

Brief from the Desjardins Group

2014 Pre-budget Consultations

House of Commons Standing Committee on Finance

July 29, 2014

Desjardins

Cooperating in Building the Future

Summary

As part of the 2014 pre-budget consultations of the House of Commons Standing Committee on Finance, the Desjardins Group is happy to discuss with the Committee members certain elements which should be considered by the government.

As was the case in previous years, the Desjardins Group believes that a return to a balanced budget for 2015 continues to be an unavoidable objective which must be maintained. However, the government must ensure that it is achieved without halting certain essential investments that are necessary to the vitality of the entire Canadian economy, like investments in infrastructure. To that end, federal transfers and collaboration with the different levels of government should be maintained to ensure we have infrastructures that meet the communities' needs and that support economic development.

Finally, to promote the competitiveness and stability of the financial sector, the contribution of financial cooperatives and the part they play in consumer education and diversification of the Canadian economy must be recognized and reflected accordingly in the regulations that govern their activities.

Infrastructures

There are aging infrastructures all over the country that are in need of renovation. This type of investment will put cities and provinces in a position to be able to meet Canada's economic needs. The longer it is put off, the higher the costs will mount. In allocating major funding to infrastructure renewal, the government has demonstrated that it is realistic. It must continue in this direction, while staying on course for a balanced budget.

To achieve this, collaboration with all the levels of government is essential. In that way the needs of each can be clearly understood and decisions made that are more reasonable and profitable over the long term so that the provinces and municipalities can have quality infrastructures at their disposal that contribute to the economic health of the country. Therefore we strongly encourage the government to continue its Building Canada plan in concert with all the levels of government and to maintain its provincial transfers, so that the specific needs of each can be met and the prosperity of all facilitated.

Education and training

The Desjardins Group applauds the government's initiative of placing renewed emphasis on consumer protection. This is reflected in particular in a consumer protection code, a code of conduct for the credit and debit card industry, and more generally in the issue of financial literacy. In this context, the Desjardins Group insists that it is vital that all such initiatives be appropriately coordinated with those already in place in the provincial governments.

On the issue of financial literacy more specifically, the Desjardins Group urges the government to continue with its consultations, in which the financial cooperatives are enthusiastically participating. The Desjardins Group has great expertise and interest in this area because of its cooperative nature, its close relationship with its members, and the fact that membership education is part of its mission. That is why we feel that the Desjardins Group has an important role to play, and why we want to continue our involvement in developing the government's strategy. Finally, for reasons of effectiveness and competitive fairness, we consider it essential for the government to adopt standards that harmonize with the provincial standards to which financial cooperatives are already subject.

Recognition of financial cooperatives

In its 2014 economic action plan, the government cited its intention to take account of the specific needs of smaller financial institutions in the context of its regulatory framework. This openness is certainly welcome.

Beyond this approach based on the size of institutions, we encourage the government to add a new dimension and target the cooperative institutions. Although the services they offer are generally comparable, financial cooperatives differ from traditional banks by virtue of their mission and their democratic structure. Because of this special relationship with their members, one can say that, in addition to contributing to the Canadian financial system, they certainly represent an additional vector of economic stability. Remember that their mode of operation makes them accountable to their members, who are the users, and not to shareholders whose interest is generally confined to the return on their investment. Because of the cooperative paradigm, emphasis is placed primarily on service and not on performance, and cooperatives have deep roots in the communities they serve, where they play a vital role. Without this type of institution, the financial sector would be less competitive and the consumer would surely be less well served.

It is essential that the Canadian government consider, in the measures it intends to take, the fundamental contribution of financial cooperatives to diversity of supply in the Canadian financial sector, which contributes in turn to its competitiveness and its stability. In its regulatory scheme, the government should therefore fully recognize the characteristics, features and benefits of the cooperative system, as well as the fact that

it is an important and integral part of the Canadian financial system. Furthermore, in promoting the development of financial cooperatives, the government will be reinforcing the stability of and fostering competition in the Canadian financial system. That is why we think it desirable for the government to take account of the cooperative context. Among other things, this should take the form of protection of the reserve and recognition of the federative form of an integrated financial group.

Conclusion

To be able to discharge their mission, financial cooperatives must be able to rely on a flexible legal and regulatory framework that will let them compete with the big Canadian banks without being obliged to give up what makes them unique. Recognition of the specific needs of smaller financial institutions must therefore take the form of regulation and consideration that take account of the realities of financial cooperatives and that attest to recognition of both their needs and their mission. The Desjardins Group is an advocate of fair competition, which must be manifested in outcomes and cannot be embodied in standards that take account of just one institutional model.

Only an inclusive approach by the government can bring about truly balanced competition in the Canadian financial system, while at the same time maintaining its stability.
