





# Recommendations

The Canadian Bankers Association's (CBA) pre-budget submission identifies opportunities and recommendations for consideration by the Ministry of Treasury Board and Finance (Ministry) in the development of their next budget.

The CBA's key recommendations, as summarized, are for the Government of Alberta to:

- Advocate to the federal government to undertake a comprehensive review of the national tax system to ensure it aligns with the needs and goals of Albertans, increases productivity, and attracts international capital investments. One step is the removal of sector specific taxes such as the Financial Institutions (FI) Tax and the Canada Recovery Dividend (CRD).
- Support the establishment of a multi-stakeholder housing roundtable to coordinate housing policy

# Introduction

The CBA is grateful for the opportunity to contribute to the Ministry's next budget through its 2024 Budget consultation.

The CBA works on behalf of more than 60 domestic and foreign banks operating in Canada, including several headquartered in Alberta. The CBA advocates for public policies that contribute to a sound, thriving banking system that ensures Canadians, including Albertans, can succeed in their financial goals. We also promote financial literacy to help residents of Alberta make informed financial decisions and work with banks and law enforcement to help protect customers against financial crime and promote fraud awareness.

A strong and healthy banking system is an essential cornerstone to help households manage their finances, help small businesses grow, and promote Alberta's economy in attracting capital investments. Our submission offers the banking industry's views and recommendations in areas that are of interest to the Government's efforts in strengthening local economies and communities across the province now and create prosperity for the future.

## Banking industry and the Alberta economy

Canada's banking sector has a longstanding history of supporting the Alberta economy. In 2022, the banking industry contributed approximately \$8.3 billion (or 2.5 per cent) to Alberta's GDP and paid over \$300 million in provincial and municipal taxes. Furthermore, banks in Canada provided \$22.6 billion in dividend income in 2021 and a further \$26.0 billion in 2022 that went to seniors, families, pension plans, charities, and endowments across Canada, including in Alberta.<sup>1</sup>

The banking industry invests heavily in new technology to meet the needs of Canadians. Over the last decade, Canadian banks invested approximately \$115 billion in technology across Canada. With a network of 665 branches and 2,415 bank-owned ABMs across Alberta, Canada's competitive banking system provides ready access, good value, and wide choice of banking services to consumers and businesses. Additionally, financial advisors and planners employed by banks help Albertans plan for times of heightened economic uncertainties and financial pressures.

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<sup>1</sup> CBA data.

The banking industry's overall workforce in Alberta is large, inclusive and talent driven. Alberta is the headquarters to three of CBA's members employing over 2,500 employees.<sup>2</sup> Furthermore, the six largest Canadian banks employ more than 18,000 employees in Alberta, of which approximately 62 per cent of is represented by women and visible minorities constitute 38 per cent, with significant representation in all management levels. Additionally, banks are making special efforts to increase representation of Indigenous people within their workforces and support initiatives to promote the employment of people with disabilities.

economies in the next 40 years because of sluggish growth in labour productivity.<sup>9</sup>

# Supporting housing affordability

We recognize that each province in Canada has unique needs and challenges with respect to housing affordability. Alberta has not been immune to the challenges of home affordability pressures experienced across the country since the beginning of the pandemic. RBC Economics estimates the share of household income needed to cover home ownership costs at 44 per cent and 34 per cent in Calgary and Edmonton, respectively.<sup>12</sup> While affordability has not deteriorated in Alberta to the same extent as it has in other Canadian provinces, maintaining affordable housing for the most vulnerable in our society remains vital to the province's continued economic and social vibrancy.

As population continues to grow in the province, we believe that an imbalance between home supply and demand will contribute to affordability challenges. The Canada Mortgage and Housing Corporation (CMHC) estimates that Alberta needs to build an *additional* 20,000 units above current construction trends to restore housing affordability by 2030.<sup>13</sup> 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 Economics, Canada's stock of permanent supportive housing represents 3.5 per cent of its total housing stock, among the lowest in the OECD. In the near-term, we encourage the Government of Alberta to accelerate the construction of permanent supportive housing to meet the growing needs of Alberta's most vulnerable. A recent study by the Mental Health Commission of Canada estimated that every \$10 invested in supportive housing resulted in an average savings of almost \$22 across health care, social services, and the justice systems in addition to social returns.<sup>14</sup>

To correct supply-demand imbalances, greater coordination between various levels of government is necessary. The CBA supports the establishment of a permanent housing roundtable, bringing together representatives of 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 have substantive sectoral policy expertise and are on the frontlines of the housing challenge. A permanent roundtable would provide a beneficial forum for sharing perspectives on obstacles to housing affordability, as well as generating solutions.

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<sup>12</sup> RBC, [Focus on Canadian housing: Housing trends and affordability](#), March 2023

<sup>13</sup> CMHC, [Canada's Housing Supply Shortage: Restoring affordability by 2030](#), June 2022

<sup>14</sup> Canadian Mental Health Association Ontario, [Housing First: The Path to Recovery](#)

**Recommendation: We encourage the Government of Alberta to contribute to efforts across all levels of government to remove barriers to housing supply, particularly for the most vulnerable. We support the establishment of a housing roundtable, as we believe leveraging stakeholders' collective knowledge will create sustainable, vibrant, and healthy communities in the province. We encourage the Government to increase permanent supportive housing construction to protect the province's most vulnerable households.**

## **Strengthening financial literacy**

Financial literacy is an essential life skill. Developing an understanding of money at a young age will help people better manage their money in the future, but people of all ages need to have the necessary tools to make informed financial decisions and the knowledge to avoid financial fraud and scams. The banking sector has long recognized that it has a role to play in supporting and strengthening financial literacy, and banks support many programs to help Canadians.

The CBA applauds the leadership demonstrated by the Government of Alberta through investments in basic financial literacy education for students across the province. This is a laudable policy, and we hope it encourages other provinces in Canada to follow suit.

We encourage the Government to further its financial literacy commitment through the introduction of a standalone course on financial literacy to complement the current Grade 10 "Career and Life Management" course, as well as modules in the math and social courses. This new, standalone course would build upon the strengths of Alberta's existing curriculum and would provide an in-depth exploration of key topics such as budgeting, saving, investing, and credit.

# Consumer protection for users of payment service providers (PSP) in Canada and Alberta

The payments ecosystem continues to rapidly evolve with the surge of non-traditional PSPs, including large technology firms, offering financial services to consumers. PSPs are entities that perform payment functions and currently offer financial services and products to consumers.<sup>15</sup> 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 refers to the behaviour of PSPs that may harm consumers.

While the Bank of Canada and the Department of Finance Canada have developed 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 Canada<sup>16</sup>, 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.<sup>17</sup> 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-



The rise in digital financial services has made financial data a prime target for cyber threats. The Canadian Anti-Fraud Centre has noted a 40 per cent year-over-year surge in cybercrime losses, with many incidents going unreported.<sup>18</sup> Globally, about three billion phishing emails are sent daily. Cyber security is a shared responsibility, with banks collaborating with each other, the government, and law enforcement to safeguard Canada's critical infrastructure. It's crucial for individuals and businesses to adopt basic cyber security practices and to be aware of common frauds and scams. Collaboration with the CBA and organizations such as the Canadian Centre for Cyber Security would support efforts to educate Canadians on avoiding scams, protecting individuals and small businesses, and mitigating cyber security threats.

**Recommendation: We encourage the Ministry to support the adoption of a financial consumer protection regime targeted at PSPs, as part of Alberta's consumer protection framework. Enhancing standards for financial consumer protection should also extend to entities that embed payments processing for merchants on behalf of consumers that have the potential to fall outside the federal framework, as they introduce the same risks as PSPs. Additionally, we encourage the Ministry to collaborate with the CBA and federal government agencies to increase cyber security awareness and strengthen Canada's cyber resilience.**

## **Need for a harmonized anti**

fail to focus on the appropriate risks and miss a key opportunity to properly augment the Regime (e.g., provincial changes may be required in the future to support a federal solution on private-to-private institution information sharing for AML and ATF purposes);  
impact the ongoing, important national policy work of the federal government;  
create coordination concerns amongst a growing number of authorities; and  
potentially increase reporting issues.

# The privacy of Albertans

We understand the Standing Committee on Resource Stewardship will be reviewing Alberta's *Personal Information Protection Act* (AB PIPA) in the context of the evolving digital and global marketplace.

Banks have long been entrusted with significant amounts of their customers' personal information, and protecting the privacy of this information continues to be paramount to maintaining the longstanding trust of their customers. Banks are federally regulated and are governed by the federal *Personal Information Protection and Electronic Documents Act* (PIPEDA)

**believe it is fundamentally important for the federal process to reach its completion before considering reforms to AB PIPA, to ensure cross-jurisdictional alignment and harmonization of high-level privacy principles, key definitions, and specific requirements. Additionally, we continue to strongly support clear, nonconcurrent jurisdictional boundaries, to ensure both cross-border data flows and federally regulated businesses are not burdened with duplicative regulatory oversight and potentially different obligations.**

## **Addressing physical security challenges in urban centres**

The CBA applauds the Alberta government for its commitment to address the increasing social issues, addictions, and homelessness through a coordinated response between the province, city, and local partners. For instance, the Edmonton and Calgary Public Safety and Community Response Task Forces demonstrate the government's recovery-oriented approach to address these often-intertwined issues in Alberta's urban centres. Banks are committed to doing their part to support local communities.

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# Transition to Net Zero

The financial sector is central to securing an orderly transition to a low-carbon economy. By financing the climate transition, banks are helping Canada meet its net-zero ambitions while continuing to ensure we reliably meet energy demands in a volatile global context. Banks are helping to finance greener forms of energy, but the full transition to net-zero will not happen overnight. Alberta is in a unique position to help Canada achieve its carbon neutrality goals, and we acknowledge the province's efforts in developing its Alberta Emissions Reduction and Energy Development Plan that was released earlier this year.

We believe that 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 is critical in achieving these goals. Banks look forward to opportunities to support the generation of more clean energy, grow our economy, and cut emissions across Canada.

Additionally, the transition to a net-zero economy provides further support to review Canada's tax system, consistent with our first recommendation. Such a review affords an opportunity to assess measures that encourage the investments that will be needed to transition to net zero. Some estimates suggest that Canada will need approximately \$2 trillion in over the next three decades to transition to a net zero economy.<sup>20</sup>

**Recommendation: We encourage the Government of Alberta to collaborate with industry and the Government of Canada to design targeted investments and tax incentives that create pathways to net-zero, while taking a balanced and flexible approach to new regulation.**

## Conclusion

Upcoming challenges to Alberta, whether influenced by global or domestic factors, highlight the need for a strong and stable banking sector that will benefit the province's economy. The banking sector plays a vital role in the province's economy directly or indirectly, by supporting Alberta's business ecosystem, particularly in lending to SMEs.

Thank you again for the opportunity to contribute to the Government's next budget through the 2024

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<sup>20</sup> RBC, [The \\$2 trillion transition: Canada's road to net zero](#), October 2021

Budget consultations. Our recommendations aim to ensure the banking system continues to support Albertan families and businesses through the uncertainty of today, while continuing to build a strong foundation for future generations.

Please do not hesitate to contact the CBA to discuss our pre-budget submission further.