Fintechs Canada

Global Affairs Canada
Trade Negotiations – North America
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On behalf of Fintechs Canada, thank you for the opportunity to provide input to the Government of Canada's consultation on the Canada-United States-Mexico Agreement (CUSMA) in advance of the upcoming joint review.

Fintechs Canada serves as the collective voice for the innovative financial technology companies. Serving millions of Canadians from coast to coast to coast on a daily basis, 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 make Canada's financial sector more competitive and innovative, while also protecting its integrity, stability and security.

A strong and innovative financial sector is the backbone of North American trade and economic growth. When money and data move seamlessly through trusted networks, businesses gain access to new markets, investors deploy capital with confidence, and exporters can better manage currency and supply chain risks. Agile and adaptable financial systems make transactions faster, reduce costs, and expand payment options, allowing firms to spend less time navigating red tape and more time growing their business. But when systems are fragmented or outdated, friction increases, settlement slows, and competitiveness erodes. A dynamic financial sector does more than enable transactions; it drives innovation, attracts investment, and strengthens productivity and competitiveness across all sectors.

For Canada to remain a strong and credible partner under CUSMA, it must pair its commitment to trilateral cooperation with a renewed focus on competition at home. A more open and dynamic domestic financial sector will allow Canadian firms to scale, attract investment, and compete effectively with U.S. and Mexican counterparts. By fostering innovation and removing structural barriers, Canada will be better positioned not only to contribute to a more integrated North American economy but also to demonstrate leadership in the upcoming CUSMA joint review.

This submission outlines strategic priorities to strengthen Canada's competitive position in North America, ensuring homegrown small and medium businesses can scale, compete with established and foreign players, and access new markets:

1. **Strengthening financial competitiveness** through domestic modernization and reform;
2. **Promoting regulatory alignment** across North America to support stability and innovation and position the region as a global hub for financial technology; and
3. **Protecting the free flow of financial data** to enhance efficiency, innovation, and security.

Strengthening Canada's competitiveness through domestic modernization and reform

Canada's financial sector is essential to the country's trade and economic competitiveness. Yet it remains highly concentrated and restricted by barriers to entry that limit competition and innovation. As a result, Canada's businesses pay the price. Businesses face higher fees to access financial services, small firms struggle to access financing, and productivity in the financial sector continues to lag behind other advanced economies.

These structural barriers do not just stifle competition at home, they also weaken Canada's competitiveness abroad. When firms lack the financial infrastructure and regulatory environment needed to compete, they struggle to scale globally or move to more supportive markets. At the same time, an unproductive financial sector makes Canada less attractive to international firms seeking to invest or expand. Together, these dynamics undermine Canada's standing in the global economy.

Advancing domestic competitiveness is not only sound policy. It is a strategic advantage under CUSMA. A modern, open, and dynamic financial system would help Canadian firms compete with established and foreign players, attract investment, and expand across borders. To achieve this, Canada should prioritize:

- **Empowering Canadians to control and share their financial data.** Implementing Canada's consumer-driven banking framework will allow

Canadians and small businesses to securely share their financial data with authorized providers. This will reduce switching costs, promote innovation, and allow new entrants to offer more tailored services. Rapid adoption of open banking will not only strengthen competition domestically but also align Canada with open data initiatives in the U.S. and Mexico, supporting more integrated and competitive financial markets across North America.

- **Establishing competition mandates for financial sector regulators.** Regulators such as the Office of the Superintendent of Financial Institutions,the Financial Consumer Agency of Canada, and the Bank of Canada should be explicitly mandated to promote competition. This would ensure that they administer policy in a way that reduces barriers to entry and encourages diversity among financial service providers.
- **Ensuring open and fair access to payments infrastructure.**Canada remains the only G7 without a Real-Time Rail (RTR) system. Canada's delay in launching the RTR limits liquidity, increases transaction costs, and slows trade. Payments infrastructure should be accessible to all qualified participants under fair and transparent terms. Faster, lower-cost payments would help Canadian firms compete more effectively in regional supply chains.
- **Establishing a clear framework for digital assets and stablecoins.**The growing use of fiat-backed stablecoins offers faster, cheaper transactions, but without a domestic framework, activity risks shifting abroad. Regulating stablecoins under clear, risk-based rules would protect monetary stability while supporting innovation and interoperability with emerging frameworks abroad.

Promoting Regulatory Alignment Across North America to Support Stability and Innovation

The digitalization of the economy is reshaping how financial services are delivered and regulated. In recent years, governments globally have moved quickly to update their financial sector regulators to keep pace with the digital economy, introducing new measures related to data governance, open banking, digital assets, and AI. However, this regulatory progress has not been uniform. Jurisdictions are advancing at different speeds and adopting financial sector policies that reflect national priorities instead of international cooperation.

Fragmented regulations across jurisdictions come at a high cost. Businesses must navigate multiple regulatory regimes, adapt their products and services to meet varying standards, and complete separate conformity assessments, all of which require significant time and resources. In some instances, the absence of certain regulation within a jurisdiction can even prevent companies from offering their goods and services in new markets. These burdens fall particularly hard on SMEs, limiting their ability to break into new markets. According to the OECD, regulatory divergence can add costs equivalent to tariffs of 20 to 75 percent on business operations, depending on the industry and the extent of misalignment. In another study, it was estimated that a piecemeal approach to financial sector regulation in particular could cost the global economy $780 billion USD annually.

In the absence of greater coordination, national standards will continue to proliferate. To prevent further regulatory divergence in the financial sector and reduce barriers to competition, Canada should work with its CUSMA partners to:

- **Reinforce the Canada–Mexico–U.S. Financial Regulatory Forum.** Established in 2018, this forum brings together the Department of Finance, the U.S. Department of the Treasury, and Mexico's Ministry of Finance. However, there has been no public record of meetings to date. The forum should be reactivated as a platform for regulators to coordinate and harmonize on both existing and emerging priorities. For example, as each country advances its open banking framework, they could explore opportunities to align data portability standards to support cross-border innovation. Another area is tokenization and the programmability of assets, including stablecoins and other digital instruments. As jurisdictions across North America develop regulatory approaches, they should seek alignment where appropriate to promote consistency and market confidence.
- **Revitalize the Committee on Financial Services (Article 17.19).** The committee, which oversees the implementation of Chapter 17, last met in 2021. It should be reactivated as a central forum to identify and address emerging financial sector issues across North America. Regular engagement between regulators and industry would help anticipate policy developments and coordinate responses to both new and existing innovations in the sector.
- **Leverage the Committee on Good Regulatory Practices (Article 28.18).** The committee promotes transparency and cooperation in regulatory development across North America. Given the importance of financial services to trade and investment, it should also be used to strengthen dialogue on financial sector regulation. Canada should advocate for

consistent and transparent approaches to rulemaking and regulatory impact assessments that reflect how financial technologies evolve.

Across these committees, the emphasis should be on achieving greater regulatory coherence across the North American financial sector. Efforts should prioritize adopting principle-based approaches and harmonized definitions, creating a regulatory environment that is consistent, flexible, and supportive of innovation.

Protecting the Free Flow of Financial Data to Strengthen Efficiency, Innovation, and Security

Cross-border payments are an essential component of agile trade transactions and supply chains. These function most efficiently when information can move securely alongside the funds. Digital remittance providers rely on continuous data exchange to authenticate users, complete AML and sanctions checks, convert currencies, and settle transactions quickly, lowering costs for households and small businesses. When data flows are restricted, payments can still occur, but they must be routed through separate national systems, increasing costs, slowing settlement, and requiring more intermediaries. These frictions make it harder for businesses to manage liquidity, engage in international trade, and scale globally.

Access to rich, real-time data also enables better ways to pay. The same capabilities underpin emerging technologies such as fiat-backed stablecoins, which synchronize transaction and settlement information to enable faster, lower-cost cross-border transfers while maintaining appropriate safeguards.

Cross-border data flows allow financial institutions to better combat fraud by connecting patterns, detecting suspicious activity in real time, and strengthening their defenses before losses occur. As payments digitize, fraud is growing in scale and sophistication. Global losses from payment fraud are projected to reach $40.6 billion by 2027, a 25 percent increase from 2020, as criminals use emerging technologies such as large language models and deepfakes. Effectively combating these threats depends on access to secure data flows across borders.

When data is restricted or siloed by localization rules, institutions lose visibility into cross-jurisdictional threats, their ability to use advanced cloud and AI tools is constrained, and operational resilience weakens. A 2023 report by the Institute of International Finance warns that restrictive data transfer rules imposed by even a few countries could reduce the amount of fraud-modelling data available globally by 10 percent, resulting in an additional US$62 billion in losses by 2030and as much as US$180 billion under more severe fragmentation.

We commend Canada and its trade partners for enforcing cross-border data protections under CUSMA. To build on this progress, further steps are needed to ensure financial data can move freely across borders. Canada should work with its partners to:

- **Clarify the scope of public policy exceptions in Chapter 19.** Under Article 19.11(2), CUSMA allows parties to restrict cross-border data transfers when necessary to achieve a legitimate public policy objective. The three countries should clearly define the limited circumstances that qualify under this exception to prevent its misuse for protectionist or disproportionate measures.
- **Strengthen financial data provisions in Chapter 17.** The Financial Services Chapter should explicitly prohibit measures that create data localization barriers. Reinforcing this commitment would allow financial institutions to adopt the most secure and efficient technologies available, promote competition, and enhance fraud prevention and operational resilience across North America.

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Fintechs Canada thanks you for considering our perspective on the upcoming review of the CUSMA. We look forward to continuing to work with the government to ensure the agreement supports innovation, competition, and a strong financial ecosystem across North America.

Sincerely,

Adriana Vega
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