



A Strong Banking System for a Strong Canada

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Submission to the House of
Commons Standing Committee
on Finance



The CBA recommends the federal government to:

1. Productivity & Tax Reform

- Remove the Financial Institutions (FI) Tax and the Canada Recovery Dividend (CRD) to give investors and the banking industry confidence that Canada is committed to attracting investment.
- Undertake a comprehensive review of Canada's tax system with the objective to improve labour productivity, meet the needs of Canada's evolving economy, ensure Canada can compete internationally, and recommit to tax neutrality. Bank s

Market conduct regulation of un- and under - regulated financial service providers

The financial ecosystem continues to rapidly evolve with the surge of non-traditional entities operating in Canada. In the payments space alone, more than 2,500 payment service providers (PSPs) offer financial services to consumers.⁶ Once PSPs are supervised by Bank of Canada under the Retail Payment Activities Act, it is expected that consumer trust will grow and adoption will increase. At present, Canadians that use PSPs are largely unprotected and this poses various risks that may lead to harm. This market conduct risk will only increase as consumer use of non-traditional entities grows.

The G20 and OECD have recognized that financial consumer protection requires a more targeted set of principles than general consumer protection.⁷ These principles seek to mitigate key consumer risks that include, but are not limited to:

- incurring fees that have not been properly disclosed by a provider;
- not having access to their funds held by a provider;
- being unfairly and ambiguously

We believe that an imbalance between home supply and demand continues to be a key factor contributing to the housing crisis in Canada. The CMHC estimates that Canada needs to build an *additional* 3.5 million units above current construction trends to restore housing affordability by 2030. Ultimately, the housing crisis will erode Canada's competitiveness, as businesses may not be able to attract employees to high-cost urban centers.

As such, the only sustainable option for improving affordability over the long-term is to expand the supply of housing, including rental units. Project approvals should be expedited and measures to increase housing density should be implemented. According to Scotiabank, Canada's stock of social housing represents 3.5% of its total housing stock, the lowest among the OECD. In the near-term, we encourage the federal government to accelerate the construction of social housing to meet the growing needs of Canada's most vulnerable.

To correct the supply-demand imbalance, greater coordination between various levels of government is necessary to address Canada's housing challenges. The federal government should create a permanent discussion forum for relevant stakeholders, including all levels of government responsible for housing, infrastructure and immigration, representatives of the construction industry and advocacy groups.

Financial crime & fraud

The banking industry recognizes its key role in combating money laundering and terrorist financing. Our focus is on comprehensively

business information sharing for AML/ATF purposes. Specifically, permitting organizations like banks to exchange certain data will help uncover and report to FINTRAC the existence of complex criminal organizations. These tailored reports should uncover and curtail complex criminal activities.

As Canada's financial system rapidly evolves, it is critical that public and private sector partners work collaboratively. Open dialogue will help to ensure tools (e.g., provincial and federal beneficial ownership registries) and supervisory and enforcement agencies (e.g., FINTRAC, forthcoming Financial Crimes Agency of Canada) are designed and funded to more effectively mitigate money laundering and terrorist financing risks. Key metrics on an outcomes-based approach will provide policy makers with a greater understanding of the regime's effectiveness and benchmark data from which to gauge success and adjust policy.

Further, cyber