



# Bill C-74 (Budget Implementation Act, 2018, No. 1)

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Standing Senate Committee on  
Banking, Trade, and Commerce

I would like to thank the Committee for inviting us here today to discuss Part 6 of Bill C-74. The CBA always welcomes the opportunity to share our perspectives on legislation before Parliament.

The CBA is the voice of more than 60 domestic and foreign banks that help drive Canada's economic growth and prosperity. The CBA advocates for public policies that contribute to a sound, thriving banking system to ensure Canadians can succeed in their financial goals.

This morning, we will focus the majority of our comments on Part 6, Division 16, which contains amendments to the *Bank Act*. Given the dynamic nature of today's financial services market, updates to the legislative framework are critical to ensure the framework is responsive to the evolving needs and expectations of consumers. The amendments in Part 6, Division 16 are a result of the consultation process, which the government undertook as part of the regular review of the federal financial sector framework.

I will also discuss towards the end of my remarks Part 6, Division 12, which takes steps to consolidate all cyber security activities across the federal government under the Communications Security Establishment.

## How Canadians Bank

Over the last several years, consumer demand has produced a dramatic shift in the financial services landscape. Today, consumers expect safe and convenient access to banking services 24 hours a day, in real time, from anywhere in the world. In response, banks in Canada continue to innovate and develop new technologies to provide better products and services to their customers.

The internet brought online banking into homes and offices, and mobile is now eclipsing that technology. Everyone with a smartphone has a bank in their pocket. Banks have mobile apps, which are constantly updated with new features.

A thumb scan can now verify your identity, an e-transfer is a quick and simple way to send money to a friend, and a cheque can be deposited by snapping a photo. Over a few short years, the number of Canadians using mobile banking has grown dramatically, with 44 per cent of Canadians using it in 2016, up from five per cent in 2010. In fact, more than two-thirds (68 per cent) of Canadians now do most of their banking digitally, using online and mobile banking.

Clearly, Canadians are embracing technology in banking and we believe the legislative framework that supports financial services must be modernized to reflect this reality.

## **Collaboration with Fintech (Part 6, Division 16)**

Banks are strong proponents of an open, competitive, and innovative financial services sector. There is already an impressive number of fintech start-ups in Canada that have brought expanded competition and customer choice in areas such as payments, investing, and budgeting.

Currently, there are barriers in the *Bank Act* that restrict certain types of relationships among banks and fintech companies. These include lengthy regulatory approval processes and restrictions on the type of investments banks can make in fintech. For example, if a fintech has a small line of business in something other than financial services – say, a food delivery service – bank investment is restricted because that company offers a non-banking service.

In terms of the regulatory approval process, it can take months – an eternity for fintechs. This can deny fintechs access to the brands, customer reach, and partnerships banks can offer. It can also push innovative Canadian fintechs to other countries.

Many of these current barriers to collaboration between banks and fintechs were imposed at a time when fintechs were not even conceived of, and when technology was not as fundamental to banking products and services as it is today. These barriers are outdated in a world where technology is integral to financial services and they inhibit innovation.

If passed, Bill C-74 will ease many of the existing barriers in the *Bank Act* and will allow for greater collaboration between banks and fintech companies.

In addition, the *Bank Act* framework needs greater clarity regarding the nature of fintech activities in which banks may engage in-house. Even more fundamental is the need to update references to the types of relevant technologies in the *Bank Act* – such as to ‘sites’, ‘platforms’ and ‘portals’ – since the current language in the statute is quite outdated.

Canadian consumers will benefit by having new channels of distribution as well as new applications, products, and services. Fintechs will have access to banks for capital, funding, distribution, and advisory needs.

These provisions will also bring Canada more in line with other jurisdictions around the world that are actively encouraging growth of their fintech sectors.

## **Cyber Security (Part 6, Division 12)**

The CBA has long advocated for a collaborative approach between different levels of government and across critical pillars of infrastructure. When we appeared before this Committee on the topic of cyber security in October 2017, we argued that the cyber security framework would benefit from having one lead agency to deal with cyber threats.

In Budget 2018, the government announced the creation of the new Canadian Centre for Cyber Security and National Cybercrime Coordination Unit. Changes proposed in Bill C-74 will help consolidate cyber security expertise across the federal government under one central agency. As leaders in digital security, banks are eager to share our expertise and to participate in the new hub.

## **Conclusion**

In conclusion, the proposed amendments in Division 16 will encourage greater collaboration between fintechs and banks. If passed, Bill C-74 will foster innovation in financial services, promote competition, and ensure consumers have access to better products and services.

With respect to Division 12, we support the consolidation of cyber security activities across the federal government under the Communications Security Establishment. Cyber security is a top priority for the Canadian banking industry and these changes will help improve Canada's resiliency against cyber threats.

We look forward to your questions.