual credit union awareness.

## **Due Diligence and Assurance**

In the consultation document, FSRA notes that in assessing the application it will rely on “representations made by the credit union” and will “seek assurance that the appropriate levels of analysis and due diligence have been conducted”. Third-party legal opinion is provided as an example of assurance that could be sought. Since this may represent an additional cost to the credit union, additional clarity on what other ‘assurances’ FSRA is looking for should be provided early on to avoid delayed decision making and to understand all potential upfront costs for an application. As we navigate early applications and FSRA expectations the note may need to adjust, which we believe is ok. This should be a proactive iterative process to better support both parties within the building of a business case, and FSRA within their role of reviewing.

## **Application Guide**

Having flexibility in how a business case is submitted is a principled approach and we appreciate the consideration. However, it is concerning to note that we are consulting on guidance that is not fully laid out due to a forthcoming application guidance, that will include further processes and details. It creates difficulty in assessing all details and requirements of an individual credit union when requesting approval from FSRA. We trust that FSRA will provide the sector with an opportunity to comment publicly on the additional application guide and be open to adjustment of both the application guide and the supervisory note itself (if needed).

## **Dispute Resolution**

Within any process a disagreement may arise over a decision, request for information, or general issue within an application. Having an independent dispute resolution process established within, and through, the supervisory note would be helpful in our opinion. This would allow credit unions an option to appeal decisions. We would be open to FSRA suggestions on dispute resolution models that align to the guidance principles and would be suitable to both parties.

## **Regulatory Sandbox Opportunities**

For applications that do not get approval but may still have validity and merit within a testing environment, considerations from FSRA around shifting them to a regulatory sandbox discussion should be available. The benefit to potentially connecting the guidance note to the regulatory sandbox is that great ideas can live on and be considered through a new lens and environment. This will help spur continued innovation culture and growth opportunities for our members. This would be separate from the supervisory note but could be noted as a potential opportunity for FSRA to identify and share with the sector.

## **Publication of Approval Decisions**

We appreciate that FSRA will work within the principle of transparency to develop criteria for publicly sharing approval decisions. We believe this can be a simple and effective tool to highlight innovation within the sector, and to better help support credit unions with understanding around what FSRA would seek within a strong business case. Certainly patents, confidentiality, and trade secrets may need to be considered when sharing such decisions publicly. We look forward to consulting on this as outlined within the note.

## Conclusion

We look forward to seeing enhancements and adjustments to the supervisory note and comments that will help support our sector feedback. We are pleased that FSRA chose this guidance early within the review process, as it will help ensure the sector is prepared to grow and support our members with new and innovative business lines, investments, innovations, and opportunities.

If we can support our feedback and comments further, please do not hesitate to connect.

Sincerely,

A handwritten signature in black ink, appearing to be 'S. Bolton', with a stylized flourish at the end.

Stephen Bolton  
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Libro Credit Union  
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