

Finance Committee Hearings on Bill C-37 - Issues of Interest for Credit Unions

The House of Commons Standing Committee on Finance began its study of **Bill C-37, An Act to amend the law governing financial institutions and to provide for related and consequential matters** on February 15 hearing from Finance Minister Jim Flaherty and senior officials in the Department of Finance. On the same day, Canadian Bankers' Association appeared before the Committee.

On February 19, Credit Union Central of Canada represented by President and CEO, David Phillips, appeared before the Committee to communicate the credit union system's views on the Bill. The following groups also appeared before the Committee that day: Canadian Life and Health Insurance Association, Genworth Financial, Public Interest Advocacy Centre and Canadian Community Reinvestment Coalition, Canadian Payments' Association, OSFI, Canadian Association of Mutual Insurance Companies, and Financial Consumer Agency of Canada.

Mr. Phillips opening remarks conveyed the credit union system's general support for the legislation and proposed amendments to the *Co-operative Credit Associations Act*. In particular, he stated that "amendments [in the bill] will make incorporation under the Act more of an option for credit union organizations interested in acquiring a federal corporate charter."

Mr. Phillips did note that there are some elements of the Act that could be improved and that are not addressed in Bill C-37, including restrictions on commercial lending powers for federal associations. On these points, Canadian Central will continue to work with the government to improve the Act.

There were issue areas raised frequently by MPs on the Committee that may be of interest to credit unions, including:

- **ATM fees:** MPs from all parties questioned why financial institutions are charging these fees when they do not exist in some other countries and given that increased electronic transactions should reduce costs for financial institutions. Also, some MPs found it perplexing that some credit unions are able to offer access to a surcharge free network while the banks do not. The Committee passed a motion on February 22 to hold separate hearings on ATM fees, likely to begin at the end of March.
- **Reduction of cheque hold periods:** MPs wondered why hold periods cannot be reduced to less than the four day period contemplated after the implementation of TECP.
- **Development of legislation or a code of practice governing all electronic payment methods:** In particular, MPs indicated concern about the lag time between an electronic withdrawal from an account for purposes of bill payment and the final posting of a payment. In response, the CPA indicated that it is intending to issue a consultation paper in the near term that will seek stakeholder feedback on this issue.
- **Adjustments to mortgage insurance to raise Loan-to-Value ratio from 75%-80%:** MPs questioned Genworth Financial as to whether the change in mortgage insurance requirements will still leave many homebuyers paying premiums that are not necessary given the low risk of default they represent.

There were several questions directed to Mr. Phillips about credit unions. Committee members were interested in how the reduction of the number of incorporators required to form a retail association will assist the credit union system in restructuring and becoming more competitive.

The committee has completed its clause-by-clause review of the Bill and reported it back to the House with few amendments. Canadian Central expects the Bill will be studied by the Senate Banking, Trade and Commerce Committee sometime in the next few weeks and Canadian Central will arrange an appearance before the Committee in due course.

A full copy of Canadian Central's submission to the Finance Committee may be viewed at:

http://www.cucentral.ca/BillC37_feb07

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