



Lessons Learned

**Mergers – Part 3: Making
the Case to Regulators and
Members**

Stabilization Central
— CREDIT UNION —

Table of Contents

- Introduction 3
- Lesson 6: Committing to the Business Case and the Tough Decisions 3
 - Making the Case: Are We Stronger Together? 3
 - Making the Tough Decisions 4
- Lesson 7: Anticipate Costs and Complexity of Regulatory Applications and Review..... 5
 - Regulator Application 5
 - Competition Bureau Application 5
- Lesson 8: Member Vote – Clear Messages, Robust Engagement 6
 - Member Guide 6
 - Heightened Employee and Member Communication..... 6
 - Managing a “No” Campaign 7
 - After the Vote 7

Introduction

This is the third in a series of four papers sharing lessons learned in the credit union merger process.

The [first paper](#) in this series focused on deciding whether a merger could facilitate your credit union's strategy; determining the attributes your credit union needs in a merger partner; and seeking a partner opportunity. The [second](#) explored the planning process (including stakeholder engagement planning) and the due diligence phase, which were summarized as Lessons 1–5.

This paper carries on with the lessons learned around developing the new credit union's business case, submitting regulatory applications, and navigating the member vote (Lessons 6–8). The final paper will centre upon the Integration Planning aspects of a merger after members have voted in favour of it.

Lesson 6: Committing to the Business Case and the Tough Decisions

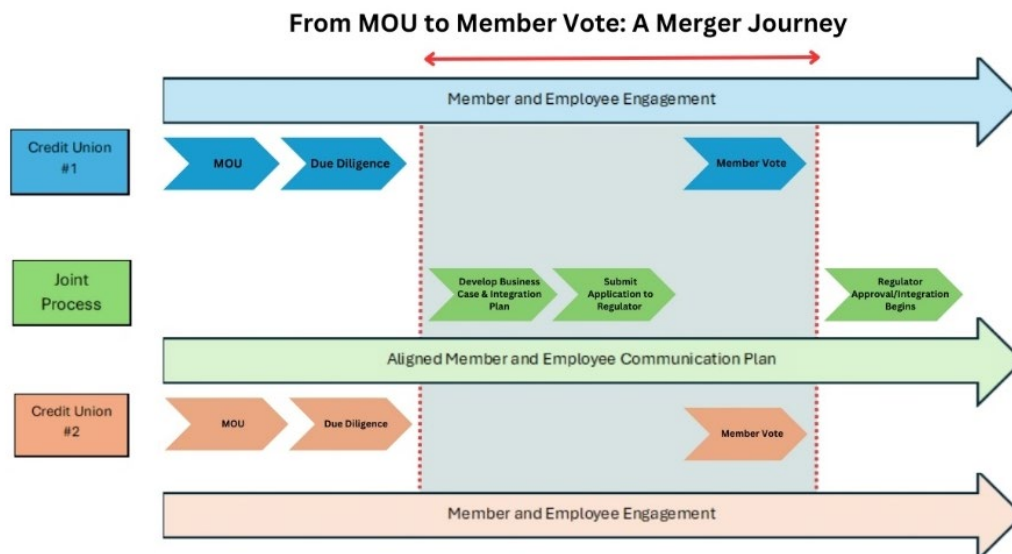
If the due diligence findings reaffirm the benefits of a merger, the next step is to develop a business case for the new credit union.

There are many resources available online and from specialized experts regarding how to develop a business case. Instead of repeating those instructions, we'll instead focus on tips for navigating this process efficiently and successfully.

Making the Case: Are We Stronger Together?

Unlike the due diligence stage, where each credit union worked separately and both were accountable to a joint Steering Committee, developing the business case is a fully joint process, where the combined assets, liabilities, strengths, and weaknesses of the merging credit unions are considered as one entity. Ideally, this will be carried out by a joint working group that includes subject-matter experts from each credit union, with the merger Steering Committee representing the Boards of Directors. As in the due diligence stage, make sure you have the right experts at the table, whether they are sourced internally or externally.

The business case extrapolates the due diligence information into a five-year operational and financial projection of the combined entity. It also outlines the assumptions, opportunities, and risks of the proposed merger. The Board needs to understand the risks to the membership,



community, and staff, as well as the mitigation strategies.

The regulator will expect a strong plan that demonstrates:

- The new credit union will be financially viable in the medium and long term, through both downside and upside scenarios;
- How the new credit union will be stronger than the two separate credit unions were;
- How the new credit union will mitigate any weaknesses, challenges, or misalignment identified in the due diligence;
- How the credit union will integrate the operations of both credit unions;
- Why the credit unions believe this is the best path forward for their members.

How Stabilization Central can help?

We can facilitate the development of the business case, help Directors understand the case, and/or offer our perspective on whether it is missing anything.

Making the Tough Decisions

The business case stage is also where some of the tough decisions about how the credit unions will integrate into one entity can be identified and discussed. While the detailed integration plan will be developed later, the regulator will expect the business case to include a high-level integration plan that demonstrates how the two (or more) entities will become one, from an operational perspective. The plan will also have to address some difficult decisions, such as:

- Where there are overlapping branches, will there be closures?
- At the leadership level, what will the corporate structure be?
- Which Board representatives will stay on with the new entity?
- Who will be the chair and vice chair?
- What are the high-level costs and plans for change of control from the CEO, management and Board members who are

not moving to the new or the acquiring credit union?

- Will there be layoffs or other significant impacts upon employees or their roles?

These are big discussions that can be emotionally charged. Most credit union leaders feel a deep connection to their organization, their teams, and their members. Making a decision to lay off dedicated employees, to change services to members, or to personally step aside can be challenging for Board members, leaders, and those loyal to them and their organization. There have been cases where a merger process failed at this stage, in no small part because of emotional missteps and misunderstandings.

This is where the extra work at the MOU stage, referenced in the [second paper](#) in this series, can pay dividends. Having already made decisions such as where the head office will be, who will hold the CEO role, and how the Board will be composed will significantly reduce the potential for the anxiety and division that can arise from a real or perceived war of loyalties among Board members or senior leadership in the merging credit unions. These are decisions that cannot be deferred or delayed — if they're resolved early, you will dramatically reduce the potential for conflict and wasted resources.

After the business case is reviewed by the appropriate legal, financial, and other subject-matter experts, it is submitted to the Steering Committee for review and approval. They then submit it to the Boards of Directors of each credit union to review and approve. It's essential that these discussions and approvals be properly documented in the meeting minutes.

How Stabilization Central can help?

Throughout this process, credit unions can leverage Stabilization Central's bi-weekly meetings with the regulator to socialize findings, share information, and gain feedback.

Lesson 7: Anticipate Costs and Complexity of Regulatory Applications and Review

Regulator Application

Next, the credit unions must apply to the regulator for consent to merge. The regulator's key role is to assess the due diligence and business case and ensure the proposal is not contrary to the interests of the participating credit unions or their members. The regulator will determine:

- Whether the proposal enhances the long-term stability of each merging credit union; and
- Whether the merger increases or mitigates risk, both for the merging credit unions and for the system overall; and
- Whether the Boards of the credit unions have considered all material relevant factors and available strategic options before determining to proceed with the transaction.

The regulator will require a great deal of supporting documentation, but the heart of the application typically comprises the due diligence report, the business case, and the financial modelling. The full application form is [available online](#) from BCFSA.

The regulator also takes a keen interest in the plan for member engagement and voting. They can delve into great detail, including reviewing every key message for members, so as to ensure the voting process is transparent and members have accurate, useful information with which to make an informed decision. Notably, they review not only the content but also the final, designed package to ensure there is no undue emphasis on particular information.

The cost of submitting the application in British Columbia is approximately \$5,000; this cost may vary in other jurisdictions.

The application review timeframe varies depending on the jurisdiction, complexity, and thoroughness of the application. In British Columbia, the maximum review period is 120 days. It's not uncommon for the regulator to meet with the credit unions several times to gain more information, request that more work be undertaken, or impose conditions or expectations for the new, merged entity to achieve.

Competition Bureau Application

In addition to applying to the regulator, the credit unions must also file an application with the federal Competition Bureau. This cost was nearly \$87,000 in 2024 (the most up-to-date information is [available here](#)). It is strongly recommended that your legal counsel assist with this application.

The timing for obtaining the Competition Bureau's consent depends on a few factors.

First, if due diligence determines the merger is a "complex transaction" that has an impact on industry competition in the trade area, the documentation and review process is far longer than for a "non-complex transaction." If this is the case, a credit union may choose to submit this application relatively early in the process, so as to avoid significant delay in the project timeline. A non-complex application could be completed in as little as 14 days, while one involving a complex transaction could take 45 days or more to process.

Another factor is the cost of this application. Some credit unions prefer to wait until they have strong evidence the merger will succeed before investing these funds. Others are willing to make that investment sooner, believing that having another regulating body's approval of the merger may strengthen their application to their provincial regulator. Regardless of when the application is submitted, consent needs to be obtained from the Competition Bureau before the regulator in your province will consent to the merger application.

Lesson 8: Member Vote – Clear Messages, Robust Engagement

After the merger application is approved by the regulator, it's time for members to have their say. While most credit unions are well versed in the logistics of managing a member vote, mergers require that some special considerations be layered onto the usual process (described below). In a true merger of two or more entities, there is a separate member vote at each of the merging credit unions, and both must gain member approval for the merger to proceed. Where a credit union is being acquired by another, only the members of the credit union being acquired will vote. It's important to note that the acquiring credit union will still need a communication strategy and messaging to prepare for their own members' questions about why they're acquiring the other credit union.

Member Guide

This document accompanies the ballot. In British Columbia, the member guide is legally required to be physically mailed to members, even if it is also available in branches or online (other provinces may have different requirements). The guide clearly describes the proposed merger details, why the Board is recommending it, and what the benefits and risks are to the credit union and its members. It also details the voting process, voting dates, and engagement opportunities available prior to voting. Remember: the member guide will be part of the merger application package submitted the regulator, which means it's developed well before the member voting period.

While it may be tempting to “sell” the merger in this document, it's more important to demonstrate the credit union's values of honesty, integrity, and genuine interest in the members' well-being. Detractors will look to counter your statements; don't create that opportunity for them by overstating benefits or skimming over changes or risks.

Heightened Employee and Member Communication

Both members and employees will need opportunities to more fully understand the merger proposal, beyond the information in the member guide. Employees will have specific questions about their roles, their branches, their leaders, and the overall operations of the proposed new entity. Members ultimately will want to know what will change in their banking experience and benefits, and whether the staff they've built relationships with will be protected.

Employees often represent the most active voting bloc of members and consequently wield significant power over the success or failure of the vote. That influence is amplified by their relationships with other members, who often look to those within the credit union for cues about whether or not the merger is a good thing.

Never assume that a few emails, some scripting to managers, and a website update will meet employee or member needs. Use multiple communication channels, and repeat the information often. Some best practices are highlighted below:

Preparation: While everyone on the merger teams should be provided with foundational messaging, there should be clarity about who the official spokespersons are (ideally, the CEOs and Board Chairs of each credit union). Are those spokespersons also prepared to speak to the media, if required?

Equip the front line: Mergers are won and lost at the teller line or call centre. Front-line staff field more questions and have the most interaction with members. Ensure they have the tools they need and that management is transparent and open in their communications with staff. This preparation can include briefings, intranet updates, FAQ documents, and even scripting for managers and front-line staff. If an employee has opportunities to learn and become invested in the merger opportunity, they're not only more likely to personally vote for it but also are more likely to

speak positively about it if members ask their opinion.

Town halls: In-person and online town hall meetings are a good opportunity to foster dialogue with both employees and members. Even if opponents attend, it's an opportunity to learn about their concerns and openly address these. Such discussions also provide valuable insights that can help refine key messages and FAQ content.

Branch visits: Never underestimate the value of "showing up." One Board Chair made a point of visiting every branch of his credit union to talk with employees and share his perspective on the benefits the merger would bring. Another credit union had Directors rotating through branches to regularly connect with members and employees throughout the voting period.

Identify influencers: Consider the key influencers among your credit union members, and include them in your engagement strategy. One credit union created a "top 100" list of members to target for direct conversations with an executive or Board member.

Incentivize voting: The merger affects every member, so it's essential to have as much member participation as possible. One strategy to drive voter turnout is to donate a set amount per vote cast to a favourite community cause, up to a maximum donation.

Managing a "No" Campaign

As noted above, anticipate that there will be opposition to the merger — either in the form of a formalized "no" campaign or simply via word of mouth within your member community.

The most likely leaders of this opposition will be former Directors, former employees, and potentially current employees. It's also likely that these opponents will be transparent about their intentions — it won't be an anonymous, secret campaign.

This creates an opportunity for the credit union's executive and Board leaders to connect directly with those individuals. One credit union's strategy was to hold a series of

lunch or coffee meetings with them, to have conversations and at least clear up rumours. If you hold the town hall or in-branch meetings suggested above, those opposed — or leaning that way — will likely attend, which creates another opportunity to hear their perspectives and share the facts.

Conversely, if the opposition group hosts "no" events, attend them to ensure you have a full understanding of their opposition arguments and can provide factual balance. This also demonstrates that the executive and Board stand behind the merger as the best way forward for the credit union and its members.

After the Vote

If the members approve, legal filings must be completed to formally create the new, merged entity. Past merger participants suggest setting "Day 1" of the new credit union for at least five to six weeks after the member vote, to allow sufficient time for this to be completed.

Then, the new credit union begins its journey! We will take a closer look at this phase in the fourth (and final) paper in this series, which focuses on the Integration Planning aspects of a merger.

Copyright and Disclaimer

Except as expressly permitted in this publication, or by the provisions of the Copyright Act, no part of this publication may be reproduced in any form by any means without the written permission of Stabilization Central Credit Union.

Stabilization Central is not responsible for any errors or omissions contained in this publication and expressly disclaims liability, whether under contract or in negligence or otherwise, to any user, including subscribers and other persons who may use this publication and to members, clients, and customers of such subscribers and other persons.

Stabilization Central expressly disclaims liability for loss or damage, whether direct or indirect, resulting from any use of this publication, including, without limitation, any loss or damage arising as a result of the procedures or forms contained in this publication being determined not to be valid or enforceable or not attaining the end desired by the user.

Stabilization Central
— CREDIT UNION —