

A Strong Banking System for a Strong British Columbia

06/15/2023



Recommendations

This Canadian Bankers Association (CBA) submission identifies opportunities and recommendations for consideration by the Select Standing Committee on Finance and Government Services (Committee) in the drafting of the next British Columbia (B.C.) budget. CBA's key recommendations for the Committee

finances, help small businesses grow, and promote B.C.'s economy internationally. Our submission offers the banking industry's views and recommendations in areas that are of interest to the Committee to support vibrant and healthy

During the COVID-19 pandemic, banks stepped forward to provide relief to individuals and businesses in B.C.

approximately \$2 trillion in over the next three decades to transition to net zero.¹¹

Recommendation: The Government of B.C. advocate that the Government of Canada undertake a comprehensive review of Canada’s tax system to align it to the needs of Canada’s evolving economy and to ensure Canada can compete internationally. In addition, undertake a review of its provincial tax system to encourage productivity.

Transition to net-zero

The CBA applauds the B.C. government for its commitment to building a strong, expanding, inclusive and clean economy, where the benefits are shared, and environmental sustainability is the basis for future growth. Announced in the StrongerBC Economic Plan, the new Environmental, Social and Governance (ESG) Centre of Excellence (Centre) will provide support to B.C. business to develop, promote, and market their goods and services under a globally respected ESG brand. The Centre will help businesses increase their capacity to meet international ESG standards and reporting requirements, remain competitive and increase business opportunities in the province. Banks are committed to doing their part.

The financial sector is central to securing an orderly transition to a low-carbon economy while also ensuring the continued resilience of our country’s financial system. By financing the climate transition, banks are helping Canada meet its net-zero ambitions while also helping meet interim energy demands in a volatile global context. A national or harmonized process is needed for Canada to meet its climate goals and enhance productivity and economic growth. Businesses, governments, and individuals working together on the fundamental reshaping of our economies and societies will be critical in achieving these goals. Banks look forward to opportunities to provide support so that we can purposefully generate more clean energy, grow our economy, and cut emissions in the province and Canada.

Tackling the Housing Crisis

As owning a home in Canada has never been more expensive, CBA supports B.C.'s refreshed commitment to housing affordability by speeding up

federal, provincial, municipal, and Indigenous government authorities, along with bankers, builders, boards of trade, real estate professionals, market rental housing providers, non-market housing organizations, and civil society organizations. Often these stakeholders are not part of the consultation process, but they have substantive sectoral policy expertise and are on the frontlines of the housing challenges. Such a roundtable would provide a forum that could be beneficial for gathering and sharing perspectives to identify the obstacles to housing affordability.

Recommendation: We encourage the Government of B.C. to coordinate housing policy across all levels of government to remove barriers to housing supply. We also support the establishment of a housing roundtable as we believe by leveraging a collective knowledge base in a proactive, collaborative manner, we can create sustainable, vibrant, and healthy communities in the province. We also encourage the government to increase social housing construction to protect B.C.'s most vulnerable households. The CBA also encourages Government of B.C. to expand efforts on critical infrastructure, particularly in the lower mainland, to offer feasible alternatives for commuters and support the province's supply chains.

Need for a harmonized anti-money laundering and anti-terrorist financing regime

The federal

The CBA cautions against applying

Recommendation: We urge the B.C. government to work closely with the federal government and authorities to combat money laundering and terrorist financing. A coordinated approach will avoid duplication and ensure federal and provincial efforts are efficient and effective. In the near-term, we urge B.C. to invest in its enforcement and prosecution of money laundering and terrorist financing and harmonize its existing tools with the federal government.

Consumer Protection for Users of Payment Service Providers (PSP) in Canada and B.C.

The payments ecosystem continues to rapidly evolve with the surge of non-traditional PSPs offering financial services to consumers. PSPs are entities that perform payment functions and currently offer financial services and products to consumers.¹⁶ At present, these PSPs are largely unregulated and pose various risks, including the risk of loss of consumer funds (financial risks); the risk of operational and security failures; and market conduct risk. Market conduct risk is the risk that the behaviour of PSPs with respect to consumers may lead to harm.

While the Bank of Canada and the Department of Finance Canada are developing a federal supervisory framework for PSPs under the Retail Payment Activities Act to address certain risks, the federal framework is silent on market conduct. With over 2,500 PSPs currently operating in Canada¹⁷, and the expectations of increased use and trust that consumers will place in PSPs once they are supervised by Bank of Canada, the absence of market conduct regulation is a significant gap in consumer protection.

Globally, the G20 and OECD have recognized that financial consumer protection requires a more targeted set of rules than general consumer protection.¹⁸ The key risks that these principles seek to mitigate include (but are not limited to) the risks that consumers will:

- incur fees that have not been properly disclosed by a provider;
- not have access to their funds held by a provider;
- be held responsible for fraudulent transactions; and
- not have a line of recourse in the absence of a clear complaints-handling process.

A failure to address these risks, among others, can decrease consumer trust in the financial system.

¹⁶ [Payment functions](#) include provision/maintenance of accounts held, the holding of funds, the initiation and authorization of electronic funds transfers or clearing and settlement services on behalf of end-users.

¹⁷ [Canada Gazette, Part 1, Volume 157, Number 6: Retail Payment Activities Regulations.](#)

¹⁸ Market conduct and subsequent consumer protections associated with financial product principles are outlined in the [G20/OECD High-Level Principles of Financial Consumer Protection.](#)

Financial services and products have the potential to disproportionately impact the well-being of consumers and must be addressed specifically rather than through overarching consumer rights across industries.

Recommendation: We encourage British Columbia’s support for the adoption of a financial consumer protection regime targeted at PSPs, as part of the *Business Practices and Consumer Protection Act*. Enhancing standards for financial consumer protection should also extend to entities tiBdov4d(B)4(P)3 (t)-2(ac)2a(ecoz(m)-2w (-,2)0(P)-L,()0t)-2s (:).1nd)6h7(DDR)-1y.5y)-2usiacPanBatera