

Bank sector relief measures during the pandemic

06/02/2020



Remarks by Neil Parmenter,
President & CEO

Delivered to the Standing
Senate Committee on
National Finance

Thank you, Mr. Chair,

I'm joined today by **Darren Hannah**, the CBA's Vice-President Finance, Risk & Prudential Policy.

I'm pleased to have this opportunity to appear before this committee. I want to start off by sending best wishes to the members of this committee, your families and your colleagues during these difficult times. On behalf of our Board and our more than 60 member banks, we hope everyone is staying healthy and safe.

The economic upheaval caused by the COVID-19 outbreak is the most serious crisis Canada has faced in recent memory. To confront the financial dimensions of this challenge, Canada's banking sector has worked in lockstep with the federal government, the Bank of Canada and regulators to implement a series of relief initiatives for the millions of Canadians whose lives have been suddenly altered by COVID-19.

As the crisis began, banks assembled quickly to help, with member institutions of the Canadian Bankers Association immediately announcing comprehensive programs to support **individuals, businesses, employees, and communities** in managing the financial uncertainty and economic disruption.

For **personal banking customers**, Canada's banks have been offering relief to impacted clients on all forms of lending – mortgages, lines of credit, personal loans and credit cards. As of May 27, 13 CBA member banks have provided help through mortgage deferrals or skip a payment to more than **721,000 Canadians**. CMHC data show that the average monthly mortgage payment of Canadian homeowners is \$1,326. This means the cash flow freed up from the deferrals completed to date is roughly **\$949 million per month, or \$2.9 billion per quarter**. This is keeping money in the pockets of people who need it now. Banks have publicly reported that more than **90% of those seeking a deferral** are approved.

Banks have also taken decisive action to help **an additional 413,000 Canadians** manage credit card payments, with multiple banks announcing various programs to defer payments for customers, along with heavily discounted or low fixed interest rates. Our members have worked to ensure Canadians have access to term loans, lines of credit and other products that carry **lower interest rates** and that suit their unique circumstances. In addition, banks have taken steps to ensure credit scores are unaffected by deferrals and skipped payments, and many standard fees for a range of services are being waived. Combined, these efforts are worth tens of millions of dollars more each month.

Canada's banks are proud to serve **3 million small and medium-sized businesses**, having authorized more than \$247 billion in credit to this sector as of September 2019. Since the crisis began, authorizations for business loans and credit lines has **increased by \$61.5 billion**. In response to the current strains on businesses, member banks have been working with their SME clients to determine the best options to suit their specific circumstances to meet their cash flow needs. This can involve **extended operating lines of credit**, but banks have also introduced a range of **flexible measures** for existing loans, including deferrals and term extensions, which can be an effective way for an SME to avoid additional debt. More than **74,000 deferrals** have been extended to business accounts, with a **total value of \$2.5 billion**.

Banks have also worked with the federal government to implement and administer the **Canada Emergency Business Account**, which provides qualifying business customers with access to a \$40,000 line of credit at 0% interest until Dec 31, 2022. As of May 22, more than 621,000 CEBA loans have been processed through financial institutions.

Canada's banks are in a strong position to deliver relief programs and provide support to Canadians during this challenging time. As you would have seen over the last few days as the six largest banks reported on their second quarter results, **Provision for Credit Losses** have increased dramatically, providing an indication of the impact that the pandemic has had on the economy and on bank operations. That said, banks hold significantly more capital entering into the COVID-19 crisis than they did entering into the global financial crisis. From the end of 2009 to the end of 2019, **the total capital of banks in Canada more than doubled from \$163 billion to \$336 billion**. From this position of strength, banks are able to continue to lend to business and personal customers.

More than **275,000 Canadians are employed in banks** across the country, and they do an outstanding job helping customers by **staffing branches**, answering phone lines at **contact centres** and maintaining the critical **back office infrastructure** that keeps Canada's payments network running. As a case in point, banks worked closely with the government to offer wider access to online enrollment for direct deposit from the Canada Revenue Agency, which ensures more Canadians are able to receive **CERB benefits quickly and securely**. As of May 27, almost **2.4 million Canadians** had newly enrolled to receive relief payments via direct deposit, getting much needed relief more quickly than waiting for cheques. We have also mounted an awareness campaign, in concert with the **Canadian Anti-Fraud Centre**, to warn the public about scams that prey on the uncertainty of our times.

Hundreds of bank employees have been redeployed to work directly with customers experiencing hardship to tailor customized plans to help them manage their finances. Our members have introduced special programs to meet the needs of **healthcare workers**, ensure **seniors** have priority line and contact centre access and that **vulnerable populations** continue to be served.

Canada's stable, well-regulated banks can provide this high level of engagement and support because of their strength. In 2019, banks and their subsidiaries paid **\$30 billion in salaries and benefits**, provided **\$21.3 billion in dividend income** to millions of Canadians, pension funds and charitable endowments, and paid **\$12.7 billion in taxes** to all levels of government in Canada.

For hundreds of years, Canada's banks have helped Canadians through many challenging times, working in partnership with **governments of all stripes**, and building global recognition for our financial strength, stability, and resilience.

Without question, these are unsettling times that have put so many Canadians under strain. Our country faces an unprecedented and monumental challenge. Canada's banks will continue to work hand in hand with government, regulators, customers and communities to ensure Canada emerges through this crisis, resilient, strong and growing.

Thank you, Mr. Chair. I look forward to your questions.