Remarks to the Senate Banking Committee

May 26, 2021

Remarks by Darren Hannah,
Vice President, Finance, Risk
and Prudential Policy

ASSOCIATION DES BANQUIERS CANADIENS
CANADIAN BANKERS ASSOCIATION

Delivered to
Senate Banking Committee

Remarks

On behalf of the Canadian Bankers Association, I would like to thank the Committee for inviting me here today to provide the CBA's views on Divisions 1, 3 and 4 of Part 4 of the Budget Implementation Act amending the Canada Deposit Insurance Corporation Act, the Payments Clearing and Settlement Act and the Bank Act. My name is Darren Hannah and I am the Vice President of Finance, Risk and Prudential Policy with the CBA.

The CBA is the voice of more than 60 domestic and foreign banks that help drive Canada's economic growth and prosperity. We advocate for policies that would ensure the strength and stability of a banking sector that allows Canadians to realize their financial aspirations. The CBA supports the measures proposed in Divisions 1, 3 and 4.

The amendments to the Canada Deposit Insurance Corporation Act are intended to facilitate the implementation of the federal government's bank recapitalization framework, commonly known as bail-in, by providing CDIC with the authority to invoke a temporary stay of action on counterparties of eligible financial contracts should the conversion of bail-in-able debt to equity inadvertently trigger default provisions in those contracts. This will allow time for the recapitalization process to do what it is intended to do, which is to recapitalize a bank and restore it to a sound financial footing by converting long-term debt holders to equity investors without impacting depositors or taxpayers.

The amendments to the Payments Clearing and Settlement Act clarify that the exchange of payment instructions is part of the clearing and settlement process. This is reflective of how modern payments systems work, where the movement of funds is often preceded by the exchange of payment instructions.

The amendments to the Bank Act clarify the government's original intent that the statutory right of customers to cancel a contract is intended to only apply to retail consumers, which are individuals and small and medium-sized businesses and excludes large businesses. Large businesses are sophisticated commercial clients that can have multifaceted banking relationships where the terms for banking services are often involve negotiations of contractual terms including termination rights.

In addition, Bill C-30 proposes to extend from 2023 to 2025 the regular review of the statutory framework for federally regulated financial institutions which includes the Bank Act, the Insurance Companies Act, and the Trust and Loan Companies Act. The government's stated purpose of this extension is to enable full consideration of the impacts of the COVID-19 pandemic on the financial sector as part of the next legislative review and we understand that rationale for the extension. Regular reviews like this one are essential in ensuring that Canada continues to have a modern and appropriate framework for financial institutions and we look forward to engaging with officials and Parliamentarians on that process.

I appreciate your time Senators and would be pleased to take your questions.