



# Fintechs Canada

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Department of Finance  
90 Elgin Street  
Ottawa ON K1G 0G5

**September 26, 2025**

To whom this may concern,

Thank you for the opportunity to respond to Finance Canada's consultation on modernizing the federal deposit insurance framework. Fintechs Canada is the unified voice representing innovative financial technology companies serving millions of Canadians every day. Our mission is to support a competitive, innovative, and resilient financial services ecosystem in Canada.

Deposit insurance is foundational to financial stability and competition. However, the current deposit insurance framework inadvertently creates competitive imbalances by disproportionately benefiting Canada's largest banks. We appreciate the government's openness to modernizing this important framework and propose targeted changes to strengthen depositor protection, financial stability, and competitive fairness.

Strengthening the existing framework is an important step towards accomplishing the government's mandate letter commitment to, "Bringing down costs for Canadians and helping them to get ahead." Beyond strengthening this framework, however, more reforms are necessary to boost competition in the financial sector to make life more affordable for Canadians, and the economy more productive.

## **Problem statement**

Our deposit insurance framework suppresses competition in Canada's financial sector. While deposit insurance nominally applies equally to all federally regulated deposit-taking institutions, the implicit "too-big-to-fail" subsidy enjoyed only by Canada's largest banks creates an uneven playing field. Depositors may perceive large banks as inherently safer because of this implicit guarantee, which

significantly lowers funding costs, relative to smaller financial institutions that do not benefit from the same implicit guarantee.

A higher deposit insurance threshold would increase consumers' confidence in the system as a whole, allowing smaller institutions to compete more fairly, enabling competition and greater innovation, leading to smaller costs. Addressing competitive distortions, both real and perceived, is critical.

## **Recommendations**

### **1. Increase Deposit Insurance Limits**

We recommend increasing deposit insurance coverage to \$250,000 per category for retail depositors and \$500,000 per category for non-retail depositors. The existing limit of \$100,000 has remained unchanged for too long and has significantly eroded in real value. Higher limits align Canada more closely with international peers, including the United States, and various provincial deposit insurance schemes. This change will enhance depositor confidence, promote stability, and foster a more competitive financial sector.

### **2. Temporary High-Balance Protection**

We propose introducing temporary elevated deposit insurance coverage for defined life events, such as home sales, inheritances, divorces, and significant damage settlements. Depositors frequently experience temporary large balances during these events, and providing clear, time-limited protection of up to six months (due to the varying time it may take different people to sort out their financial affairs) will help individuals manage their financial affairs safely and practically. The temporary coverage should be \$5 million.

### **3. Simplify Insurance Categories with Unlimited Coverage for Registered and Tax-Free Accounts**

We recommend consolidating all registered and tax-free accounts (including RRSPs, RRFs, TFSAs, FHSAs, RESPs, and RDSPs) into one insurance category with unlimited coverage. Canadians rely heavily on these accounts for critical life savings goals, such as retirement and education, making heightened protection both justified and beneficial. Simplifying to four clear categories (i.e.,

registered/tax-free, trust, personal, and joint accounts) would enhance consumer understanding and administrative efficiency.

#### **4. Enhance Disclosure Requirements**

Improving transparency around deposit insurance coverage is essential.

Clear, standardized disclosures provided at account opening, on account statements, and through digital interfaces will help Canadians better understand which of their assets are insured. In particular, we support providing customers tailored information detailing the amount of insured deposits that are held at a given institution. Improved disclosures support informed consumer choices, stronger market discipline, and more competitive pricing across financial institutions.

Moreover, the industry would welcome clearer guidance on how CDIC coverage applies to merchant funds held through PSP entities, where settlement funds are managed via the platform but the underlying deposit accounts are held by partner financial institutions. Clarifying whether CDIC protection extends to these arrangements, including any flow-through coverage and associated disclosure expectations, would help ensure consistency across the industry and reduce confusion for merchants who may be unclear whether their funds are insured at the platform level or directly through the bank.

#### **Implementation considerations**

Efforts to harmonize more closely with provincial deposit insurance frameworks would address competitive distortions arising from widely varying coverage levels across jurisdictions, creating a more equitable and competitive deposit-taking landscape nationwide, as well as one that is more accessible to Canadians.

Thank you for considering our recommendations. We would welcome further dialogue on these important issues and stand ready to provide additional insights or support as you proceed.

Sincerely,

Adriana Vega,  
Executive Director, Fintechs Canada