



Fintechs Canada

Competition Bureau

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To whom this may concern,

On behalf of Fintechs Canada, thank you for the opportunity to contribute to the Competition Bureau's market study on competition in financing for Canada's small and medium-sized enterprises (SMEs). We are pleased to build upon our October 2025 submission to the pre-study consultation, providing additional detail and member-informed perspectives to support the Bureau's important work.

Executive summary

Canada's SMEs, which make up the majority of businesses in the Canadian economy, face a financing landscape that is less competitive than peer jurisdictions. This constrains their ability to invest, hire, and contribute to Canada's productivity growth. Based on our members' direct experience serving SMEs across Canada, Fintechs Canada has identified structural barriers that limit competition in SME financing.

- Regulatory barriers that prevent innovative lenders from entering underserved market segments, particularly micro-businesses with smaller-dollar working capital needs
- An absence of competition-focused mandates for financial sector regulators, unlike peer jurisdictions such as the UK and Australia
- Delayed implementation of open banking, which limits SMEs' ability to access and share their financial data with non-deposit taking SME lenders
- High barriers to obtaining and maintaining bank charters, which entrench incumbents and discourage innovative market entry

- Payment settlement delays that increase SMEs' reliance on short-term financing

Many of these barriers are reinforced because elements of Canada's SME financing framework are implicitly designed around traditional bank lending models.

Promoting competitive neutrality across lender types will encourage entry, expansion, and innovation in SME financing.

We urge the Bureau to use its advocacy powers to recommend specific regulatory and policy reforms that will enhance competition, benefitting SMEs in support of Canada's economic productivity.

About Fintechs Canada

Fintechs Canada serves as the collective voice for the most innovative financial technology companies operating in Canada. Serving millions of Canadians—including SMEs—from coast-to-coast-to-coast on a daily basis, our membership consists of market-leading Canadian fintechs, fintech-friendly financial institutions, 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 protecting its integrity, stability, and security. Our members include lenders who specialize in serving SME segments that traditional financial institutions have historically underserved, including micro-businesses, newly established enterprises, and businesses with non-traditional revenue patterns.

This submission draws upon the direct operational experience of our members, who collectively serve tens of thousands of Canadian SMEs annually. Their insights inform our understanding of the competitive dynamics, barriers, and opportunities in the SME financing market.

1. The state of competition in SME financing

The Bureau's study rightly focuses on competitive dynamics in SME financing. The evidence points to a market characterized by concentration, limited product innovation, and pricing outcomes that disadvantage SMEs relative to larger borrowers and relative to SMEs in peer countries.

Market concentration and its effects

Canada's banking sector is among the most concentrated in the developed world, with limited effective competition from smaller institutions or non-bank lenders.

This concentration manifests in several ways that affect SMEs:

- Higher interest rate spreads. Research consistently [shows](#) that Canadian SMEs face larger spreads between their borrowing rates and rates available to large firms compared to OECD peers. This gap reflects limited competitive pressure on pricing.
- Lower approval rates and outdated collateral models. SMEs [report](#) difficulty accessing credit from traditional lenders, whose underwriting models may not accommodate non-traditional business profiles. Small and medium-size businesses are often required to put up personal collateral to access financing, rather than using company assets.
- Limited product innovation. Incumbent lenders have less incentive to develop specialized products for SME segments when competitive pressure is muted. Our members have developed innovative products, such as revenue-based financing and flexible repayment terms, that address unmet SME needs but face regulatory and structural barriers to scale.

In addition to market concentration, elements of the SME financing framework may implicitly favour traditional bank lending models. Compliance expectations, underwriting norms, and program design have historically been developed around secured, term-based lending supported by personal guarantees and legacy credit bureau data. While appropriate for many institutions, these assumptions can create structural disadvantages for newer lending models that rely on cash-flow analysis, transactional data, or platform-based underwriting. Where frameworks align with a single institutional model, competitive outcomes may reflect structural design rather than relative risk management capability or innovation.

The financial sector's role in productivity

According to the C.D. Howe Institute, the financial sector's contribution to Canada's overall productivity has been "[underwhelming](#)." The financial sector is not just a vault for money; it is a mechanism that allocates capital across the economy. When the financial sector is not fostering economic dynamism by directing capital efficiently to its most productive uses, neither is the broader economy.

SMEs account for nearly all employer businesses in Canada and close to half of Canada's economic output. If these businesses cannot access financing to hire employees, invest in technology, and expand operations, Canada's productivity challenge will persist. The state of competition in SME financing is not merely a financial sector concern. It is a national economic priority.

These dynamics are particularly significant for micro-businesses and sole proprietors. Many small businesses lack extensive commercial credit histories and therefore depend heavily on personal credit scores and guarantees when seeking financing. Where lending frameworks rely primarily on traditional bureau data and collateral structures, alternative approaches that assess business performance through cash-flow or transactional data may face structural barriers, even where they provide responsible access to credit for underserved SME segments.

2. Barriers to lender entry and expansion

The Bureau has identified barriers to lender entry and expansion as a key area of inquiry. Our members' experiences reveal several significant barriers that constrain competition and limit the financing options available to SMEs.

Despite repeated efforts to increase competition in Canada's financial sector, many new entrants, including fintech lenders and challenger banks, have struggled to scale. In some cases, firms have scaled back to mono-line offerings, sold their operations, or merged with established Canadian institutions. Several of these barriers reflect structural features of Canada's SME financing framework that favour traditional deposit-taking institutions. Competitive neutrality does not require identical regulation for all lenders, but it does require that lenders offering functionally comparable products compete on equivalent structural terms.

A. Absence of Competition Mandate for Financial Regulators

Unlike peer jurisdictions, Canada's federal financial regulators do not have an explicit mandate to promote competition. This absence shapes regulatory decision-making in ways that entrench incumbents and raise barriers to new entry.

In the United Kingdom, competition is a core principle in financial sector oversight. The Financial Conduct Authority (FCA) has an explicit operational objective to promote effective competition in the interests of consumers. The Prudential Regulation Authority must, in pursuing its objectives, act in a way that facilitates

effective competition. This framing ensures that competitive considerations are embedded in regulatory decisions—not treated as an afterthought.

Australia's prudential regulator (APRA) and central bank (RBA) similarly have explicit references to maintaining competition in their mandates. These mandates shape regulatory culture and decision-making, ensuring that prudential objectives are balanced against the public interest in a competitive financial system.

In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has a mandate focused on safety and soundness. While this is essential, the absence of any competition consideration means that OSFI's decisions do not have to take competitive effects into account, even when alternative approaches could achieve prudential objectives while better supporting competition. We have observed progress toward this goal with the Bank of Canada's mandate to promote competition in its role as open banking overseer, and believe similar reform to other financial regulators would be beneficial.

Our members report that regulatory expectations often reflect a bias for established business models and incumbent institutions. Requirements that are proportionate for large, diversified institutions can be disproportionately burdensome for smaller, specialized lenders. In many cases, there is no persuasive prudential justification for applying identical or more onerous standards. This dynamic can deter entry and expansion, reducing competitive pressure in SME financing.

B. Bank chartering and regulation

Anecdotal accounts from industry participants suggest that the process to obtain a bank licence (and then maintain one) disadvantages smaller and more novel companies, which has resulted in high levels of profitability and concentration in Canada's banking sector. We welcome the news of OSFI's fast-track program for bank chartering, but believe it is important for OSFI to also modernize its approach to supervision once bank charters have been granted.

Currently, lending supervision is biased toward established, conventional business models rather than innovative entrants that could meaningfully improve competition. If the approach continues to favour the same large, incumbent players Canadians are already familiar with, it will not materially improve competition in the financial sector or increase incentives to improve offerings for

underserved SME segments. New entry from firms with innovative business models, specialized expertise, or technology-enabled approaches is essential to challenge incumbents and drive competitive outcomes.

Our members have observed that potential market entrants, including well-capitalized technology companies and specialized lenders with strong track records in other jurisdictions, have been deterred by Canada's regulatory environment. Moreover, there is a perception that OSFI's capital adequacy requirements limit the ability of smaller banks to compete on a level playing with large, incumbent financial institutions, who are subject to different standards. The combination of the above factors effectively act as barriers to entry to innovative lenders that could benefit SMEs.

C. Information and application barriers

SMEs face significant information barriers when shopping for financing. Comparing loan offers is not straightforward: pricing structures vary, fees are disclosed differently, and non-price terms can significantly affect total cost of credit. SMEs may lack the expertise or time to conduct rigorous comparisons.

These frictions are compounded by the reliance on a narrow set of legacy data sources, particularly traditional credit bureau information. While such data can play an important role in underwriting, correcting or updating credit bureau records can be time-consuming for small business owners. Where lending decisions depend heavily on a limited set of historical credit signals, innovative underwriting approaches that incorporate real-time business performance data may face structural disadvantages.

Moreover, traditional lending processes require SMEs to provide extensive documentation: financial statements, tax returns, business plans, personal guarantees, and more. Each new lender relationship requires assembling and providing this information again. Non-deposit taking SME lenders have streamlined these processes using technology and alternative data sources, but face barriers to accessing the information that could further reduce application friction.

Open banking implementation would address some information barriers by enabling SMEs to share their financial data with multiple prospective lenders simultaneously, facilitating comparison shopping. Open banking will also enable

SMEs to share their financial data with a prospective lender that streamlines the application process. Until implementation is complete, these barriers will persist.

D. Restricted Access to Government Risk-Sharing Programs

Public risk-sharing programs can significantly influence competitive dynamics in SME lending markets. When government guarantees reduce effective credit risk, lenders with access to those guarantees benefit from lower funding costs and greater lending scale. Ensuring that access is based on functional risk standards rather than institutional form is therefore important to maintaining competitive neutrality.

Government-supported SME financing programs, including the Canada Small Business Financing Program (CSBFP), are primarily delivered through prudentially regulated deposit-taking institutions. While these institutions play an important role in SME credit markets, program design and eligibility criteria can limit practical participation by non-deposit-taking lenders, even where they offer comparable products and maintain robust risk management practices.

Although the Canada Small Business Financing Act allows the Minister to designate additional lenders, the application process is discretionary, resource-intensive, and not aligned with many fintech lending models, which typically focus on smaller-balance, shorter-duration financing and use cash-flow-based underwriting.

As a result, access to government-backed risk sharing remains largely limited to incumbent institutions. This can reinforce existing concentration by requiring SMEs to maintain relationships with traditional lenders to access publicly guaranteed credit, even where alternative lenders offer functionally comparable financing solutions.

Prudential safeguards and fiscal discipline can be preserved through objective, risk-based eligibility standards rather than institutional classification. Expanding practical access to programs such as the CSBFP on a functional basis would promote competitive neutrality, strengthen competitive pressure in SME lending, and expand financing options for Canadian businesses.

E. Regulatory ambiguity in lending to sole proprietors

Small-value lending to sole proprietors represents a distinct and economically important segment of SME financing. Sole proprietors often rely on short-term credit to manage cash flow and support growing operations, yet frequently face limited financing options.

Regulatory ambiguity surrounding the treatment of “natural persons” in credit legislation can contribute to this constraint. A natural person borrowing in a consumer capacity is legally distinct from a natural person borrowing in a business capacity as a sole proprietor. Where federal legislation does not clearly distinguish between these roles, lenders may face uncertainty as to whether business-purpose credit could fall within consumer protection regimes. This ambiguity increases compliance risk and can discourage lending to sole proprietors, particularly for smaller-balance loans.

Certain jurisdictions address this issue by allowing lenders to rely on borrower declarations confirming that credit will be used primarily for business purposes, provided reasonable due diligence is conducted. Greater clarity in Canadian frameworks could reduce compliance uncertainty while preserving appropriate consumer protections.

F. Payment settlement delays and SME liquidity needs

Payment infrastructure can influence the financing needs of SMEs. When payments take several days to clear and settle, businesses may experience temporary liquidity gaps and rely on short term credit to cover payroll, supplier payments, or operating expenses. For smaller firms with limited cash reserves, these delays can increase reliance on working capital financing and raise the overall cost of managing cash flow.

Faster payment settlement can reduce these pressures by improving cash flow predictability and reducing the need for short term financing. Research from the C.D. Howe Institute finds that real-time payment systems can help businesses [reduce liquidity needs, simplify cash management, and free up funds for investment](#). Improvements in payment system efficiency can therefore complement broader efforts to improve access to financing for SMEs.

The timely implementation of the Real-Time Rail (RTR) will be an important step in enabling real-time payments in Canada. Ensuring that accredited fintech providers can access this infrastructure can support the development of services that help

SMEs integrate real-time payments into their financial operations and manage liquidity more effectively.

3. Recommendations

Based on our members' experience and the analysis above, Fintechs Canada recommends that the Bureau include the following in its findings and advocacy:

1. Reform eligibility and designation processes for government-backed SME financing programs such as the Canada Small Business Financing Program. The Bureau should recommend that the Federal government establishes clear and objective risk-based criteria that enable practical participation by qualified non-deposit-taking lenders.
2. Advocate for competition mandates for financial regulators. The Bureau should recommend that Parliament amend the mandates of federal financial regulators such as OSFI to include explicit consideration of competition, following the UK and Australian models. Prudential objectives can and should be balanced against the public interest in competitive financial markets.
3. Support rapid and comprehensive open banking implementation. The Bureau should advocate for timely completion of the open banking framework, ensuring that SME business account data is included in scope from the outset. The Bureau should also recommend that the framework prevent incumbent institutions from impeding access through excessive fees, delays, or technical barriers.
4. Examine bank supervision and bank chartering processes. The Bureau should examine whether current bank supervision and chartering creates unnecessary barriers to entry for innovative financial institutions. If barriers exist that cannot be justified by prudential necessity, the Bureau should advocate for reforms that enable entry while maintaining safety and soundness.
5. Enhance provincial and federal harmonization to clarify the regulatory treatment of lending to sole proprietors. Policymakers should ensure that legislation clearly distinguishes between consumer borrowing and business-purpose credit for sole proprietors. Providing regulatory clarity in

this area would reduce compliance uncertainty and support greater competition in small-value SME lending.

6. Quantify the competitive intensity of SME lending. The Bureau should employ econometric measures of competitive intensity and benchmark Canada against OECD peers. This analysis would provide a rigorous foundation for advocacy and would help identify specific market segments where competition is most lacking. While much of the discourse on banking competition focuses on simple indicators such as concentration levels and the number of banks, these measures are ultimately imperfect proxies for true competitive intensity.
7. Consider product substitutes. The Bureau should also examine substitutes that materially influence term-loan competition, including lines of credit, merchant cash advances, revenue-based financing, and invoice financing. A complete picture of SME financing competition requires understanding the full range of products SMEs consider.
8. Develop an authoritative catalogue of barriers. The Bureau should compile a comprehensive list of regulatory and structural barriers to SME financing and to entry/expansion in the financial services market. This catalogue should inform ongoing advocacy and provide a reference for future policy development.
9. Support continued modernization of Canada's payments infrastructure. The Bureau should consider how payment settlement delays affect SME liquidity and reliance on short-term credit. Faster payment systems, including real-time payments infrastructure such as the Real-Time Rail (RTR), may reduce these pressures by improving cash flow predictability for businesses.

Conclusion

The Competition Bureau's market study addresses a critical question for Canada's economic future: whether SMEs can access the competitive financing they need to invest, grow, and contribute to productivity. The evidence points to a market where structural barriers limit competition and constrain access to financing for SMEs.

Our members stand ready to serve SME segments that traditional institutions have underserved, which is why regulatory and structural barriers must be addressed.

The reforms we recommend would enhance competition without compromising financial stability or consumer protection.

Fintechs Canada appreciates the Bureau's commitment to this study and welcomes the opportunity to provide further information or engage in discussion. While the Bureau's current focus on SME lending is critically important, structural barriers to competition exist across other areas of Canada's financial sector. Continued examination of these issues through complementary market studies would help provide policymakers with a more complete understanding of the factors affecting competition, affordability, and innovation in Canada's financial system.

We are happy to work with the Bureau to share additional operational perspectives and data where necessary and possible.

Thank you for your consideration and we look forward to working with you.

Sincerely,

Adriana Vega

Executive Director, Fintechs Canada