

**Written Submission for the Pre-Budget Consultations
in Advance of the Upcoming Federal Budget**

By:



List of recommendations

- 1. Make Canada more affordable by giving Canadian consumers and businesses relief from fees in the financial sector by:**
 - a. Amending the Canadian Payments Act in Budget 2024, if not earlier, to give banks, credit unions, and regulated payment service providers equal access to Canada's real-time payment systems.
 - b. Supporting Payments Canada's efforts to build a new real-time payment system.

- 2. Strengthen the integrity and resilience of Canada's financial sector, while expanding access to more tailored financial services by:**
 - a. Publishing a code of conduct that specifies the rules for data sharing in Canada's financial sector, ensuring that all accredited participants in Canada's open banking system must meet a common and transparent set of requirements and standards.
 - b. Committing to strengthening oversight and governance of Canada's "open banking" system to protect the privacy and financial well-being of Canadians by creating a fit-for-purpose entity to manage the administration of the system.

About us

Fintechs Canada (formerly Paytechs of Canada) is a not-for-profit association that is the unified voice for fintechs in Canada. Collectively serving millions of Canadians on a daily basis, our membership includes Canadian fintech market leaders, global fintech companies, payment networks, financial institutions, and start-ups and scale-ups that are defining the future of financial services in Canada and around the world.

Fintechs are companies that use technology to deliver financial services to Canadians, helping them better manage their financial life. Such organizations are fundamental to the vibrancy of the Canadian economy—the better they're able to serve Canadians, the more efficiently Canadians can meet their financial objectives.

The opportunity for Canada

While fintechs serve millions of Canadians daily, outdated public policy and infrastructure prevent Canadian consumers and businesses from taking full advantage of what fintech innovation has to offer. Outdated public policy and infrastructure also puts the integrity and resilience of Canada's financial sector at risk.

1. Make Canada more affordable by giving Canadian consumers and businesses relief from fees in the financial sector.

Businesses have long complained about the high costs of doing business in Canada. The [Bank of Canada](#) and [EY](#) estimate that sending and accepting payments in Canada costs businesses anywhere between \$89 and \$107 billion every five years in transaction and other administrative fees.

Consumers need relief, too. One [survey](#) found that Canadians are paying thousands of dollars in banking fees throughout their lives, in some cases exceeding the amount of interest they're generating in their savings accounts. According to [research we commissioned from McMaster University on Canada's banking sector](#), the share of income from banking and other administrative fees has increased over the past decade, along with the absolute level of such fees.

What's more, according to the C.D. Howe Institute, [the contribution of financial services to the productivity growth of Canada has been "underwhelming."](#)

Productivity growth in Canada has been lagging relative to the level of productivity growth in our OECD peer countries.

More marginalized spaces of Canada's economy also aren't satisfied with our financial sector. [Pollara Strategic Insights' survey revealed](#) that over half of Canadians and small business owners had stressful experiences with Canada's financial services sector. Immigrant small business owners (58%) and women (55%) are more likely to be stressed by their interactions with the sector. Students (70%), Atlantic residents (63%), and Canadians aged 18-34 (69%) also report stress when dealing with the financial sector.

But Canadians also believe things can be improved. According to Pollara, over two-thirds of Canadians believe more competition in the financial sector will lead to more choice and lower fees.

2. Strengthen the integrity and resilience of Canada's financial sector, while expanding access to more tailored financial services.

Canadians have never been in control of their financial data. In 2000, banks launched web portals. Canada's big banks were [sharing your financial information with account aggregators to put all your banking information into one portal](#). Banks were in control, making decisions about which data to share, how to share it and with whom to share it. Now [millions of Canadians](#) are proactively choosing to share their data with others to manage their finances, but [aren't being given secure and convenient ways to do it, or, worse yet, are being prevented from sharing their financial data at all](#).

Despite their lack of control, Canadians have shared their information anyway—sometimes at risk to themselves. As the government has pointed out, it's not uncommon for Canadians to share their data by [giving up their online banking usernames and passwords, relying on a method called screen scraping](#). As a result, they may be [violating the terms and conditions of their agreement with their bank](#), meaning their bank may not need to make them whole in the event of a financial loss.

Millions of Canadians continue to share their financial information, despite the risk, because of the more tailored and affordable financial services they can access in return. According to [a survey from Deloitte](#), many Canadians find it beneficial to see their whole financial picture in one place, track their spending patterns and budget more easily, receive automated advice on how to manage money, and to use their data to access credit.

Our proposals

The government should make Canada a more affordable place to live by making banks work harder for Canadians in their time of need. The Government of Canada can make the financial sector more competitive, secure and affordable for Canadians by completing payments modernization and all phases of “open banking.” While these initiatives will give Canadians access to more affordable and tailored financial services, they will also strengthen the integrity and resilience of Canada’s financial sector. By bringing new players in Canada’s financial sector under modernized regulatory frameworks, and subjecting data sharing to stronger oversight, Canada can better manage emerging risks.

Recommendation 1: complete payments modernization by supporting the launch of a new real-time payment system and amend the Canadian Payments Act in Budget 2024, if not before.

The federal government should deliver on its commitment to complete payments modernization, which includes (a) supporting the launch of a new real-time payment system and (b) amending the Canadian Payments Act to give banks, credit unions, and fintechs equal access to public-purpose payment systems.

The government committed to payments modernization in 2021, but the program has been rife with delays. This year, the overseer of the project to build the new payment system, Payments Canada, announced another delay to the launch of the new system. Payments Canada first promised to [deliver the new system in 2022](#), before rescheduling its launch to mid-2023. After this most recent delay, [it didn't give the market a revised timeline](#). It also announced the second review of the program in recent months, following a third-party review that concluded earlier this year on “[program management, people, and process](#).” This second review will focus on [the risks to delivery of the new real-time payment system](#).

On a highly visible international stage, Canada [remains one of the few advanced economies around the world without a real-time payment system](#).

Canada cannot afford any more delays. In a recent *Globe and Mail* op-ed, David Dodge, former governor of the Bank of Canada and deputy minister of finance, and Bob Fay, managing director of digital economy at the Centre for International Governance, [argued that “Canada has before it a tremendous opportunity and the talent to build a modern payments system](#).” They noted that the consequence of Canada’s delays is higher costs, which are being shouldered by Canadian consumers and small businesses.

The federal government should amend the Canadian Payments Act to give regulated payment service providers, credit unions, and banks equal access to the new real-time payment system. By amending the Canadian Payments Act and giving regulated participants in the financial sector equal access, the financial sector can be more responsive to the needs of Canadians, driving down fees for consumers and businesses. In the United Kingdom, one of our members was able to slash costs for their customers by 20 percent immediately after gaining access to the UK's payment systems.

There is broad consensus in support of these amendments to the Canadian Payments Act, which was expressed in [an open letter to Minister Freeland and Minister Boissonnault late last year](#). This letter was signed by the Canadian Bankers Association, Fintechs Canada, the Electronic Transaction Association, the Credit Union Association of Canada, the Canadian Federation of Independent Businesses, and the Consumers Council of Canada, among others.

Payments modernization is supported by independent experts as well. [Research from McMaster University on the financial sector](#) argues that Canadian policymakers could do these things, among others, to promote more competition and innovation in financial services, which would make life more affordable for Canadians. Similarly, [a market study on technology-led innovation in the financial sector from the Competition Bureau](#) argued the same.

Recommendation 2: publish a code of conduct for data sharing in the financial sector as soon as possible and strengthen governance and oversight of the system in 2024.

The government should complete its commitment to launching a “made-in-Canada” open banking system by (a) publishing a code for data sharing in the financial sector and (b) communicating its intent to strengthen the governance and oversight of the system in 2024 and beyond.

The government [committed to implementing open banking no later than the beginning of 2023 in the Prime Minister's 2021 mandate letter to the Associate Minister of Finance](#). Since then, it has introduced reforms to privacy legislation to give Canadians a data-mobility right, as well as appointed an open banking lead to convene the industry and implement that data-mobility right in the financial sector. We commend the government for taking these steps to implement open banking, but we are concerned that the implementation of open banking is being delayed.

The government committed to launching open banking no later than the beginning of this year, but that commitment is looking less likely as we approach 2024.

Canadians can't afford delays. Nor can the financial sector, as its integrity and resilience will be at risk for as long as data sharing in the financial sector isn't subject to stronger oversight and common standards.

The federal government must make progress to promote trust in Canada's financial sector. Letting the market make the rules to operationalize Canadians' financial-sector data mobility right in opaque, hard-to-understand commercial contracts will leave the market in control of Canadians' data. It's also akin to expecting a broken market to fix itself.

This is not what Canadians want. According to a recent survey conducted by the Financial Consumer Agency of Canada, [more than half of Canadians support strong governance and oversight of open banking](#), even though only a fraction of Canadians understand the concept of open banking. Fifty-three percent of Canadians, for example, want [someone to oversee the open banking system to make sure consumers are protected](#), including to make sure [banks don't pressure Canadians to share their financial information](#).

After the federal government communicates its intent to strengthen the governance and oversight of the open banking system, it should explore the creation of a fit-for-purpose entity to manage the administration of the open banking system, as per [the government's advisory committee's recommendations](#).

Fintechs Canada would like to thank the Honourable Randy Boissonnault for his important work as Associate Minister of Finance. We appreciated his attention to open banking and payments modernization, and the eagerness with which he and his office consulted with all stakeholders on the best way forward. We look forward to continuing this collaborative approach with the Honourable Chrystia Freeland as she and her office complete the government's work on these initiatives.

Canadians deserve a financial sector that lets them securely and affordably meet their needs, as well as puts them in control of their finances and data. But more work is needed to get there. The federal government should bring about important legislative and regulatory changes to strengthen consumer protections and the resilience of the financial system, as well as improve inclusivity and affordability.