



# Written Submission for the Pre-Budget Consultations in Advance of the 2024 Federal Budget

August 4, 2023

## Submitted by:

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## List of recommendations:



**Recommendation 1:**

That the government undertake an in-depth and holistic review of Canada’s mortgage ecosystem to ensure that it maintains a stable, resilient, and competitive mortgage ecosystem following the introduction of many new measures and proposals in 2023. Specifically, that the government:

- I. identify where more clarification is needed by industry and provide the relevant clarifications;
- II. review potential overlapping regulatory mandates; and,
- III. assess the impacts of new and proposed measures on small and medium federally regulated financial institutions (FRFIs) with a view to creating a policy assessment framework to ensure government proposals, guidance, and regulations are designed to consider their distinct needs and guard against causing negative impact and undue pressure for these smaller ecosystem stakeholders and the clientele that they serve.

**Recommendation 2:**

That the government ensure Canada’s housing ecosystem is transparent, open, fair and competitive so that Canada keeps pace with rapidly evolving market changes and innovative data-driven services and solutions, and so that Canadians can benefit from best-in-class data-driven digital information, services and opportunities in Canada’s housing ecosystem to help them save money and be more secure and successful every step of the way.

**Recommendation 3:**

That the government review the current status of Canada’s “open finance” projects and initiatives with a view to introducing a fresh strategy with concrete timelines and deliverables to ensure Canadians can begin to benefit from a modernized, cost-efficient, interoperable, and principles-based open financial ecosystem that helps them be much more financially successful and secure by 2025.

**Recommendation 4:**

That the government design, promote and increase support for financial literacy programs delivered to Canadians through the Financial Consumer Agency of Canada (FCAC) to ensure Canadians have the knowledge and resources they need to understand today’s financial services ecosystem and can use that knowledge to effectively plan for their futures and address inflationary challenges negatively affecting all Canadians.



## We deeply care about Canadians and empowering them to take control of their money.

Questrade Financial Group (QFG) is a mission-driven Canadian, founder-owned and led company with a 23-year track record of serving Canadians and helping them become much more financially successful and secure. QFG offers better, easier, more affordable ways to help Canadians take control of their money and to empower them to reach their financial goals through digital innovation and diverse financial services. Today, the company has grown into a multi-brand and multi-line business enterprise with more than \$45 billion in assets under administration. Since its inception as an investment brokerage in 1999, QFG has expanded from Questrade, one of Canada's most established and celebrated FinTechs, into the verticals of wealth management, mortgages, deposits, insurance and real estate through the acquisition of Community Trust Company in 2019, ThinkInsure in 2021, Zolo in 2022 and Flexiti in 2023.

### 1. Build a stable, resilient, and competitive mortgage ecosystem fit for Canadians and Canadian FRFI lenders of all sizes while ensuring regulatory cohesion

Canada has a long and proud tradition of a strong financial services sector that works to protect Canadian consumers and ensure financial sector stability and trustworthiness. We share the government's objective to prudently manage risks while supporting Canadians' needs through a steady and trustworthy regulated financial system, and especially in relation to mortgages. We do not want to see Canadians left behind, struggling to pay their mortgages, or driven toward unregulated financial service providers because of overly burdensome or new restrictive regulatory measures which may negatively impact smaller FRFIs and vulnerable Canadians. The health and stability of Canada's regulated small and medium-size federally regulated financial institutions (FRFIs) must be considered rigorously to protect the strength of the system we have become known for - one that is stable, resilient, competitive, and fit for Canadians and Canadian FRFI lenders of all sizes.

With the introduction of several new mortgage proposals, measures, and regulations in 2023, QFG has become increasingly concerned about overlapping, and possibly conflicting, efforts and measures being explored and adopted by federal regulators to address the unique concern of Canadian indebtedness and the current risk environment. We believe that ongoing work by FCAC and the Office of the Superintendent of Financial Institutions (OSFI), overlaid by the Department of Finance and Bank of Canada proposals, is creating overlapping regulatory objectives and imposing responsibilities that could negatively impact small and medium FRFIs and their Canadian clients.

For example, lack of clarity, potential organizational scope creep, siloed policy considerations, and imposed compliance and responsiveness introduced into Canada's FRFI regulatory environment would raise, and may in fact be introducing, significant risks of creating costly



administrative burdens on small lenders while restricting their ability to innovate, remain agile and service their clients adding more risk and uncertainty to their clients' financial well-being.

Our mortgage business provides financing to Canadians primarily running their own businesses, many of whom are small business owners that make a living running their business so that they can support their families. These clients are also key contributors to the economic health of our country. We believe it is important that the government, through the Department of Finance, conduct a broad regulatory review of the functions and mandates of FRFI regulators and policymakers in relation to Canada's mortgage ecosystem and delineate each regulator's roles and responsibilities. We believe that unintended impacts and new risks may be mitigated with enhanced collaboration amongst all government and industry stakeholders resulting in a deeper level of coordination and dialogue regarding new and future changes relating to the mortgage ecosystem.

It is essential to Canada's financial ecosystem that new measures are not causing confusion, harm, or unintended consequences to small and medium-sized lenders who serve Canadians, especially when those Canadians would otherwise be left behind by large traditional FRFIs. Regarding new and proposed regulations, policies, and legislation, the government should work with industry stakeholders to identify where more clarification is needed by industry to avoid causing unintentional risk, confusion or harm and provide the relevant clarifications and amendments in a timely manner.

Finally, we believe that this review should examine the impact of new and proposed measures on small and medium-sized FRFIs with a view to creating a policy assessment framework to ensure future government proposals, guidance, and regulations are designed to consider their unique needs and guard against causing negative impact and undue pressure for these smaller ecosystem stakeholders.

**Recommendation 1:**

*That the government undertake an in-depth and holistic review of Canada's mortgage ecosystem to ensure that it maintains a stable, resilient, and competitive mortgage ecosystem following the introduction of many new measures and proposals in 2023.*

*Specifically, that the government:*

- IV. identify where more clarification is needed by industry and provide the relevant clarifications;*
- V. review potential overlapping regulatory mandates; and,*
- VI. assess the impacts of new and proposed measures on small and medium federally regulated financial institutions (FRFIs) with a view to creating a policy assessment framework to ensure government proposals, guidance, and regulations are designed to consider their distinct needs and guard against causing negative impact and undue pressure for these smaller ecosystem stakeholders and the clientele that they serve.*



## 2. Promote and Support the Growth of a Transparent and Competitive Housing Ecosystem that Works for Canadians

QFG is committed to supporting Canadians to achieve their goal of home ownership. We know that data and timely information can make all the difference when empowering home buyers who are looking for a place to live or trying to finance their dream of home ownership. As home-buying technology innovation advances it is increasingly essential that the government ensure that Canada's real estate data and financing ecosystem is transparent, open, fair, and competitive to keep pace with this area of rapidly evolving technology innovation and business solutions. Advancing efforts to ensure we have a world-leading digital housing ecosystem is possible through collaboration, promotion, and support for our ecosystem innovators.

Coming out of COVID, Canadians deserve to benefit from best-in-class options and opportunities in Canada's housing ecosystem, especially when it means being able to make better decisions and save money every step of the way.

### **Recommendation 2:**

*That the government ensure Canada's housing ecosystem is transparent, open, fair and competitive so that Canada keeps pace with rapidly evolving market changes and innovative data-driven services and solutions, and so that Canadians can benefit from best-in-class data-driven digital information, services and opportunities in Canada's housing ecosystem to help them save money and be more secure and successful every step of the way.*

## 3. Champion and Deliver Open Finance to Canadians

Canada undertook a review of the Open Banking framework in 2018, including the appointment of an advisory committee to guide this review. Although Canada has been building its RTR, we have seen other nations rapidly implementing their own open banking, real time rails and open finance regimes.

The advancement of innovation and technology-based solutions helps Canada remain relevant in the digital economy, and it helps Canadians find cost-savings and financial success otherwise unknown or unavailable to them. By championing Open Finance policy and initiatives that support and promote innovation-forward financial services providers and enable competition, Canada can establish itself as a serious innovation leader and open for business and success in the digital economy. Open banking, including real-time payment rails, and support for Canada's financial innovation ecosystem will help to ensure Canadians see benefits from both product offering and service, as well as lower fees and costs - results that are needed now more than ever.

To level-set, the government must take immediate steps to revitalize the previously communicated timelines and deliverables and should engage and leverage a meaningful partnership with Canada's fintech ecosystem to support the development of the final framework.



Without immediate action and collaboration, the government risks letting Canadian consumers fall further behind and Canadian fintech innovators leave or perish from atrophy.

**Recommendation 3:**

*That the government review the current status of Canada's "open finance" projects and initiatives with a view to introducing a fresh strategy with concrete timelines and deliverables to ensure Canadians can begin to benefit from a modernized, cost-efficient, interoperable, and principles-based open financial ecosystem that helps them be much more financially successful and secure by 2025.*

#### 4. Deliver a World-Leading Financial Literacy Education to Canadians

QFG believes that all Canadians need access to best-in-class financial literacy and tools to manage their finances effectively and to help them reach their financial goals. We have invested considerably in tools and technology to support clients in making sound financial decisions.

Canadians are underserved by existing financial literacy programs and must have the resources to be empowered to take control of their own money. Canada has the potential to be a global leader in delivering financial literacy to its citizens, however, this is not going to be possible at scale without a deeper level of partnership and engagement between all industry players and the Financial Consumer Agency of Canada (FCAC.)

From a single parent looking for a low-cost way to save for their child's tuition, to newcomers or young Canadians looking to make their first home attainable, we are here to help every Canadian learn how to make this possible. But we need the government to partner with us and take these efforts further to reach all Canadians.

**Recommendation 4**

*That the government design, promote and increase support for financial literacy programs delivered to Canadians through the Financial Consumer Agency of Canada (FCAC) to ensure Canadians have the knowledge and resources they need to understand today's financial services ecosystem and can use that knowledge to effectively plan for their futures and address inflationary challenges negatively affecting all Canadians.*

## Conclusion

Over the past 24 years, Questrade Financial Group has seen first-hand the growing number of Canadians who are looking to take greater control of their financial futures. As individuals see the economic challenges facing our country, including the heightened financial and inflationary pressures of the past year, they are looking for more innovative products to help them achieve their financial goals and long-term financial well-being. This is increasingly true of young



Canadians, and especially true for QFG's customers who are looking to save for their first house, plan their family's financial future or prepare for retirement.

It is imperative that the government take steps to help foster innovation in Canada's banking and payments sector, including facilitating a regulatory environment that is innovative, competitive, adaptive, open, and transparent for all consumers. We believe that when equipped with the right information and opportunities, Canadians are better placed to make informed decisions about their financial futures – and so are governments regarding their economic and financial ecosystem interventions.

We thank the Committee for the opportunity to set forward these recommendations for consideration and look forward to supporting your work to make Canadians much more financially successful and secure.

Sincerely,

DocuSigned by:  
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Edward Kholodenko  
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