



Fintechs Canada

The Honourable Dominic LeBlanc

August 1, 2024

Minister of Public Safety, Democratic Institutions,
and Intergovernmental Relations of
Canada
85 Sparks Street,
Ottawa ON K1A 0A3

Dear Honourable Dominic LeBlanc,

I am writing to you on behalf of Fintechs Canada and our members regarding Bill C-65, *An Act to Amend the Canada Elections Act*, and its prohibitions on the use of prepaid products for electoral contributions in Canada.

We believe that the prohibition put forth in Bill C-65 unnecessarily restricts the political participation of young, underbanked or lower-income Canadians, which compromises the integrity of our democratic system. This blanket restriction is unnecessary because it does not consider the existing regulatory safeguards in place surrounding open-loop prepaid products in Canada. The Canadian open-loop prepaid card market became [the second fastest-growing payment method in Canada in 2022](#). The growth is expected to continue, with the market growth [projected to reach US \\$13.7 billion in value in Canada by 2025](#).

[As seen in the US](#), prepaid cards can [increase financial inclusion](#) by providing an alternative to traditional bank accounts for low income and underbanked communities. The 2021 Canadian Payments and Trends Report from Payments Canada [noted](#) that over “50 per cent of Canadians used at least one prepaid card (virtual and physical) in the last month, with younger generations (those aged 18 – 24) and unbanked Canadians being the most likely to use prepaid cards.”

For many Canadians, prepaid cards offer several benefits. Prepaid cards are more secure and cost-effective than cheques, reducing fraud risk and associated fees, and can make it easier to budget, as users can only spend the amount loaded onto the card. The growing popularity of prepaid cards also

fosters greater innovation and competition in the financial sector, making Canada's economy more affordable and productive.

Issuers of open-loop prepaid card solutions in Canada are subject to the Payment Card Network Rules and regulated by OSFI, FINTRAC, and the FCAC. These regulations mandate that prepaid issuers comply with anti-money laundering and "Know Your Customer" requirements. Issuers must verify user identities and identify responsible parties for corporate client decisions. These regulatory safeguards ensure the security and transparency of transactions involving prepaid cards. This is why a blanket prohibition on political contributions made through open-loop prepaid products is unnecessary.

Rather than protecting the integrity of our political process, this prohibition would hinder the political participation of groups that rely on prepaid payment products as their primary financial tools, [such as young, new, underbanked, and lower-income Canadians](#). This would undermine the inclusivity and integrity of our democratic system.

Fintechs Canada serves as the collective voice for the most innovative financial technology companies. Our membership consists of market-leading Canadian fintechs, fintech-friendly financial institutions, the technology companies that power the credit union space, and global fintech companies, among others. Our mission is to assist Canadians in accessing a financial sector that is more responsive to their needs, as well as one that is stable and secure.

Fintechs Canada would like to thank you for the opportunity to provide our perspective on Bill C-65. We would welcome the opportunity to discuss our perspective in greater detail and answer any questions you have.

Sincerely,

Alex Vronces

Executive Director

1 Richmond Street West, Suite 300

Toronto, Ontario M5H 3W4