

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

By:

 **Fintechs Canada**

List of recommendations

1. The government should continue to support the development of Payments Canada's real-time payment system and ensure it is built on a timely basis and in accordance with existing policy objectives.
2. The government should continue to support the development of Canada's consumer-driven banking framework by providing the FCAC with additional funds of \$5 million per annum to strengthen the financial literacy of Canadians.

About us

Fintechs Canada is a not-for-profit association that acts as the unified voice for the most innovative financial technology companies in Canada. Our members 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.

Background

Canada's financial sector has a crucial role to play in enhancing affordability for Canadians and boosting the productivity of the Canadian economy. Currently, the financial sector is not working hard enough for Canadians in several ways:

- Canadians pay higher fees to access financial services. Compared to the biggest banks in the United Kingdom and Australia, Canada's big five banks—TD, RBC, BMO, CIBC, and Scotiabank—[charge more and higher account fees, overdraft fees, and NSF fees](#). Fee-related income, as a proportion of overall income, [has increased over the past several years](#).
- Canadians have limited access to financing. Although there is increasing demand for loans from Canada's small business community, [credit conditions have been tightening](#). According to a survey by the Canadian Federation of Independent Business, the percentage of businesses seeking financing [increased from 35 to 58 percent from 2012 to 2022](#). Meanwhile, the ratio of loans being given to small businesses relative to large businesses from Canada's financial sector [reached its lowest in recent years, with a significantly higher interest rate spread between small and large businesses in Canada compared to many OECD countries](#).
- Canadians have a less productive financial sector. Canada's overall productivity has been declining over the past 20 years, [trailing behind Australia, the United States, and the United Kingdom](#). This trend is also noticeable in our financial sector. In the last 20 years, Canada's financial sector's contribution to overall productivity has also fallen behind that of [Australia, the United States, and the United Kingdom](#).

According to the Competition Bureau, Canada's financial sector is concentrated, at risk of anti-competitive coordinated behaviour by incumbents, and [has several barriers to entry that limit competition from new entrants](#).

This is why Fintechs Canada has long advocated for measures that would introduce more competition and innovation in Canada's financial sector, aimed at enhancing affordability and productivity without compromising stability and security.

Recommendation 1: Complete payments modernization by supporting the launch of a new real-time payment system in Canada.

Following the launch of [FedNow](#) in the US in 2023, Canada is now the only remaining G7 country without a real-time payment system.

For many Canadians, the inability to make and receive payments instantly comes at a cost. Slow payments can result in additional [expenses for those in financial distress, including overdraft and late fees](#), as well as a [reliance on predatory lenders such as payday loan companies](#). Real-time payments are also important for economic growth. According to a study by the C.D. Howe Institute, the ability to settle payments in real-time can help businesses [reduce liquidity needs, free up funds for investment, and simplify cash management](#). This enables businesses to be more productive, boosting overall Canadian productivity and growing the economy. Some studies have found that real-time payment systems can [increase a country's GDP by billions of dollars](#).

In a recent speech, Ron Morrow, the executive director of payments, supervision, and oversight at the Bank of Canada, expressed the Bank's disappointment with the progress of Canada's real-time system, stating that "[we're behind other jurisdictions in rolling out real-time payment capability](#)." Morrow emphasized the importance of the system for Canada's economy and highlighted the "[world of possibilities](#)" the real-time system could provide.

In 2021, the government made a [new platform commitment](#) to modernize Canada's payment technology. However, the development and launch of Canada's real-time payment system has faced many setbacks and delays. The system was [initially planned to launch in 2019](#); however, this timeline was later postponed to 2022, then to 2023. This April, Payments Canada [announced](#) yet another delay, with the initial testing of the system now set to begin in 2025, followed by industry testing in 2026. Furthermore, no specific timeline has been provided for the nationwide launch of the system.

While the government has successfully [amended the Canadian Payments Act](#) to expand direct access to Canada's national clearing and settlement systems, the benefits won't come to fruition until Canada has a real-time payments capability with [open and risk-based access, as well as fair and level pricing](#). The government should continue to support the launch of a new real-time payment system in Canada by closely monitoring Payments Canada's timelines and holding them accountable for any future delays.

Recommendation 2: The government should continue to support the development of Canada's consumer-driven banking framework by providing the FCAC with additional funds in Budget 2025, if not sooner.

The introduction of Canada's consumer-driven banking framework will provide Canadian consumers and small businesses with [increased control over their financial data, which they can use to access more affordable and tailored financial services](#). Consumer-driven banking will:

- Facilitate the processes for Canadians to use their rent payments to improve their credit score and qualify for a mortgage.
- Let Canadians access tools that help them budget and save more money.
- Empower Canadians to shop around for the most affordable product offerings and switch financial institutions with ease.
- Make it easy for Canadians to manage their finances across different accounts all in one place.
- Provide businesses with greater access to cash flow and more efficient accounting tools.

The introduction of the framework is also expected to help grow Canada's economy [by attracting more investment and fostering responsible innovation in the financial sector](#).

We commend the government for introducing legislation to implement consumer-driven banking in Canada and for mandating the Financial Consumer Agency of Canada (FCAC) to oversee the legislative framework.

We urge the government to continue supporting these efforts by providing annual funding to the FCAC to strengthen the financial literacy of Canadians. The FCAC is mandated to strengthen the financial literacy of Canadians by implementing [Canada's National Financial Literacy Strategy](#). Budget 2024 allocated \$1 million dollars in 2024–2025 for the FCAC to “support preparation for its new responsibilities and to begin development of a consumer awareness campaign.” However, once the consumer-driven banking framework is in place,

the government plans to end its funding for consumer awareness campaigns, and transition the FCAC to a full cost-recovery basis.

In a survey conducted by the FCAC, it was found that only a [fraction of Canadians understand the concept of open banking, and those who have heard of it, do not fully understand it or hold misconceptions](#). Similarly, a more recent study by Environics Research revealed that nearly a [quarter of Canadians are undecided about open banking](#), suggesting that many Canadians still struggle to grasp the concept and lack sufficient information to form a definitive opinion. The FCAC's research [findings](#) also suggest that women, seniors and French speakers are less aware of open banking. This lack of awareness is a critical issue, as Canadians' perceptions of open banking will impact their participation and their ability to benefit from the framework, [potentially driving down the overall adoption of open banking, as seen in jurisdictions such as Australia](#).

Given the lack of awareness of open banking in Canada and the increasing number of Canadians sharing their financial data, it is essential for consumers and businesses to be informed about the protections in place when sharing financial information with accredited participants. We recommend that the government earmark additional funding to the FCAC for consumer awareness campaigns on consumer-driven banking at \$5 million per annum. This funding should extend well beyond the launch of the framework to successfully encourage Canadians' participation in open banking.