

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

**By:**



**Fintechs Canada**

## Recommendations

1. As part of budget 2024, the government should introduce legislation for a consumer-driven banking framework that is consistent with the [policy statement on consumer-driven banking the government released late last year](#).
2. As part of budget 2024, the government should mandate a government-led entity to oversee consumer-driven banking and make sure it has the sufficient mandate and resources to educate Canadians about the benefits of consumer-driven banking.
3. The government should continue to support Payments Canada's real-time rail and ensure it is built and launched on a timely basis and in accordance with existing policy objectives. This will lower transaction costs for Canadians, give Canadians a way to reduce the likelihood of NSF fees, and minimize the need to take out a payday loan.

## About Us

Fintechs Canada is a not-for-profit association that acts as the unified voice for fintechs in Canada. We collectively serve 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.

### **Recommendation 1: introduce a consumer-driven banking framework as part of budget 2024 that gives Canadians a financial-sector data-portability right**

To take advantage of financial tools that make their lives more affordable, Canadians need a safe and secure way to share their financial information. 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.

Because Canadians don't have a way to securely and conveniently share their financial information, the federal government should introduce consumer-driven banking legislation in the 2024 budget as it [committed to do in the 2023 fall economic statement](#). The legislative framework should be consistent with the [policy statement on consumer-driven banking the government released late last year](#).

Consumer-driven banking will also help grow Canada's economy by [attracting greater investment](#) and fostering more responsible innovation in the financial sector. 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.

We applaud the government's commitment to use legislation to implement consumer-driven banking and to mandate a government-led oversight entity to ensure that Canadians are in control of their financial information. It will be important for the government to ensure the scope of consumer-driven banking in Canada is consistent with what the Consumer Financial Protection Bureau is contemplating in the United States, as well as establish realistic timelines for industry implementation.

## **Recommendation 2: mandate government-led entity to oversee consumer-driven banking and ensure it has the resources to educate Canadians about consumer-driven banking**

It's important that consumer-driven banking in Canada not be industry-led. The federal government's policy statement on consumer-driven banking stated that "Canada's framework for consumer-driven banking will mandate a government-led entity to supervise and enforce the framework."

The government-led oversight entity should:

- **Oversee the accreditation of "opt-in" participants.** This means relying on approved evaluating bodies, such as certain third-party audit firms, to assess and attest whether participants meet the accreditation criteria established by the federal government.
- **Supervise the conduct of data holders and data recipients.** As Canadians share their financial information, it will be important to supervise the conduct

of data recipients and data holders to ensure they're meeting their obligations under the law.

- **Supervise the conduct of standard-setting bodies.** Any standards-setting body mandated by the government should be required to enable data holders and data recipients to comply with the requirements of Canada's consumer-driven banking framework.
- **Maintain a public registry of accredited participants.** This means maintaining a public registry so that it's centrally accessible and can be relied upon by data holders and Canadians to verify whether a data recipient has met all the necessary requirements to access data.

If mandating an existing entity is more judicious than creating a new one, the government should consider an existing financial sector entity that has the appropriate mandate. An appropriate mandate is one that puts the interests of data subjects (e.g., consumers) first and foremost. The mandate should also include the promotion of fair and responsible competition, since consumer-driven banking is also about giving Canadians access to a wider range of financial services. Moreover, the government-led entity should have the resources to educate Canadians about the benefits of consumer-driven banking.

### **Recommendation 3: continue to support Payments Canada's real-time rail to ensure it is built and launched on a timely basis**

Canadian consumers and businesses need to have an always-on, real-time payment system with level pricing for all of its participants, as many jurisdictions around the world have done. According to the World Bank, [Canada is one of the few countries in the world to not have a real-time payment system](#).

Canadians stand to benefit from such a payment system:

- Cheaper payment options for businesses and for consumers.<sup>1</sup>
- Fewer late fees on bills by being able to pay in real-time, rather than losing control over the multi-day clearing and settlement cycle.
- Reducing debt by being able to access earned wages in real-time, rather than being forced to fill the gaps with payday loans.
- Real-time access to receivables so that businesses can better manage cash flow.
- [Increased GDP by billions of dollars](#).

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<sup>1</sup>When the United Kingdom modernized their payment system, Wise, a financial services company, was able to immediately cut costs for its customers by 20 percent.

To unlock these benefits, Canada must resolve the costliest problems in payments: access to our payments infrastructure is limited, and the payments infrastructure itself is old. Payments infrastructure is not unlike telecommunications infrastructure. If only a few incumbent firms can access it, [competition downstream of the incumbents is limited because challengers need to buy indirect access from the incumbents](#). It's impossible to compete on a level playing field with your competitor if they're charging you to compete with them. Canada's payment system was also built before the Internet came of age, and so the infrastructure itself is also functionally limited—like dial-up Internet is, compared to broadband Internet. For example, the Canadian payment system is not always on and can take days to move funds, making it impossible to pay certain time-sensitive bills with electronic funds transfers. The payment system is also technically designed in such a way that [increases the probability of consumers getting charged NSF fees](#). For consumers and businesses, this all means higher prices and lower quality services. In 2021, the government [promised](#) to modernize Canada's payments technology, recognizing that this will deliver faster and lower cost options for Canadians, while providing a convenient, safer means of transferring funds, nationally and internationally. It is our understanding that Payments Canada will finalize its plan in the first quarter of this year to ensure the timely launch of this system.

We applaud the government for continuing to support the real-time rail, despite [the challenges Payments Canada, a not-for-profit member association, is facing in trying to get the system up and running](#). By continuing to support the delivery of the real-time rail, the government will help expand access to the Canadian payment system and make the system itself more functionally rich for consumers and businesses.